

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 28 March 2001

The Council met at half-past Two o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

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

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

THE HONOURABLE DAVID CHU YU-LIN

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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

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

THE HONOURABLE NG LEUNG-SING

PROF THE HONOURABLE NG CHING-FAI

THE HONOURABLE MARGARET NG

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN

THE HONOURABLE BERNARD CHAN

THE HONOURABLE CHAN KAM-LAM

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

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

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

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

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

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

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

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

THE HONOURABLE LAW CHI-KWONG, J.P.

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

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

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

THE HONOURABLE LI FUNG-YING, J.P.

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

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

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

MEMBERS ABSENT:

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

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

PUBLIC OFFICERS ATTENDING:

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

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

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

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

MR CHAU TAK-HAY, J.P.
SECRETARY FOR COMMERCE AND INDUSTRY

MR GORDON SIU KWING-CHUE, J.P.
SECRETARY FOR PLANNING AND LANDS

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

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

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

MR LAM WOON-KWONG, G.B.S., J.P.
SECRETARY FOR HOME AFFAIRS

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

MRS LILY YAM KWAN PUI-YING, J.P.
SECRETARY FOR THE ENVIRONMENT AND FOOD

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

MRS REGINA IP LAU SUK-YEE, J.P.
SECRETARY FOR SECURITY

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

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

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

MS SANDRA LEE SUK-YEE, J.P.
SECRETARY FOR ECONOMIC SERVICES

MS ANISSA WONG SEAN-YEE, J.P.
SECRETARY FOR THE CIVIL SERVICE

DR EDGAR CHENG WAI-KIN, J.P.
HEAD, CENTRAL POLICY UNIT

CLERKS IN ATTENDANCE:

MR RICKY FUNG CHOI-CHEUNG, J.P., 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>
Schedule of Routes (Citybus Limited) Order 2001	70/2001
Schedule of Routes (Kowloon Motor Bus Company) Order 2001	71/2001
Schedule of Routes (Long Win Bus Company Limited) Order 2001	72/2001
Schedule of Routes (New Lantao Bus Company) Order 2001	73/2001
Schedule of Routes (New World First Bus Services Limited) Order 2001	74/2001
Schedule of Routes (North Lantau and Chek Lap Kok Airport) (Citybus Limited) Order 2001	75/2001

Other Papers

- No. 72 — AIDS Trust Fund 1999-2000 Annual Accounts together with the Director of Audit's Report
- No. 73 — Occupational Safety and Health Council Annual Report 1998-1999
- No. 74 — Traffic Accident Victims Assistance Fund Annual Report by the Director of Social Welfare Incorporated for the year from 1 April 1999 to 31 March 2000
- No. 75 — Securities and Futures Commission Approved Estimates of Income and Expenditure for the financial year 2001-02

WRITTEN ANSWERS TO QUESTIONS

Supply and Demand of Housing

1. **MR SZETO WAH** (in Chinese): *Madam President, regarding the supply and demand of housing in Hong Kong, will the Government inform this Council of:*

- (a) *the estimated demand of local residents to be generated from various housing need components in each of the next five years, in the form of the tabular breakdown below; and*

<i>Housing need components</i>	<i>Number of</i>		<i>Number of</i>		<i>Splitting ratio</i>
	<i>households</i>	<i>Number of</i>	<i>Number of</i>	<i>private</i>	<i>between</i>
	<i>generated (+) /</i>	<i>housing flats</i>	<i>public housing</i>	<i>housing flats</i>	<i>public and</i>
	<i>reduced (-)</i>	<i>in demand</i>	<i>flats occupied</i>	<i>occupied</i>	<i>private housing</i>
					<i>flats occupied</i>
<i>First marriages</i>					
<i>Re-marriages</i>					
<i>Divorces</i>					
<i>Legal immigrants from China</i>					
<i>Expatriates</i>					
<i>Splitting of unextended nuclear family households</i>					
<i>Splitting of extended nuclear family households</i>					
<i>Splitting of multi-nuclear family households</i>					
<i>Clearance of temporary housing areas and cottage areas</i>					
<i>Clearance of squatters</i>					
<i>Emergency, natural disasters and compassionate cases</i>					
<i>Redevelopment of public sector housing</i>					
<i>Redevelopment of private sector housing</i>					
<i>Adequately housed non-owner-occupier households in private sector</i>					
<i>Inadequately housed households</i>					
<i>Adequately housed public rental housing households</i>					
<i>Net outflow of Hong Kong residents</i>					

- (b) *the area of residential land to be supplied as well as the respective estimated numbers of public and private housing flats to be completed, in each of the next five years?*

SECRETARY FOR HOUSING (in Chinese): Madam President, according to the current housing demand assessment in 1998, the average annual flat production requirement estimated for the 10-year period from 1997-98 to 2006-07 for public and private housing is as follows:

	<i>Public</i>	<i>Private</i>	<i>Total</i>
Total	457 000	343 000	800 000
Annual (average)	45 700	34 300	80 000

A list of accommodation generation rates, splitting ratios and flat production requirements for different components of housing need is at Annex.

In 2001-02, we shall make available 38 hectares of land for private housing (including 13 hectares to be disposed of through private treaty grants) and 12 hectares for Private Sector Participation Scheme (PSPS). In the subsequent four years from 2002-03 to 2005-06, about 319 hectares of land for private housing and seven hectares for PSPS will be made available. This new land supply, together with redevelopments on existing sites, will help us to meet the long-term demand for private sector housing. The amount of new land taken up and the actual annual production of flats in any particular year will be determined by private developers on the basis of commercial decision. No estimate is available.

In addition to the sites identified for the PSPS, about 110 hectares of new land have been earmarked for public housing over the same five-year period (2001-02 to 2005-06). These sites, together with redevelopment projects of the Housing Authority and the Housing Society, will be sufficient to meet estimated demand for public rental flats and subsidized home ownership flats.

Total public housing production over the next five financial years is estimated at about 220 000 flats. Total private housing production over the next two years is estimated at about 58 000 flats: 28 000 in 2001 and 30 000 in 2002. No estimate is available beyond this period.

Annex

<i>Components of housing need</i>	<i>Accommodation generation rate (%)</i>	<i>Housing demand generated (no. of households)</i>	<i>Splitting ratio for public/private housing flats (public:private)</i>	<i>Number of households requiring public housing flats¹</i>	<i>Number of households requiring private housing flats²</i>
First marriages	82	) 31 300	54:46	) 16 900	) 14 400
Re-marriages	25	)	54:46))
Divorces	30	7 200	54:46	3 900	3 300
Legal entrants from Mainland	100	8 300	71:29	5 600	2 700
Expatriates	100	6 200	0:100	0	6 200
Splitting of unextended nuclear family household	100	)	27:73))
Splitting of extended nuclear family household)))))
- young single-person households	100	) 14 200	29:71	) 8 900	) 5 300
- elderly single-person households	100	)	71:29))
Splitting of multi-nuclear family households	100	)	84:16))
Clearance of temporary housing areas and cottage areas	100	2 800	100:0	2 800	0
Clearance of squatters	100	1 700	100:0	1 700	0
Emergency, natural disaster and compassionate cases	100	2 300	100:0	2 300	0
Redevelopment of public rental estates	100	7 700	100:0	7 700	0
Redevelopment of private flats	100	2 700	72 : 28	2 000	700
Inadequately housed households	100	7 000	72 : 28	5 100	1 900
Intersectoral transfers of adequately housed households		0		-2 400	2 400
- public housing	100		0 : 100		
- private housing	100		100 : 0		
Net outflow of Hong Kong residents	93	-1 500	19 : 81	-300	-1 200

¹ In the housing demand model, the flat production requirement for public housing is assumed to be equal to the level of housing demand.

² For the flat production requirement for private housing, an allowance is made, on top of the level of the projected housing demand, for flats which are vacant, used as second homes or for other purposes. Based on past trends, this allowance is assumed to be 6%.

Trade Effluent Surcharge for Restaurants

2. **MR TOMMY CHEUNG** (in Chinese): *Madam President, at present, restaurant operators are required to pay a trade effluent surcharge according to the volume of water consumed. However, they can lodge appeals to ask for a reduction in the surcharge if they believe that the strengths of sewage discharged from their restaurants are less than 2 315 g per cubic metre as measured by Chemical Oxygen Demand-Settled. Many restaurant operators are dissatisfied with the high surcharge rate and consider the cost of lodging an appeal too expensive. A canteen operator even set himself on fire in the Legislative Council Building early this month in protest against the surcharge and sustained severe burns. In this connection, will the Government inform this Council whether it will review the basis for setting the surcharge as well as the cost of lodging an appeal, and relax the stipulation on sewage strengths of restaurant effluents so as to reduce the operating costs of restaurants?*

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Chinese): Madam President, the Trade Effluent Surcharge (TES) scheme was introduced in 1995. In 1996, we immediately undertook a review of the structure and operation of the TES scheme. The review endorsed the basic features of the current TES scheme, including the use of volume and strength of effluent discharged as the technical basis of charging, determination of the volume of effluent discharged from the volume of fresh water supplied, the use of chemical oxygen demand as the parameter for the strength of effluent, and the application of generic values for effluent strength to all trades. The review also concluded that there was insufficient evidence to justify a change of the current generic strength of effluent for restaurants.

Under the existing scheme, an operator may lodge an appeal with the Drainage Services Department (DSD), applying for a variation of his TES rate. To reduce the overall cost incurred by operators in applying for variation of TES rates, the DSD has proposed some new procedures for the reassessment. These include the extension of the validity period of the varied TES rate from one year to three years and the adoption of a new method for the collection of effluent samples. The DSD consulted the traders on these proposals in September 2000. The DSD is now carefully considering the comments received and will further discuss with the traders.

Review of Government Financial Reporting Policy

3. **MR ERIC LI** (in Chinese): *Madam President, will the Government inform this Council when it will release the results of the review of the government financial reporting policy, and whether it will consult relevant professional bodies on the recommendations made in the report?*

SECRETARY FOR THE TREASURY (in Chinese): *Madam President, as part of the review of the government financial reporting policy, we have consulted the accounting practitioners and academics. We will publish the report of the review in the next few months. Concurrently we will further consult interested parties, including the accounting profession through the Hong Kong Society of Accountants, on the details of implementing accrual based accounting.*

Assistance to Hong Kong Businessmen with Investments in Mainland

4. **MR HUI CHEUNG-CHING** (in Chinese): *Madam President, regarding the assistance provided to Hong Kong businessmen with investments in the Mainland, will the Government inform this Council:*

- (a) *of the number of inquiries made by Hong Kong businessmen to the Trade and Industry Department (TID) on mainland legislation and policies each year between 1995 and 1999, and the TID's plans to strengthen its assistance to Hong Kong businessmen in the provision of relevant information; and*
- (b) *whether it will consider releasing regularly the categories and numbers of requests for assistance and complaints made by Hong Kong businessmen to the TID, so that the public and this Council can be informed of the various types of difficulties encountered by Hong Kong businessmen operating businesses in the Mainland?*

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

- (a) *The TID does not have any statistics on the number of inquiries made by Hong Kong businesses about mainland regulations and*

policies from 1995 to 1999. As for the provision of information, the TID has long been keeping in touch with the authorities concerned in the Mainland and the Office of the Government of the Hong Kong Special Administrative Region in Beijing to collect information on mainland trade policies, regulations and other relevant information, and disseminate such information through the "Commercial Information Circulars" (CIC) and the TID's website. The TID will step up its effort to collate more updated information and consider issuing the CIC by means of electronic mail to trade and business associations to facilitate wider distribution to Hong Kong businesses.

- (b) The number of cases of Hong Kong businesses seeking help from or lodging complaints to the TID is small. We pointed out during the Legislative Council meeting on 7 February this year that only three cases of commercial complaints were received by the TID in 2000. Given that such cases involve the operation of individual companies, it is not appropriate to disclose the content and nature of such cases. As such, we consider that it is not necessary to set up a new mechanism to regularly publish the number and types of commercial complaints. However, we will continue to furnish the public with information about the general difficulties encountered by Hong Kong businesses operating in the Mainland and the number of such cases through various means and arenas, including meetings of this Council from time to time.

Proactive Registration Campaign for the Elderly

5. **MISS CHAN YUEN-HAN** (in Chinese): *Madam President, the Administration is conducting a proactive registration campaign for the elderly to fulfill its commitment that registered eligible elderly persons can be provided with public rental housing (PRH) flats by the end of 2003. In this connection, will the Government inform this Council:*

- (a) *of the number of registrations received to date, the number of cases in which the elderly concerned withdrew their registrations and the reasons for withdrawal;*

- (b) *of the registration procedures and formalities, and how the Housing Department helps the elderly understand these procedures; and*
- (c) *whether it will consider arranging for eligible elderly persons who are not able to register by the end of this month but may do so several months later to be provided with PRH flats by the end of 2003?*

SECRETARY FOR HOUSING (in Chinese): Madam President, since the proactive registration campaign for the elderly started on 22 November 2000, the Housing Department has received 5 542 applications from elderly households. Together with 6 455 elderly households already on the PRH Waiting List, there are 11 997 elderly applicants for PRH as at 17 March 2001. Although notifications for withdrawal are received from time to time, no statistics on the breakdown for elderly applicants is kept. Common reasons given for withdrawal are death and admission to elderly homes.

The Housing Department only requires elderly applicants to fill in an application form and provide a photocopy of their identity card. Where necessary, the Housing Department will assist applicants to complete the forms. Promotion and publicity measures have also been taken, including:

- (i) advertisements in the media, exhibitions and publicity leaflets;
- (ii) enlisting the support of community organizations and social service agencies in disseminating information to their elderly contacts; and
- (iii) launching outreaching visits and setting up a telephone hotline and inquiry counters.

The registration of elderly persons on the Waiting List is an ongoing process. The Housing Authority will offer rehousing to all eligible elderly households on the Waiting List according to established policies if they apply after March 2001.

Power of Chief of Service in Public Hospitals to Suspend Doctors from Clinical Duties

6. **DR LO WING-LOK** (in Chinese): *Madam President, it was reported that on 5th of this month, a surgeon of the Prince of Wales Hospital was suspended from clinical duties with immediate effect by the Chief of Service (COS) of the Department of Surgery, allegedly because he had been impolite to his superior. Subsequently, a laparoscopic operation scheduled to be performed by the surgeon had to be replaced by an open surgery, which would inflict larger wounds on the patient, performed by other surgeons. In this connection, will the Government inform this Council whether it knows:*

- (a) *if the internal regulations of the Hospital Authority (HA) empower a COS in a public hospital to make decisions of his own accord to suspend a doctor from clinical duties; the procedure the COS has to follow in making such decisions; and the channels through which the doctor concerned can lodge an appeal;*
- (b) *as there was an allegation that the suspension was related to the surgeon's role as the Vice-President of the Hong Kong Public Doctors' Association and his active role in fighting for compensatory leave for doctors who work overtime, if the internal panel of inquiry established by the Prince of Wales Hospital for the incident has assessed whether the suspension was an act of suppressing and discriminating against trade unions; if so, the assessment results; if not, the justifications for that; and*
- (c) *the measures the HA has put in place to ensure that patients' rights will not be compromised by such incidents?*

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

- (a) The COS, as head of a clinical department, has the responsibility to monitor and direct the operational activities of the department. Where a COS considers that the performance or condition of his subordinate may adversely affect the delivery of patient care or the proper functioning of the department, he has a responsibility to take

prompt and appropriate action, including temporary suspension of the subordinate's work if deemed necessary, to ensure no disruption to patient service. Depending on the nature of action taken by the COS, the hospital management may need to review such action. The subordinate can also lodge an appeal to the hospital management or the HA Head Office against action taken by the COS.

- (b) The internal inquiry conducted by the Prince of Wales Hospital established that the suspension of clinical duties of the doctor in question had nothing to do with his position as vice chairman of the Hong Kong Public Doctors' Association, or as an advocate of staff welfare. The parties to this case did not contest such a conclusion.
- (c) All clinical departments of HA hospitals have in place manpower deployment arrangements to ensure that if a surgeon cannot perform a surgical operation due to unforeseen reasons, another surgeon would be arranged to undertake the operation. Under such an arrangement, appropriate medical care can be delivered to patients at all times.

Fire Incidents at Vacant Squatter Areas and Illegal Structures

7. **MR HENRY WU** (in Chinese): *Madam President, regarding the fire incidents and explosions of flammable gas installations at vacant squatter areas and vacant unauthorized structures, will the Government inform this Council:*

- (a) *of the respective numbers of squatter areas and rooftop structures cleared in the past three years; and the number of fires which broke out at such locations during the period when the residents had moved out and the structures were awaiting clearance;*
- (b) *of the government department responsible for the removal of abandoned LPG cylinders and other flammable gas installations at such locations; and whether a timeframe has been specified for the completion of such removal work; if so, of the specified timeframe; if not, the reasons for that;*

- (c) *of the measures adopted to prevent to-be-removed flammable gas installations from causing fires; and*
- (d) *whether it has examined if it is feasible to remove flammable gas installations immediately after they are identified as having been abandoned; if so, of the findings, if not, the reasons for that?*

SECRETARY FOR HOUSING (in Chinese): Madam President, in the past three years (1998 to 2000), the Housing Department carried out 720 squatter clearances while the Buildings Department took enforcement action against 777 unauthorized rooftop structures in about 330 buildings. According to the Government's records, six fires broke out in vacated squatter structures, and there was no record of fires in rooftop structures vacated by enforcement action.

The Housing Department and Buildings Department are responsible for the removal of abandoned LPG cylinders and inflammable gas installations in vacated squatter and rooftop structures respectively. Once identified, they are removed immediately.

The following measures are implemented to prevent fire hazard from abandoned inflammable gas installations in cleared squatter areas:

- (i) clearances are reminded in writing before the clearance to dispose of abandoned inflammable gas installations properly;
- (ii) vacated structures are inspected for abandoned LPG cylinders and inflammable gas installations, which once found are immediately removed;
- (iii) vacated structures are boarded up or demolished to prevent hazardous or criminal activities; and
- (iv) for major clearances, the Fire Services Department gives advice on and carries out appropriate gas safety and fire prevention measures.

As regards unauthorized rooftop structures, the Buildings Department will exercise power under the Buildings Ordinance to make arrangements for vacating such structures and removing hazardous equipment or materials before proceeding with demolition, if the owner has defaulted on a statutory order to remove them.

Interception of Illegal Immigrants from Mainland

8. **MR WONG YUNG-KAN** (in Chinese): *Madam President, regarding the interception of illegal immigrants (IIs) from the Mainland, will the Government inform this Council of:*

- (a) *the respective numbers of IIs from the Mainland intercepted on land and at sea within the territory in each of the past three years, together with a breakdown by the district and the waters in which they were intercepted;*
- (b) *the measures adopted to intercept IIs; and*
- (c) *the measures in place to prevent mainland persons from entering Hong Kong illegally by first landing on outlying islands by boat and then taking public transport for the urban areas?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) The respective numbers of IIs from the Mainland intercepted by the police in various land and marine formations in the past three years are set out below:

<i>Year</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
<i>Land formations</i>			
Hong Kong Island	1 057	799	565
Kowloon West	2 256	1 689	1 677
Kowloon East	1 279	821	441
New Territories North	6 009	5 169	3 696
New Territories South	1 866	1 337	862
Sub-total	12 467	9 815	7 241
<i>Marine formations</i>			
Cheung Chau Division	29	19	16
Marine Harbour Division	54	38	41
Marine South Division	194	177	22
Marine North Division	127	77	54
Marine East Division	106	155	108
Marine West Division	324	263	149
Sub-total	834	729	390
Total	13 301	10 544	7 631

- (b) The interception of IIs within the territory is mainly the responsibility of the police. Various measures are taken at different levels and in different districts to combat illegal immigration. The numbers of IIs intercepted within the territory in part (a) above reflect that illegal immigration activities have generally been kept under control. The police will continue to implement the following key measures to intercept IIs:
- (i) Different scales of operations against illegal immigration are being conducted in various police land formations. Apart from instructing patrol officers to stop and search suspicious persons, the police will from time to time carry out joint operations with relevant government departments such as the Immigration Department and the Labour Department to combat such illegal activities.
 - (ii) Through district intelligence networks, intelligence on illegal immigration activities is gathered from various sources such as IIs under arrest and local contacts. Such intelligence is disseminated to all police districts so that divisional police stations can have a better grasp of the trend and black spots of illegal immigration, and hence devise more effective measures to combat such activities.
 - (iii) The application of advanced technological equipment has been stepped up in operations against illegal immigration to enhance the police's capability to detect and combat such activities. For instance, the police have procured thermal detectors to help officers monitor illegal immigration activities in the vicinity of the boundary at night. Under Vehicle Surveillance Systems are installed at various land boundary crossing control points to detect mainlanders hiding under cross-boundary vehicles. Besides, the Police Border District is planning to replace the electronic sensor system installed along the boundary fences for more effective interception of mainlanders who attempt to enter Hong Kong illegally by climbing over the fences.

- (iv) Close liaison with relevant mainland agencies is maintained through established channels to exchange intelligence on illegal immigration. Regular exercises are conducted jointly by the mainland agencies and the police to strengthen their communication and co-operation in the fight against illegal immigration. If necessary, both sides will conduct para-operations to prevent and stop illegal entry of mainlanders into Hong Kong.
- (c) In addition to the above key measures, the police also employ special means to combat illegal entry of mainlanders by sea as follows:
 - (i) Acting on intelligence, the police will mount operations targeting illegal immigration at specific locations, such as stopping and searching suspicious vessels and keeping under close surveillance black spots of illegal immigration. In addition, stop and search operations will be conducted at the Outlying Districts Services Pier and the adjacent mass transit stations;
 - (ii) Advanced radar facilities are installed on the roof of Lau Fau Shan Police Station, enabling Marine Police officers to monitor the waters around Deep Bay and to intercept IIs entering by sea;
 - (iii) Snap checks are conducted at access roads in the proximity of the black spots of IIs' landing to intercept and search suspicious persons; and
 - (iv) Five high-speed motor boats have been procured to enhance the police's capability to intercept IIs at sea.

Work of Invest Hong Kong

9. **PROF NG CHING-FAI** (in Chinese): *Madam President, regarding Invest Hong Kong (InvestHK), a government agency set up on 1 July last year, will the Government inform this Council of:*

- (a) *the number of foreign enterprises which have so far been attracted or offered assistance by the agency to invest in Hong Kong, together with a breakdown of this number, the total amount of investments and the number of jobs created locally, by the type of business of these enterprises; and*
- (b) *details of the comprehensive work targets and plans formulated by the agency for attracting inward investments?*

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

- (a) The statistics on the required information for the six months from 1 July to 31 December 2000 are set out below:

<i>Sectors</i>	<i>Projects Completed</i>	<i>Investment amount \$ million</i>	<i>Jobs Created</i>
Information technology	5	403.7	32
Telecommunications	3	9.0	22
Technology	5	7.5	23
Tourism and entertainment	1	48.0	70
Financial services	2	40.5	103
Business and professional services	4	4.5	13
Transportation	1	1.0	2
Trade related services	1	1.0	5
Others	12	13.5	31
Total	34	528.7	301

The projects completed in the table above represent the number of foreign enterprises attracted or offered assistance by InvestHK in respect of which the projects were completed during the period. A large number of other companies have been in contact with InvestHK and assisted by the Department. Those projects are not yet completed and hence not included in the above table.

- (b) InvestHK has set the following targets for attracting inward investments in 2001

Number of pursuable new leads	100
Number of projects generated from aftercare service	100
Number of projects pursued	200
Number of projects completed	50

InvestHK has formulated the following plans to achieve the targets above:

- To target investment promotion in the following sectors: Telecommunications, Information Technology, Media and Multi-Media, Technology (especially Electronics and Biotechnology), Tourism and Entertainment, Financial Services, Business and Professional Services, Trade-related Services and Transportation.
- To enhance aftercare services with the object of assisting investors to expand or remain in Hong Kong.
- To embark on a series of public relations and image building activities including participation in two international yacht races — the BT Global Challenge and the New World Challenge, sponsorship of the Fortune Global Forum, and advertising in selective business publications and sector specific publications to create interest in Hong Kong.
- To promote and maintain the InvestHK website as a useful marketing and communications tool for investment attraction.
- To foster strategic partnership with organizations such as the Hong Kong Trade Development Council and to jointly promote the attractiveness of Hong Kong to foreign investors.
- To establish a working relationship with the foreign chambers of commerce and consulates in Hong Kong in order to generate referrals and pursuable leads.

Delay in Payment of Rates by Hospital Authority

10. **MISS LI FUNG-YING** (in Chinese): *Madam President, it has been reported that the Hospital Authority (HA) had to pay a surcharge of \$1.67 million for failing to pay the rates for its public hospitals before the specified deadline. In this connection, will the Government inform this Council whether it knows:*

- (a) *the rank of the staff member responsible for the late payment of rates and the disciplinary actions taken against him or her;*
- (b) *if the HA has assessed the need for the head of the department concerned to bear part of the responsibility; if the assessment result is in the negative, of the reasons for that;*
- (c) *if the medical services of the HA will be affected as a result of the fine; and*
- (d) *the measures the HA has adopted to prevent similar incidents?*

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

- (a) Prior to 2000-01, the HA was not required to pay rates for Schedule I (former Government) hospitals. With the commencement of the cross charging arrangement for rates payable in respect of Schedule I hospitals, the HA was required to pay rates for Schedule I hospitals with effect from 2000-01. Upon receipt of the demand note for the first payment of rates of Schedule I hospitals in November 2000, an accounting officer of the Finance Division of the HA Head Office took action to clarify with the Rating and Valuation Department on the amount of rates payable. During this clarification process, the payment deadline was inadvertently missed. Taking into account the circumstances leading to the mistake and having regard to action taken in other disciplinary cases, the HA decided to serve the accounting officer with a written warning.

- (b) The investigations revealed that a finance manager, who is the head of the relevant section of the Finance Division, had not exercised due diligence in the supervision of his subordinate. The finance manager was served with verbal warning.
- (c) Given the normal fluctuations in budgetary expenditure, the medical services of the HA will not be affected by the surcharge. The surcharge will also be offset against the more than \$50 million savings per annum (which is on top of those savings under the Enhanced Productivity Programme) achieved through the vigorous downsizing of the HA Head Office in the past three years.
- (d) The HA had conducted a thorough internal audit exercise to examine its financial payment system. Based on the recommendations of the audit, the HA has implemented further enhancements in terms of risk management to its internal control mechanisms. A central tracking system has been established to monitor and ensure timely payment of all direct invoices of over \$1 million, or those which will attract surcharge on overdue payment. The tracking system is in addition to the existing arrangement of maintaining individual registers for direct invoice payment. The HA will provide further training to its staff to enhance their risk awareness and promote risk-based approach to financial management. A workshop on risk management was conducted in end February this year, and several briefing sessions were held during end February to early March this year.

Switch to Ultra-low Sulphur Diesel by Franchised Bus Companies

11. **MR IP KOWK-HIM** (in Chinese): *Madam President, regarding the switch to ultra-low sulphur diesel (ULSD) by franchised bus companies, will the Government inform this Council:*

- (a) *whether it knows the respective monthly fuel consumption by buses operated by various franchised bus companies, and the respective percentages of ULSD in the fuel consumed;*
- (b) *of the measures in place to encourage franchised bus companies to expedite their switch to ULSD; if no measure is in place, the reasons for that; and*
- (c) *whether it will take into account the use of ULSD by franchised bus companies when considering their applications for fare adjustments?*

SECRETARY FOR TRANSPORT (in Chinese): Madam President, all five franchised bus companies have already switched to use solely ULSD for all their buses since 1 February 2001. The total monthly fuel consumption of the entire franchised bus fleet is about 26 million litres.

In examining any fare adjustment application from franchised bus companies, the Administration would take into account all relevant factors, one of which is the changes in operating costs such as fuel costs.

Implementation of Article 40 of Basic Law

12. **MR LAU WONG-FAT** (in Chinese): *Madam President, Article 40 of the Basic Law stipulates that "the lawful traditional rights and interests of the indigenous inhabitants of the "New Territories" shall be protected by the Hong Kong Special Administrative Region". In this connection, will the Government inform this Council:*

- (a) *of the measures it has taken to give effect to the stipulation since the reunification; and*
- (b) *whether it has drawn up a working timetable for giving full effect to the stipulation; if so, of the details; if not, the reasons for that?*

SECRETARY FOR HOME AFFAIRS (in Chinese): Madam President, the Basic Law provides that the rights and freedoms of Hong Kong residents shall be safeguarded. Specifically, the lawful traditional rights and interests of the indigenous inhabitants of the New Territories are protected by Article 40 of the Basic Law.

Since the lawful traditional rights and interests of the indigenous inhabitants of the New Territories have already been stipulated by the laws and policies of the Hong Kong Special Administrative Region, we do not see the need to introduce further specific measures to give effect to Article 40 of the Basic Law.

Cases of Pigs Infected with Foot-and-mouth Disease

13. **DR TANG SIU-TONG** (in Chinese): *Madam President, with regard to cases of pigs being infected with the foot-and-mouth disease (FMD), will the Government inform this Council of:*

- (a) the respective numbers of pigs which died of the disease and the farms affected in each month of the past three years; and*
- (b) the time normally taken by the relevant departments to remove carcasses of pigs which died of the disease upon receiving reports of such pig carcasses being disposed of in public places, and the measures in place to stop pig farmers from dumping pig carcasses anywhere they like?*

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

- (a) In the past three years, the respective numbers of pigs died of the FMD and the farms affected which were reported to the Agriculture, Fisheries and Conservation Department (AFCD) in each month are as follows:

	1998-1999		1999-2000		2000-2001 (up to February)	
	No. of farms	No. of dead pigs	No. of farms	No. of dead pigs	No. of farms	No. of dead pigs
April	0	0	0	0	0	0
May	0	0	0	0	2	0 ^(Note 1)
June	0	0	1	0 ^(Note 1)	0	0
July	0	0	0	0	0	0
August	0	0	0	0	0	0
September	0	0	0	0	0	0
October	1	4	3	160	1	0 ^(Note1)
November	0	0	1	30	4	350
December	6	32	3	150	5	111
[Following year]						
January	7	1 669 ^(Note 2)	2	0 ^(Note 1)	5	3
February	0	0	0	0	3	110
March	2	20	1	30	data not yet available	
Total:	16	1 725	11	370	20	574

- (b) Under normal circumstances, after the Food and Environmental Hygiene Department (FEHD) has received reports on illegal dumping of pig carcasses in public places, it can remove the carcasses within three hours or a shorter period.

Pig carcasses are trade waste and pig farmers should be responsible for transporting them to landfills for disposal. However, to safeguard public hygiene and to help pig farmers to dispose of pig carcasses properly, the FEHD employs a contractor to collect pig carcasses at 78 designated collection points in the New Territories and to transport them to the landfills. The AFCD has issued letters to advise pig farmers that pig carcasses should be disposed of at the designated collection points and reinforced the message during regular farm inspections.

^(Note 1) With proper care, the pigs which contracted the FMD were recovered and did not die.

^(Note2) They were mainly pigs belonging to a large farm on which the vaccination practices recommended by the AFCD were not followed. In view of this, the AFCD has strengthened its works on vaccination to control the FMD were effectively. Last year, the AFCD conducted applied research and recommended the most appropriate vaccination programmes to all pig farmers prior to the FMD season. It will further provide training to them to promote proper vaccination technique.

The FEHD will prosecute persons who dump pig carcasses illegally under the Public Cleansing and Prevention of Nuisances Regulation (Cap. 132 sub. leg. BK). The maximum penalties are a fine of \$25,000 and six-month imprisonment.

Marine Ecology of Coastal Waters of Tai Lei Island

14. **MISS CHOY SO-YUK** (in Chinese): *Madam President, it was reported that early this month, a large quantity of corals were found dead in the coastal waters of Tai Lei Island near Peng Chau, and the death was suspected to have been caused by the construction works on a refuse transfer station (RTS) on the island. In this connection, will the Government inform this Council whether:*

- (a) the Environmental Protection Department (EPD) had requested the contractor concerned to carry out marine ecological impact assessment before commencing the works; if it had, of the results of the assessment; if it had not, the reasons for that;*
- (b) it has investigated the causes of death of the corals there; if it has, of the results of its investigation and whether the above-mentioned works were one of the causes;*
- (c) it will consider suspending immediately the various works now being carried out in the relevant waters so as to avoid further damage to the marine ecosystem there; if not, of the reasons for that; and*
- (d) it has any remedial measures to improve the marine ecology of the relevant waters?*

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

- (a) As part of the works for the RTS, a pier was constructed at Tai Lei Island between July and November 1997. The RTS was completed and has commenced operation since early 1998. At the time of planning and construction of this pier, there was no documentary

evidence indicating the presence of corals around Tai Lei Island. Hence, the EPD did not require marine ecological impact assessment before works commenced.

- (b) The Agriculture, Fisheries and Conservation Department (AFCD) carried out a dive survey around Tai Lei Island and in the adjacent waters of Peng Chau in February 2001. Scattered live coral communities and dead coral skeletons were discovered during the survey. Some of the coral skeleton remains appeared quite old and the cause of their death could not be determined. Although there is a possibility that the dead corals found near the RTS pier might be related to the pier construction works, the exact cause could not be established.
- (c) At present, the only ongoing project in the waters around north Peng Chau is a small-scale reclamation project. The departments concerned conducted two dive surveys in February and March 2001 and found that the coral communities close to the reclamation site were in healthy conditions and were not affected by the construction works. We therefore do not consider there is a need to suspend the reclamation works. However, in order to protect the corals, departments concerned will continue to monitor the conditions of the coral communities. They will carry out remedial action if there are any signs that the reclamation works are causing adverse impacts on the corals.
- (d) As coral communities have been identified near Peng Chau, proponents for future proposed developments in the vicinity will be required to assess their impacts on marine ecology. In addition, the AFCD will commission a dive survey in waters around Peng Chau in April to obtain a better understanding of the distribution of corals. It would carry out further studies if necessary.

Composition and Operation of Women's Commission

15. **MISS CYD HO** (in Chinese): *Madam President, regarding the composition and operation of the Women's Commission, will the Government inform this Council of:*

- (a) *the objective criteria it has adopted for appointing the chairperson and members of the Commission; how the working and community service experience and other qualifications of individual appointees have fulfilled such criteria;*
- (b) *the measures to ensure the transparency and accountability of the Commission in its operation; whether meetings of the Commission are held in public; if not, of the reasons for that; and*
- (c) *the way the Commission will take up opinions on women's affairs from voluntary organizations which have long been serving women at grass-roots level, for example, by inviting representatives of such organizations to its meetings to express their views; if not, of the reasons for that?*

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

- (a) The Women's Commission was formally set up on 15 January 2001. It comprises 23 members, including five ex-officio members.

Appointments of non-official members and the chairperson were made on the basis of their professional background, expertise, history of community service, interest and understanding of women's issues. The non-official members come from a wide range of backgrounds and have extensive experience in various fields, such as legal, academic, welfare, medical, information technology, business and professional fields, as well as from district groups. Both genders are represented on the Commission. All the non-official members are appointed in their personal capacity, and all of the appointed members are highly qualified people. We are confident that they will make substantial contribution to the work of the Commission and to the promotion of women's well-being in Hong Kong.

- (b) We are keenly aware of the community's interest in the work of the Women's Commission. To enable the public and interested parties to have a better understanding of the Commission's work, the

Commission has adopted a number of measures. First, the Commission has set up its own homepage. All discussion papers, useful documents and information which are not confidential in nature will be uploaded onto it and updated periodically. In addition, the Commission would also give press briefings after each meeting. Press releases will be issued and media interviews will be given as and when necessary. We would also be happy to brief the relevant Legislative Council panels on the work of the Commission from time to time. We believe that such measures are sufficient in giving the Commission the necessary transparency and accountability. There is no plan to open up its meetings to the public.

- (c) One of the major functions of the Women's Commission is to develop and improve communications with local women's groups and service agencies. Since the establishment of the Commission two months ago, the Commission has already visited 12 women's groups and listened carefully to their views and concerns. All parties have found these informal exchanges highly useful. Visits to more women's groups and agencies have been planned.

In addition to these visits, regular focus group meetings will be held to solicit views and input from non-government organizations and the public on specific issues. The first meeting was held in July last year and the response was very enthusiastic. We are working to hold the next one in about two months' time. We also have been receiving submissions, mainly from women's groups, on the function and work of the Commission. The Commission may also set up sub-groups to study specific issues and invite persons from the relevant women's groups to join in the deliberations.

Disciplinary Actions or Prosecutions against Civil Servants for Dereliction of Duty

16. **MR CHEUNG MAN-KWONG** (in Chinese): *Madam President, regarding disciplinary actions or prosecutions against civil servants for dereliction of duty, will the Government inform this Council of:*

- (a) *the respective numbers of civil servants who were subject to disciplinary actions and prosecutions for dereliction of duty in each of the past three years, with a breakdown by the nature of the dereliction, department and the penalty imposed; and*
- (b) *the criteria adopted in determining whether civil servants should be subject to disciplinary actions or prosecutions for dereliction of duty?*

SECRETARY FOR THE CIVIL SERVICE (in Chinese): Madam President, in reply to the two issues raised in the Honourable CHEUNG Man-kwong's question, I propose to deal with them in reverse order as set out below:

- (a) All cases of misconduct (including dereliction of duty which covers neglect of duty; negligence; failure to carry out his duties; unauthorized absence; or unpunctuality) are subject to disciplinary action. However, whether or not a particular case of misconduct should be referred to the police or Independent Commission Against Corruption (ICAC) for criminal investigation depends on whether the civil servant's conduct amounts to alleged crime. Following investigation by the police or ICAC, it is for the Department of Justice (rather than management) to determine whether prosecution should be made, having regard to the evidence available and the public interest. Where the Department of Justice decides to press charges, the disciplinary proceedings would be put on hold until the outcome of the prosecution action is known.
- (b) The number of civil servants subject to formal disciplinary action for dereliction of duty since April 1998 is shown below:

<i>Period</i>	<i>No. subject to formal disciplinary action</i>	<i>No. subject to disciplinary action after criminal conviction</i>	<i>Total</i>
1998-1999	236	4	240
1999-2000	200	4	204
April to December 2000	101	3	104
Total:	537	11	548

Fuller details (broken down by the nature of the dereliction of duty; department; and the penalty imposed) are given in the annex to this reply.

Annex

No. of civil servants subject to formal disciplinary action for dereliction of duty during the period from April 1998 to December 2000, broken down by the nature of dereliction of duty; department; and the penalty imposed

<i>Department</i> (Please see Note 1)	<i>Nature of dereliction of duty (Note2)</i>	<i>Penalty imposed</i>					
		<i>Those subject to formal disciplinary action</i>			<i>Those subject to disciplinary action after criminal conviction</i>		
		<i>Punishment</i>			<i>Punishment</i>		
		<i>Dismissal</i>	<i>Compulsory Retirement</i>	<i>Others (Note 3)</i>	<i>Dismissal</i>	<i>Compulsory Retirement</i>	<i>Others</i>
Agriculture, Fisheries and Conservation Department	A	0	0	0	0	0	0
	B	2	1	1	0	0	0
Architectural Services Department	A	0	0	0	0	0	0
	B	1	0	0	0	0	0
Audit Commission	A	0	0	0	0	0	0
	B	1	0	0	0	0	0
Census and Statistics Department	A	0	0	0	0	0	0
	B	0	0	1	0	0	0
Civil Engineering Department	A	0	0	0	0	0	0
	B	3	0	1	0	0	0
Correctional Services Department	A	1	0	38	0	0	0
	B	8	1	51	1	0	0
Customs and Excise Department	A	0	0	8	0	0	0
	B	1	0	5	0	0	0
Drainage Services Department	A	0	0	0	0	0	0
	B	3	1	3	0	0	0
Education Department	A	0	0	0	0	0	0
	B	1	1	2	0	0	0
Electrical and Mechanical Services Department	A	0	0	0	0	0	0
	B	3	2	7	0	0	0
Environmental Protection Department	A	0	0	0	0	0	0
	B	2	0	0	0	0	0
Food and Environmental Hygiene Department	A	0	0	0	0	0	0
	B	6	2	7	1	0	1
Fire Services Department	A	0	0	8	0	0	0
	B	6	0	8	0	0	0

<i>Department</i> (Please see Note 1)	<i>Nature of dereliction of duty (Note2)</i>	<i>Penalty imposed</i>					
		<i>Those subject to formal disciplinary action</i>			<i>Those subject to disciplinary action after criminal conviction</i>		
		<i>Punishment</i>			<i>Punishment</i>		
		<i>Dismissal</i>	<i>Compulsory Retirement</i>	<i>Others (Note 3)</i>	<i>Dismissal</i>	<i>Compulsory Retirement</i>	<i>Others</i>
Government Property Agency	A	0	0	0	0	0	0
	B	1	0	0	0	0	0
Government Secretariat	A	0	0	0	0	0	0
	B	3	0	0	0	0	0
Department of Health	A	1	0	0	0	0	0
	B	7	2	0	0	0	0
Highways Department	A	0	0	0	0	0	0
	B	2	1	1	0	0	0
Home Affairs Department	A	0	0	1	0	0	0
	B	3	0	1	0	0	0
Hong Kong Police Force	A	3	1	93	0	0	0
	B	5	4	96	7	0	0
Hospital Services Department (Note 4)	A	0	1	0	0	0	0
	B	3	1	2	0	0	0
Housing Department	A	0	0	9	0	0	0
	B	9	4	8	1	0	0
Immigration Department	A	0	0	4	0	0	0
	B	3	2	3	0	0	0
Information Services Department	A	0	0	0	0	0	0
	B	1	0	0	0	0	0
Inland Revenue Department	A	0	0	1	0	0	0
	B	1	0	0	0	0	0
Intellectual Property Department	A	0	0	0	0	0	0
	B	1	0	0	0	0	0
Labour Department	A	0	0	0	0	0	0
	B	1	0	0	0	0	0
Lands Department	A	0	0	0	0	0	0
	B	1	4	1	0	0	0
Leisure and Cultural Services Department	A	0	0	0	0	0	0
	B	4	1	1	0	0	0
Marine Department	A	0	0	0	0	0	0
	B	3	0	1	0	0	0
Ombudsman's Office	A	0	0	3	0	0	0
	B	0	0	7	0	0	0
Planning Department	A	0	0	0	0	0	0
	B	1	1	0	0	0	0

<i>Department</i> (Please see Note 1)	<i>Nature of dereliction of duty (Note2)</i>	<i>Penalty imposed</i>					
		<i>Those subject to formal disciplinary action</i>			<i>Those subject to disciplinary action after criminal conviction</i>		
		<i>Punishment</i>			<i>Punishment</i>		
		<i>Dismissal</i>	<i>Compulsory Retirement</i>	<i>Others (Note 3)</i>	<i>Dismissal</i>	<i>Compulsory Retirement</i>	<i>Others</i>
Post Office	A	0	0	0	0	0	0
	B	5	0	2	0	0	0
Regional Services	A	0	0	0	0	0	0
Department (Note 5)	B	4	2	4	0	0	0
Social Welfare	A	1	0	0	0	0	0
Department	B	3	0	0	0	0	0
Territory Development	A	0	0	0	0	0	0
Department	B	1	0	0	0	0	0
Trade and Industry	A	0	0	0	0	0	0
Department (Note 6)	B	1	0	0	0	0	0
Transport Department	A	0	0	0	0	0	0
	B	1	0	0	0	0	0
Urban Services	A	0	0	0	0	0	0
Department (Note 5)	B	6	2	5	0	0	0
Water Supplies	A	0	0	0	0	0	0
Department	B	4	0	3	0	0	0
Sub-total:	A	6	2	165	0	0	0
Sub-total:	B	111	32	221	10	0	1
Total:	A + B	117	34	386	10	0	1

Note 1: Departments with no record of formal disciplinary cases on dereliction of duty in the above period are not included.

Note 2: (a) Dereliction of duty under Type A include neglect of duty; negligence; and failure to carry out duties.

(b) Dereliction of duty under Type B include unauthorized absence from duty and unpunctuality.

Note 3: These include reprimand, severe reprimand, financial penalty and reduction in rank.

Note 4: The former Hospital Services Department merged with, and became the Hospital Staff Division of, the Department of Health with effect from 1 April 1999.

Note 5: The former Urban Services Department and Regional Services Department were reorganized into the Food and Environmental Hygiene Department and the Leisure and Cultural Services Department with effect from 1 January 2000.

Note 6: The former Trade Department and Industry Department were reorganized into the Trade and Industry Department with effect from 1 July 2000.

Vaccinations for Infants

17. **MR LAW CHI-KWONG** (in Chinese): *Madam President, regarding vaccinations given to infants by the Department of Health (DH), will the Government inform this Council:*

- (a) *of the respective dates when the DH specified the various vaccines now given to infants;*
- (b) *whether the DH has employed improved or new strains of vaccines in the past five years; if so, of the details and the criteria adopted for determining the need to employ new vaccines; and*
- (c) *of the number of confirmed cases of haemophilus influenzae type b infection among infants in Hong Kong in the past two years and, among them, the number of cases in which complications had been caused; whether it will consider vaccinating all infants in Hong Kong; if so, of the public expenditure required each year; if not, the reasons for that?*

SECRETARY FOR HEALTH AND WELFARE (in Chinese): *Madam President, in Hong Kong, a comprehensive immunization programme has been provided for all children for decades in line with the principles set out in the World Health Organization (WHO)'s Expanded Programme on Immunization (EPI). The EPI currently recommends that all countries immunize against poliomyelitis, diphtheria, pertussis, tetanus, measles and Hepatitis B, and that places with a high incidence of tuberculosis infection should also immunize against tuberculosis.*

- (a) *The year of introduction of various vaccines in Hong Kong's current childhood immunization programme is as follows:*

<i>Vaccine</i>	<i>Year of Introduction</i>
BCG Vaccine	1952
Diphtheria, Pertussis and Tetanus Vaccine	1956
Oral Polio Vaccine	1963
Hepatitis B Vaccine	1988
Measles, Mumps and Rubella (MMR) Vaccine ^(Note)	1990

Note: The Measles Vaccine was first introduced in 1967.

- (b) In 1996, the two-dose MMR regime was adopted in Hong Kong with the first dose of MMR vaccine given at age one and the second dose at primary one. The decision was made having regard to experience worldwide and strong evidences that a second dose of measles vaccine can enhance the immune response.

In 1997, the strain for the mumps virus in the MMR vaccine was changed from the Urabe AM9 strain to Jeryl Lynn strain which has been shown to be associated with a much lower risk of adverse effects.

As a general principle, we will take into account the local epidemiology of the disease (such as incidence, morbidity and mortality), the effectiveness, safety and quality of the vaccine, as well as its acceptability by the public, when considering the introduction of new vaccines into the immunization programme.

- (c) Local studies have shown that the nasopharyngeal carriage rate of *Haemophilus influenzae b* (Hib) was very low in Chinese children and that the incidence rate of invasive Hib disease in Hong Kong ranged from 0.9 to 8.3 per 100 000 children aged under five years, which was much lower than corresponding rates recorded elsewhere (for example, 60 to 100 per 100 000 children in the United States and 59 per 100 000 children in Australia before introduction of Hib vaccine). The current data indicate that Hib disease is not a major public health problem in Hong Kong and we do not maintain a comprehensive record of cases of Hib disease in Hong Kong.

A polysaccharide vaccine against Hib has been available for several years but was found to be ineffective in infants. Hib conjugate vaccines have been developed recently. In view of the demonstrated safety and efficacy of the conjugate vaccine in some studies, the WHO recommends that Hib vaccine be included, where appropriate to national capacities and priorities, and having consideration to the epidemiology of Hib infection in the locality, in the routine childhood immunization programme. However, in places where the burden of Hib disease is unclear, efforts should be made to evaluate the magnitude of this problem.

In view of the recommendation of the WHO and the previous studies conducted locally which have shown a low incidence rate of invasive Hib disease, the Advisory Committee on Immunization (ACI) does not recommend immunization of all children in Hong Kong against Hib at present but recommends the DH to employ the rapid assessment tool recently developed by the WHO to reassess the local burden of Hib disease. The DH is now making plans for the assessment exercise. The ACI will review the immunization programme in the light of the findings of the assessment and the experience of other places.

Unlicensed Travel Agents

18. **MR HOWARD YOUNG:** *Madam President, regarding unlicensed travel agents, will the Government inform this Council:*

- (a) whether it knows the total number of travel agents carrying out travel service without a licence in the past three years;*
- (b) of the circumstances in which outbound group tours can be organized by a person without a licence; and*
- (c) of the actions it has taken against unlicensed travel agents?*

SECRETARY FOR ECONOMIC SERVICES: Madam President, my answer to Mr YOUNG's question is as follows:

- (a) During the past three years from 1998 to 2000, the Travel Agents Registry (TAR) received a total of 108 reports on organizations suspected of carrying on business as a travel agent without a licence.
- (b) A person is required to obtain a travel agent's licence if he carries on the business of obtaining for another person:
 - (i) transportation of an outward journey departing from Hong Kong; or

- (ii) accommodation outside Hong Kong for which payment is paid to him by that other person.

However, a person will not be regarded as carrying on the business as a travel agent under (i) if he is the operator of the carrier, or under (ii) if the accommodation is intended to be occupied by the same person in the same place for a period exceeding 14 days.

- (c) Upon receipt of complaints/reports on alleged unlicensed activities, the TAR will investigate the cases. For first time offenders, it may issue an advisory letter to the person/organization, drawing its attention to the relevant provisions of the Travel Agents Ordinance and the penalty for carrying on business without a travel agent's licence. The TAR will refer cases to the police for investigation and possible prosecution if such activities continue. During 1998 to 2000, the TAR had referred a total of 24 cases to the police. Four cases were successfully convicted with penalties ranging from \$2,000 to \$10,000.

Examinations of Private Candidates in Science, Technical and Computer Subjects

19. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, the authorities have stipulated that candidates must have sat for examinations in certain science, technical or computer subjects as school candidates before they can sit again as private candidates in the Hong Kong Advanced Level Examination (HKALE); at the same time, practical examinations are being replaced gradually by teacher assessment as the assessment method for the practical components in the examinations in these subjects. Private candidates who wish to enter for those subjects which have done away with practical examinations must produce the teacher-assessed results they obtained previously as school candidates, for constituting their practical component results in the current year's examinations. Regarding examinations of private candidates in science, technical and computer subjects, will the Government inform this Council:*

- (a) *of the justifications for stipulating that candidates must have sat for examinations in certain subjects as school candidates before they can sit again as private candidates;*

- (b) *of the reasons for not retaining practical examination as one of the assessment methods so that private candidates who have never sat for the examinations in these subjects as school candidates can sit for them; and*
- (c) *whether it will consider reinstating the practical examination for Computer Applications; if not, of the reasons for that?*

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

- (a) According to the existing entry requirements for HKALE laid down by the Hong Kong Examinations Authority (HKEA), private candidates who wish to enter for A-level practical subjects must produce evidence of having taken the subjects concerned in a previous HKALE as school candidates. This requirement aims at ensuring candidates' full awareness of the safety requirements of operating the apparatus in order to prevent accidents. Such an arrangement also encourages candidates to engage themselves in practical work so as to thoroughly grasp the knowledge and skills of the subjects concerned.

Practical examinations for certain subjects such as technical and computer subjects have been replaced by the Teacher Assessment Scheme (TAS). If private candidates have not taken these subjects in a previous HKALE as school candidates, they will be unable to produce teacher-assessed results for the HKEA to fully assess their performance in the practical components of these subjects. In view of this, the HKEA stipulates that private candidates who wish to enter for certain A-level subjects must have taken the subjects concerned in a previous HKALE as school candidates. Private candidates may use the teacher-assessed results in the two preceding years.

- (b) At present, the practical examinations for a number of A-level subjects are gradually replaced by TAS, under which students' performance in certain aspects, such as practical skills in Biology and Chemistry, and project work in Engineering Science and

Liberal Studies, is assessed by their teachers. Besides, the practical components of the examinations for technical subjects are also gradually replaced by TAS. TAS has a number of advantages, such as:

- (1) teachers are the most suitable person to evaluate the progress of learning and growth of their students;
- (2) it takes into account students' abilities in various domains and their overall learning process, and reinforces the positive effects of examinations. It will further tie in with the syllabus and encourages students to participate in analytical work and discussions;
- (3) teachers may evaluate the students' initiatives and organizing power in their studies. In addition to the assessment results, teachers may have a more valid evaluation of the students' performance in the learning process; and
- (4) in the teaching process, teachers may evaluate the students' abilities which are normally not assessable in public examinations. After appropriate moderation, the assessment records are included in the students' public examination results. Such an arrangement will remedy the inadequacies of public examinations which mainly evaluate students' performance through paper-and-pencil tests, and help address the drawback of determining the students' fate in a single examination.

TAS has been well received since its introduction in 1978. To maintain the level and standard of the assessment under TAS, the HKEA has invited people outside the schools to assess the students' performance and make random inspections of their coursework. In 1980, TAS was extended to a number of technical subjects, such as Metalwork, Design and Technology, and Electronics and Electricity, of the Hong Kong Certificate of Education Examination (HKCEE). From 1994 onwards, practical examinations of the technical subjects of the HKALE have also been gradually replaced by TAS.

Practical examinations of some of the A-level subjects, such as Chemistry and Biology, have been retained after the introduction of TAS. Private candidates can still enter for these subjects, whilst school candidates have to be assessed under TAS. As far as some other A-level practical subjects, such as technical and computer subjects are concerned, the practical examinations have been abolished after the introduction of TAS. This is because of the short duration and more complex nature of the practical tests involved and hence it is impossible to fully assess the candidates' performance in the application of technical skills in one single practical examination. As a result, the HKEA decided to gradually replace the practical examinations of technical and computer subjects by TAS from 1994 onwards.

- (c) The Advanced Supplementary Level (ASL) Computer Applications was introduced in 1994. Previously, practical examination was required for this subject. However, in view of the rapid development and wide variety of computer hardware and software in recent years and the fact that the examination syllabus is decided two years before the launch of the examination, it is difficult to specify the computer hardware and software to be used in the practical assessment. The HKEA therefore decided to introduce TAS to replace the practical examination for software applications in 2000. The extension of TAS to the ASL Computer Applications has been well received by teachers and students. They consider the assessment more flexible and capable of enhancing the effectiveness of teaching and learning.

At present, the HKEA has no plans to reinstate the practical examination for the ASL Computer Applications and will continue to implement TAS. Starting from this year, private candidates can enter for the ASL Computer Applications as school candidates with the teacher-assessed results they obtained in the previous two years.

Expenditure and Claims Relating to Airport Core Programme Projects

20. **MR ALBERT CHAN** (in Chinese): *Madam President, regarding the expenditure and claims relating to the 10 Airport Core Programme (ACP) projects, will the Government inform this Council of:*

- (a) *the total expenditure of the 10 projects as at the end of January this year and the difference between this figure and the estimated expenditure originally approved; and*
- (b) *the numbers and amounts of claims received respectively by the Government, the Airport Authority (AA) and the Mass Transit Railway Corporation (MTRC) in respect of the construction contracts of 10 projects and, among them, the respective numbers and amounts of settled and unsettled claims?*

SECRETARY FOR WORKS (in Chinese): Madam President,

- (a) The Finance Committee had up to 31 January 2001 approved a total of \$49,527 million for government ACP projects on a net basis. The expenditure is \$47,224 million or 95% of the approved total. A summary of the expenditure situation is shown in Table 1.

The Finance Committee has approved an equity commitment of \$36,648 million for the new airport. As at 31 January 2001, the AA had expended \$48,261 million. Expenditure in excess of the approved equity commitment is funded by the AA's borrowing programme.

The Finance Committee has approved an equity commitment of \$23,700 million for the MTRC (now MTR Corporation Limited) to construct the Airport Railway. As at 31 January 2001, the MTRC had expended \$34,563 million. Expenditure in excess of the approved equity commitment is funded by the MTRC's borrowing programme.

- (b) The Government, the AA and the MTRC had received a total of 26 948 claims against ACP construction contracts. Of these, 21 890 claims at a cost of \$8,933 million had been resolved against an original claim amount of \$27,223 million. For the 5 058 unresolved claims, the estimated contingent liability is \$1,685 million against a claim amount of \$8,613 million. The information is in Table 2.

Table 1

Summary on ACP Funding and Expenditure
 Status as at 31 January 2001
 (Money of the day price in HK\$ Million)

<i>ACP Project</i>	<i>Funds Approved To Date by Finance Committee⁽¹⁾</i>	<i>Funds Actually Expended To Date</i>
Net government ACP Expenditure under CWRP with reimbursements ⁽²⁾	49,527	47,224
New Airport at Chek Lap Kok - AA Related	36,648 ⁽³⁾	48,261
Airport Railway	23,700 ⁽³⁾	34,563

Notes:

- (1) Includes funds for consultancies, works contracts, and land acquisition (including contingencies) approved by the Finance Committee for Capital Works Reserve Fund (CWRP) and Capital Investment Fund (CIF) projects.
- (2) Government projects include government facilities at the new airport, North Lantau Expressway (now renamed as North Lantau Highway), Tung Chung New Town Phase 1, Lantau Link, Route 3 (part), West Kowloon Reclamation, West Kowloon Expressway (now renamed as West Kowloon Highway), Central Reclamation Phase 1, utilities and others. The costs are net of reimbursable Airport Railway and Airport works.
- (3) This represents 100% of the equity commitments to the Airport Railway and the Airport from the CIF, expenditures greater than the approved equity are funded by the borrowing programmes of the MTRC and the AA.

Table 2

Situation on claims against ACP Contracts
(as at 31 January 2001)

<i>ACP Project</i>	<i>Claims Notified</i>		<i>Claims resolved</i>		<i>Claims unresolved</i>		
	<i>Number</i>	<i>Number</i>	<i>Amount claimed originally</i> <i>(\$M)</i>	<i>Amount awarded</i> <i>(\$M)</i>	<i>Number⁽¹⁾</i>	<i>Amount Claimed</i> <i>(\$M)</i>	<i>Estimated contingent liability⁽²⁾</i> <i>(\$M)</i>
CWRF Projects	6 141	4 458	9,065	1,569	1 683	2,306	436
AA-New Airport ⁽³⁾	12 120	8 745	10,399	3,965	3 375	6,307	1,249
MTRC-Airport Railway	8 687	8 687	7,759	3,399	0	0	0
Total:	26 948	21 890	27,223	8,933	5 058	8,613	1,685

Notes:

- (1) Includes rejected claims.
- (2) Includes interim award.
- (3) As at 21 March 2001.

BILL

Second Reading of Bill

Resumption of Second Reading Debate on Bill

PRESIDENT (in Cantonese): Bill: Second Reading. The Second Reading debate on the Appropriation Bill 2001 resumes today and tomorrow. The question before Council is: That the Appropriation Bill 2001 be read the Second time.

I will try to maximize the number of Members speaking on the question today, and will suspend the meeting hopefully at around 10 pm to 10.30 pm.

Each Member has a maximum of 15 minutes for his/her speech. I will direct a Member to discontinue when he/she speaks in excess of the specified time.

Will Members who wish to speak today please press the "Request-to-Speak" buttons? Some Members have already pressed their buttons. We now proceed to the debate.

APPROPRIATION BILL 2001

Resumption of debate on Second Reading which was moved on 7 March 2001

MR JASPER TSANG (in Cantonese): Madam President, in delivering his final Budget in his capacity as the Financial Secretary, Mr Donald TSANG first talked about the state of Hong Kong economy, the way forward to continued economic development and our public finances. He expressed that he had considered these as well as the "well-established budget principles" before putting forth the four keys of his budget proposals for the next financial year:

First, maintaining steady economic growth, that is, the Budget must not stifle economic growth or hurt the people's livelihood;

Second, addressing the needs of the community, that is, sufficient resources must be devoted to looking after the community, particularly the grassroots and the disadvantaged;

Third, enhancing public sector productivity, that is, to continue to control government expenditure; and

Fourth, striving to achieve fiscal balance (being not as difficult as the previous three to understand, so no explanation is required).

The Democratic Alliance for Betterment of Hong Kong (DAB) strongly supports these four key elements. We believe that the Government would gain great approval of the general community if it could truly implement these in its taxation policy and resource distribution.

However, despite the great attractiveness of these four elements, we think the Financial Secretary has not provided us with many encouraging specific details of their implementation. On "maintaining steady economic growth", for example, the Financial Secretary has only proposed two tax concessions, of which the lowering of the stamp duty on stock transactions serves to offset the rise in levy on stock transactions collected for the establishment of the Investor Compensation Fund, and will have limited effect on promoting activities in the financial market. The slight increase in the maximum deduction of self-education expenses under salaries tax will only cost the Government \$10 million per annum. Those small and medium enterprises (SEMs) that are expecting more material assistance from the Government will undoubtedly feel disappointed.

Under the title of "addressing the needs of the community", though the Financial Secretary proposes new initiatives to provide care for the disabled, support for youths at risk and training for those with low educational attainment and to strengthen the role of the District Councils, which, however, will only cost the Government about \$300 million annually. In his community visits earlier, the Financial Secretary perhaps did not see that the elderly had to start queuing up at the clinics and hospitals at four or five o'clock in the morning, otherwise why had he not thought of giving more assistance to this disadvantaged group?

Has the public sector reform mentioned in the section on "enhancing public sector productivity" achieved, as the Financial Secretary said, significant results? I am afraid the community and the affected civil servants are yet to come to a consensus. A number of measures, including outsourcing, corporatization and privatization of government services, still attract a lot of controversies.

Finally, to "strive for fiscal balance," the Financial Secretary proposes to increase duty on tobacco and liquors, vehicle and driving licence fees, on-street parking meter charges and air passenger departure tax, which will yield an additional \$600 million to \$700 million in revenue for the Treasury. However, a number of these increases will add more to the burden of the middle class, a majority of whom still not being able to benefit from the economic recovery, with some still under the burden of negative equity. We have to point out that by raising the corporate profits tax by half a percentage point, the Government would be able to get an income far more than the aggregate of all these small actions, without adding further to the heavy burden of the middle class.

The Financial Secretary has raised a number of very good points, which he could have made good use of by doing things that can better meet the needs of the community of Hong Kong.

Madam President, the DAB agrees to the Government of the Hong Kong Special Administration Region (SAR) upholding the principle of fiscal prudence which includes achieving balanced budgets in the medium term and ensuring that the expenditure growth within a period would not be faster than the growth of the economy as a whole. We also agree to the maintenance of sufficient fiscal reserves, which are to meet the needs during times of hardship. At times when the economy goes slow, and the Government has reduced revenue on the one hand and faces the need to stimulate the economy and provide social services on the other, the reserves can be drawn upon.

The Financial Secretary said that in preparing the Budget, "there are those, both in Hong Kong and overseas, who caution against the further use of fiscal stimuli and urge an early return to balanced budgets." In his analysis of Hong Kong's economic performance, he said that "the level of economic activity has picked up dramatically" and "overall, Hong Kong's growth should moderate in 2001." However, he also admitted that our economic outlook would be affected by negative factors from the United States, Japan and the East Asian region; and what is more obvious is that no real improvement has been seen in the livelihood of many people. Given such a situation, if we were to prematurely conclude that the Hong Kong economy has already returned to normal growth and that we should insist on preparing a balanced budget (a budget of over \$200 billion but with a deficit of \$3 billion is basically a balanced budget), the Financial Secretary's objective of "fostering Hong Kong's long-term development and improving the standard of living of our people", I am afraid, would not be attainable.

Hong Kong's way forward to continued economic development, as put forth by the Financial Secretary, has also the general support of the DAB. Seizing the opportunities brought about by China's accession to the World Trade Organization (WTO) and the development of Western China, strengthening the ties with the Mainland, especially the Pearl River Delta in Guangdong, raising the quality of human resources and developing high value-added services, and enhancing the financial infrastructure are all very important. I would like to talk about the admission of mainland professionals as put forth by the Financial Secretary.

Living in an era of information and knowledge economy, we believe that no successful economy would reject foreign talents. To maintain and raise their competitiveness, many advanced countries and territories are looking everywhere for the talents they need. If Hong Kong were to reject admitting talents that we are genuinely lacking here, that is an extremely stupid policy that would only do harm to our own interest.

In fact, Hong Kong has never closed its doors on foreign talents. Many of the talents in our tertiary institutions, business organizations and various professions have been engaged from overseas. However, when it comes to the admission of talents from the Mainland, the community will become very suspicious. It is because the living standard is lower in the Mainland where there are more talents, and people are worried that once the door is opened to allow mainland residents to come and work here, there would be an influx of cheap labour, thus snatching the jobs from the locals and suppressing the local pay level.

However, I would like to point out that circumstances are changing rapidly with the economic development on the Mainland. People working in the developed coastal region in China are enjoying a living standard very close to that of Hong Kong, and even better than that in Hong Kong in some aspects (like living environment). On the other hand, other countries are also attracting truly talented and qualified people with appealing conditions. It is a very narrow view of those who think that we can continue to retain the mainland professionals working for us with extremely low pay.

The development of some businesses in Hong Kong is restricted for lack of properly trained professionals. If the talents required by such businesses are available in the Mainland and can be recruited to work in Hong Kong, they will certainly facilitate the development of the businesses concerned. Instead of taking away the job opportunities of the locals, they would create more opportunities for them. We certainly have to explore ways to help the local tertiary institutions to train up more local talents to meet the needs of economic and social development in Hong Kong. However, we must also recognize that there is limitation in Hong Kong's condition for the nurturing of talents. We oppose the Government's continual cutting of funding for the universities, but little could be gained if we were to discuss talents admission with the cutting of university funding together.

What is more, it is definitely not the way out if we made the local education institutions produce more talents and faster while exercising protectionism at the same time. The competition brought about by the importation of talents will rid us of our parochial arrogance and promote self-improvement among the locals. Because of the globalization of world economy, the movement of talents across national boundaries has become a general trend of the new era. Hong Kong's talents should also be able to go out of Hong Kong and compete with talents from other places. Are we going to accept that the local university graduates can only protect their own job opportunities by perpetual reliance on the Government blocking the entry of professionals from the Mainland?

The Financial Secretary announced the revival of the Admission of Mainland Professionals Scheme that was tried in the mid-nineties. It seems that no one would vote against this outright, saying that not one single professional should be admitted from the Mainland. Rather it is the question of whether a quota should be set that has drawn the most controversies.

Instead of controlling the number, it is more important, we think, to control the kind of calibre these professionals should have. We are all worried that instead of recruiting those people that we really need, incompetent ones are let in to take away the job opportunities of the locals and hold down the local pay level. In putting forth the Admission of Mainland Professionals Scheme, the Financial Secretary promised that there would be reasonable admission criteria and that the remuneration packages would be comparable with those for local professionals. He also assured us that the Scheme would not prejudice the job opportunities of local professionals or graduates. Nor would the Scheme bring in semi- or low-skilled workers. If all these assurances were honoured, then we would not need a ceiling on the admission. However, given the concerns expressed by various quarters, and in order to ease their worries, the Government may not need to insist that no ceiling should be imposed. After all, since only high-calibre professionals are to be admitted, their actual shortage should not be hard to estimate. A predetermined ceiling may also be reviewed any time, thus not affecting the development of the industries concerned.

Madam President, I would like to go on to talk about another controversial topic raised by the Financial Secretary in his Budget speech — legalization of betting on soccer matches.

Originally, the Financial Secretary was to explain why he would not raise the betting duty in the coming year. He said that there had been widespread illicit betting on horseracing and other illicit gambling activities within the community. He was concerned that an increase in betting duty "might further divert money from legal betting avenues, undercut our duty revenue and, more important, pose a threat to law and order. The latter could have serious ramifications."

However, on a sudden turn, he digressed to soccer betting, saying that there has been "increasing interest in, and demand for, soccer betting within the community," and "we should examine the case for providing a legal avenue for soccer betting we need to address the problem urgently and in a rational and objective manner." The Financial Secretary was worried that even if the Government were to mobilize more police resources, it was impossible to arrest all the Hong Kong residents placing illegal bets on soccer matches. Of course, without his mentioning it, legalizing soccer betting can bring in additional tax revenue for the Government.

Madam President, we all know about the pros and cons of legalizing soccer betting, which I do not intend to rehash here. I only wish to point out that the Financial Secretary has admitted in his speech that the existence of legal betting cannot prevent the spread of illicit gambling activities within the community. Even if soccer betting were made legal, there would still be a lot of Hong Kong residents engaging in illicit betting that the police could not possibly arrest them all. As to the tax revenue that can be gained from legalizing soccer betting, the DAB is of the view that it would not be enough to cover the social damages done to society and the youths. A couple of years ago the DAB proposed a motion in this Council opposing the legalization of soccer betting, and we still maintain the same stand today.

Madam President, I so submit. My other DAB colleagues will talk on other issues in relation to the Budget.

MR TIMOTHY FOK (in Cantonese): Madam President, with more than three years' effort, Hong Kong economy finally has weathered the turbulence of the financial crisis; and given that China is developing its northwestern region in full force and that it is about to join the World Trade Organization (WTO), there is great prospect in store for Hong Kong economy. However, the bursting of the global technology bubble, the slide in the United States economy and the weak local real estate market together have cast Hong Kong into the awkward position

of not knowing whether it is hope or despair. Despite all these, the historic achievement of the movie "Crouching Tiger Hidden Dragon", a joint production of Chinese from the Mainland, Hong Kong, Taiwan and overseas, at America's Oscar Awards provides much revelation to the future development of the local film industry and even Hong Kong economy.

The accolades that "Crouching Tiger Hidden Dragon" has won at the Oscar Awards and numerous other international film festivals bear testimony to the fact that Chinese movie has ascended onto a new pedestal in the international movie world. While feeling enlightened and encouraged by this, we should think more deeply about the significance of this achievement.

First, instead of being a "mainland Chinese production" or a "Hong Kong production" or a "Taiwanese production", "Crouching Tiger Hidden Dragon" is a Chinese language movie, which is the result of the efforts of Chinese from the Mainland, Hong Kong, Taiwan and overseas. This collaboration has great significance as, free from geographical parochialism and working under a common Chinese culture, every one does his best, thus bringing about this remarkable achievement. In fact, Hong Kong itself is at the confluence point of the Chinese and Western cultures. It is because of Hong Kong's ability to absorb and integrate these two cultures that we can make the success we enjoy today. With China getting stronger and the Chinese culture gaining greater recognition, Hong Kong should integrate more with the Chinese culture to give greater play to its energy while continuing to draw on the nutrients of the Western culture.

Second, though having gained much acclaim and being a box office success overseas, "Crouching Tiger Hidden Dragon" has drawn mixed reviews in Hong Kong and China, clearly showing the difference in taste between the local and overseas markets. In developing markets in the future, we must identify our target and position ourselves clearly, so that instead of just having one single product to sell in the global market, our production can meet the demands of different markets, otherwise we would find ourselves not being able to please anyone.

Third, there are two experienced filmmakers from Hong Kong amongst the award winners. Their emergence is clear evidence that we have the talents here and they have that ability to make movies that are as successful in winning acclaim as at the box office. Given the right conditions, Hong Kong movies definitely can gain back its past glory.

In fact, Hong Kong's movie industry has been so plagued by problems in recent years that it has got into a slump. If it were to get out of the doldrums, the industry itself must take the initiative to work hard and harbour no more the thought of "making quick bucks". It must get rid of the old bad habits and raise the quality of movie-making, as well as instilling a greater sense of belonging to Hong Kong and the sense of pride in Chinese language production. Recently our international star Jacky CHAN has chosen Hong Kong as the location for his new production, which is very encouraging, but regrettably Hong Kong was put in shame because of the incident in relation to extortion by triad elements; and the incident also reveals what an important role the Government plays. Friends from the industry told me that what they hoped for most was not direct government subsidy; rather it was some actual assistance, including the complete eradication of copyright piracy and triad activities, provision of convenient location and shooting arrangement, information service and more comprehensive education on film culture.

Madam President, in this Budget debate, I have talked at great length about movies. Not only is it because I represent this functional constituency, but because "movie is like life" and the whole movie industry epitomizes the whole of Hong Kong society and the entire economy, and there is great referential value.

Madam President, after the release of this year's Budget, some people criticized it for being too bland in content, without much action from the Government. If a citizen neither smokes, drinks nor drives a car, the Budget will have nothing to do with him. But such criticisms, I must point out, are misguided. The Budget has in fact embodied a positive economic strategy that fits Hong Kong's actual situation, which has also been proved with the success of "Crouching Tiger Hidden Dragon".

First, instead of asking for direct government subsidy, the movie industry only wants the Government to provide a healthy and orderly market environment, which in fact similarly applies on our economy. Hong Kong economy is gradually recovering; what it needs is a market mechanism that runs smoothly, that can adjust itself properly, but not any tax reduction which inevitably would create unfairness. Of course, public resources should not be used to relieve the burden, due to negative equity, of a particular group of investors. After all, any government intervention would only damage the market mechanism.

Second, though Hong Kong has a lot of talents, the force they can put together is comparatively weak if we were to go international. Fair and reasonable admission of mainland professionals can strengthen our partnership with the Mainland and is a key to drive another flight of Hong Kong economy. After all, both the mainland market and the global status of the Chinese culture are on the rise. Hong Kong has the advantage of being related to this by geography and blood; any integration, as fast and as far as possible, with the Mainland in terms of market, infrastructure, culture and values will not only complement each other's position, but also be a blessing to both places. Of course, in the process, we have to maintain our distinct character of being culturally pluralistic, without tending lopsidedly in a particular development direction. To this end, the Government must make more comprehensive and specific planning and co-ordination.

Third, the ability to lock on the target market is the key to success for any enterprise, industry or even the whole economy. China's development of its northwestern region and imminent accession to the WTO are the biggest opportunities coming our way, and we should direct all our efforts towards this. Any suggestion and criticism that deviate from this principle are not practical and do Hong Kong no good.

With these remarks, I support the Bill.

MR NG LEUNG-SING (in Cantonese): Madam President, before the Financial Secretary released the 2001-02 Budget, it was the general expectation of the community that there could hardly be any major changes in our fiscal policy, and in fact, the eventually released Budget just made minor adjustments to certain items. Basically, I think that this Budget is pretty down to earth in its figures and contents, reflecting Hong Kong's actual economic situation and needs and giving effect to the Government's long-held principle of fiscal management. Undoubtedly, Hong Kong economy is back on track, with results of recovery gradually surfacing. At this stage, our economy should rely on the self-adjusting market mechanism for healthy and natural development, instead of counting on further tax relief that may lead to further problems in the future. As to the problem of negative equity in properties, given that the Government is under financial pressure and that it has its own fiscal principles to follow, and that there are also actual technical problems of operation, it is difficult to provide effective financial assistance through taxation means to those affected. It is

believed that to ameliorate the problem, the key lies in allowing the market mechanism come into full play to achieve positive equity and let the real estate market develop steadily with the general improvement in our economy. Using public resources to bail out those engaging in any investment that results in negative equity is not appropriate.

To give a comprehensive assessment of this Budget, we need to consider the Government's revenue and expenditure and public expenditure. We can see that in comparison with the revised Budget 2000-01, the Government's total expenditure and total public expenditure grow respectively by 10.8% and 3.5% in real terms. On education, the recurrent public expenditure grows by 5.5% and the total public expenditure grows by 5.9%; on social security, the recurrent public expenditure grows by 9.3% and the total public expenditure grows by 9.9%. These figures show that the Government still maintains substantial and continued commitment in the overall administration and in those major policy areas that are related to the livelihood of the public. It is estimated that the public expenditure in the coming year will still top at a high of 21.4% of Gross Domestic Product (GDP). Moreover, instead of making hefty tax increases to meet the increase in expenditure, the Government has only made minor adjustments in certain items. After taking all the additions and subtractions into account, the Government sees a \$30 million reduction in tax revenue, while there will be a deficit of more than \$2.9 billion in the overall revenue and expenditure account. This is therefore still a minor expansion budget. Given Hong Kong's current economic situation, the Budget for the next year shows a little enterprising spirit while still keeping to the proven track, which may in fact have the effect of promoting the local economy and people's livelihood.

As to the fiscal pressure that the Government is facing, the Budget has provided some analyses that deserve our attention. Since 1998-99, the Government has been running on an operating deficit, and this situation is expected to continue until 2004-05. Operating deficit is an important indicator of the overall financial situation of the Government. If an assessment was to be made about the stability of the Government's financial situation or if there was any structural problem, one cannot ignore the factors that give rise to a sustained operating deficit. Of course, the Government's Medium Range Forecast shows that the operating deficit is narrowing gradually. Further study must be made in the context of the future tax review so that prudent conclusion and arrangement can be made.

Other than the operating deficit, the overall revenue and expenditure will run a deficit for four years on ends, beginning 2000-01 and totalling \$26.97 billion. Though on average, the deficit only accounts for 0.5% of our GDP, it must be noted that this is the result of the realization of public assets and reduction in investment. In the two years beginning 2000-01, the Government has a \$25 billion proceeds from the privatization of the Mass Transit Railway (MTR) Corporation; moreover, in these four years, it is expected that the expenditure from the Capital Investment Fund will only amount to \$22.6 billion, which is \$15.5 billion less than the previous four years and which is even \$35.7 billion, or almost one and a half times, less than the four years before that. It can thus be seen that the minor deficit comes from the Government selling off its assets and tightening capital investment. It is a situation that we must take note of.

Another issue that we must take note of is the relationship between public expenditure and GDP. Looking back on the past decade, public expenditure assumed a relatively low proportion of the GDP, which was 13.8% in 1992-93, compared to 21.9% in 1999-2000. "Other charges", "subvention" and non-government expenditure in the public expenditure are the Heads that show the fastest growth, which respectively has an annual growth of 14.1%, 12.9% and 20.4%. All these expenditures were made in such policy areas as social welfare, medical and health and housing. We agree that people will divide the 10 policy areas into three categories. Those listed above belong to the first category, that is, social welfare in broad terms. The second category covers economic and sustained development, including economy, education, environment and infrastructure. The third category covers administration, including community and external affairs, security and auxiliary services. Social welfare in broad terms has seen the most resource injection and also the fast growth, whereas the other two categories that are equally important to the development of society are comparatively starved of resources or restrained by a lack of the same. The question of whether such a situation is conducive to continued and healthy socio-economic development warrants some deep thinking on our part and some improvement too.

It is commendable for this year's Budget, other than specific financial measures, to put forth positive strategies for driving economic development. One of the important points is the revival of the Admission of Mainland Professionals Scheme, and allowing mainland students to stay and work in Hong Kong after completing their studies here. I believe that to maintain the competitiveness of Hong Kong's human resources, especially in meeting the opportunities and challenges brought about by China's accession to the WTO,

there is great urgency in putting such policies into force. The community should look at this objectively so as to dispel any doubts about the policies.

First, given that it has long been the situation in Hong Kong that foreign professionals are employed to work here, it is therefore fair and reasonable to give the same convenience to professionals from the Mainland. If the Honourable colleagues of this Council still believe in the principles of fairness and non-discrimination and that they should apply in our immigration and human resource policies, then there is no reason for us to say that special restrictions must be imposed on the mainland professionals. We all know very well if those mainland students studying here enjoy any investment of our education resources, so it is not only reasonable, but also a duty, for them to serve and contribute to Hong Kong economy. What is more important is that as a Special Administration Region of China and playing a pivotal role in external economy, Hong Kong, if not being aggressive enough in admitting mainland professionals, would lose its geographical and human edge and lag behind its overseas competitors in seizing the business opportunities afforded by the liberalization of the mainland market. I believe that as long as we have in place stringent vetting and approval criteria and the related mechanism to prevent any abuse of the policy, much vitality will be seen in Hong Kong economy and more opportunities created for the local workforce.

In the short term, the policy of admitting mainland professionals will only apply to the information technology and financial services, but other industries may also wish to seize the opportunity offered by market liberalization on the Mainland. If there could be more flexibility in admitting relevant mainland professionals, it is believed that so doing can help all industries to develop the mainland market for professional services. The Government should try to gain a better understanding of the needs of various professional service industries in order to set down the necessary strategic planning.

The Budget also places great emphasis on another important strategy, which is on strengthening the strategic partnership and co-operation between Hong Kong and the Mainland. Some specific proposals are made, and they include co-operation on such infrastructures as transport, telecommunications and cross-boundary facilities. Moreover, further support is given to local enterprises developing businesses on the Mainland. Study is to be made with respect to the establishment of an economic and trade office in Guangdong, and inspection visits to major cities in the Western region are to be organized for senior government officials and businessmen.

I think that the senior government officials have been proactive enough to take the lead in promoting understanding and economic co-operation between Hong Kong and the Mainland. It specifically shows the Government's support for businesses intent on exploring development in the north, and so doing can greatly enhance the effectiveness of co-operation with the Mainland. I hope that in all future undertakings of economic co-operation with the Mainland, the Government can continue to plan more similar work. It may even consider assigning higher-ranking officials to lead such visits, for example, making reference to the practice of other countries where the head of state lead business tours to Beijing, our Chief Executive can lead businessmen and professionals to visit Beijing, thus promoting communication with various places in China, or even signing contracts.

Finally, though no specific tax proposal is made, this year's Budget is on the whole a fairly balanced in that it can meet the current demands of our economic development; in particular, in line with the policy address of the Chief Executive, the Budget has listed specific measures to prepare Hong Kong for the opportunity arising from China's accession to the WTO. Moreover, on the fiscal problems that the Government is facing, as well as on "green tax" and betting duty, the Budget has also expressed views that deserve our closer attention and will facilitate in-depth discussion within the public. It is a long-term and important social engineering project requiring our attention to maintain public finances in a healthy state.

Madam President, I so submit.

MR BERNARD CHAN: Madam President, this Budget may not be exciting or radical, but I believe that it is appropriate for Hong Kong at this time. At a time of economic uncertainty, we need stability and consistency, and this Budget offers both.

Some members of the community would like to see higher public spending. However, government expenditure already accounts for more than 21% of our gross domestic product. This is acceptable, during a slow and uneven recovery from a recession, but we cannot afford to let it creep higher and higher, year after year.

I have mentioned before in this Council that Hong Kong almost seemed to be drifting towards some sort of socialism.

The Government provides half of our people with housing. It provides most of our children with a tightly regulated education. The Secretary for Health and Welfare is determined to give us a nationalized health care system, providing 95% of all hospital care. The Government is the biggest employer, and offers salaries that much of the private sector cannot compete with.

Higher government spending means bigger government. Bigger government means less room for market forces to work. It means less freedom of choice for people, and, of course, higher taxes.

Another complaint about this Budget is that it increases some fees and charges. However, it is important that we stick to the "user pays" principle. Without that principle, we have a system where users are subsidized by non-users. That may mean the poor subsidizing the rich. And it may reduce people's incentives to use government services efficiently.

For example, if the fees for driving licences or parking meters do not rise, non-drivers are effectively subsidizing drivers. How can that be justified? This is especially the case where fees have not been increased for 10 years, and have fallen significantly in real terms.

Some people were upset that there was no increase on tax relief on mortgages. Yet again, this is a subsidy. Why should people who do not have a mortgage subsidize those who do? This is probably another case of the poor subsidizing the rich. I cannot understand why people who claim to support the poor are in favour of such policies.

It is also important that duties on tobacco, alcohol and other items remain at a reasonably consistent level in real terms. Remember, if revenue does not come from those areas, it must come from somewhere else.

Some people have also criticized the Government for not dipping into the reserves as an apparently painless way of boosting spending. The reserves are far larger than they need to be. I wonder how effectively that money could have been invested by the people who earned it. But it does not follow that the Government should start spending it.

We must ensure in the long term that our outgoings do not exceed our income. It is a basic principle of good housekeeping, and, of course, it is required by the Basic Law. If we get into the habit of living off our savings, no matter how enormous they are, we are asking for big trouble one day.

The Budget also proposes that local companies should be able to hire mainland professionals more easily. Under the current system, companies can easily bring in professionals from anywhere in the world, except our own country. And mainland-related expertise is at least as important — probably more important — as American, Japanese or European know-how.

I find it amazing that people are so upset about such a suggestion. Can you imagine people in New York resisting graduates from the rest of the United States coming to work in their city? Or people in London protesting about professionals from other British cities moving in? We need the best people that we can find from everywhere in the world, or Hong Kong will become insignificant.

Finally, the Financial Secretary has been criticized for pointing out that we may need a broader tax base. In my view, this has nothing to do with the current budget deficit. Even without the deficit, the Government should be aiming to widen its sources of revenue. Up to now, the Government has been sucking in half of its revenue through a relatively small part of the economy, that is, the property and land sector.

This distorts our economy and makes particular business and personal costs very, very high. But it is not just a threat to our continued economic development. It threatens the development of a pleasant environment, because the Government uses land in such a way as to maximize its revenues rather than create a liveable city. And it threatens our political development. We need citizens who can see the taxes they are paying, so they will not vote for people who tell them that money grows on trees.

Madam President, I generally approve of these budget proposals. With education receiving the biggest share of spending, and social welfare receiving the greatest increase, we can say that the Government has set its priorities right. With most taxes are left at their current levels, we can say that the Government is careful in managing spending.

Furthermore, some concepts that will make an important difference to our long-term future have been endorsed in this Budget, such as closer links with the Mainland, and the principle of "polluter pays" in applying fiscal policy to environmental issues.

It may not be exciting, but it adds up to a balanced and fair budget. Thank you.

DR DAVID LI: Madam President, I have been disappointed at the reaction to the Budget speech. The speech was one of the most important statements from the Administration in recent years on Hong Kong's way forward. Unfortunately, this aspect has been largely ignored.

Under the theme "Strategies for Development", the Financial Secretary outlined a plan to establish Hong Kong as a centre for high value-added services.

The Financial Secretary spoke of China's entry to the World Trade Organization (WTO). He noted that we do not enjoy preferential trade treatment from the Mainland. If we do not act to create benefits for ourselves, we will lose out, maybe not tomorrow, or next year. But surely and slowly, Hong Kong will lose out.

The Financial Secretary spoke of a new era of communication between Hong Kong and Guangdong, a great two-way flow of goods, services and people. He said: "We must grasp this opportunity to become the World City of Asia and a first-class international financial centre, providing an unrivalled breadth and depth of financial and high value-added services."

In this context, he announced the scheme to allow mainland professionals to work in information technology and financial services disciplines. We need these people. We need qualified people for our current needs. But what is more important, we need qualified people for what we want to become. If Hong Kong is to compete with London and New York as an international financial centre, we must be better than they are. First and foremost, we must be the centre of choice when mainland firms want to raise capital.

At present, we cannot compete in terms of size, or liquidity, or the range of products offered. We compete by knowing the market and its requirements

better than our rivals, and by acting more quickly. Remaining competitive is not easy now. It will be more difficult in future, as Shenzhen and Shanghai grow.

Hong Kong is well placed to combine the best of both worlds, drawing the finest talents from London and New York, Shanghai and Shenzhen. That is our unique advantage.

Restricting entry of mainland professionals will harm our ability to compete. We will fall behind unless we act, and we must act now. We cannot stand still. China's entry to the WTO will force change upon us.

I have been disappointed that so few have taken up the Financial Secretary's challenge to the community to "accept that the polluter must pay to clean up his mess". Members of the Finance Functional Constituency have voiced strong support for this proposal. Hong Kong must improve its environmental reputation in order to attract top talents. We owe it to ourselves to open this debate, and to make the required decisions.

The Financial Secretary made a number of proposals which found favour among members of the Finance Functional Constituency. He announced that the Secretary for Financial Services will draw up a plan, in consultation with our industry, to foster the introduction of new financial and securities products. This will enhance Hong Kong's role as a centre for raising capital, and we look forward to continuing efforts in this regard.

The Financial Secretary also announced that he would examine ways to improve the transparency and accountability of the Hong Kong Monetary Authority in managing the Exchange Fund. This, again, is most welcomed.

There is very strong support for the initiatives on corporate governance. Setting and maintaining the very highest standards will strengthen our financial markets, and deepen international participation.

The Financial Secretary spoke of the progress to date in setting up a Commercial Credit Reference Agency (CCRA). Many in the Finance Functional Constituency champion the speedy introduction of the CCRA. The CCRA will increase transparency and make it easier for well-run small and medium enterprises (SMEs) to borrow. With access to capital, these companies

will be better able to take advantage of the opportunities offered by China's entry to the WTO. That, in turn, will benefit the whole community.

On the issue of SME financing, may I say that the banking sector would welcome a continuation of the Special Finance Scheme for SMEs. The original scheme, which ran from August 1998 to April 2000, was very well supported by the financial community, with 78 banks and other financial institutions participating. Almost 12 000 companies were benefited.

The recent sharp downturn in the United States economy will impact on Hong Kong's exports and re-exports, and many SMEs will find it difficult to redeem the loans as they come due. I have to underline and emphasize, now is not an appropriate time to wind down the Scheme.

The Working Group on Small and Medium Enterprises Financing will report by mid-year with specific proposals to further promote bank lending to SMEs.

In a preliminary report to the Legislative Council Panel on Trade and Industry, the Convener of the Working Group, Mr CHAN Tze-ching, informed Members that there was already a shift away from asset-based financing to lending on the basis of track record and business prospects.

The banking sector is looking forward to early implementation of the recommendations of the Working Group, so as to expand lending to SMEs.

I believe that the Financial Secretary was right to refrain from making major changes to the tax system at this time. As he pointed out, the Advisory Committee on New Broad Based Taxes and the Task Force on Review of Public Finances are now studying this issue, and it would have been wrong to pre-empt their work by introducing changes now.

The Finance Functional Constituency does, however, have a number of proposals that should be examined by these two advisory bodies.

One specific suggestion that we have at this stage is not a new one. We in the banking industry have been arguing for many years in favour of tax relief covering general provisions for loans. We believe that the current system is unfair and inequitable, and it penalizes prudence. We urge the Administration

to consider seriously giving tax relief on such provisions, as in Japan, South Korea, Taiwan, Singapore, and among others.

I also believe that the Administration should consider abolishing estate duty. In order to escape estate duty, people move funds to offshore centres. And I believe that this represents a loss of business for our financial sector.

The Budget contained two initiatives on training, first, an increase in the personal income tax deduction for self-education expenses, and second, a \$300 million fund to subsidize training for SMEs.

Given the pressing need to upgrade our skills, and the dislocation in our community caused by rapid change, the Finance Functional Constituency believes that much more needs to be done in the areas of training and continuing education.

With improved access to training, our whole working population will have a stake in our evolving economy, upgrading both their skills and their incomes. Without such access, many will rightly complain about being left behind. Indeed, we are hearing their voices right now. We should also examine the tax treatment of employee share ownership plans. Share granting and share option schemes are a form of long-term incentive, tied to company performance.

Unlike major overseas centres, the current focus of remuneration in Hong Kong is on short-term incentives. A change in tax policy to favour employee share ownership plans would have a positive impact on the long-term competitiveness of Hong Kong companies.

We are well and truly at a cross-roads. I congratulate the Financial Secretary for devoting so much of his Budget speech to "Strategies for Development", and for putting the issues on the public agenda.

Madam President, I take pleasure in supporting the motion.

MR JAMES TIEN (in Cantonese): Madam President, this is the last Budget delivered by Mr Donald TSANG in his capacity as the Financial Secretary. In the course of preparing this Budget, he had consulted a number of Members and the Liberal Party, and we had also given our views. Though the Budget has not

answered all the demands made by us, on the whole it sticks, as we thought it should, to the fundamental principles without making any drastic change. That this Budget should be so drafted is not because it is his last Budget, or because he should make it easy for Mr Antony LEUNG to take over the job; rather it is because last Christmas, that is, the period between November and December last year, major problems surfaced in retail sales and other areas in the United States. And our exporters and manufacturers already spotted signs of recession in the United States economy. Unfortunately, in the past two months, we have seen adjustments in the United States stock market too. With the Japanese Yen sliding down to the level of ¥123 to US\$1, we thought that the Japanese economy might cause another round of economic instability in Southeast Asia. It is under such a situation that the Liberal Party welcomes the last Budget of the Financial Secretary, which is stable, without making any major changes.

Madam President, another issue that we would like to discuss with the Financial Secretary is about our fiscal reserves. In fact, I have talked about this a number of times already. How much do we have in fiscal reserves now? From records, we have \$444.3 billion. If there would be a \$3 billion deficit in this Budget, next year's Budget would have \$3 billion less to spend. However, we always feel that the Government should have hoarded up an enormous amount in the Exchange Fund, that is, the assets in the Exchange Fund alone would have already amounted to more than \$800 billion. Of course, that amount includes our current fiscal reserves as well as the reserves that those notes-issuing banks should have. Even so, the net assets of the Exchange Fund, that is, assets minus liabilities, should be more than \$300 billion. Certainly, this \$300 billion is earned by the Government or the Exchange Fund, even so, it is still taxpayers' and the Government's money. Last year, the net investment return of the Exchange Fund was \$34.3 billion, from which the Government got its share of \$18.1 billion. The sharing rate was decided through negotiation between the Government and the Hong Kong Monetary Authority (HKMA). However, we feel that whatever the HKMA may have belongs to the Government, and also to the taxpayers. The \$34.3 billion net investment income should be passed to the Government in full. If it were so, the Government would have an additional \$16.2 billion, more than enough to meet the deficit; or looking at this year's figures, up to now, the Government still warns us against a possible deficit of \$11.4 billion. If this sum were passed to the Government, I feel that instead of having a deficit, we should end up with a surplus.

The Liberal Party appreciates greatly the performance of the Financial Secretary over these years. Of the six years, there are only two years for which we are yet to be able to see any figure, as next year's figure is still an unknown, and it is expected there would be a deficit of \$11.4 billion this year. However, we can look at his performance in the first four years: \$25.6 billion in surplus in 96-97, \$86.8 billion in surplus in 97-98, \$23.2 billion in deficit in 98-99 only, and \$10 billion in surplus again in 99-2000. In all, congratulations to the Financial Secretary, for he has earned for us almost \$100 billion in four years.

Under the circumstances, I feel that with respect to our annual revenue and expenditure, even if we leave the reserves untouched, the Government can still arrive at a balanced budget. Many people or Members feel that it is right for the Government to leave a large reserve. After all, using the reserves might contravene the Basic Law, which is not what we wish to see. What I wish to point out today is that without touching the reserves, putting all the investment return made from the reserves under the Government accounts will suffice in negating the deficit. There is no need to touch the reserves.

Of course, the views of the Liberal Party may be different from those of other political parties. If the Government does not need to make the reserves increase, then how are we going to use the money? Many other parties urge the Government to increase the expenditure in other areas. The Liberal Party would first like to ask: Would it be better for us to help the disadvantaged by benefiting them with money directly injected into social welfare or medical and health services (education is an exception), or to reduce the increase in all the charges and taxes levied on the businesses and the SMEs so that, when their businesses turn around, they can continue their operations and provide more jobs to the disadvantaged? We feel that the second option is more appropriate. We think that the Government already has a healthy reserve — now it has over \$400 billion in fiscal reserves and \$300 billion in the Exchange Fund, totalling a net assets value of more than \$700 billion. If the Government agrees that this is sufficient, then it should consider making appropriate adjustments in its revenue, instead of applying the "user pays" concept on the SMEs or increasing the charges. So doing would also enable the SMEs and business operators to create more jobs, benefiting the disadvantaged, who, because of having a job or a better job, would not need direct social assistance.

Madam President, I would like to talk also about the admission of mainland professionals. The Democratic Party has already expressed that this is one of the two conditions qualifying their support for the Budget. The Honourable Jasper TSANG has also expressed some views on this. The Liberal Party thinks that doing business in Hong Kong nowadays is already very difficult. Unlike local investors, international investors have a better choice. If they think that Hong Kong does not have sufficient talents, they would not, even if they have the money, think of opening a regional office here. They do not even have to go as far as Shanghai or Beijing, instead they can set up their regional office in Shenzhen. The Shenzhen Municipality is booming now. One of the reasons is that professionals and talents from all over China can all go to work in Shenzhen, without any restriction on their numbers. Though the salary there is lower than that in Hong Kong, the standard of living is also cheaper. If we do not look at this issue squarely, Hong Kong would not be able to reap much from the future economic boom in China, as most of the people would go to Shenzhen. I believe that no one, including the local investors, local university graduates or the working population here, would like to see this happen. We also hold the view that many businesses like to cluster together. For example, when Lan Kwai Fong first began, there were only two or three Western style restaurants doing business there. Now there are a dozens of them. Is the business better then or now? Is it always true that businesses would compete with each other when they come together? It may not be so. If Hong Kong can become a financial and technological centre, and if similar businesses cluster here, foreign operations and local companies can invest in their businesses here, and professionals admitted to work here can also mingle with local graduates, sharing views and encouraging each other. Would it not be a much better situation? Both the Liberal Party and Hong Kong General Chamber of Commerce think that this is a good thing.

We need to take note of one thing. It has been three years since the reunification, the development of Shanghai and many other cities in China in these years has far exceeded our expectation or estimation three years ago. In fact, the monthly salary of many professionals in Shanghai are as high as RMB\$20,000 or RMB\$30,000. Are they really keen on coming to Hong Kong? Will many of them actually come here? These are all beyond our estimation. I therefore think that there is no need to set a ceiling, and the same reasoning applies to if a minimum wage must be set for the proposed admission of professionals. I do not believe that those mainland professionals whom the industries and businesses would like to engage can be employed with a monthly

salary less than \$10,000. After all, they have to pay for their accommodation in Hong Kong, and that sort of salary is not enough to pay for their food and lodging. In that case, they would be better off working in Shanghai or Shenzhen and they would not come here to work. I therefore feel that if we were to implement this admission scheme, we should make good use of this opportunity to enable as many professionals as possible to work here. Some people perhaps would say that in the past, people from the United States, England, Europe or even such Southeast Asian countries as India, the Philippines and Thailand could come to Hong Kong, why do we now have to target the mainland professionals by not allowing them to come? Of course, before the reunification, we all understand what the reason was. Probably it was because of their large number and Hong Kong had only 6 million people. If they were to come all at the same time, how could Hong Kong handle? Now, after the reunification, as I have already said, the state of development is very good in China. I do not believe that many companies would engage low-salaried workers to work here, but neither would they pay too high a salary. I therefore think that the Government is right this time, and I hope that those parties that oppose this can reconsider the issue. These professionals may not necessarily take away the jobs of locals here. Though, for a very short-sighted view, this may be a case of a position in exchange of another, in the long run, say five or 10 years, this would not be the case, I believe.

Madam President, the Hong Kong General Chamber of Commerce has also put forth some views on the admission of professionals. The Government has based its argument on the unemployment rates in the financial and technological services sectors, being 1.6% and 1.4% respectively, so professionals from these fields are allowed to come. The Hong Kong General Chamber of Commerce feels that many traditional industries in Hong Kong also need a relaxed admission of professionals, though the number may not be as great as the two above. By relaxing the criteria for the admission of professionals for the traditional industries, it would give those now engaged in these industries but finding it impossible to undergo retraining a ray of hope as these industries may be able to continue with their business. I therefore hope the Government can consider relaxing the policy for the other traditional industries if the admission of professionals scheme is successful with the above two industries.

Madam President, I would like to talk about the issue of negative equity and SMEs. I am glad to hear Dr David LI say just now that the banks have

changed their views recently. The Working Group of the SME Committee, that is the one chaired by Mr T C CHAN, has already held discussions with the banks, which would consider relaxing the condition for making loans available to the SMEs. Instead of just looking at the "bricks and mortar", the banks would also consider the prospect of the business. I welcome such a move, which, I believe, can help solve part of the problem. However, on the issue of negative equity, we all know that many SMEs still have to use "bricks and mortar" as the collateral for their loans. If the property market continues to slide, it would be difficult for SMEs to raise any loan from the banks. While the banks will find it hard to approve the loans, the SMEs would not be able to raise any loan.

Why do I have to raise this again today? It is because the Government once said that 20 000 units would be made available each year, but it later announced that that figure would not be more than 15 000. Despite that this was originally a very clear housing policy, a sudden announcement was made that 30 000 public housing units would be put up for sale each year, thus muddling the clarity of the message. So, under the housing policy, how many public housing units would be sold each year? Is it still the thinking that 70% of the population should own their property? Is it the policy that every year an additional 30 000 units will be made available? If the message is not clear enough, I believe that the issue of negative equity would linger on, and the SMEs and the banking industry would still be in doubt.

Madam President, China's accession to the WTO will bring with it business opportunities. The Hong Kong General Chamber of Commerce has consulted many SMEs on this. Having been asked the questions, they all shrugged their shoulders and asked where those opportunities were. For people like us running SMEs, where shall we look for the business opportunities in such a vast country like China — in the northwest, or in the big northwestern region or even within a bigger area? If the Government can co-ordinate some research and tell the businesses where those opportunities are, the effect would be greater for Hong Kong people. I therefore hope that the Government can do some work in this respect.

Finally, I would like to make use of this opportunity to give praise to the work the Financial Secretary has done over the past six years, though we often feel that to be Hong Kong's Financial Secretary is not that hard. Why? Compared with our neighbours, Hong Kong does not have to shoulder any cost for troops and foreign affairs. Look at other countries and cities, like Singapore, they have 20% of their expenditure on maintaining their navies, armies and air

forces. And many foreign affairs policies also need financial support. On the contrary, we do not have these worries. Over the years, the job of Hong Kong's Financial Secretary has been a relatively easy one. However, what is the most praiseworthy thing that Mr Donald TSANG has done in his office as the Financial Secretary is his decision to intervene in the market to ward off foreign speculators manipulating Hong Kong's financial market. Of course, none of us could know beforehand such a move would net for us such a large return. At that time, most of us just hoped against hope that we would not end up with any loss. He has the courage and guts and probably luck to be so successful.

Madam President, I so submit, and the Liberal Party supports the Bill.

MR MARTIN LEE (in Cantonese): Madam President, the Financial Secretary announced his last Budget in office this year. Looking back on his performance in the past six years, the Democratic Party can give this assessment: "Being overly cautious and holding on tight to the reserves, he does not act with fairness but encourage monopoly." During his six-year term as the Financial Secretary, Hong Kong has experienced the historic moment of returning back to China, weathered the turbulences of the financial crisis and found itself standing at the cross-roads of transforming into a knowledge economy. In face of the financial crisis and economic recession that came after the reunification, the Financial Secretary stuck to his old ways of prudent fiscal management, without making good use of the large reserves and bringing hope to the local economy. This is what we mean by "being overly cautious and holding on tight to the reserves". Under globalization, every country around the world is placing greater emphasis on maintaining a level playing field for business operations. However, not only is there no improvement in Hong Kong in this respect, the situation is actually regressing. This is what we mean by "not act with fairness but encourages monopoly".

Madam President, I shall try to summarize his overly prudent approach of fiscal management with some statistical figures:

First, the accumulative figures of the government reserves. The government reserves totalled \$148.6 billion in 1996 and rose to \$432.9 billion in the past five years. Discounting the effects of the Land Fund, there is still a net increase of \$87.3 billion or 60%, while there was an accumulative increase of 30% in government expenditure for the same period;

Second, the proportion of government reserves in relation to government expenditure. Government reserves were equivalent to 11 months of government expenditure in 1996, but now the reserves are equivalent to 23 months of government expenditure;

Third, overestimating the expenditure but underestimating the revenue. In the past five years, the expenditure had been overestimated, while the revenue underestimated for three times. The overestimated expenditure totalled \$43.4 billion cumulatively, and underestimated revenue totalled \$10.9 billion. Both figures added together mean that the Government had an extra \$54.3 billion in reserves, which is equivalent to 13% of the current reserves; and

Fourth, the cumulative growth in the GDP compared with the cumulative growth in government expenditure. Growth in government expenditure has always been lower than economic growth, with the difference showing no narrowing but expanding in the past six years. In 1995-96, the growth in government expenditure was lower than economic growth by 6.1%, but in the coming year this will increase to 7.4%. This 7.4% should not be treated at lightly as the Government could increase its expenditure by \$18.7 billion if this difference could somehow be bridged.

The above figures are provided by the Government. What sort of problem do they reflect? Keeping our expenditure within the limits of revenues, avoiding deficit, government expenditure not to exceed the overall economic growth; all these supposedly golden rules are seen by the Financial Secretary as virtues, but in fact they are pedantic dogma that have prevented the Government from effectively making use of the reserves. The result is that while seeing our reserves growing every year with investment in American bonds, the Government is quietly making a fortune and the community is complaining about the hardship they have to bear. Many local economists have already questioned that the benefits from investing in American bonds are far less than the long-term benefits we can get in enhancing Hong Kong's competitiveness if we were to use the reserves to increase our investment in society. It has almost become a consensus among the local economists that the Government has hoarded up too large a reserve. Economists from both sides of the politics have urged the Government to put the reserves to better use. Though the suggested use may be different — the leftists have asked the Government to increase its investment in society and the rightists for tax relief, they unanimously hold that it is unreasonable for the Government to accumulate too large a reserve. The

Democratic Party thinks that the Government should not be happy with being a miser sitting on top of his wealth; rather it should put the reserves to better use by improving the quality of our education and manpower training.

Madam President, the Financial Secretary can in his office draw up a long-term and appropriate plan for the Government's management of public finances. Early in 1990, the Government did not have too large a reserve, so it might be reasonable to adopt a more cautious philosophy to fiscal management. However, since the reunification, great improvement was seen in the financial situation of the SAR Government when it took over the reserves from the Land Fund. The past fiscal philosophy now looks pale and should be appropriately adjusted with due consideration being given to how to put this large reserve to better use. However, the Financial Secretary has been too cautious and, in trying to rationalize why such a large reserve is required, laid down a set of guidelines that has drawn public criticisms. Though it is a good thing for the Financial Secretary to set down some guidelines on fiscal reserves, he has not allowed sufficient discussion within the community, thus making the rationality of the guidelines open to question. According to the Government's Medium Range Forecast, the level of reserves is already very close to the lower end of the guidelines, setting off a yellow-light warning. If the next Financial Secretary were not to review these guidelines, he would find his hands tied with very little room for fiscal manoeuvre. The Democratic Party agrees that the Government must have a robust reserve, with the reasonable level being set at an amount that is enough to meet the Government's expenditure for one year, which is about \$250 billion. In other words, the Government still has close to \$180 billion at its disposal.

The most important incident that the Financial Secretary has dealt with in his term is the financial crisis. At this critical moment, it was the best time to use the reserves and to set down some special measures to relieve the hardship of the community. However, the Government only used the reserves to maintain its expenditure, and after that immediately put a lid on its expenditure so as to keep its expenditure growth in the past five years lower than the economic growth. In order to remove any effects of recession, government expenditure for the past two years has been kept at zero growth, with this year's spending level being kept at that of two years ago. For next year's Budget, the Government still stubbornly limits the growth to 2.5%, which is too conservative. According to the Government's Medium Range Forecast and principles of fiscal management, the Democratic Party thinks that the Government should, with reference to the economic growth, increase its expenditure to 4%.

Madam President, I would now like to switch to another issue that has attracted much controversy during the term of the Financial Secretary. In his Budget speech, he has mentioned a number of times the four underpinnings of Hong Kong's success, which include maintaining a level playing field. Despite his emphasis on the importance of fair competition, and the establishment of the Competition Policy Advisory Group under his chairmanship, there was little to write home about his performance with the exception of the telecommunications and broadcasting industries, for which legislation has been passed to combat anti-competitive behaviour. Monopolistic acts are still common in many of Hong Kong's industries, for example, supermarkets, power supply and container terminals. The Competition Policy Advisory Group only exists in name, without any solid powers or resources, and nothing specific has been achieved. The Democratic Party has been urging the Government for a number of years to pass legislation on fair competition and to establish a Fair Competition Commission, but only met with the Government's refusal, which is very disappointing.

In fact, not only has there been no improvement in the competition situation here, the situation has even deteriorated in recent years. In the Cyberport project, no matter if he was carrying out the instruction of Chief Executive TUNG Chee-hwa, the Financial Secretary definitely had set a very bad precedent. Without inviting any open tender, the Government hurriedly grant the project to Pacific Century; there was no transparency in the whole process at all. No matter how hard the Government has tried to explain, the public still doubts very much if the Government has favoured a particular group because of the clout the group may have, which is against the principle of fair competition.

The Cyberport incident has already drawn much attention from international institutions, amongst which is the International Monetary Fund (IMF), which has for two years continuously mentioned in its assessment report on Hong Kong that we must introduce an appropriate legal framework for fair competition. The report specially highlighted that some of Hong Kong's industries were controlled and dominated by a small number of consortia.

The European Parliament released a report last October, expressing its concern for the fair competition situation in Hong Kong, in which special reference was made to Hong Kong's media reports about the influence of the LI Family on Hong Kong economy. For example, in the case of the Cyberport and tom.com, had the LI Family been given favourable treatment by the Government? The report pointed out that if such allegations were true, it would have

significant implications to members of the European Parliament who are currently having trade activities with Hong Kong or the investments of those who are setting up their Asian headquarters in Hong Kong. It is like flashing a yellow card to the SAR Government. The Cyberport incident undoubtedly is a major blemish during the term of the Financial Secretary; it has caused major damage to the principle of fair competition in Hong Kong.

Madam President, to sum up the assessment of the Financial Secretary's performance, I would like to point to a list of statistical figures. The Democratic Party had only for once voted against the Bill, and for three times voted for it. From this record, the Financial Secretary's overall performance has not been too bad. The Democratic Party would also like to vote for his last Budget, but we have strong views on two areas in the Budget:

First, the Government's philosophy of fiscal management has been disappointingly conservative. Since October last year, the Democratic Party has on a number of occasions specifically asked the Government, in referring to its own Medium Range Forecast and principles of fiscal management, to remove the 2.5% ceiling on expenditure growth set two years ago and raise the expenditure growth to a level that is in line with economic growth, which is also the Government's objective. However, the Government still has to wait until the year after next to make this adjustment and keep this year's expenditure growth 1.5% lower than the economic growth. The Democratic Party cannot see what sufficient reason the Government has for this.

Second, the Government's human resources policies are working against each other. At a time when Hong Kong is at the cross-roads of transforming into a knowledge economy, the Government cuts the university funding and reduces its commitment to the training of local talents. For the purpose of achieving quicker and better results and more in number, the Government has put forth the Admission of Mainland Professionals Scheme. It is unfair to the local youths and does not help in raising the competitiveness of the locals and in laying the foundation for our economic transformation.

Madam President, the Democratic Party hopes that the Financial Secretary can make the following three promises next week and put forth the relevant amendments:

- (1) Increasing the allocation to the University Grants Committee (UGC) to \$1 billion for three years, reaching \$3 billion in additional allocation for three years;

- (2) Making an additional allocation of \$2.2 billion to improve government services, including raising the number of associate bachelor, bachelor and postgraduate degrees in information technology and finance; providing more on-the-job training and technical training; resolving the youth unemployment problem and meeting other needs. The Democratic Party suggests that the Government put forth amendments later and include the \$2.2 billion in the subheads extra commitment under Head 106, and discuss with the Legislative Council as to their allocation in details; and
- (3) Setting a quota for the Admission of Mainland Professionals Scheme.

Madam President, later on Dr the Honourable YEUNG Sum of the Democratic Party will explain in greater detail why we have set down the above conditions. If the Financial Secretary can commit himself on the three demands above and submit the relevant amendments, the Democratic Party will happily vote for the Budget.

I so submit.

MR AMBROSE LAU (in Cantonese): Madam President, a good budget should properly lay out the Government's various revenue and expenditure arrangement. Instead of being limited to keeping the books in order, the budget should drive the restructuring and development of the economy with fiscal policies. The sixth Budget of the Financial Secretary, which is also his last Budget, has all of the above characteristics. This Budget therefore deserves our recognition and support.

Though there are two reductions and five increases in the various arrangements in respect of tax revenue and charges in the new Budget, there are basically no major changes and the Budget is consistent with the actual situation in Hong Kong now. There is significant growth in expenditure on major policy areas like education, health, security and support services. The rates of real growth in total government expenditure and total public expenditure are respectively 10.8% and 3.5%, but there is no major tax and charge increase to meet the increase in expenditure. Thus despite the two reductions and five increases, the citizens have \$30 million less in burden.

Madam President, the Hong Kong Progressive Alliance (HKPA) has put forth five principles and proposals in relation to the taxes and charges in the new Budget: first, instead of making major changes to the taxes, there may be minor adjustments so as to maintain the stability of the taxation policy; second, the advantage of having a simple and clear low-tax system should be maintained; third, the opening up of new sources of income should be effected not to the neglect of streamlining government structure and improving efficiency; fourth, to improve the business environment by way of taxation policy, with particular attention being given to not adding to the burden on those businesses that are toiling with great difficulty; and fifth, the taxation policy should in the long term facilitate economic restructuring and sustainable development. Based on these five principles, the HKPA has also put forth specific proposals on a series of expenditure and tax arrangements. Apparently, the new Budget has incorporated the principles and suggestions made by the HKPA and the community, for example, various tax allowances remain unchanged, the maximum amount of deduction for self-education expenses under salaries tax is increased, profits tax remains unchanged, property tax and rates remain unchanged, no land departure tax, those government charges that have an impact on the people's livelihood remain frozen, measures relating to education, employment, training, social welfare, security, elderly service, the disabled, support for SMEs, the prompt implementation of the cross-boundary infrastructure programme, the training of local talents and admission of mainland professionals. All this will help improve the business environment of Hong Kong.

Madam President, the new Budget does not limit itself to just performing a bookkeeping role, it also helps put into force the development strategy set down in last year's policy address. In relation to the three major developments, namely upgrading the quality of human resources, quickening the pace of integration with the Chinese economy, strengthening Hong Kong's position as a centre of high value-added services and international finance, the Budget has put forth policy measures and committed resources. The contents of the Budget have embodied such a new vision and strategy. The theme of the Budget, "Honing our Strengths, Striving to Excel", is about these three major directions. The new Budget can thus be seen to have got to grips with the fundamental problems and challenges that Hong Kong is facing and provided the financial conditions to meet the challenge, seize the opportunities and act aggressively. This has the full support of the HKPA and I shall give the reasons for our support:

First, on improving the quality of our human resources, the Budget proposal on the Admission of Mainland Professionals Scheme is a timely measure to ensure that Hong Kong would not be left out of the race in the era of knowledge economy. There are good points as well as shortcomings in Hong Kong's talent structure. Hong Kong lacks talents in information technology, finance and the related areas. According to the Report on Manpower Projection to 2005, Hong Kong will have 120 000 vacancies for all sorts of talents in the coming five years. At the moment, China and many countries are going after talents. In China, many multinational companies extend their tentacles into various famous universities, poaching "talent seedlings". Shanghai, Shenzhen and many other Chinese cities are lowering or dismantling the threshold that has been used to prevent the admission of talents. In face of such fierce competition for talents, Hong Kong should open up avenues for the admission of both talents and wealth instead of sticking to its old ways. Now, in the admission of mainland talents, one of the thresholds is that they might, as some people think, take away the jobs of local university graduates and professionals, so there is a mentality of keeping and preventing the mainland professionals from coming to Hong Kong. Another threshold is that there are too many restrictions, thus creating a situation that is not conducive to attracting mainland professionals to Hong Kong. The Admission of Mainland Professionals Scheme, as proposed by the Budget, basically breaks down those two thresholds and meets the competition need for talents. Studies of the Government already discover that admitting one mainland professional could develop six jobs for locals. Thus implementing the Scheme and allowing those mainland students studying in Hong Kong to stay after completing their studies can help relieve our talent shortage and create more job opportunities.

On the other hand, on quickening the pace of integration between the Hong Kong and mainland economies, the Budget proposes that the two places should use their own advantages to complement each other, thus developing into a robust competitive force in the economy of the region. This is the embodiment of the new thinking of the Government on the development in this direction, and also puts into force, with actual policies and measures, the strategy of the Chief Executive that "the Pearl River Delta be developed through co-operation". However, the scope of application is still very limited as it only emphasizes integration in the infrastructures and provision of support services. On the integration of infrastructures of the two places, not only is Shenzhen going about it in earnest, Hong Kong is also matching it with positive measures. Short-term measures and long-term plans have already been drawn up to speed up the

construction of cross-boundary transportation infrastructure and passage on the part of Hong Kong. The one-stop service requested by Hong Kong operators of SMEs in China will come into force shortly. This deserves our recognition and support.

Third, on strengthening Hong Kong's position as a centre of high value-added services and international finance, the Budget has also taken on board some of the proposals of the HKPA, especially on improving the operating environment of the financial services sector, carefully examining the applications for assistance for technological development programmes, quickening the review of the strategic development of the harbour and international market, and promoting and stepping up the planning of infrastructures that facilitate import and export trade.

Madam President, on the above three areas, the Budget still have areas that require more work. First, the Admission of Mainland Professionals Scheme can be put into force in the second half of the year, but on training local professionals, much is needed obviously in terms of government policies and measures. Second, on the integration of the economies of Guangdong and Hong Kong, despite that work has already begun on the Mainland with respect to certain projects, Hong Kong still stays at the preliminary stage, for example, the Budget has not made allocations for projects related to cross-boundary infrastructure construction. Third, on strengthening Hong Kong's position as a high value-added service and international financial centre, not only has the Budget not provided any new support to information technology after the burst of the technology bubble, it lacks new initiatives of support for other innovative industries of technology. For example, the Budget has not provided the necessary promoting measures to develop Hong Kong into a logistics centre. These are areas that the Government should review and make some improvement.

Madam President, the latest Budget and the Medium Range Forecast show that the threat of running into a deficit is still there and there is a huge task for us to reduce the operating deficit and increase our revenues. There are three reasons for our continued fiscal deficit: first, reduced revenue due to the effects of the Asian financial crisis; second, revenue from land sales greatly reduced; third, over-expansion of the recurrent public expenditure. In the past, Hong Kong could still use the investment return from its fiscal reserves to make up for the deficit in recurrent expenditure, but in face of a receding American economy and the uncertainty in international economy, the investment return from the foreign exchange reserves also shrinks. The proportion of non-recurrent

revenue in the public revenue climbs rapidly, from the normal 2% to the current 11%. Last year, the Government began to sell off its assets — sale of the Mass Transit Railway (MTR) shares netted \$10 billion, and another \$15 billion worth of MTR stocks are sold this year. There would come a day that whatever assets the Government might have would all be sold out. The Government therefore should not rely on selling off its assets; it must, whilst cutting its expenditure, open up new sources of revenue. While cutting expenditure would be met with a lot of resistance when the Government is already streamlining its structures, and raising tax would only add to the burden of the citizens, the only option for opening up new sources of revenue is by enhancing our ability to create wealth.

Madam President, in conclusion, the HKPA thinks that the Budget is practical and that it is relatively reasonable that no major change is made to our tax system and expenditure arrangements, while having taken into account the livelihood of the community and reviving the economy. In face of the unstable situation where our revenue is shrinking and we still continue to run a deficit, it is appropriate for the Government to remain not aggressive. In implementing the three directions of development as outlined in last year's policy speech, the Budget has made provision for the implementation of some of them. On the whole, the Budget merits our recognition and support.

Madam President, I so submit.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, since the financial crisis, the remuneration and working conditions of wage earners in Hong Kong have been getting worse. For some time, the unemployment rate had remained at the high level of 6% and it only began to take a downward trend in 2000. At that time, the Financial Secretary optimistically predicted that the unemployment rate would come down gradually until reaching the natural unemployment rate. Unfortunately, the latest unemployment rate shows an upturn, reaching 4.5%. Does it signify a seasonal adjustment or that there would not be any great improvement in unemployment? For the lower-middle class, besides facing unemployment and difficulty in finding employment, they are subject to the harsh conditions of low pay level and long working hours. All this has failed to attract any positive response from the Financial Secretary in his Budget.

This year and in the past few years, the Financial Secretary has taken on board some of the views of the non-government bodies (including the Hong Kong Federation of Trade Unions (FTU)), and also invested some resources in

assisting employment. For example, the Financial Secretary has proposed in the Budget to provide regular funding for institutions providing retraining. This has been the request of FTU and other non-government bodies. The Budget proposes that \$72 million be allocated for low-skilled workers, and \$300 million for SMEs to upgrade the skills of their employees. We agree to such actions by the Government.

Moreover, last year the Labour Department organized a "Youth Pre-employment Training Programme" for youths, and this year, in order to upgrade the employability of those aged above 40, the Government provides an allowance of \$2,800 per head for induction training to employers employing them. The Government also spends \$400 million to upgrade the skills of those low-skilled workers. We can see that the Social Welfare Department has used a lot of resources in promoting the Self-Reliance Scheme, Intensive Employment Fund and a number of other employment programmes. The purpose is to assist the unemployed Comprehensive Social Security Assistance (CSSA) recipients to enter employment again. For all these items, the Government has invested a lot of resources, but what is the result and is there any overlap among the schemes? These are questions that have been asked by many people in the community.

Let me take retraining as an example. Those retraining institutions have to look for jobs for their trainees, who obviously are those having been unemployed and want to be back in the job market. In the current market, there is not much of an opportunity for them. The sort of jobs that retraining institutions can find for them are short-term ones. Soon the graduate trainees will run into problem. It is the well-intended thinking of the Government, for example, to provide a \$2,800 allowance per head to employers employing people aged above 40. However, we can immediately see that some employers, intent on getting that \$2,800 allowance, dismiss their original staff and employ job seekers with the training allowance to fill the positions. In fact, can the Government really provide any help? The Social Welfare Department recently introduced the Special Job Attachment Scheme, with the intention of assisting those unemployed and CSSA recipients to receive training. However, we have received complaints saying that the social welfare agencies concerned dismissed their original staff to employ these people. What is more, some youths complained to me that some social welfare agencies asked them, after completing the training, if they were willing to be assistants for some activities. When these youths asked what prospect they had after completing such work and how they could link up with the work outside, they were not given any answer. The Government has invested so much and made so much effort on these issues, has

such effort produced any effect? I dare not say that there has been no effect at all, but the result really shows that these problems cannot be solved. This reflects that those people with low skill and low qualifications are experiencing great hardship in a market where jobs are scarce.

The FTU welcomes the Government's allocation of \$300 million in the Budget to help employers of SMEs to train their staff. I think that compared with other countries, many of Hong Kong's employers have little commitment to the training of their staff. In the retail trade, for example, 70% of the companies are not willing to train their staff, but more than 70% of the staff hope to receive training. Give such a situation, the Government must formulate policies to encourage employers to allow their staff to receive training. We therefore agree to this plan proposed in the Budget. However, at the moment, such agencies as the Hong Kong Productivity Council, Vocational Training Council and Employees Retraining Board have already run tailor-made training courses for employees at the request of some employers, and last year the Government proposed that \$400 million be allocated for the purpose of upgrading the skills of employees, so how is the distribution between those plans and the current \$300 million? We are all very concerned as these are public funds and taxpayers' money. In the end, can these plans really help those who are in need?

Let us look at another new allocation, which is a \$72 million provision for helping those with low education attainment to receive prevocational training and retraining, which mainly include adult education courses run by subsidized educational bodies and non-governmental organizations and provide basic language and social training. We welcome and agree to this proposal. In the early '90s, the Women's Affairs Committee of FTU saw that some people were turned away even though they wanted to join the retraining courses. What about these people? They are not the targets of those adult education courses. Now this year's Budget proposes an allocation of \$72 million, which we support greatly, but we have to ask: How are these courses linked with the adult education organized by the Education Department? What are we going to do if there is any overlap in resources? These are questions that we need to consider. Moreover, for those trainees, would the qualification attained be recognized? Would there be any agency that would take up the job to provide continued training for them? Could they succeed in finding a job?

Madam President, in the past and the present Budgets, the Financial Secretary has put forth a series of plans for marginal workers with low education attainment and difficulty in finding employment, and on the whole we recognize and support such plans. We agree to the proposals put forth by the Government, but we shall raise some specific questions at the relevant panel. We think that the resources made available by the Government now are meant for patching up things in plans that do not have any direction, and these plans have already expended \$1 billion of our public funds. Is this investment appropriate? How is the distribution to be made among the plans? Can this expenditure really help those unemployed get employment? Or would they become unemployed shortly afterwards (as they are marginal workers)? These schemes are overlapping with each other, and how are the current training structure and the new schemes work with each other? At the end of the day, can all these numerous overlapping schemes resolve the employment problem of the marginal workers? Upgrade their skills? And will the upgraded skills gain the recognition of society? All these are issues that we have to think through with a good measure of creativity.

Madam President, what I said just now are issues of concern to the FTU over the past few years. We are not asking the Government to make allocations of a certain amount any more, instead we are only asking the Government whether the provisions can help the unemployed, the impoverished workers and the marginalized workers. We have contacted a lot of people from the grass-roots level, who have had some experience in those training courses. But they told me that at the end they still could not find a job. What can they do? The FTU reflected this to the Financial Secretary and the Chief Executive two or three years ago, pointing out that to resolve the problem of structural unemployment, there must be an economic development strategy with employment as the focus, or there must be an engineering project revolving around helping SMEs to create employment. Of course, if such an approach were taken, the Government would have to change some of its fiscal management principles. Madam President, given the difficulty of the past three years, as I see it, the Financial Secretary's idea has been changing all the time. At the very beginning, he completely opposed policies of support for SMEs, but now he has done a lot of work in this area. I feel that if the Government can change some of those rules that it has held as golden or immutable in the past, if it can come to the changes that we have today, why does it not put into force plans that are more comprehensive and specific and that can really help this group of people out of their poverty?

Madam President, when this Budget was first released, there were a number of areas that we were very happy about, but we still think that there are areas where more work is needed. We therefore have this overall remark for this year's Budget: "Over conservative with the public's hardship yet to be relieved". This is our view. "Over conservative" refers not only to the way public funds are used, but also to our overall concept in helping the wage earners to weather face the impact brought about by structural change in the economy. This is exactly the problem we have to raise.

Madam President, besides this, my colleague, the Honourable CHAN Kwok-keung, will speak on the admission of professionals scheme tomorrow, but I would like to express some of my views on this. We have heard people talking about the admission of professionals scheme, and we have listened to the views of the businesses, but we never know that the Government has already gone into full swing with this huge scheme in earnest. The unexpected disclosure by the Government of the Scheme in the Budget has drawn the attention of many of my FTU colleagues. It is the position of FTU that we have never opposed the admission of talents Hong Kong lacks, especially the admission of mainland professionals. From 1994 to now, our position has been that we accept mainland professionals, and we have never held them in discrimination. The only question that remains is when employing these professionals, the Government must have a detailed plan, which should be so drawn up that distinction must be made as to the characteristics that set the mainland professionals from those coming from America and Europe. We must consider if this Scheme would impact on the local professionals, ways to ensure that those admitted are the high-calibre professionals Hong Kong needs, if these professionals' skills can be transferred to Hong Kong, and if the local youths can master such skills. However, the whole Scheme has made no mention of all this.

When the Security Bureau put forth this Scheme, I had the feeling that something was mismatched here. It is because the Government cannot provide answers to the questions raised by us. I therefore asked for an appointment with the Secretary for Security, hoping to know more about the Scheme. Our member associations — two associations of computer technology professionals — published a series of figures, showing that many websites folded up over the years. At that time, more than 2 000 people were laid off, and many more are facing retrenchment. They include programmers and some computer operators. They think that if the professionals admitted were just like

those who graduated from the Vocational Training Council after undergoing half a year's training, then what sort of professionals are they? To be frank, if they know how to make such hardware as the CPU, we of course would welcome them. However, does Hong Kong have the "soil" to grow jobs of such top-notch technology? We really wanted to raise such questions and therefore raised them with the Security Bureau. We think that an examination mechanism, as well as a ceiling, must be set up. Until there is a comprehensive training plan for technology transfer, we cannot admit professionals from this field. We should treat these professionals in the same way as we treated those from Europe in the past. My colleague, Mr CHAN Kwok-keung, will talk on this in greater detail tomorrow and I am not going to talk any more on this.

Madam President, I would also like to talk about the support that the Financial Secretary has proposed in the Budget for youths at risk and the disabled. The FTU is 100% behind this, and hopes that the Government can continue its care for these two groups of people. However, I still hope that we would not put any label on the disabled or those youths at risk. We have to make them part of the millions of us and give them equal opportunity. This is my view.

Apart from the various points raised by me just now, I would also like to talk about the issue of fiscal balance. As I only have two minutes left, I believe I cannot talk in great detail and I can only make a brief statement. On fiscal revenue, the Basic Law states that we have to keep our budgets over a period of time balanced. The so-called deficits that we had in the past three years are, according to academics, not deficits at all because they did not exceed 1% of the GDP. Of course, academically, this is open to argument, but we feel that the Financial Secretary is too concerned about arriving at a balanced budget. In my view, if a balanced budget were to be reached, then the Government must not make policies that annoy the public, for example, the Government could introduce progressive profits tax, that is, not to increase the profits tax of SMEs that have only made a small profit. The FTU suggests that organizations with annual profits of less than \$5 million will keep to the current profits tax rate, that is, 16%; for organizations with annual profits between \$5 million and \$10 million, the profits tax will be increased by 0.5% or 1%; for organizations with annual profits exceeding \$10 million, the profits tax will be increased by 1% or more. Of course, discussions can be held on these figures. Our view is that organizations that have made a greater profit should pay more tax. Under the premise of caring for the SMEs, the Government may consider adjusting the profits tax and reviewing the context of a balanced budget. So doing is better than the list of proposals currently made by the Government.

The series of proposals made by the Financial Secretary include sales tax, departure tax and duty on soccer betting which is about to be legalized. I have listened to the public's views on these issues, especially on sales tax and departure tax. The views I gathered from residents' meetings are that most people oppose them. As to the legislation of betting on soccer matches, from the more than 10 residents meetings I have attended, I find that the views are pretty varied. However, the mainstream view, which is also that of the FTU, is that we do not oppose collecting betting duty, just like collecting tobacco tax. The Financial Secretary also knows that in the past two years, we have suggested the Government to consider increasing the tobacco duty in order to raise the revenue. The Financial Secretary at first did not agree to this, but now he finally agrees. I want to point out that we do not oppose levying betting duty, but

Madam President, sorry, I so submit. Thank you.

MR LAU CHIN-SHEK (in Cantonese): Madam President, the Honourable LEE Cheuk-yan and I will, on behalf of the Hong Kong Confederation of Trade Unions (CTU), speak on the Budget.

The title of this year's Budget is, as Members all know pretty well now, "Honing Our Strengths, Striving to Excel"; and on looking at this and the last five Budgets, it can be seen that this Budget just rounds up the major concerns but then returns to the original position.

If Members still can remember, in 1996 and 1997 when Mr Donald TSANG first assumed the office of Financial Secretary, the emphasis of the Budgets was "stability", that is no major action and keeping to the long-held principle of conservative fiscal management. The financial crisis breaking out at the end of 1997 exposed the structural problem of Hong Kong's economic base. Hong Kong economy took a nosedive in 1998, with unemployment rate rocketing and retrenchment and salary cut being the order of the day. What is more, given the structural change in the economy, the community is experiencing an economic hardship that has never been seen in the past 50 years. It was therefore the theme of the 1998 and 1999 Budgets to relieve the community of its hardship and the Financial Secretary had also put forth a number of corresponding measures to relieve the community of the pressure. However, the theme of relieving the community of its hardship is no more mentioned in this

Budget, instead emphasis is placed back on the conservative fiscal management principle. The Government is not only tightening the purse strings on government expenditure, but also proposes such measures as corporatization and outsourcing of public services, and admission of professionals. All this will only bring about negative impact on the job opportunities of the locals and their salary level, and the Government is also testing the water by first raising the charges, then increasing the taxes. These measures will have a direct impact on the livelihood of the public, and they will meet with the firm opposition of the CTU.

Mr Donald TSANG chose a progressive yellow tone and gold wording for the cover of this year's Budget documents. According to him, it means that our situation is improving; and it seems that it is the Government's conclusion that our economy is now getting better, and there is no need for any measure to relieve the community of any hardship, and there should not be any problem with increases in the charges and tax. I have to warn the Government that the community in general is still mired in economic hardship and the employment situation is still very bleak. In fact, many wage earners and the lower-middle class still cannot perceive any sign of "getting better". If the Government still ignores the hardship of the community and takes no notice of the grievances of the people, the sentiments of unrest and grievance among the public will definitely continue to rise.

Last week, the latest unemployment rate released by the Census and Statistics Department showed that our unemployment figure is on the rise again. This is a clear warning! Government officials said that the rise in unemployment was the result of seasonal fluctuation, but I think that this obviously does not tally with the fact. Just by being a bit aware of the recent market condition will make one discover that many companies are retrenching or cutting their staff; this is the situation with the service industry, and this is also the situation with the retail trade. With the cooling of the dot com tide, many companies are all cutting staff in droves. Banks are also moving their operations north. All this will certainly make the job market even more jittery.

The 4.5% unemployment rate alone already means almost 150 000 people are jobless; if to this figure are added those semi-employed as well as the large number of marginal workers who are looking for jobs but are completely excluded from the job market, the severity of the unemployment problem at the moment is not hard to imagine. For those wage earners who still can hold onto

their jobs, they still have to face the fact that their salaries are getting lower and lower and their position becoming less secure. I hope that the Government will refrain from turning a deaf ear to all this and try to understand the employment and living hardships that the public is suffering.

Yesterday, the Employers' Federation of Hong Kong (EFHK) released a pay trend survey, stressing that there is very limited room for upward adjustment in salary for the second half of this year and the next year, and even saying that employers should not give unnecessary pay rise so as not to affect Hong Kong's economic recovery. I strongly oppose to the EFHK's position in keeping a lid on salaries, which once again shows that the prospect of any pay rise for the wage earners is just as difficult to "get better" as the job prospect.

In the past few years, most of Hong Kong's wage earners have their pay frozen, some even have to take a pay cut, and some workers lost their jobs because of retrenchment. When Hong Kong experienced an economic downturn and our economy showed negative growth, there was a general call for co-operation to tide over the hard times. The 3 million or so labourers were the ones who had to bear the brunt, with their wage level dipping. They were the ones who bore the heaviest burden in times of economic hardship. Now, when the economy shows an upturn, with double-digit economic growth last year, it is only reasonable to have a pay rise. Giving a pay rise to the wage earners can actually stimulate domestic consumption, which is definitely beneficial to the full recovery of Hong Kong economy. The EFHK's call for a continued cap on wages is not only unfair to the labourers, but also gives the Government a slap on the face, as it means that it has voted against the Financial Secretary's view that our economy is "getting better".

Nevertheless, it is clear that the community at large has yet to enjoy the fruit of economic recovery. At this time, the Government stops any measure to relieve the hardship of the community on the one hand, and it start all the increases in tax and charges on the other. I must point out to the Government that it is playing with fire!

As Members may be aware, I shall propose a resolution to repeal the Public Revenue Protection (Revenue) Order 2001 under which the Government seeks to make a head start in increasing taxes and charges. Before formally proposing the resolution, when I formally propose the resolution. I would explain in detail my arguments for opposing that Order. However, I would like to point out that the Government is cash-strapped while the people are penniless, and it is the cash-strapped Government robbing those who are penniless.

Incidents of people setting themselves on fire and bomb hoaxes clearly show that anger and grievances are accumulating in society, with some people turning such sentiment into action. If the Government still sticks to its own way, I believe that it would only lead to even greater grievances and anger.

Having mentioned grievances and anger, I would like to point out that besides raising tax and charges, many of the Government's recent policies are actually starting fire everywhere, making everyone feel insecure. The Government needs also to address this. Come to imagine this. Not only are those wage earners having grievances, the university academics and students also have grievances, the education sector also has grievances, even the civil servants are dissatisfied and the police have grumbles about the Enhanced Productivity Programme. It can be said that other than the Government, which is sitting on a reserves of more than \$400 billion, no one is happy now.

Madam President, this year's Budget also starts up another fire — the Admission of Mainland Professionals Scheme, which does not set any quota on the number admitted. I believe the controversies would continue.

Unrestricted admission of mainland professionals is a major change in policy. Why has the Government, instead of following the usual practice of first consulting the relevant panel of this Council before deciding on any policy, announced the introduction of this shocking scheme in the Budget? I must point out that unrestricted admission of mainland professionals will have profound effect on the human resources policy of Hong Kong. The Government not only has not consulted the Panel on Manpower before announcing the policy, it has also not taken the initiative to consult the Panel on Manpower. On behalf of the Panel, I must express deep regrets in respect of such a practice by the Government.

Unrestricted admission of mainland professionals, in a word, is come and go at will, which will definitely affect the job opportunities and pay level of local professionals and the employers' desire to provide training.

Unrestricted admission of mainland professionals not only pose loopholes for control, but also makes one worry that the Scheme would drag down the pay level of local university graduates. Now when the Admission of Mainland Professionals Scheme is yet to be carried out, local university graduates already find it much harder to find a job than before. I have earlier come across a

number of cases where some university graduates have been looking for a job for over a year but still to no avail. Such a situation was inconceivable in the past. University graduates nowadays are not as lucky as they were previously; they have to face fierce competition in the job market. Now when we are talking about admitting mainland professionals, the employers would be even more reluctant to employ the inexperienced university graduates. Just now, the Honourable James TIEN said that we should let mainland professionals mingle with local university graduates for the benefit of interaction. However, I am worried that if the local university graduates could not find a job, they will not practically have the opportunity to mingle with the mainland professionals. Moreover, the starting salary of local university graduates is much lower than the rate in 1997; understandably, the admission of mainland professionals would put further downward pressure on the pay level.

The Government's response may probably be that stringent requirements should be put in place to ensure that the pay level for the admitted mainland professionals must be similar to that of a local professional in the same position. Not to mention that there would be difficulty in exercising control to prevent any exploitation, even if control could be properly exercised, it is natural for the pay level to come under pressure to adjust downward when a large supply of manpower is expected to come onto the market. The Government's saying that "the pay level for admitted mainland professional is required to be similar to that of a local professional in the same position" cannot guarantee that the pay level of local graduates would not be dragged down gradually.

In promoting the Admission of Mainland Professionals Scheme, the Government stresses that these professionals would benefit Hong Kong economy and create more jobs here. However, are there any research statistics to support the Government's view? Even the Government itself admits that it does not have any actual figures, for example, on how many additional jobs would be created with every mainland professional admitted. What is more important is that in the long run, the admission of professionals would only reduce or limit the opportunities of local university graduates in job entry, promotion and skills upgrading. So local employees will lose more than they gain.

I would like to stress again that if no ceiling is imposed on the Admission of Mainland Professionals Scheme, if the Government does not specifically set down the minimum pay level for admitted mainland professionals, and if the Government refuses to look again at expanding the number of places for tertiary

education and other training so as to enhance the training for local information technology and financial services personnel, the CTU will strongly oppose the Admission of Mainland Professionals Scheme.

Madam President, I so submit.

MISS LI FUNG-YING (in Cantonese): Madam President, the last Budget of the Financial Secretary in office has not brought us any surprises. It can be said that it is pretty down to earth. What deserves a little praise is that the Financial Secretary's estimate of our deficit is just a little off the mark, which shows that his estimation has improved a lot. The Medium Range Forecast predicts that Hong Kong will continue to run a little deficit until 2004-05 when a little surplus is expected. If we only ran a little deficit over the next few years, then basically it is already a balanced budget, showing that we still stick to the principle of prudent fiscal management while displaying a certain degree of flexibility. However, despite his conservativeness in fiscal management, he is too optimistic in forecasting our economic growth. A rapid slowdown in the United States economy has prompted large corporations to issue warnings about their profitability, while the stock market slump, wealth evaporate and consumption shrink. The Japanese economy is yet to be out of the doldrums. The dismal state of these two large markets will definitely affect Hong Kong economy. Both the Hong Kong and Shanghai Banking Corporation Limited (HKBC) and the Bank of China (BOC) have already revised downwards their forecast for Hong Kong economy. I only hope that our Financial Secretary would not be wrong this time, so that the general public can share in the fruits of economic recovery.

The 21st century is the era of information, of knowledge economy. The globalization of world economy will have profound implications. With China's imminent accession to the WTO and the development of the Great Western region, Hong Kong will stand to benefit from the business opportunities brought about by these developments, but will also have to face the consequential challenges. Our competitors will no longer be just Singapore, there is also Shanghai. There are already researches showing that Shanghai's GDP will surge ahead of Hong Kong in 15 years' time. We definitely have to make analyses and comparisons of ourselves and with our competitors in different areas and from different angles. We must have a sense of crisis. Besides gaining a better understanding of the strengths of our competitors, we must also review our shortcomings. Only by doing so can we have a better assessment of our position, thus engendering in us a sense of crisis and reviving our spirit of fearlessness and struggle.

Madam President, the upper half of the cover of the Budget speech is in plain white and the lower half in gold. It is beautiful. The Financial Secretary said that the design symbolises the gradual revival of Hong Kong economy. However, to wage earners like us, it is another kind of feeling; it symbolizes polarization, the widening gap between the rich and the poor. The upper half symbolizes that it is all blank just like it is blank to those with little education or with low skill — they are the disadvantaged group. The lower half means gold everywhere, that is those people who have snatched the social wealth are sitting on rich resources. From the Budget one cannot see how the disadvantaged can rid themselves of poverty and share the fruit of prosperity.

The Financial Secretary can only see that, as pointed out in the manpower projections, Hong Kong will face a shortage of as many as 120 000 people with high academic qualifications over the next five years. He therefore proposed the Admission of Mainland Professionals Scheme, with no ceiling being set on the number of people to be admitted. However, he had not taken note of the structural change in our workforce in the coming five years. There will be an over-supply of workers with junior secondary or below education, reaching 140 000 people, most of whom will find themselves caught in structural unemployment. The Financial Secretary had not provided any effective means that would deliver this disadvantaged group out of their predicament. He just harped on the same old tune that "jobs will be created with sustained economic development". Well, when supply exceeds demand in the labour market, the wages, working conditions and bargaining power of the disadvantaged will continue to drop, which will undoubtedly aggravate their impoverishment both in degree and speed. If the Government were not to do anything, for example, by passing legislation to protect their wages and working conditions, they would be powerless in their struggle for higher positions and better pay in face of fierce competition, which has tipped the labour market out of balance. Being so, there would be no way for them to get out of poverty. Despite that welfarism may have caused some problems for some countries, but when the contradictions within a community become too acute, and no action is taken to resolve such instability by fairly distributing the social resources and stepping up social security, the price to be paid for any social unrest would be even higher than the cost of welfarism. After all, the sort of social security provided in Hong Kong can hardly be said to be welfare. The Government should aim at resolving unemployment and narrowing the gap between the rich and the poor. The latest unemployment rate shows a 0.2% rise again, which is a rebound after 17 months

of continued fall. Of the 150 000 unemployed, the situation is particularly acute for those low-skilled workers employed in the construction, wholesale and retail, catering and transportation industries. This shows that the employment situation has yet to stabilize and the road to full employment is still a long one.

I think that at the present stage, we must focus at the needs of those low-skilled workers with low level of education. To meet the demand of the market, we need to help them improve their skills by retraining so that they can take up more stable permanent positions. Emphasis must also be placed on vocational training for Secondary Three graduates and the pre-vocational training for Secondary Five graduates, and the apprenticeship scheme must be improved so that more job opportunities can be provided for youths with low level of educational attainment, thus enabling them to integrate into society. In the long run, the SAR Government has to give consideration how to make its population policy fit the actual situation and formulate a comprehensive long-term policy on human resources and conduct a thorough assessment of the pressure that new arrivals, local graduates and overseas returnees may exert on the labour market so that our manpower resources policy can effectively meet the needs of sustained economic development.

In the new era, at the heart of competition is the competition for talents. According to the Government's manpower projections, Hong Kong will face a shortage of people with high academic qualifications over the next five years. The Government is therefore thinking of reviving the Admission of Mainland Professionals Scheme to resolve the shortage. The admission of professionals will have positive effect on the development of our economy, but it will also have a negative effect on the job opportunities of the local graduates and the training of locals. I therefore propose: (1) that an effective control mechanism be established with participation by labour representatives to ensure adherence to the principles of fair participation and being open and fair. In past examination of the import of foreign labour, because of participation of employee representatives, the Labour Advisory Board successfully secured employment priority for the locals and ensured the reasonable import of labour in areas where there was a shortage; (2) that employers importing mainland professionals for a particular industry must ensure transparency in the recruitment process and that such information as the vacancy, salary and remuneration must be made available so that the locals can have a fair chance of competition; (3) that reference be made to the current salary level in setting down a minimum salary

level for the mainland professionals admitted; this is to prevent some employers from making use of this opportunity to lower the salary level of the industry; (4) that a ceiling be imposed on the number of mainland professionals to be admitted; and the ceiling shall be reviewed regularly by the Government so that, instead of like opening a floodgate without any control, admission can be planned to meet the demands of the market. While priority should be given to recruiting locals, we should also step up the training of local talents to meet the demand of the market and open more professional courses. The relationship between education and the market should be made even closer so that university graduates can enter the market quickly, ensuring positive results from our huge investment in education.

Madam President, our tourism industry produced encouraging results last year, with a total revenue of over \$60 billion and the number of visitors exceeding 13 million. We should continue with our effort to consolidate Hong Kong's position as Asia's prime tourist spot by actively promoting tourism, thus helping the development of the hotel industry, retail sales, catering industry and the aviation industry and creating new jobs for the large number of people who on switching their jobs have undergone retraining. This will raise our employment rate. Only by helping the disadvantaged and encouraging full employment can poverty be gradually eradicated and the gap between the rich and the poor narrowed.

Finally, I would like to talk about the reform of the Civil Service. In reforming the Civil Service, enhancing productivity and controlling the civil service establishment, the Government has retrenched an additional 8 000 people in a year, bringing the size of the Civil Service down to 190 000. In the coming two years, it is planned to retrench another 9 000 people to further reduce the size of the civil service establishment. However, the Government needs to take note that with an increasing population, there arises the need to meet the increasing demand for all sorts of services and maintain the quality of service. Would retrenchment mean greater burden to the existing personnel and greater frustration in their morale? Using such measures as corporatization, privatization and outsourcing to control public expenditure will definitely make the civil servants more worried. If not handled properly, this may cause much grievance within the Civil Service and bring about instability, thus affecting their service commitment to the citizens. Lifting the moratorium on recruitment of civil servants is a welcome measure, but for the more than 50 grades where

voluntary retirement is carried out, could the policy that no open recruitment will be made within five years be made more flexible in its implementation so that additional staff may be recruited according to the actual requirement? In conclusion, civil servants must be consulted on any further reform of the Civil Service, and the Government must give due consideration to this before taking any action.

Madam President, I so submit.

MRS SOPHIE LEUNG (in Cantonese): Madam President, we are now in year 2001, the first year of the 21st century. As a result of the onslaught of the financial turmoil, our economy has been in doldrums. There have been signs of slight improvement since last year. According to some people, there is likely to be an economic upturn. Is it really so? Take a look at neighbouring places. It seems that their economies are not that good even though some governments have indeed been working very hard and putting in a lot of efforts, and the people of some places have shown greater confidence than we do and are less inclined to blame God and Man. However, to be frank, some places have indeed excelled as opposed to us. Nine out of every 10 local residents who have recently visited Shanghai are bound to feel scared because of the fear that Shanghai might outstrip Hong Kong. Madam President, now present in the Council Chamber are just a few souls. Present here a moment ago were more Members, among whom were some who two or three years ago boasted that Hong Kong should not be afraid of Shanghai. I wonder if they still hold the same view. Today we do have to ask ourselves: Where is Hong Kong heading for?

In the past 20 years, Hong Kong has had several rounds of paradigm shift along with neighbouring places. However, that went unnoticed. In those days, when Hong Kong economy was prosperous, both the Government and the public, including those in the business sector, dazzled by the achievements in front of them, were unable to notice those changes. Even if they did notice them, they tended to treat them lightly without properly studying new strategies and paths.

In the 10 years preceding the reunification, Hong Kong was in the midst of a bubble economy, which, together with various factors attributable to the Government, led to a mentality of "going after quick money", one that only takes immediate benefits into consideration in total disregard of the direction of long-

term development. Consequently, changes in the international scene went unnoticed, and no appropriate adjustment was made to achieve self-strengthening to meet the challenges arising from the changes. The economic structure of Hong Kong also failed to respond in accordance with the projected trends of international development, and is, therefore, now lagging behind others.

Madam President, ever since 1997 I have time and again stated in this Council Chamber that, according to the forecast of a United States research centre, young people of this generation will, on average, have to assume four different posts each throughout their careers. Can our competitiveness afford it? We should in fact ask ourselves if the young people of Hong Kong now have the ability to go through the average of four posts each. If not four posts, how about just two? Are we so prepared? On this, we indeed should ask ourselves: Where is Hong Kong heading for?

During the last 10 years, labour relations were dealt with from the confrontational approach commonly used in the fight for rights and privileges in the '50s and '60s, thus running counter to the harmonious form of labour relations now advocated, which always leaves room for dialogue and lets the parties see the other side's problems. Furthermore, during that period, labour legislation saw a lot of changes. Given all these intangible heavy burdens, employers in the manufacturing sector lingered on so long as their business could proceed and there were profits for them to make here. However, when there came adversity, a situation rendering the pressure on them unbearable, they had to relocate or even close down their factories. Even if those remaining in Hong Kong have the intention to make contribution to our economy, these manufacturers are often treated as the bottom most people, and labelled as "unscrupulous employers". Thus they feel very much aggrieved.

As a matter of fact, manufacturers staying in Hong Kong are devoted to their trades, year after year working for Hong Kong in silence to make foreign exchange earnings amounting to hundreds of billion dollars. Without these foreign exchange earnings, Hong Kong economy will definitely be dealt a heavy blow. There is no need for me to say much on this here. In addition, I have to point out that although the base of our economy can still be considered strong — by this I am referring to the reserves amounting to hundreds of billion dollars now in the hands of the Financial Secretary — the profit margins of all trades and industries are shrinking as a result of the competition coming from everywhere because of the globalization of world economy. This can be noticed from the

recent "panicky" mood of the banking sector. If such a situation goes unchecked, our economy and employment opportunities will continue to shrink. What kind of industry can we still maintain or develop under the existing circumstances? This is our greatest challenge. Can we still weather yet another round of paradigm shift? If we again fail to firmly grasp the opportunity, it is likely that there is not going to be another opportunity for us, because with China's accession to the WTO, places like Shanghai and Beijing are quietly catching up. Comments such as one saying that "Hong Kong has nothing to fear from Shanghai" will become a laughing stock in the days to come. Similarly, Shanghai was terribly formidable in the '60s and '70s. However, it came to nothing just overnight. That is a lesson for us.

Technological development of the last 10 years led people to believe that they had found a new industry. Hong Kong also jumped onto the bandwagon. However, the NASDAQ Index is going downhill continuously. Other places have finally realized that this is likely to be the instrument of another industrial and commercial revolution. That is to say, technology is the instrument. The recent bearish performance of dot com stocks well indicates such awareness. So the saying of "B to B" presently prevails in other communities. Sorry, Madam President, I have to go bilingual. That means "back to business" or "back to basic" (that is, going back to fundamental industries and businesses).

Economic vigour has much to do with new money and the ability to make foreign exchange earnings. It is only wishful thinking to aspire for creation of jobs without taking this into consideration. The property market, banking sector and service industry are no exceptions. If new money is not forthcoming or in short supply, then whence come the clients, how can the property market be active, what can the banks do, and where are jobs to be found? "Pond fish swirling in pond water" is, after all, not a solution. It is, therefore, indeed necessary for us to seriously think about finding new sources of new money to drive economic development.

Blessed with foresight, the Financial Secretary last year set up the Invest Hong Kong to attract capital. Mr M J T ROWSE, the Director-General of Investment Promotion, has made several overseas visits to draw investors to Hong Kong. However, we should ask ourselves what advantages we have over others which make it worthwhile for foreign investors to come here. Do we have enough talents? Is our human resources support compatible with their needs? Madam President, I am talking about compatibility, not a huge number

of job-seekers. I am referring to the question as to whether or not human resources at every level are well linked as not to obstruct the overall operation of business.

Here, I would like to drive home a very important message. Human quality and whether or not human resources are compatible have a direct bearing on all places, and may even affect Hong Kong's ability to remain advanced economically. Economic development and compatibility of human resources are closely related. It is not enough just to have a lot of people. What is needed is human resources. They have got to be well linked too. If one link is missing, then nothing can get off the ground, just as in the case of a formation of wild geese missing a member.

In his Budget for 2001-02, the Financial Secretary put forward the Admission of Mainland Professionals Scheme, which has drawn strong echoes from the public. I am not trying to speak in defence of this scheme here. I just want to reiterate that the factor of close links brooks no exception. A product or an item of service involves work at different levels and posts. Perhaps Honourable colleagues have been holding senior posts right from the start, capable of finishing each assignment simply by bossing around. There is no need for them to work "with sleeves rolled up". They therefore do not know how important inter-links are in working relationships. If there are inadequacies in certain posts, the quality of a product or service definitely will suffer. To improve productivity so as to make more products or provide better services, and to create more posts so as to improve and raise the economic strength of society as a whole and promote economic development, compatible human resources are definitely essential. So, as far as possible, we should adopt a macro view in our analysis of the situation, and try to know more about the international outlook. Do not make the mistake of "seeing not the wood for the trees".

The Financial Secretary pointed out in his Budget speech that the Government, in order to improve the quality of human resources, has made grants amounting to hundreds of billion dollars to introduce training schemes. I very much support training efforts. However, what I am even more concerned about is whether or not public funds are well spent to get the due returns. With regard to training, attention previously was just attached to the question as to whether or not quantity was up to standard, with scant notice given to matters like the chances for trainees to put what they learned to practice after graduation,

the availability of opportunities for trainees to develop their skills, and their job placement. As a matter of fact, in order that training can be effective, it is not enough just to key training programmes to market requirements. The attitude adopted by trainers and trainees towards training counts even more. If it is just a "perfunctory" one, then neither those teaching nor those learning will be serious. They will just muddle through the programmes without achieving the anticipated results. They will then look forward to the community's allotment. Is this a good method? Therefore, I hope that training work in the future can seek to strengthen the keenness to learn among trainers and trainees. In order that training can be effective and not wasteful of resources, it is necessary to take the initiative to progress.

The SAR Government has been looking after the underprivileged groups in our community. Similarly, will those underprivileged remain underprivileged permanently? Is it necessary to constantly support them with public money? These are questions worthy of our careful consideration. Here I want to stress a point, namely, whether or not the underprivileged referred to here are persons who can be delivered from among the underprivileged by the offer of assistance. We have to make differentiation here. I am not referring to the aged or the disabled. So, from the angle of effective utilization of resources, we should make every effort to strengthen their ability to fight adversity, that is, the ability to overcome adverse conditions. The reason is that the longer a person is under care, the more likely it is for him to lose the will to fight and be less able to generate the will to fight. Their self-confidence and self-respect might be tarnished too. Their self-confidence and self-respect will be restored if their ability to combat adversity is strengthened through proper training. It is hoped that people engaged in such services can boost their self-reliance, self-strengthening ability and confidence while refraining from reviving the idea of their being members of the underprivileged. Do not suppress their confidence again. If their self-confidence and self-respect can be restored, and their will to progress with each passing day and their enterprising spirit enhanced, then on the one hand, there may be an input of a new workforce for society, and, on the other hand, the burden shouldered by the Government for their long-term support can be relieved. To the underprivileged, that is a real solution. All three parties, namely, the underprivileged, society and the Government, can benefit from it.

In the future, society will have to undergo restructuring even more frequently. Competitions are bound to be more and more intense. As just stated by me, according to a report, young people of the 21st century will have to

have four different posts each throughout their careers. We can foresee that there are going to be a lot of pressure and difficulties for them. It is, therefore, necessary to enhance young people's ability to combat adversity and to make efforts to hone their skills for the purpose of meeting the needs of the restructuring of society, so as to teach them how to survive in adversity and generate the driving force required for advancement. This will be beneficial to the individuals as well as to society. The reason is that they are required not only to face Hong Kong but also to face the world and this pressure they will have to bear in the days to come.

Madam President, talents are indeed the most valuable resources in the 21st century. We have to upgrade talents to the top level of human resources. However, to propel economy and the development of society as a whole, we still need the synchronization of various industries. Take a look around us. What are the industries that we can rely upon? What are the conditions that can nurture industries capable of making new money? Was it wrong for us to neglect the manufacturing industries in the past? If the answer is in the affirmative, then how can we revitalize the manufacturing industries so as to enhance their competitiveness? All these are questions that require our careful consideration. In order that we can steer clear of mistakes, and in order that Hong Kong can hold its ground in the 21st century and avoid being outstripped by other nations or places, the orientation of development must be clear and the policy well defined.

Madam President, Shanghai of the '70s is our mirror. I so submit in support of the Bill.

DR PHILIP WONG (in Cantonese): Madam President, the Financial Secretary Donald TSANG presented the last Budget of his tenure of office. On the whole, I find the contents well-grounded, the objectives clear, and the measures pragmatic. It upholds principle of "fiscal prudence and keeping expenditure within the limits of revenues" under the Basic Law. There are neither tax hikes nor heavy deficits. With this, the economy of Hong Kong is given a good breathing gap, which is helpful to bringing the economy onto a track leading to broader and healthier recovery. In my opinion, this year's Budget, like the last three, reflects the thorough consideration made by the SAR Government amidst the labyrinthian international scene regarding our long-term economic development as well as the regulatory power which it exercises to improve our

financial situation and reduce the pressure on the general public. It will probably be welcome by all sectors of society. This Budget puts an ideal full stop to the Financial Secretary's career as the "god of fortune", and also leaves room for his successor to bring his abilities into full play with new concepts and in new style.

The Chinese General Chamber of Commerce, which I represent, is deeply concerned about the measures that the Government should adopt to speed up economic recovery. Before the release of the Budget, the Chamber issued some questionnaires and held seminars, and then submitted suggestions to the Financial Secretary for reference. I am glad to note that the Financial Secretary has adopted quite a few of our suggestions, including maintaining the system of low taxes, giving careful consideration to the impact that tax hikes or new taxes might have on the overall economic development of Hong Kong, exercising further effective control on public spending, broadening the sources of income while also reducing expenditure, raising tax rates, making every effort to achieve a balanced Budget, deploying more resources to train up talents and protect the environment, creating a favourable business environment, and boosting investor confidence. In drawing up this Budget, the Financial Secretary took public opinions into account in different areas and became well aware of the fact that some people have yet to benefit from the economic recovery and many businessmen are not yet out of the woods. So, every effort has been made to render the Budget more consistent with the current circumstances, with top priority being given to improving the economy and the people's livelihood, and emphasis placed on taking the initiative to look for business opportunities involving cross-boundary co-operation so as to broaden and deepen cross-boundary co-operation. I very much appreciate this. However, in some areas, such as allocating more resources to tie in with reforms in education and improvement in basic education, and giving SEMs unadulterated support as well as assistance in solving their problems, the Budget still leaves room for improvement. There is still the need for further implementation.

The title of this year's Budget reads "Honing our Strengths, Striving to Excel". Explanation for the title was given by the Financial Secretary in his concluding remarks. I would like to stress one point, namely, the fact that our economic development over the last few decades has gone through a lot of rough waters and invariably managed to turn danger into safety. This is not a god-sent "miracle"; nor is it success by sheer luck. It is not easy to progress from poverty to affluence. It is even more difficult to maintain prosperity and

stability amidst intense competition. This is true of any place. Our economic development is different from those of the United States, Western Europe and Japan, and is also dissimilar to those of Singapore, Korea and Taiwan, members of the "Four Small Dragons of Asia". Hong Kong is a place with little natural resources. Still fresh in our memory is the poverty of the '50s, '60s and early '70s. That we have reached the present state of development is due not only to our close proximity to mainland China, a place with vast lands, rich resources, extensive markets, and rapid economic growth. The key factor lies in a population with outstanding talents who are industrious, frugal, robust and innovative and in a relatively harmonious and stable social environment that is relatively free of political conflicts and labour disputes. These, in my opinion, are the "essential strengths" that we ought to hone as well as the "basic qualities" that we ought to strive for. Here are the most important "essential strength" and "basic quality" at present: the "essential strength" being our attention to our country's further reforms and opening up, its imminent accession to the WTO and implementation of the 10th Five-Year Plan; the "basic strength" being our understanding of the more active role and the more significant function that Hong Kong can take up in the course of integration with the Mainland. If we attend to the trifles to the neglect of the essentials, and let go the virtue of being able to bear hardships, stand hard work and strive for advancement; if our society snaps into a swirl of internecine conflicts, and if our vision remains so confined that it fails to extend from a tiny place to the whole of China or even to the whole world, then a relatively affluent place might easily degenerate into a poverty-stricken enclave. We should be vigilant while enjoying security, take preventive measures, and seek to be self-reliant. When the Government undertakes fiscal reforms and speeds up structural transformation in the days to come, weight should be attached to those fundamental factors conducive to sustainable economic development, for example, training up talents, vocational retraining, and innovative technology. Though all these initiatives require enormous capital injection, and there are not going to be visible results right away, they still must be advocated frequently, strongly promoted and improved upon continuously. At the same time, factors obstructing economic growth should be cleared away persistently so as to ensure that our economic development may be compared to a cicada constantly casting its old skin, undergoing transformation and growing bigger each and every time.

I have another point to raise. Some members of the public believe that the ups and downs of the economy are mainly determined by the Chief Executive or the Financial Secretary. In fact, such a view warrants study. Given the

rising tide of knowledge-based economies and globalization of world economy, our economic development is influenced more by external factors that are complicated and volatile, than by other factors. Perhaps everybody will agree with this. Had the Mainland not implemented the policy of opening and reform, how could our economy have prospered? If there is a slowdown in the economy of the United States and Europe, or if the economic climate in neighbouring places deteriorates, how can Hong Kong go unaffected? If the Hong Kong Government had not adopted the policy of high land price in the past and if the Asian financial turmoil had not made unprecedented impact on Hong Kong after the reunification, will there still be so many "negative equity" problems. In bringing up these questions, I am not trying to defend the SAR Government; nor am I trying to belittle the role played by the SAR Government in drawing up correct development strategies. I just want everybody to be practical, and remember the logic behind "submission to circumstances" and "survival of the fittest". Do not bank on certain individuals with excessive great expectations. I am, therefore, of the view that in considering Hong Kong's economic situation and the course of its future development, we should not put stress on just one or two internal factors to the total neglect of the need to exercise high vigilance over certain external factors. In order to be innovative in a new century, it is necessary to extend our vision; enhance watchfulness against threats and perils; calmly observe changes in circumstances; correctly assess our strengths and weaknesses; earnestly study, explore and utilize various external and internal factors; strive for better competitiveness; make opportune discoveries of problems for correction; pull ourselves together; and keep abreast with the progress of time. This is, of course, the due responsibility of the Government. To the industrial and business sectors and members of the public, it is also an unavoidable challenge.

Madam President, I so submit.

DR YEUNG SUM (in Cantonese): Madam President, on behalf of the Democratic Party, the Honourable Martin LEE earlier put forward the three conditions for passing this year's Budget. I would like to explain them in detail. First of all, I wish to explain why the Democratic Party on this occasion broke the practice by presenting requests to the Financial Secretary before the start of the debate. The Democratic Party finds several areas of this Budget disagreeable, and this has made it hard for us to vote in favour of the Budget. The most positive way should have been for us to take the initiative to introduce

an amendment bill to increase the estimates. However, because of the restraint imposed by the Basic Law, members of the Legislative Council do not have such power. In order that discussions in the Council can be more stimulating, the Democratic Party does not want to conclude the discussions by simply voting against the Budget. We have, therefore, presented our requests to the Government at an early stage in the hope that the Government might consider them carefully and respond positively so as to make it possible for us to vote in favour of this year's Budget.

Madam President, the three conditions raised by the Democratic Party are mainly concerned with two things. In the first place, the Democratic Party objects to the fact that, when dealing with the issues arising from mismatched supply and demand of manpower, the Government cuts university funding to reduce the training of local talents on the one hand but welcomes the admission of mainland talents on the other. This is neither fair to the local young people nor conducive to improving the quality of local human resources or our competitiveness. In the second place, the Democratic Party is not happy with the stale and conservative principles of fiscal management followed by the Government. At a time when the "Jaw" described by the Government has already been atoned far ahead of schedule, the Government still suppresses expenditure growth, keeping the ceiling at 2.5%, a limit set two years ago, that is, 1.5 percentage points less than the 4% economic growth forecast in the Medium Range Forecast. It is indeed too stale and too conservative. Given Hong Kong's rich reserves, we really can afford to deploy resources to overcome issues arising from mismatched human resources and gradually improve the people's quality of living.

Madam President, I have to stress that the Democratic Party's request to raise government expenditure to 4% is based on an economic growth rate of 4% given by the Government in its Medium Range Forecast. It is meant to meet the minimum requirement of bringing government spending in line with economic growth. This is basically the Government's long-established principle of fiscal management. It also satisfies the requirement of the Basic Law. With regard to the coming year, the "Jaw" between the cumulative growth in government expenditure and the cumulative growth in domestic economy has already been atoned for. What is more, growth in government expenditure has, conversely, become less than economic growth. The difference will gradually increase to 15% in four years. On the basis of this calculation, there is much room for the Government to increase expenditure to 4% this year. It is not necessary to wait until next year before making the adjustment.

In the Budget, the Financial Secretary disagrees with this request for the following reasons. Firstly, an increase in expenditure might lead to higher operating deficits. Secondly, the percentage of GDP being taken up by government expenditure will continue to increase, reaching, say, 21%. In the first place, the Democratic Party agrees that operating deficits do constitute an issue of concern. So, the Democratic Party has been very sensible in dealing with government fees and charges. As noted by all over the last few months, the Democratic Party has supported increases in fees and charges unrelated to the people's livelihood. However, it is now not advisable for the Government to cut government expenditure for the purpose of balancing the books of the operating account, the reason being that our economic recovery is just at its initial stage. Judging from the overall financial situation, surpluses from non-recurrent accounts will be able to offset deficits from recurrent accounts over the next few years. As pointed out by the Financial Secretary, the overall revenue and expenditure can be balanced in three years. There is in fact marked improvement in the financial situation. Why is there such a situation? Is there still no conclusion on the question as to whether or not structural changes have happened to the local tax revenue? These are, conversely, questions worthy of consideration. If no attention is given to the above questions and our minds are set only on balancing the recurrent accounts, suppressing recurrent expenditure, or increasing recurrent revenue in total disregard of surpluses from non-recurrent accounts, then the overall financial situation will see only ins but not outs. A lot of surplus will thus keep coming in, hence resulting in sharp increases in the reserves. The public will wonder why there is no improvement in their livelihood when our reserves are growing incessantly. What purposes does the money serve? This is really not a healthy situation.

The Democratic Party is of the view that the financial situation ultimately will have to be judged by the overall revenue and expenditure. An increase of 1.5% in expenditure as recommended by the Democratic Party will only raise government deficits from \$3 billion to \$6 billion, which merely takes up 0.4% of the GDP. It was once stated by the Financial Secretary that deficits not exceeding 0.5% of the GDP were very moderate and could basically be considered to be a balanced Budget. Though the Democratic Party does not entirely subscribe to the Government's interpretation of keeping expenditure within the limits of revenues and avoiding deficits, our proposal is basically consistent with another golden rule of the Government, namely, the principle of avoiding deficits.

Secondly, the percentage taken up by public expenditure in the GDP exceeds 20%. It has come to the notice of the Democratic Party that some local economists are very uneasy with this figure. Can the Government point out the justifications for the yardstick of 20%? As a matter of fact, compared with the standards applied in the United States and European countries, the percentage taken up by our domestic public expenditure in the GDP is quite low. In the case of European countries, the percentage on average stands at 50%. Even in the case of the United States, one that is already very low comparatively, it still exceeds 30%. The share still stands at 24% even after deductions from national defence and national debts. The Democratic Party very much agrees to the principle of small government. However, is it necessary to rigidly adhere to the principle of 20%? What are the justifications? These merit in-depth discussions. The Government, when interpreting those principles, should apply suitable flexibility in accordance with the actual circumstances.

It has also come to the notice of the Democratic Party that real cumulative public expenditure has gone back to a level below actual cumulative economic growth. It is only reasonable that the percentage of GDP taken up by public expenditure should have gone back to the 1986-87 level of 16%, not 20%. In reality, however, the level has been going up continuously. This is probably because the government inflation rate has always been higher than the local inflation rate. So nominally, the rate of increases in government expenditure is always higher than the rate of economic growth. However, the Government's price indices are based mainly on wages. It is neither feasible nor practical to drastically lower the government inflation rate within a short period of time. However, the price for inflexibly cutting the GDP share of public expenditure is the continuous suppression of real growth in public expenditure to a level below economic growth. For instance, the Medium Range Forecast made by the Government this year already contains similar measures. It is questionable as to whether or not this is in line with the Basic Law provision on keeping expenditure consistent with economic growth. Is it conducive to economic development to do so? This is the most important issue. This also reflects the point that the many golden rules set by the Government are likely to be contradicting each other. It seems that it is not possible to implement them fully. So, in the opinion of the Democratic Party, though it is necessary for the Government to form a philosophy of fiscal management, it must be applied with flexibility.

Madam President, for the reasons given above, to increase government expenditure to 4% is, in the opinion of the Democratic Party, a fair and reasonable request. It is hoped that the Government can later introduce a revised Budget with additional appropriation for expenditure.

Madam President, with regard to the admission of mainland professionals, the Honourable Andrew CHENG is will speak on the issue in detail. I just want to reiterate the fundamental stance of the Democratic Party. The policies on human resources contained in the Budget are, in our opinion, contradicting each other, lacking in foresight, and not in keeping with the needs of development towards knowledge-based economy. The Government projects that in the next five years, there will be a mismatch in the supply and demand of manpower. It, however, cuts university funding, thus reducing its commitment to the training of local talents. On the contrary, mainland professionals will be admitted. The move is short-sighted and fails to perennially and fundamentally upgrade the competitiveness of local human resources.

On the one hand, the Government foresees a shortage of local university graduates. On the other hand, over the last 10 years, the Government has not increased the number of degree places, just maintaining the figure at the level of 14 500, which is not in line with the growth in economy and population. According to government data, in year 2001-02, the number of places in universities will account for a participation rate of only 16.1% of the relevant age group, that is, below the target of 18% set by the Government. In 2000, 5% of the qualified matriculants were denied admission to universities because of inadequate quota. Judging from this, the Government should be held partly responsible for the shortage of talents. Because of the Government's improper manpower policy planning, there will be inadequate talents in the next five years. However, the Government ventures to "dig a well when already experiencing great thirst", importing talents in the manner of taking "instant food" in a bid to meet the demand. To the local young people, this is both unfair and irresponsible.

The Democratic Party is not discriminating against mainland professionals; nor is it advocating protectionism. As a matter of fact, the Democratic Party in the past did give support to the Admission of Talents Scheme, in which we saw nothing wrong. The fact that the Democratic Party is not happy with the Admission of Mainland Professionals Scheme is mainly attributable to our dissatisfaction with the way in which the Government deals with the shortage of

talents. We are of the view that the Government, having foreseen the manpower shortage in the next five years, should have expeditiously — I stress "expeditiously" — increased university funding and step up the training of local talents so as to make full use of local human resources to perennially upgrade our competitiveness. If there is still a shortage of professionals three or four years later, then the Government may bring in enough talents in accordance with the actual shortfall. Given the above premise, members of the public will probably not disagree strongly; nor is the Democratic Party going to raise any objection. The Government, however, has not specifically put forward plans for the training of talents. On the contrary, university funding is being cut. This is apparently a short-sighted move showing little commitment to local young people and treating them unfairly.

In conclusion, Madam President, the Democratic Party demands the Government to increase the allocation by \$3.2 billion specifically for the training of local talents. Of this, \$1 billion should be additional funding for universities and \$2.2 billion on other forms of social investment, which ought to include efforts to step up training for young people, among whom the unemployment rate is very high. If there is still shortage of talents after all these efforts the Government may then set quotas according to needs to import mainland professionals.

I so submit. Thank you, Madam President.

MR YEUNG YIU-CHUNG (in Cantonese): Madam President, the last Budget by Financial Secretary Donald TSANG is dull and plain, offering no tax concession initiatives capable of giving the people happy surprises. This is entirely within expectation. The Financial Secretary's swan song does not quite look like a Budget, but sounds like his inaugural speech on assuming the office of the Chief Secretary for Administration. There are no increases or decreases in tax. There is much talk on co-operation between Guangdong and Hong Kong, the admission of mainland professionals and the legalization of soccer betting. This year's Budget sounds like a mini policy address. It seems that Mr TSANG has moved into his new role ahead of schedule.

With regard to strengthening the links and co-operation between Hong Kong and the Mainland, especially those with the Pearl River Delta region, the Budget states the need to take the initiative to strengthen co-operation and

actively consider setting up an Economic and Trade Office in Guangdong. The Chief Executive used to only "talk" about it in his policy addresses, with little follow-up by the Government. The Hong Kong/Guangdong Co-operation Joint Conference has held only three meetings over a period of two years. The Hong Kong Government's attitude towards economic and trade co-operation between Hong Kong and Guangdong is somewhat lukewarm. Now in his Budget, the Financial Secretary puts forward for the first time some specific measures to promote the economic fusion between the two places. This is indeed a major progress that is praiseworthy.

However, this year's Budget is, on the whole, conservative and not enterprising enough. Though fiscal prudence is correct, the Financial Secretary should not use it as an excuse to refuse to use the fiscal reserves. What is more, in the year 2001-02, there is only a small deficit of \$3 billion. It can be considered a balanced Budget. Fiscal prudence is not equivalent to attempting and accomplishing nothing or running a government by doing nothing that goes against nature.

Though our economy has been showing apparent signs of revival, people in the street have yet to benefit from it. Instead of offering some measures to relieve the people of their difficulties, the Budget ventures to "wield the axe" at the middle class, increasing fees for driving and vehicle licences, charges of on-street parking meters, and air passenger departure tax. To reduce the burden on property mortgagors, especially those with negative equity, many political parties and people have advised the Government to raise the maximum deduction for home loan interest paid from \$100,000 to \$120,000. However, the Budget has ruled out such a measure, a token of relief. This is certainly a heavy blow to the middle class. Members of the middle class are the main contributors of government revenue. They have to pay tax, but are not entitled to welfare. In the event that they run into problems, they have to find the way out themselves. Blessed are those who are self-reliant. This is unfair to members of the middle class. It is likely to be wishful thinking on the Financial Secretary's part to quietly wait for sustained economic growth. It is especially so as the United States economy is beginning to go downhill and the Japanese economy is back in hot waters. Many banks have, one after another, revised downwards their forecasts of our economic growth in the current year. The unemployment rate of the last quarter has climbed back to 4.5% from 4.3%. The momentum of our economic recovery is being pushed back by forces from different quarters. If the Government does not seize the opportunity to increase public expenditure

so as to stimulate economic growth and boost domestic demand, then it is likely for our economy to slow down perceptibly. To do so when that time comes may achieve half the result with double the efforts.

To cover up the fact that the Budget is doing nothing in matters concerning taxation, the Financial Secretary has put forward two controversial policies, namely, the admission of mainland professionals and the legalization of soccer betting, thus successfully diverting public attention. This reflects the Financial Secretary's tremendous political wisdom.

Madam President, the Government is bent on legalizing betting on soccer matches. Indeed, SIMA Zhao's ill-intent is known to all. On behalf of the Democratic Alliance for Betterment of Hong Kong (DAB), I, in December 1999, moved in this Council a motion objecting to the legalization of soccer betting. I still stick to this stand. Members of the education sector strongly object to the legalization of soccer betting because, once encouragement is given to gambling and the healthy development of youngsters is subject to adverse influence, all the hard efforts put in by educators to teach and culture their students are likely to come to nothing, and all the gains from society's huge investment in education may vanish overnight. Also legalization cannot possibly put an end to illegal off-course betting. Although it would bring us increased revenue, there will also be long-term adverse effects on the entire community's well-being. The loss is likely to outweigh the gain.

In knowledge-based economy, the competition among different regions is, in the final analysis, a competition for talents. A place that can attract and retain more good talents will excel above rivals amidst intense competition, and take the lead at every stage. To accumulate "wealth" (monetary wealth), it is necessary to accumulate "talents" (talented people). For Hong Kong to consolidate its position as an international financial centre, and develop into a global centre of high added value, it is necessary to have a lot of high-calibre talents. Whether or not it is now necessary to bring in mainland professionals is no longer the point at issue. The question is whether or not Hong Kong can get a lot of outstanding mainland professionals to work here. In treating mainland professionals, we can no longer discriminate against or reject them in the mentality of one being swayed by considerations of gain and loss. Nor can we resort to the mentality of self-protection, that is, to worry that there might be a "scramble for rice bowls" arising from the influx of mainland professionals while also doubting that those mainland professionals actually admitted might be of

second- or third-class calibre. If such a mentality of urging one to ceaselessly restrain, "ill-treat" or bedevil the talents remains unchanged, how can good talents be attracted? Even if they do come, how can they be retained? Most of those outstanding mainland students now studying in local universities have indicated that they do not want to stay on for employment. This is a typical example speaking for itself. It can thus be noted that if the bias against mainland professionals harboured by some local people remains, which one of the professions will not tremble? Man aims high whilst water flows downstream. All talents are clever people. They surely go to places proved to be most attractive and offering the best work opportunities. To mainland talents, the United States, European countries and Singapore are the top choices. Successful students coming back from abroad take mainland places like Shanghai, Beijing, Guangzhou and Shenzhen as their top choices. In order to attract talents, even places in western China are offering generous policies. An atmosphere featuring courteous receptions and repeated earnest invitations is most appealing to talents. Atmospheres accommodating talents with gentleness often count more than materialistic terms do. In this global bid for talents, we must accept talents coming from all corners of the land with an open mind so as to foster healthy competition that can only do Hong Kong good but no harm. The more talents we can draw to Hong Kong, the greater money-making strength we are going to have. The more posts are created, the more promising our prospect is.

Admitting mainland professionals and training up local professionals are not contradictory to each other. The Government should work along both lines and put in full efforts to make a good job of it.

Madam President, for this year, increases in recurrent expenditure on education are mainly earmarked for primary education, for example, upgrading 145 primary school teachers' posts to head course design and teaching of the English language, and creating some 170 posts of primary school teachers to co-ordinate library services and assist in promoting extensive reading programme. This is indicative of the fact that the authorities are beginning to give weight to primary education. Given this correct direction, it is commendable.

However, the funding for kindergarten education is pretty disappointing. The provision for the Kindergarten Subsidy Scheme only amounts to \$150 million, taking up 0.3% of the total recurrent expenditure on education.

What a meagre figure! The amount of subsidies given to the relevant kindergartens merely measures up to 29% of the salaries of qualified kindergarten teachers (QKTs), which is not conducive to encouraging kindergartens to hire more QKTs to improve the quality of kindergarten education. The DAB suggests that the Government make more commitment to kindergarten education and directly subsidize QKTs' salaries. Our historical debt to kindergarten education should not be allowed to drag into the 21st century. While directly subsidizing QKTs' salaries, the Government should also further improve the Kindergarten Fee Remission Scheme so as to benefit more low-income families. We suggest that the points system be relaxed so as to let at least 10% of the parents get full fee remission.

University funding for the 2000-01 school year already went down by 4.3% when compared with that of the preceding year. With a further cut of 2.2% in university funding for the 2001-02 school year, there are bound to be a lot of problems in, and considerable negative impacts on, the development of university education. As the situation has changed, to meet the needs of the development of knowledge-based economy, it is necessary to re-formulate our plans for the development of human resources. The DAB is of the view that there should be no further cuts in university funding by the Government. The university participation rate originally promised by the Government is 18%. However, the university admission rate for the 2000-01 school year already went down to 16%; it is also so for 2001-02. This is indicative of the diminished government commitment to the development of university education, running counter to the development aim of raising the university participation rate to 60% in 10 years. According to a calculation based on a participation rate of 18%, there should be an additional 1 800 places to the 14 500 places now available to first-year undergraduates. The DAB demands the Government to undertake to expeditiously add the 1 800-odd places for undergraduates, and earmark them mainly for the training of talents in information technology (IT), financial services and teaching.

With regard to curriculum reform, we think that the Government should put in resources to strengthen the training of teachers in order that they can better master the spirit of curriculum reform to facilitate the effective development of school-based curriculum. To more speedily and effectively promote IT education, the SAR Government should provide each school with one IT coordinator, in order to stop the further polarization of IT education.

Turning now to continuing education, the Budget offers an increase from \$30,000 to \$40,000 in the self-education allowance, which ought to be applauded. However, we think that is still not enough. In order to be a better incentive encouraging people to pursue lifelong learning, it should be raised to the full amount of tuition fee.

I so submit in support of the Appropriation Bill 2001.

Thank you, Madam President.

MR HOWARD YOUNG (in Cantonese): Madam President, first on tourism. I am glad to note that the Financial Secretary acknowledges the importance of the tourism industry in his Budget. In 2000, revenue from the tourism industry amounted to \$60 billion, equivalent to 5% of our GDP. The tourism sector supports the initiatives proposed by the Financial Secretary to promote the tourism industry, including strengthening air, land and sea cross-boundary transport infrastructure, increasing the manpower at Lo Wu, expanding the facilities at Lok Ma Chau checkpoint, reassessing cross-boundary traffic flows for new arrangements, and streamlining the formalities applicable to mainlanders coming here for business or training. The Financial Secretary has not introduced new tax items, such as sales tax. Members of the tourism sector welcome this, which, they believe, may preserve Hong Kong's reputation as a tax haven and a shopping paradise and contribute to the revival of the tourism industry.

However, members of the tourism sector feel sorry that the Financial Secretary, in order to make up for deficits, increases the Air Passenger Departure Tax. However, the rate of increase is, on the whole, acceptable. The tax will rise from \$50 to \$80, representing an increase of 60%. At its present level, our Air Passenger Departure Tax ranks the ninth among the top 10 tourism destinations in Asia. It will rank the sixth after the increase, still lower than those of Japan, Thailand, the Philippines, Malaysia and mainland China. It is, therefore, believed that the increase will not excessively undermine our competitiveness and it will not have serious adverse impact on inbound tourism or outbound tourism. However, there has been strong reaction from the helicopter service company. According to that company, passengers going to

Macao by helicopter now have to pay \$18 each in tax, just like those travelling by boat. With regard to the tax in the future, is the amount of \$80 to be on top of that \$18? They have doubts about this. Of course, I hope that the answer is in the negative. Both the Financial Secretary and the Government have again and again stressed the ties between Hong Kong and the Pearl River Delta, which are now very close. Both on land (railway included) and on sea, there are hectic traffic flows between the two places. However, nearly all flights fly to places beyond the Pearl River Delta. Helicopter service is probably the only one that has development potential. However, that business has not quite get off the ground yet. It is, therefore, hoped that the Government will take this factor into consideration when formulating the relevant measure. It is hoped that the Government, after increasing the Air Passenger Department Tax, will use the proceeds to improve our tourist facilities and develop more tourist attractions, and at the same time assist in sustaining the growth of our tourism industry so as to give Hong Kong enough edge to compete with neighbouring areas and develop into a tourism hub and a famous tourism metropolis in Asia.

The Government is actively improving checkpoint services, for example, deploying more staff and expanding control points. Members of the tourism sector applaud this. It is, however, hoped that the Government can consider the feasibility of extending the opening hours of the checkpoints. At present, Huanggang Port closes at 10 pm every day, earlier than the checkpoint at Lo Wu does. To facilitate the traffic of in-coming and out-going coaches and shuttle buses, we suggest that the Government consider extending the opening hours of Huanggang Port to bring them in line with the opening hours of Lo Wu. On the other hand, the Liberal Party supports the scheme of issuing new smart identity cards and the plan of automating checkpoint clearance for the purpose of shortening waiting time at checkpoints.

It has come to my notice that additional resources now being deployed by the Government are mainly earmarked for the checkpoint at Lo Wu. There is, however, one spot which we have probably neglected. That is Hong Kong itself. We all want to develop Hong Kong into a cruise hub. However, our cruises boats feature one thing, namely, the fact that 80% of the passengers are locals and 20% of them are foreigners, very much unlike the case in foreign cruise hubs. Furthermore, according to some foreign visitors, when they went through clearance formalities at the Ocean Terminal Immigration Office, they felt that

our facilities or manpower in this respect lagged far behind those of world-class cruise hubs. It is, therefore, hoped that additional resources can be deployed here by the Government. Do not neglect this checkpoint, one that is growing. Surely, an area leaving room for improvement is the policy on entry and transit. However, this, being another matter, has nothing to do with this debate.

I turn now to SMEs, which constitute the mainstay of our economy. Businesses engaged in tourism are mainly SMEs operating as travel agencies. Though the Government has put forward several arrangements to improve tourist facilities, no assistance has been given to the tourism industry specific to its actual requirements so as to directly reduce the operation burden shouldered by the tourism industry.

With regard to travel agencies, their problem is often financing. Because of their mode of operation, most travel agencies do not have properties to offer to banks as collateral for loans. So, the Government's Special Finance Scheme for SMEs is of little use to them. Though denied financial assistance, travel agencies still have to bear risks and meet all the different licensing fees every year. For each transaction, every travel agency operating out-bound tours is required to pay a stamp duty of 0.3% for deposit into the Travel Industry Compensation Fund. The Fund has already accumulated a pool of reserves amounting to more than \$300 million, which, however, has given no cause for the authorities concerned to consider lowering the stamp duty or temporarily suspending the levy. Fees are just levied on travel agencies endlessly, thus increasing their operation cost.

The tourism industry has been doing quite well since last year. However, the actual earnings have gone down a lot when compared with the past. The Government should, therefore, find ways to alleviate the operation difficulties of travel agencies.

Coming now to the issue concerning professionals, the new proposal for admission of mainland professionals has the support of the Liberal Party. However, if the said scheme can be extended to other professions will probably bring more benefit to the economy. It is now a knowledge-based era. All parts of the world are aspiring for those talents. Late last year, in order not to slow down the development of IT companies, the United States drew up plans to bring in 600 000 IT talents, 300 000 from mainland China and 300 000 from India. If we still shut ourselves up, then the competitiveness of Hong Kong will be weakened.

At present, the shortage of talents in Hong Kong is not confined to the IT and financial services sectors. To maintain competitiveness, it is perhaps also necessary for other industries to bring in talents. Here is an example. Upon the simplification of entry formalities for Russian visitors, more Russian visitors will be drawn to Hong Kong. Naturally, there will be a greater demand for tourist guides who speak Russian. I do not know where else outside mainland China can we find persons who can speak both Chinese and Russian. Besides Russian-speaking tourist guides, there is also a need for talents speaking different languages of the world as we have to serve visitors from every corner of the globe. Here is another example. With China putting in great efforts to open up its northwest, there may be more new business opportunities. Whether or not we can grasp these opportunities very much depends on advice from talents who are familiar with the Mainland. Now the third example. To turn Hong Kong into a gourmet paradise, the Government recently set up the Chinese Cuisine Training Institute. However, with regard to famous dishes from different localities of China, it is necessary to bring in famous chefs of the relevant localities to teach here. When running into the problem of talent shortage, members of the manufacturing industry can find a way out by relocating their factories to the Mainland. But it is not so in the case of the tourism industry, which, in order to solve the problem of talent shortage, has to recruit and import talents.

Upon the completion of the Disney theme park, Hong Kong will need a lot of staff for the tourism industry, including people with managerial experience, and front-line workers, for example, those serving tourists at hotels. The existing manpower resources are probably not enough to meet future needs. We, therefore, support a two-pronged approach, one that admits professionals and steps up local training in parallel. While bringing in professionals, the Government should deploy additional resources to train young people wishing to join the tourism industry and enhance in-service training in order to improve the quality of services to tourists. In addition to demanding a higher deduction for self-education expenses under salaries tax, we have also suggested the Government consider raising employers' training allowance, whereby staff training expenses may be made 150% tax deductible so as to encourage employers to let their employees receive training.

Moreover, I would also like to speak on the issue of negative equity. In the Budget, the Government makes no provision to relieve members of the middle class suffering from negative equity, which is disappointing to the Liberal

Party. On the issue of delivering those suffering from negative equity from their predicament, the Government did not take into consideration the opinions expressed by Members during the Legislative Council debate on negative equity. Last month, when discussing the motion concerning negative equity, I already pointed out that the gravity of the problem of negative equity might hold down our overall economic development. Given the fact that most of those homeowners suffering from negative equity are members of the middle class, people constituting the mainstay of our consumer market, the shrinkage of assets has naturally made them cut spending, thus directly affecting the progress of economic recovery. Furthermore, it is common for operators of SMEs, including those running travel agencies, to mortgage their properties to banks to secure funds for investments. Upon the depreciation of their properties, there comes the threat of poor liquidity. Where can they find money for fresh investments? To stimulate the sluggish retail business and to speed up the economic recovery, the Government should find ways to help members of the middle class, especially those with negative equity, to deliver them from their predicament as soon as possible.

The Government has long been procrastinating on offering assistance to those with negative equity. The reason given by the Financial Secretary is that "it is not advisable to subsidize those with negative equity with other taxpayers' money. Stabilization of the property market naturally should provide relief for those with negative equity." Before the release of the Budget, the Government already announced, one after another, measures designed to stabilize the property market, for example, lowering the income limit for Home Ownership Scheme applicants, determining the land disposal programme according to demand, relaxing outdated measures designed to "curb property speculation", and allowing lending institutes to offer mortgage loans based on 85% of the values of properties. However, on this occasion the Government does not use the remaining trump card, that is, raising the deduction for home loan interests paid, a measure once proposed by us. As a matter of fact, our proposal does not seek to help them with other taxpayers' money; it is in fact meant to let them help themselves with their own tax payments. Stability in the property market is determined by many factors, such as prices of land sales, the mortgage policy of banks, market demand, and the people's confidence in the future. Surely, the most crucial factor is the Government's housing policy. The current problem of negative equity stems from the Government's vacillating housing policy. The Chairman of our party has mentioned this earlier in the debate. Besides formulating a clear and well defined long-term housing policy as soon as

possible, the Government may in fact help those with negative equity with a measure commensurate with the one-off tax rebate offered in the wake of the financial turmoil. We think that the Government may grant homeowners with negative equity who are occupying their own units a one-off or one-year tax relief. We stress that those to be relieved ought to be self-occupants only, not those so-called "unsuccessful investors". Though not many people can benefit from it, it can serve at least as a positive message that will help enormously to restore the confidence of the middle class and homeowners with negative equity.

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

DR RAYMOND HO (in Cantonese): Madam President, first of all, let me thank Financial Secretary Donald TSANG for his efforts during his term of office. In particular, I appreciate his willingness to listen to opinions from all quarters of society with an open mind. I hope that he will continue to serve the people of Hong Kong as the Chief Secretary for Administration in an open and fair manner.

Now coming back to the topic. With regard to the 2001-02 Budget, I have the following comments:

Enhancing Infrastructural Links

The Government proposes in the Budget to enhance the infrastructural links between Hong Kong and the Mainland and plans to expand infrastructural facilities and the relevant services so as to cope with the ever-growing economic and trade activities between the two places. I welcome this. Considering the new business opportunities arising from China's accession to the WTO, we should strengthen the official exchanges between the two places and expedite the implementation of the relevant projects, such as developing a regional transport network and expanding cross-boundary telecommunications as mentioned by the Financial Secretary. On the one hand, Hong Kong will then be able to grasp the opportunity to gain more vitality for development. On the other hand, more jobs can be created upon the commencement of the relevant projects.

Given the slow progress of the \$240 billion infrastructural projects already given the green light, it is necessary for the Government to comprehensively review the current projects in terms of the formalities relating to vetting and land

resumption so as to streamline all administrative procedures, and to draw up reasonable and proper work progress schedules. For this will ensure infrastructural projects can proceed as scheduled and steady provision of work for the some 30 000 workers of the construction industry, including both professionals and construction workers included.

The latest employment figures released last week indicate the urgency of the problem. The unemployment rate has climbed back to 4.5%, with the construction industry seeing an aggravating situation of unemployment. The number of public housing units to be built will drop from 85 000 this year to 41 000 next year. This will deal yet another blow to the construction industry. Granting that it is necessary to build fewer Home Ownership Scheme (HOS) estates, I think that the Government still should build more public rental housing units to shorten the waiting time of qualified applicants so as to maintain the volume of housing construction next year at a steady level. Upon the completion of the general census now in progress, the Government should be in a position to know clearly the size of the population, the number of households, and the number of home-owning households. It can then conduct a careful review of our housing policy. At the same time, I also hope that earnest efforts can be made by the Government to speed up infrastructure projects and public works projects. In particular, with some 160 projects left behind by the two Provisional Municipal Councils upon their dissolution, more resources should be deployed to restore and repair ageing infrastructure facilities and buildings. I have repeatedly suggested that over the next five years the Government should inject \$6 billion into this area every year. However, the Government just turns a deaf ear to the suggestion! If only it can take on board this suggestion, it will benefit the construction industry, give jobs to more people and stimulate domestic consumption, thus quickening the pace of economic recovery. With the strong fiscal reserves, it is both easy and essential for the Government to do so.

Strategies for Future Development

In the Budget, the Financial Secretary states that it is necessary to strengthen Hong Kong's status as a centre for high value-added services and international finance so as to strive for a leading role. I agree with this target of development. Surely, as pointed out by the Financial Secretary, we must make use of IT as well as the opportunity of our nation's accession to the WTO.

However, with regard to China's accession to the WTO, we have got to understand that new challenges will come with new opportunities. It is, therefore, necessary for us to identify clearly the most suitable role that we can play when availing ourselves of the new development. It is also necessary to know clearly the impact that is likely to come to us in the future so as to make proper preparations.

On the development of IT, given the keen competition from other places, we must incessantly strengthen our infrastructure in this respect. At the same time, in order to facilitate Hong Kong's assumption of a leading position in IT, the development of science and technology should be promoted through different avenues of support and assistance.

Admission of Mainland Professionals

In principle, I support the Government's plan to restore the Admission of Mainland Professionals Scheme. However, I hope that the Government only takes the scheme as an interim measure to ease our shortage of professionals. To prevent the scheme from being abused, a ceiling should be set for the number of professionals to be admitted. At present, we are short of professionals in IT and financial services. Does it mean that courses and student places available at our universities are out of keeping with our economic development? On the one hand, many university graduates have run into much difficulty in their search for employment. On the other hand, there is the strange phenomenon of talent shortage. To find a long-term solution to our problem of insufficient professionals, the relevant authorities and the universities should comprehensively review the courses being offered and the allocation of student places as soon as possible. The Government should give this problem top priority to speed up the training of local talents so as to meet the requirements of social development instead of continuously relying on importing talents from the Mainland or other countries.

I am of the view that the Government should exercise caution in implementing the scheme, and regularly assess its performance. To prevent the scheme from being abused, the relevant authorities should invite the professional bodies concerned, such as the Hong Kong Institute of Engineers, to take part in the vetting and approval process. These bodies should also be allowed to play an advisory role in formulating the vetting system. The Hong Kong Institute of Engineers is a statutory professional body, responsible for assessing engineers

belonging to 16 different disciplines. The professional qualifications in the field of IT are, of course, also covered. With rich experience in assessing professional qualifications, the Institute should be of considerable help in vetting the qualifications of mainland professionals, especially with regard to the profession of engineering.

Furthermore, according to the Budget, the Government plans to allow mainland students who are pursuing degree courses here and who do satisfy the requirements stay here for employment upon graduation. I think that the plan should aim mainly at postgraduate students, those studying their master degrees or doctorates so as to meet our needs regarding human resources.

Lifting the Freeze on Civil Service Recruitment and Scrapping Corporatization

The Government wants to cut expenditure and enhance the efficiency of the Civil Service. The public does understand and support these. However, earlier on, in order to curb growth in manpower, the Government took some relatively drastic moves, including freezing civil service recruitment in the last two years and offering unreasonable terms to new appointees. These are indeed very much open to question.

Granting that the Government does want to "slim down", due regard must be given to the actual needs of individual departments. Do not rigidly carry it out indiscriminately. Take public works departments as examples. Because of the freeze on recruitment in the last two years, a batch of engineering graduates have been sacrificed. These engineering graduates joined the Government between 1996 and 1998 as intern engineers, believing that they could join the Civil Service on completing three years' internship, as it was the case of intern engineers before them. However, the freeze on civil service recruitment shattered their dreams.

Following interviews with those intern engineers thus affected, staff unions of government engineers and I have been taking up the matter with the relevant authorities over the past two years in a determined bid to fight for their legitimate interests. Early this year, the relevant authorities gave concessions, creating a number of assistant engineer posts for those qualified intern engineers to apply. Notwithstanding this, quite a few intern engineers still have to look for other jobs.

The implementation of the policy of freezing civil service recruitment in public works departments damaged a well-tested system in respect of the training and hiring of government engineers, draining away a number of young engineers endowed with professional training and practical experience who were intent on joining the Civil Service. Please give this deep thought. With the Government currently launching a lot of infrastructure projects, public works departments should have a strong demand for professionals. However, these young engineers, trained by the Government with a lot of resources, are being shut out, and this might eventually lead to gaps in departmental establishments. To society, this is a horrendous loss.

Now the Government has decided to lift the freeze on civil service recruitment. I very much welcome this, and hope that various departments will make recruitment decisions according to actual requirements. Public works departments, considering the needs of launching infrastructure projects, should attract intern engineers who have completed three years' internship into the Civil Service so as to speed up the progress of the relevant projects.

In addition, I wish to take this opportunity to call upon the Government to scrap the idea of corporatizing government departments. From the experience of countries overseas, the corporatization of government departments may not necessarily bring to society the desired benefits. Given our current economic conditions, it is not the right time for corporatization. Over the last few years, the concept of corporatization has made those staff likely to be affected live on their nerves. On the one hand, this affects their morale. On the other hand, it has adverse impact on the social atmosphere in Hong Kong.

Support for SMEs

In the Budget, the Government puts forward a series of measures to help SMEs to further open up the mainland market. I applaud this. To subsidize training programmes of employees of SMEs, a decision has also been made to allocate an additional \$300 million in the next financial year to set up a training fund. These arrangements can all contribute to the enhancement of the competitiveness of the enterprises concerned. With regard to easing SMEs' difficulty in financing, I call upon the Government to seriously look into feasible measures, such as expediting the establishment of a Commercial Credit Reference Agency, so as to provide relevant assistance to companies having such needs.

Conclusion

Though this Budget has not brought us any happy surprises, I think it is, on the whole, acceptable. Madam President, I support the Appropriation Bill 2001. I so submit. Thank you.

DR TANG SIU-TONG (in Cantonese): Madam President, after several Budgets "with big manoeuvres", the Financial Secretary this year has prepared a Budget offering neither delightful nor scary surprises by "sticking to orthodoxy and not branching out at all". On close scrutiny, this Budget is "tasteless". With neither tax hikes nor new taxes, the Budget does measure up generally to the expectations of the Hong Kong Progressive Alliance (HKPA) in "letting things take their own courses", allowing society to rest and build up strength, and enabling the economy to enjoy sustainable revival. The Budget proposes to allocate some \$400 million of additional resources to help the underprivileged and youths at risk, thus also giving this "tasteless" Budget a "human touch". It is, however, a pity that this Budget has failed to let members of the public taste the fruit of economic recovery. It cannot be said to be "addressing the needs of the community", while those who have read it are likely to feel somewhat "embittered".

Madam President, on behalf of the HKPA, I am going to comment on the expenditure proposals on community building, strengthening the role of the District Councils (DCs), and regional transportation network and planning.

Placing emphasis on the need to upgrade Hong Kong's status as a centre for high value-added services and international finance, the Budget puts forward a series of proposals in a bid to improve our "software" and "hardware", including the admission of mainland professionals, the development of IT, the strengthening of corporate governance, and the upgrading of financial infrastructure. While employing both soft and hard means, the Government should not neglect the importance of the living environment. With the globalization of world economy, the world village is growing smaller and smaller. To those good at using IT to do work or business, geographical factors are no longer important. On the contrary, the pivotal role played by living environment and quality of life in attracting talents and capital is growing in importance. Living environment definitely has much to do with community building. Following the dissolution of the two long-tried and well-tested

Municipal Councils, there has been a long procrastination on the part of the Government to undertake to let the DCs take over from the Municipal Councils the work of district building. As a result, our cultural and recreational services have been left in a semi-vacuum state.

This Budget has earmarked some \$160 million in preparation for the construction of 31 projects of environmental hygiene facilities previously under the two Provisional Municipal Councils. However, many long-committed projects are still facing uncertain prospects. Here is an example. Of the 160 items of capital works projects taken over by the Leisure and Cultural Services Department from the two Provisional Municipal Councils upon their dissolution, 11 items managed to make their way into Category A. With regard to the remaining 149 items, the Government has proposed to launch 16 preparatory projects only. However, no provision has been earmarked in the next year's Budget for their completion. How about the rest? "All banished to limbo", they remain at the stage of feasibility study. Earlier on the Government executed the two Provisional Municipal Councils in the mentality of "not letting even the innocent slip by". That having been done, it now refuses to take up the responsibility, adopting a standoffish attitude towards the hundreds of community building projects left behind. Has the living environment of our community improved or deteriorated? Every citizen probably has a pretty good idea of this. The HKPA is of the view that, in addition to carrying on discussions with DCs to work out the priorities of building projects in districts, the Government should also " earmark provisions" in the relevant Budget for projects left behind by the two Municipal Councils in order that those projects can get "started" once the Government and the DCs come to a consensus.

Surely, building a high-quality community and upgrading the role of DCs are very basic requirements. As a matter of fact, in his policy addresses of the past four years, the Chief Executive invariably made mention of improving the work of DCs and enhancing the support for DC members. In the last few months, the Government introduced some limited measures to enhance the role played by DCs at district level in supervising and promoting food and environmental hygiene, and cultural, recreational and sports services. However, two core issues, namely, DCs' role and resources, remain outstanding. To strengthen DCs' work in the districts, this Budget proposes to set aside an additional provision of \$100 million, which seems to be meagre when compared with the former Municipal Councils' annual allocation of more than \$10 billion. With 18 DCs sharing \$100 million, each DC can only get some \$5 million,

which is not even enough for the construction of a sizable public toilet! Is it to say that a DC endowed with 20 years' involvement in district work merely has \$5 million enhanced function in the coming year? What is more, the outcome of a review of the role of DCs will not be out until the middle of this year, and yet the Budget just sets aside \$100 million for the DCs. Does this imply that the Government has already made up its mind on DCs' role, or is it because the historic mission of DCs is over? It is hoped that the Government will clarify all these doubts and questions.

Furthermore, I hope that the Budget, while taking care of the disabled and youths at risk, also takes into consideration the needs of communities on the fringe. Although at present the Home Affairs Bureau still carries out minor works in the rural areas, these are utterly inadequate. In the case of bigger projects, they are determined by population sizes. Thus many small villages often have to wait for two or three years just to get a street light installed. Therefore, it is hoped that the Government, when considering the deployment of resources, can be more considerate with these underprivileged fringe communities and small villages, and set aside more money for those "urgent projects" required by them in order that the quality of the basic living of rural villagers can progress with the times.

Madam President, next I would like to talk about the network and planning of the transportation infrastructure between Hong Kong and the Mainland. The Budget proposes to expedite the construction of the Shenzhen Western Corridor and the Deep Bay Link. The HKPA very much supports this. The Secretary for Transport has expressed an intention to consider speeding up the construction of a northern loop linking the West Rail with Lok Ma Chau. We also support this. As repeatedly stressed by me here, expediting the relevant projects is equivalent to performing "balloon angioplasty" procedures on the congested blood vessels carrying passengers and goods in the Northwestern New Territories. Though the attitude shown in the Budget is enterprising, the reaction from the departments concerned has not been positive, which is indeed baffling. It seems that there is some subtle difference between the two stances. For instance, in response to my written question, the Transport Bureau just stated that whether or not to build the northern loop depended on land use planning of the Northwestern New Territories as well as on the growth of cross-boundary traffic. There is, however, no answer to the question of how much earlier the construction can get started. It is beyond doubt that the two prerequisites, namely, land use planning and growth in cross-boundary traffic,

are correct. With border crossings already filled to capacity, it is urgently necessary to build new crossings. Must we still wait senselessly? Here comes another example. According to the Budget, the Hong Kong-Shenzhen Western Corridor and the Deep Bay Link must be built as soon as possible. However, according to the reply from the Transport Bureau, discussions are still ongoing with the Mainland and no assessments have been made so far on neither financial arrangement nor land requirement. Is it not just some sort of wishful thinking in the Budget or is it because the Policy Bureau concerned is not so inclined? Is it that the Budget is simply more optimistic, or is it that the department concerned is more conservative? Not wishing to see the co-ordinated development between Hong Kong and the Mainland vanish like a dream, I hope that what the Budget talks about strengthening the transportation network links between Hong Kong and the Mainland is not just sheer idle theorizing.

No matter how much earlier such cross-boundary network is to be built, it is still hard to immediately ease the congestion now being experienced by those crossing the boundary. I, therefore, support the short-term measures mentioned in paragraph 30 of the Budget. It is, however, hoped that the Government, while expanding the facilities at Lok Ma Chau checkpoint, will consider extending the said checkpoint's opening hours to keep them in line with Lo Wu checkpoint. In this way, immigration facilities at Lok Ma Chau can be put to more effective use. What is more, the heavy flow of people crossing the boundary in the evening at Lo Wu can also be relieved so as to make it more convenient for our people to travel to and fro.

Finally, I have a few points to make in response to the "green taxes" mentioned in the Budget. Madam President, I endorse the principles stated in the Budget, namely, "improving the environment ought to be a goal shared by us all" and "to achieve environmental protection through financial measures, it is necessary to give carrots and wield sticks". We agree with these two principles. However, with regard to the question whether or not certain specific trades should pay green taxes, I am not going to give comment. I just hope that the Government, when putting the said measure into effect, can take the overall situation into consideration. Do not just give punishments without also offering rewards. A lot of land in the New Territories are at present frozen for the sake of environmental protection. Coming under this are areas designated as country parks, wetland parks, and wetland buffers. The environmental benefits attributable to country parks and wetlands can be enjoyed by society as a whole. But how about the cost? It is being shouldered by the relevant property owners,

an arrangement that appears not to be in line with the principle that "improving the environment ought to be a goal shared by us all". Furthermore, should the Government, when considering taxing the polluters, also consider giving compensation to those property owners so as to put into practice the carrot-and-stick principle?

Though the Budget is, as a whole, conservative, after all it is still a well-balanced and pragmatic plan. In recent days, the economy of the United States, our trading partner, has been showing signs of a decline. The economy of Japan has yet to recover from a severe and lingering illness. Though fiscal prudence is commendable, it is still hoped that the Government can also take into account the people's needs for community facilities while striving for fiscal balance.

Madam President, I so submit.

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

MR WONG YUNG-KAN (in Cantonese): Madam Deputy, the Financial Secretary, Mr Donald TSANG, before leaving his office, delivered his last Budget, which is entitled "Honing our Strengths, Striving to Excel." As expected, the Budget has brought the people in the street not an iota of surprising delight. On the contrary, the Financial Secretary's over-cautious philosophy of fiscal management has disappointed many people. Though it is said that our economy is gradually recovering, it has yet to benefit members of the public.

Madam Deputy, ever since 1998 when I joined this Council as a Member representing the Agriculture and Fisheries Functional Constituency, I have on many occasions reiterated the point that agriculture and fisheries, constituting activities of our primary production, are not sunset industries. So long as the Government is prepared to show some concern and deploy more resources to support their development, there is definitely still room for agriculture and fisheries to grow and even to enjoy sustainable growth. Last year, I went to Kyushu, Japan, to study the development of their mariculture. The mariculture there sees new development almost every year. However, in the case of Hong Kong, it is what it has always been, still sticking to the mode of family business. This is indeed saddening. The lack of a long-term policy on agriculture and

fisheries on the part of the Government probably has something to do with this. It has put the sustainable development of agriculture and fisheries is totally out of the question.

In Japan, mariculture has progressed to such a state that its mode of operation is a "one-stop" one. All the processes, ranging from the importation of fries to breeding, slaughtering, processing and feed production, are environment-friendly and totally self-sufficient. Take Takamaru Company Limited of Miyazaki that we visited as an example. The company mainly breeds Pirplish Amberjack. After buying the fries from Hong Kong or Mainland China, they breed the fish for two years, and put them on the market for sale when the fish reach 3.5 kg each. The company also processes fish products, producing fish fillets and sashimi according to market situation and the distribution of population in Japan. All the fish heads, fish bones and fish offal left behind will be turned into feeds for environmental reasons. At present, the company produces 3 000 tons of feed annually, mainly for self-use.

As a matter of fact, such "one-stop" mode of operation used in Japan is also applicable in Hong Kong. However, the investment has to be very big. Also involved are questions concerning areas on sea and land. Mariculturists themselves can ill-afford that unless there is support from the Government. It is hoped that the Government can grant mariculturists interest-free or low-interest loans, and make matching arrangements in connection with areas on sea and land so as to give mariculture more room for development.

With our territorial waters increasingly coming under the influence of pollution, to do breeding on land is an alternative. Earlier on, I visited a fish farm at Tai Mei Tuk, Tai Po. This fish farm is special in that it has some fresh water fish, such as cuttlefish and eel, bred in sea water so as to change the texture of their meat in a bid to increase their value and improve their taste. Such research work on the improvement of species should have been done by the Agriculture, Fisheries and Conservation Department (AFCD) for introduction to fish farmers. However, the present situation is similar to putting the cart before the horse, with fish farmers doing the research themselves first before introducing them to the department. If the Government does expeditiously set up a research centre of agriculture and fisheries as requested by members of the relevant trades concerned so as to help them make fast adjustments in response to changes in natural environment, market demands and consumer preferences, then it will bring the trades huge economic benefits.

Madam Deputy, talents are essential to the good development of any industry. It is a pity that Hong Kong, unlike other nations or places, is not offering courses in agriculture or fisheries in tertiary institutions to train personnel for agriculture and fisheries. In order that our agriculture and fisheries can have sustainable development, I call upon the Government to offer courses in agriculture and fisheries in tertiary institutions as soon as possible so as to foster talents for the industries concerned and help them develop in the direction of high technology and value enhancement. The AFCD should regularly run practical courses for members of the industries so that they can learn some new practical skills, improve the quality of their products as well as their existing operations and also supply members of the public with commodities that are both good and inexpensive.

With regard to agriculture, it has always been an aspiration on the part of members of the industry that the Government can open up areas as agriculture priority zones separating farms from residential areas. In this way, a situation in which residents accuse farms of adversely impacting on their quality of living whilst farmers attribute to the presence of residential buildings all the restrictions on the operations of their farms can be avoided. In total disregard of the request from members of the industry, the Government is still studying the matter. To bring back the golden days of the past for our agriculture, I call upon the Government to complete the study as soon as possible.

I hope that the Government will respond to a request from members of the industry for years, namely to set up agriculture priority zones endowed with government-provided ancillary facilities such as transportation network, irrigation systems and centralized waste treatment systems on abandoned slopes as well as at places bordering deep bays. There farmers may invest to build multi-storey poultry sheds or practice greenhouse farming so as to facilitate the centralized treatment of poultry waste and make arrangements for housing. Then Hong Kong can maintain the supplies of some high-quality agricultural by-products at a certain level.

Madam Deputy, the sea is fishermen's economic lifeline. A government that treasures the development of fisheries is duty-bound to formulate legislation to protect fishery resources. However, the SAR Government is doing exactly the opposite. Instead of taking care of the fishery resources, it gave consultant

firms a free hand to spend huge amounts of public funds on Environment Impact Assessment (EIA) reports of questionable "feasibility", thus plunging fishermen into utter hopelessness.

Take the fish culture zones at Ma Wan and Shap Long as examples. The fish farmers in the two zones are precisely the victims suffering from inaccurate EIA reports. According to the Northshore Lantau Development Feasibility Study and the Study for Construction of an International Theme Park in Penny's Bay of North Lantau and Its Essential Associated Infrastructures, two EIA reports prepared by consultants, "The increase of suspended solids, the decrease of dissolved oxygen, or the rise of nutrient loads in the water during the construction and operation of the project is not going to affect the fish culture zone at Ma Wan." That is to say, construction works should not be the cause for the death of cultured fish. With those words still ringing in our ears, the nightmare of the two fish culture zones at Ma Wan and Shap Long began last May when the construction works began. More than 600 000 cabbies of fish were killed, causing a loss amounting to more than \$60 million. Luckily, upon laboratory tests by the Government, it was established that the level of suspended solids in the two fish culture zones warranted the grant of *ex gratia* payments, which saved fish farmers from losses of hard-earned capital. However, though 10 months have elapsed since then, fish farmers of the two fish culture zones still have not collected a dime. In order that the fish farmers can collect the payments earlier, I call upon the departments concerned to expedite the vetting process.

The Democratic Alliance for Betterment of Hong Kong (DAB) also calls upon the Government to really gauge the feasibility of EIA reports compiled by consultants, and to conduct more site inspections and collect views from different quarters before the commencement of construction by contractors so as to formulate a set of measures consistent with the actual situation. Do not try to pass the buck, or coin excuses, or even hire scholars or professionals to refute accusations made by members of the industry only after something has already gone wrong in a bid to deny fish farmers' compensation claims by disproving the connection between construction works and dead fish.

Madam Deputy, I now turn to food safety and environmental hygiene. Products of agriculture and fisheries are closely related to public health. It is therefore necessary for the Government to set up a proper system to monitor the

quality and hygiene of these products so as to step up spot-checks on imported poultry and meat. With regard to the sales of frozen fresh meat, the Government has not been doing its work properly. The people are simply unable to distinguish between frozen fresh meat and fresh meat. How can people's health be protected?

As regards the foot and mouth disease currently playing havoc among European countries, we should not take it lightly. Do not imagine that everything will be fine so long as poultry from the afflicted areas are shut out. The reason is that according to cases in foreign countries, livestock might catch foot and mouth disease through meat or other media. Officers of the AFCD consider that to be very unlikely. However, we in the trade are not prepared to take "the slightest chance". In the event that cross infection brings foot and mouth disease to Hong Kong as a result of the Government's underestimate of the risk, our 330 pig farms and public health will have to suffer. What is more, the disease can spread to livestock farming on the Mainland through different media. Can the Government bear the responsibility? Members of the trade and I urge the Government to amend, as soon as possible, the Public Health (Animals and Birds) Ordinance to extend the control on imports to animal products, dairy products and animal feed so as to better protect the health of people and animals. The sooner the Ordinance is amended, the smaller is the chance for us to be framed by outsiders. The goal of environmental and food hygiene can also thus be accomplished.

Now on monitoring food safety, ever since the relevant duties were taken over by the Food and Environmental Hygiene Department (FEHD) for centralized handling, work in that area, in all fairness, has shown greater vigour than it did before. Some results have been achieved too. According to mass media reports over the past few years, FEHD officers successfully raided a number of unlicensed food premises. We ought to acknowledge the efforts made by the Government in this respect.

With regard to the work on food hygiene in recent years, the genetically modified (GM) food labelling system is certainly one of the key issues. Apparently, there is in society a consensus that GM foods should be labelled. How? The Government is currently conducting a consultation on the GM food labelling system. To draw public attention and to educate people on what GM foods are, the DAB calls upon the Government to spend more efforts on publicity and education upon the completion of consultation.

A discussion on food hygiene necessitates reference to hygiene at food establishments. Following the abolition of the loophole-ridden five-star categorization scheme on restaurants, the people now have not got a referential index on the hygiene of food premises. Though we still have confidence in the effectiveness of FEHD inspections, it is still necessary to uphold the people's right to information. It is hoped that the Government can expeditiously put into effect recommendations contained in the consultation paper.

Coming now to another point, the FEHD has set up an inter-departmental group to look into the issue of food establishments providing seating in open air. I am pleased to learn that the group is inclined to promoting this type of dining activities, and will incorporate this into the planning of land uses, including that of parks. This happens to coincide with my suggestion that the Government should add an open air food plaza to the waterfront park at Tai Po, a proposal made by me in this Council the year before last during a motion debate on developing leisure agriculture and fisheries trades. To attract more visitors and create more employment opportunities, I urge the Government to vigorously promote such economic activities.

Madam Deputy, the DAB is of the view that in matters concerning food hygiene, the Government has achieved initial success. However, its work on environmental hygiene is lamentable. According to a survey conducted by the DAB, the public is still not happy with our city's cleanliness. Why? Does it have something to do with the fact that too much cleansing work of our city has been contracted out? We dare not make incorrect comments. However, ever since the implementation of the outsourcing system, there have been cases in which successful tenderers, in a bid to control costs, exploited front-line workers. This Council has had quite a few debates on this issue. Will this adversely affect the workers' livelihood and the quality of hygiene services? Is it likely for the service quality sought by the Government to divorce from public expectations? These are our worries. The DAB calls upon the Government to conduct a review on cleansing work so as to render service quality compatible with the public demands.

Madam Deputy, I so submit.

MR TOMMY CHEUNG (in Cantonese): Madam Deputy, in this Budget, the Financial Secretary points out the budget strategy for the coming year, and that is "maintaining steady economic growth and addressing the needs of the community". All people in Hong Kong and I are earnestly looking forward to the realization of this budget strategy. However, I have to remind the Financial Secretary that unless the Government puts in efforts to seriously improve the current business environment, all talks about "addressing the needs of the community" are just "castles in the air" or "mirages", things unattainable.

The Financial Secretary's economic outlook for the current year is very rosy, forecasting that GDP and domestic consumption will grow in real terms by 4% and 2.5% respectively. However, economic growth has not been felt by the catering industry at all. Last year, our GDP registered 10.5% growth in real terms, which, however, was not felt by the catering industry. There are already doubts about the possibility of achieving an economic growth of 4% this year. Early this year, some big restaurants closed down their branches one after another. But closing down unnoticed every day are some small food establishments. With regard to the catering industry's business prospect in the current year, I am not optimistic. Where is economic growth to be seen? In fact, not even negative growth should be ruled out. Given the prevailing gloomy economic situation, even investors are not prepared to make investments, and people cannot even keep their jobs. How to "address the needs of the community"? Today I am going to speak mainly on "green taxes" and the issue concerning the catering industry's manpower resources. The Budget has three paragraphs touching on "green taxes". The Liberal Party is of the view that, for the Government to accomplish the goals of environmental protection by means of financial measures, it must apply a fair hand in giving rewards and punishments. Unfortunately, the Government has long been meting out punishments without also granting rewards, unreservedly implementing the policy of punitive charges. It keeps asking people to pay more, squeezing heavy sewage charges out of the trades concerned and clamouring that the collection of more fees will lead to improved environmental protection. As a result, this has plunged the people's livelihood into great hardship, and made the business environment difficult. Both the people and the business sector are crying out in pains.

The Financial Secretary reiterates that "polluter pays" is a fair and simple economic principle, and that polluters should be held responsible as the proper solution to the environmental question should be started by addressing the

fundamental issues. He also raises six questions concerning the levy of "green taxes", one of which being: Why do we continue to subsidize sewage services at historically high levels? He calls upon Members and the general public to have objective and open discussions on the question.

I agree that "polluter pays" is a simple economic principle. However, the question remains, "How fairness can be achieved?". "Polluter pays" does not mean that "You host a party and I will foot the bill;" or that you may "have lavish meals" while we have to "tighten our belts;" or that you can act like a big spender, spending tens of billion dollars to hire consultants to prepare one report after another merely to refute the conclusions of the previous ones, and yet we, "with our heads already wet," have to pay on each occasion. Payments have been made, but what has the Government done in connection with sewage treatment? Has the water quality in our harbour improved? The Government has been collecting sewage charges and the trade effluent surcharge for six years. The huge sum collected over the years should have been used to tackle pollution and improve water quality. At present, with the Stonecutters Island Sewage Treatment Works treating only 20% of the sewage, the Government is already screaming for money. There are also papers asking the Legislative Council to grant more money or approve the request for fee hikes. How much is it going to cost when it later treats all the sewage and on full cost recovery? Has the Government considered the affordability of the public and members of the trades concerned?

The catering industry is most concerned about the trade effluent surcharge. For six full years, I have spoken on this repeatedly in this Chamber as well as on some public occasions. Now I want to directly say it to the Financial Secretary once more. Members of the catering industry do not object to the "polluter pays" principle. The charges, however, must be reasonable. The charges collected must be consistent with economic principles and contribute to environmental improvement. At present, the fact is that it is not reasonable for the Government to use 2 000 units of chemical oxygen demand (COD) as the yardstick for the collection of trade effluent surcharge, which has resulted in a situation where the catering industry is responsible for over 80% of the trade effluent surcharge annually collected by the Government. The remaining 10% or so is shared among 29 other trades. Though the Government rhetorically claims that there is an appeal channel, the appeal cost is exorbitant. An appeal costs \$20,000 to \$40,000 a year, far higher than the trade effluent surcharge payable by a food establishment. As a result, over 80% of the food establishments will not lodge any appeals. Is this fair?

The trade effluent surcharge has unreasonably increased the burden shouldered by the catering industry, whose members are "bursting" in pain. Some time ago, a member of the industry set himself ablaze. He has yet to be discharged from hospital. The incident came as a great shock to the entire community of Hong Kong. I have received from members of the industry many letters, most of which, in addition to offering consolation to the person who set himself ablaze, opined that that person's complaints represented the grievances long held by members of the trade against the Government. They all sighed, saying that it was hard to do business, that the unsympathetic Government just collected money from them and never favoured them with cuts in fees, and that payments made had not resulted in environmental improvement. How is the Government to account to the public and members of the catering sector for this? Why is it not possible to formulate a policy on sewage treatment that is forward-looking and affordable by members of the trade?

In his concluding remarks, the Financial Secretary described this Budget as a "deliberately conservative one" seeking to be practical to meet the community's needs, undertaking to get "enough evidence to determine the problem", and emphasizing the need always to have restraints and "prudence". The most practical way is, in my opinion, to immediately review the trade effluent surcharge as well as the relevant appeal mechanism, and to revise right away fees found to be unreasonable. It is hoped that, when reviewing and dealing with these issues, the Financial Secretary and heads of the relevant departments can honour their promise, that is, really to "determine the problem" and always to have restraints and "prudence".

With regard to the policy on manpower resources, the Liberal Party supports the Government's proposal to import professionals, believing that the move can further sharpen Hong Kong's edge. However, the scheme still leaves much to be desired as it neglects the needs of other trades and professions. Take the catering industry as an example. For decades, the Government has neglected the needs of the catering industry, leaving it to fend for itself. The Financial Secretary sets no quotas for the admission of IT and financial services professionals. Has the Government assessed the vacancy rates in the trades of dim sum cooks and chefs? I urge the Government to do so as soon as possible so as to consider extending the scope of the scheme to other trades including the catering industry, in order that permission can be given to restaurant operators to

recruit chefs from mainland provinces for the purpose of setting up businesses here, hiring locals as waiters and personnel for different posts. It is necessary for the Government to understand that to bring in a mainland chef to open a new restaurant here can create a bunch of vacancies for locals, such as chefs, waiters, cleaners and managers. According to a businessman in the catering industry, he once planned to open in Hong Kong several restaurants specializing in food of northeastern China and wanted to bring in chefs specializing in such cuisine and then hire waiters and some other workers locally. Permission not granted, the plan was shelved. So, ultimately a chance offering local employment opportunities was missed.

The Budget also proposes to set aside \$300 million for the establishment of a training fund under the management of the Trade and Industry Department to subsidize SMEs' staff training programmes. It is hoped that the scope to which the training fund is applicable can cover the catering industry so as to provide operators of food establishments with resources to offer on-the-job training. The recently-established Chinese Cuisine Training Institute only trains newly recruited staff. This is a good start. However, the institute is located inside the school building of the Vocational Training Centre at Pokfulam. The place is quite out of the way and not easily accessible. There is not much room for development too. Students under training are numerically limited. There is also no on-the-job training for those employees already working in the catering industry.

Besides chefs, those requiring training and value enhancement in the catering industry include personnel holding different posts, such as accounting, marketing, inventory control, and other managerial duties. The Government had better deploy extra resources to set up a separate Chinese cuisine training institute or a Chinese culinary academy specially designed for Hong Kong, and offer more training programmes to meet the needs of the trade, thereby incorporating catering services into regular training programmes.

Madam Deputy, finally I would like to speak on tobacco duty and tax on beer. The Financial Secretary proposes to increase tobacco duty by 5%. There is also a proposal to increase from 30% to 40% the duty rate on liquors with an alcoholic content of 30% and below. In the coming year, these two proposed tax hikes will increase the Government's revenue by \$220 million.

This year the Financial Secretary wields the axe on smokers and drinkers. Though the rate of increase is not big, it is necessary to bear in mind that tax increase is not bound to increase public revenue. Increasing tobacco duty will widen the price gap between duty-paid cigarettes and contraband cigarettes, spur cigarette smuggling, and encourage Hong Kong residents to bring back more duty-free cigarettes from outside. Given this, an increase in tobacco duty might result in an ironic situation where the public coffers will get less revenue just because of the increase. To crack down on smuggling, the Government will have to step up publicity work and enforcement actions. At the same time, the public should be reminded that an absence from Hong Kong beyond 24 hours is a prerequisite for one to bring duty-free tobacco back to Hong Kong. Inspections in this connection should also be stepped up.

Now on beer tax. To many people, especially those of the middle and lower classes, beer is a major food for leisure and relaxation. A price increase of a few dimes for each can of beer is, surely, not a big amount to those who can afford it. However, to those without the means, it is a sum that they can ill-afford. Is such an increase reasonable at a time when the masses have yet to share the fruit of economic growth?

An increase in beer tax will have adverse effects on the people's livelihood and further burden the operation of the catering industry, thus directly increasing operators' cost, and making it even more difficult for them to do business. According to many operators in the catering industry, even if the Government does increase the beer tax, they, in view of the current recession and out of their concern for business, definitely dare not pass the increase onto consumers. They will have to pick it up themselves. The Government is now sitting on a reserve amounting to hundreds of billion dollars. Why does it still go after an annual sum of just \$200 million or so? Why must it wield the axe on grass-roots citizens and the catering industry; why can it not exempt grass-roots citizens' only food of leisure and relaxation from an increase; and why should it further burden the hard-pressed operations of the catering industry?

This year's Budget gives the catering industry no good news. Fee increases do apply to the catering industry, to which, however, fee reductions are totally not applicable. It seems that the term catering industry cannot be found in the budgetary glossary of the Financial Secretary. This year's Budget is the last one during his tenure of office. I wish him well in his new post. Here, I would like to make a request to the Financial Secretary — please ask the

Financial Secretary designate Antony LEUNG to review the rates of trade effluent surcharge and the relevant appeal mechanism and seriously consider the complaints of the catering industry in the next budget so as to give the catering industry some pleasing news.

Madam Deputy, I so submit.

DR LO WING-LOK (in Cantonese): Madam Deputy, in presenting the Budget, the Financial Secretary said that "expediency" is not the proper approach to Hong Kong issues. I totally agree with this.

Take the operation of public health care as an example. The Government has to spend \$30 billion on this annually, which is in fact not a small sum. However, if the public totally depends on the Government for health care, \$30 billion is not enough. Hong Kong's annual expenditure on health care — both the public and private sectors included — approximately amounts to \$60 billion. Unfortunately, those policy makers of health care just seek "expediency" without presenting the facts while merely talking to the public about ideals, issuing cheques of health care promises, and creating a myth of their ability to provide all Hong Kong people with comprehensive, quality and inexpensive health care. As a result, public health care is brought under the pressure of having to provide all Hong Kong people with full services with just half of the resources.

In fact the essence of health care reform lies in reform of the mindset of health care policy makers. They should not seek "expediency". They ought to lead Hong Kong people to face the reality that "health care is not free" and "public resources are limited".

The second problem in running public health care is how to equitably allocate the \$30 billion to provide Hong Kong people with the most suitable health care services. This accounts for a persistent request by the medical sector to define a parameter for public health care. The authorities, however, just avoid discussing it, and even clamour that there is no need to define the parameter. This is another example of the authorities seeking "expediency".

The financing options contained in the Consultation Document on Health Care Reform will serve only to make the public more reliant on public health care. It is estimated that Health Protection Accounts can bring in \$2 billion of

fresh resources annually. But this makes up less than 10% of the required additional expenditure of \$30 billion. Compulsory contribution will result in all Hong Kong residents being "compelled" to rely on public health care services on reaching the age of 65, with limited options open to them. When that time comes, the Government, probably just because of that \$2 billion in additional resources, will have to face the pressure of increasing the provision for health care by tens of billion dollars. If there is a consensus in society for a big increase in health care funding, or if the Government can well afford it, then it will probably not be too much of a problem. Otherwise, this is just a proposal to "quench thirst by drinking sea water". On the face of it, it serves to lower the Government's burden of health care financing. In reality, it adds to the financial burden of the Government. It is "small government" on the surface, but in essence, it is an out-and-out "big government" health care option.

Who will benefit from a "big government"? Who persistently pushes up the people's demand for public sector services? Many members of the public tend to ask such questions. Excessive demand breaks the backs of front-line workers in public services. So arrangements have to be made to outsource services in excess of manageable workload. Furthermore, because of the power that comes with outsourcing, all service providers in the market are thus subject to control. Everybody is thus forced to "stand in awe of the Government", eventually turning the Government into a "mega government".

Let us look at some substantive figures. Public expenditure as a percentage of GDP gradually rose from some 16% in 1990-91 to the unprecedented level of 20% in 1998-99. For the year 2000-01, it is 21.4%. There has been an increase of 42.3% over a period of 10 years. To a place with no expenditure on national defence or diplomatic services, such a ratio is really too big. Furthermore, over the past three years, the Government has created 100 permanent directorate posts, bearing strong testimony to a big government.

Now on the "polluter pays" issue, I support the "polluter pays" principle suggested by the Financial Secretary in the Budget because it offers a relatively equitable and simpler measure that constitutes an incentive to curb pollution. After all, to protect the environment is a responsibility for society as a whole. But there is another side to this. The people use public services like sewage treatment because they simply have no choice. If the costs of service grow sharply because of overlapping government structure and lack of efficiency, then

is it fair to those who have to pay out of their own pockets? So, when polluters are required to pay, the Government must at the same time review current services to see if they are cost-effective, in order to ensure that the charges are fair and affordable to polluters. Otherwise, a good intention will become a nuisance to the people.

Turning to the redress system, Hong Kong has always been a highly transparent and open community with a healthy legal system and an independent Judiciary. However, in recent years, the Government indiscriminately uses "answering public wishes" as a pretext to incessantly promote the culture of "building another stove", thus facilitating the establishment of all sorts of independent redress mechanisms. As a result of this, the administrative framework is once again inflated, and the bureaucracy further expanded. The Consultation Document on Health Care Reform released recently is one such example as it proposes to set up an independent complaints mechanism under the Department of Health.

The Government has to provide a lot of public services daily, offering a great variety of services to hundreds of thousands, or even millions, of people. As requirements and expectations vary from person to person, there are bound to be complaints. If the Government intervenes in all matters in order to be politically correct, then it may at any moment set up independent complaints systems for legal matters, civil service matters, and engineering matters. However, I now venture to ask a question. How many resources does the Government have to enable it to set up independent complaints mechanisms one after another? Are taxpayers prepared to spend a lot of public money on matters concerning complaints?

Furthermore, the culture of "building another stove" tends to stimulate and generate more demand. This will spread to other government departments. The Department of Health is going to have an independent Complaints Office; so will, say, the Housing Department, the Environmental Protection Department, the Civil Engineering Department, and the Food and Environmental Hygiene Department because of the need to respond to public complaints. By then, Hong Kong will become a "city of complaints" instead of a "city of demonstrations". Are we indeed looking forward to seeing such a phenomenon and its costs in terms of resources?

Why do government officials handle matters with such a passively reflexive mindset only? Why do they not turn around and play an active leading role? As Hong Kong already has a healthy legal system, then why does the Government not consider deploying more resources to further educate people on our legal system and on the need to uphold judicial independence so as to improve on areas that still leave room for improvement? Unfortunately, the departments concerned just shy away from difficulties without giving the matter a thought, believing that people may be appeased with the setting up of a separate independent department. To hold such a view is to underestimate the people's intelligence. Ultimately it might even end up having a department that is neither fish nor fowl. Eventually, it is likely that community at large may not get any benefit out of it even though by then money might have been spent on administrative expenditure, washing taxpayers' hard-earned money down the drain.

At a time when every person in Hong Kong is placing more and more emphasis on personal rights, it seems that Hong Kong people have forgotten the key factors contributing to their past success, that is, every person's will to fight and work hard. They even tend to ignore the fact that our competitors and trading partners are gradually overtaking us. With the changing international scene, the future development of our society must not be confined to a tiny place like Hong Kong. To develop brand new horizons or opportunities for development, we must set our eyes on mainland China, the world.

China will soon become a member of the WTO. This will trigger off a chain reaction in our economy, and bring opportunities and challenges to all businesses. As a Special Administrative Region of China, Hong Kong should make good use of the edge built up from the past and forge a partnership relationship with the Mainland so as to complement each other. We must not be complacent and conservative. Nor should we indulge in past glory and be conceited. Furthermore, in order to surge ahead amidst intensive international competition, we have to constantly maintain a crises awareness.

Finally, I wish to speak on one more issue. Taking every proposed item of expenditure and revenue into consideration, the total expenditure and revenue for the year 2001-02 are \$254.7 billion and \$251.7 billion respectively. However, the total amount of revenue includes a non-recurrent revenue of \$15 billion probably from the second offer of Mass Transit Railway shares. Thus we have the moderate budget deficit of \$3 billion. Discounting the items of

non-recurrent revenue, then there will probably be a deficit of \$16.6 billion in the Government's operating account. It is evident that our financial situation is one "living on past savings". How long can this last? We probably all know the answer.

Just going after the people's purses is no solution to the problem. No matter how much the income is, it is not going to be enough if an increase in revenue is not accompanied by a reduction in expenditure. One of the most effective methods is to return to "small government". The bureaucracy should be streamlined, and the Government should not intervene in every matter.

I call upon the Financial Secretary to adhere to the principle of seeking "no expediency" as stated in the Budget while leading the people of Hong Kong to rise to challenges so as to lay a sound foundation for opening up new horizons in the future.

Madam Deputy, I so submit.

MR ALBERT HO (in Cantonese): Madam Deputy, first of all, I want to comment on the Government's principle of fiscal management and Article 107 of the Basic Law. The Democratic Party is of the view that the Government's interpretation of the Basic Law provision on keeping expenditure within the limits of revenues and avoiding deficits is too rigid. As a result, "money just goes into the public offers but does not come out", thus adding to the fiscal reserves year after year. According to the Democratic Party's understanding of the above requirement, it definitely should not just denote a need to provide a period of quiescence every year. Surely, the question as to how long such an appropriate period should be is open to discussion. However, for the convenience of discussion, today I take the five-year tenure of office of the Financial Secretary as the basis of calculation.

In the last five years, because of economic recession, the Government constrained increases in expenditure. On the pretext of avoiding deficits, public expenditure is still being cut even at a time of economic revival. Moreover, with the budget persistently overestimating expenditure and underestimating income, the reserves just keep on growing. In these five years, we have weathered the onslaught of the financial turmoil, and budget deficits for three years, which still merely added up to \$37.4 billion, representing only a very low

2.8% of our GDP. However, revenue in that period amounted to \$124.7 billion, and the net value of the reserves grew by \$87.3 billion. In 1996, when he presented his first Budget, the Financial Secretary, to express his fiscal management principle against dipping into the reserves without careful consideration, gave an explanation on the use of the reserves. He said that fiscal reserves were a buffer for heavy downpours, not for the light shower then falling. Five years went by. We have had continuous downpours, or even rainstorms. The dire state of affairs is there for everybody to see. However, the Financial Secretary still insists on keeping a huge amount of reserves. With the exception of the year 1998-99, the total reserves have seen dramatic increases. What can our reserves do?

Surely, it was laudable for the Government to draw up a budget with a \$36.5 billion deficit right in the midst of the financial turmoil. However, in order to eliminate the consequence arising from the deficit, the Government later on quickly proceeded to strictly control spending. In the end, the budget deficit of \$36.5 billion was pared down to an actual deficit of \$1.6 billion only. Compared to the Estimates, the Government's actual expenditure was reduced by \$10.7 billion. On comparison with that of the previous year, it even showed a negative growth of 2.4% in real terms. In the case of last year, the growth in expenditure was suppressed to a real growth of 2.2% from the 9% originally planned. Taken as a whole, the Government's real growth in expenditure for the last two years was zero. Coming to this year's Budget, the Government still obstinately limits the growth in government expenditure to 2.5%, which is 1.5% lower than the economic growth rate. This deviates from the principle set by the Government. The cumulative growth in government expenditure in real terms over the past five years ultimately returned to a level commensurate with economic growth, both being 23.8%. On the face of it, this is in line with the Government's rules on fiscal management.

Madam Deputy, given that our economy has experienced such a tremendous tremor over the past five years, it is the right time to make use of the reserves. We have got to be more forward-looking in utilizing our reserves so as to increase investments in the community, enhance the competitiveness of the community on a long-term basis, and spur economic recovery. However, it seems that the Financial Secretary is contented with playing the role of a shroff. Keeping a close fist on our reserves, he even used the expression "without remorse" to describe his stance. This, in my opinion, reflects the fact that the whole Government is just sticking to old ways, showing little forward-looking resolution.

Of course, the Democratic Party is not urging the Government to fritter away our reserves. There should be, however, objective and sensible standards for the application and maintenance of the reserves. According to the Democratic Party, a reasonable standard for the reserves is an amount equivalent to 12 months' public expenditure. With regard to the monetary base of our currency, the reserves in the Exchange Fund are already providing 18.8% of support. There is no need for our fiscal reserves to provide a double guarantee. In other words, our existing reserves leave us with a lot of margin and we can use it to stimulate economic recovery and enhance the competitiveness of Hong Kong by making long-term investments.

We certainly should not use the reserves in the Exchange Fund without due consideration. However, as of today, is it right that none of the investment returns from our foreign exchanges should be transferred to the Government's reserves? This, I think, deserves consideration. We are of the view that when we discuss the future role or statutory status of the Hong Kong Monetary Authority next year, this policy should also be discussed and considered.

Madam Deputy, I am going to comment on the admission of professionals scheme. With regard to the Financial Secretary's proposal to admit mainland professionals, I consider the proposal to be too hasty given the lack of sufficient consultation by the Government. Take financial services personnel as an example. Government officials have been adamant that there is an acute shortage of professionals. However, at the special meeting of the Finance Committee, the Government was unable to give a satisfactory reply even when repeatedly so pressed by Members. They just used figures to justify their stance. Citing the Education and Manpower Bureau Report on Manpower Projection to 2005, the Financial Secretary pointed out that by year 2005 Hong Kong will be short of 120 000 people with qualifications at least up to matriculation level, and that, in order to promote economic growth, it is necessary in the short-to-medium term to import mainland professionals to meet the shortage. However, the shortage, referring only to division based on academic qualifications, is inconsistent with the situation of each individual trade. When asked again and again, the Financial Services Bureau just stated that the report previously submitted to the Government by the Advisory Committee on Human Resources Development in the Financial Services Sector mainly embodied some opinion surveys and that substantive data were not available. Quoting the aforesaid Report on Manpower Projection, the Education and Manpower Bureau opined that according to projection up to year 2005, there will

be an average annual growth of 3.7% in the demand for personnel in banking, insurance and other financial services sectors. However, with a lack of corresponding figures on the relevant manpower supply for comparison, we do not know how the actual shortages of manpower in the relevant trades are projected. All the shortages will gradually surface in the next five years. With regard to the question how numerically inadequate talents trained by local universities are, no data whatsoever are available from the Government. Yet here comes a scheme for admission of professionals without any capping. How can this possibly set our minds at ease?

With regard to IT professionals and the financial services sector, we in fact think that, in order to answer the social demands, long-term planning is essential to university education and the training of professionals. How can a place incapable of training up its locals become a cosmopolitan city? It is hoped that Hong Kong can commit more resources to education and research in its course of developing into a knowledge-based economy.

I turn now to housing. With regard to the sections on housing contained in the Budget, as the Democratic Party's spokesman on housing, I am going to present the Democratic Party's views. The Government's estimate for the total expenditure on housing in the coming year is \$37.9 billion, some \$14 billion less than this year's revised figure. This represents a drop of 27.6% in real terms and is mainly due to a big cut in the construction of public housing units by the Housing Authority in the year 2001-02. In his policy address of 1999, the Chief Executive promised to build 50 000 public housing units annually. Then last year it was announced that the commitment regarding the 50 000 public housing units was replaced by the offer of housing assistance opportunities. In fact, the Government will provide 50 000 housing assistance opportunities every year, but there will be an immediate cut in the construction of public housing units and more loans will be made available. Such a decision is bound to force people, those with no options open to them, to enter the private sector market. This is especially true of those aspiring to home ownership. They will be forced to make the decision to buy as soon as possible. In fact I think to do so is to further interfere with the market. It might bring to the market messages that are even more confusing. In the past year, property developers, in a bid to save the property market, repeatedly put pressure on the Government. The Government also introduced some measures which, in our opinion, were designed to prop up the market. The Government tends to make unpredictable changes to its housing policies, giving the people an impression of confusion.

The Democratic Party's advice for the Government is that it should review its housing policy and formulate clear targets for the construction of public housing units. Do not whimsically interfere with the operation of the free market, but do continue to provide people having such needs with reasonable and humane assistance.

I think the provision of public housing is a very basic responsibility of the Government. The Government is duty-bound to do so. The Democratic Party hopes that the Government can honour the promise of building 50 000 public housing units annually, and acknowledge the role played by the Home Ownership Scheme and its importance in helping those home buyers who can ill-afford properties in the private sector market. Do not yield to property developers' pressure and submit to their manipulation.

Under a special item of this year's briefing on the Budget, the Housing Bureau states that there will be a comprehensive review of subsidized house ownership schemes as well as policies on home purchase loans. The Democratic Party holds that the Government should be flexible in dealing with persons who are recipients of government subsidies and who are suffering from negative equity, and help these people who were once given assistance, by applying some lenient policies, for example, allowing some first-time home buyers to defer repayment or just repay interest. In fact, such arrangements are based on considerations similar to that of our request asking banks to be lenient. On 21 February this year, this Council passed a resolution urging the Government to give some reasonable assistance to homeowners with negative equity. I again call upon the Government to bear this in mind. In order not to upset families making repayments, I also call upon banks to offer mortgage interest rates close to those applicable to new properties, and to extend the repayment periods. It is also hoped that the Government can respect this Council's decision and adopt a positive attitude in helping those with negative equity get out of their present predicament.

In fact, in the 1999-2000 financial year, we once suggested that the Government set up a mortgage reduction fund to offer low-interest loans to homeowners with negative equity so as to enable them to make partial mortgage repayments to banks. In this way, the financial burdens on those with negative equity can be reduced as they will be able to get lower mortgage interest rates through refinancing. With regard to proposals on providing bridging loans, we probably need more time for consideration and discussion. However, tax

concessions can instantly alleviate the people's plight. The Democratic Party once proposed that the maximum deduction for home loan interest paid be increased from the present \$100,000 to \$180,000, for this can ease the tax burden on members of the middle and lower classes. Increasing the maximum deduction for home loan interest paid can help those with negative equity and also reduce the interest burden of all those making repayments for their properties, thus benefiting the middle-class families and homeowners with negative equity.

The Financial Secretary once stated that to raise the deduction from the present \$100,000 to \$120,000 will cost the Government \$1 billion in the four years between 2001 and 2005. According to the Democratic Party, the Financial Secretary should not place emphasis on revenue for the public coffers. He should base his consideration on the people's needs. When placed against the current huge reserves of the Government, an annual sum of \$200 billion is not a big amount. However, to those who really need assistance, this can be enormously helpful. So we call upon the Government to show sincerity by helping homeowners with negative equity and the many property owners so as to deliver them from the present economic quandary.

I so submit. Thank you, Madam Deputy.

MR LAU WONG-FAT (in Cantonese): Madam Deputy, not long after the reunification, Hong Kong was hit by the Asian financial turmoil. With the bursting of bubble economy, Hong Kong has since experienced extremely serious and prolonged predicaments. During that period, the Government launched a number of contingency measures one after another. From the titles of two of the previous Budgets prepared by the Financial Secretary, namely "riding out the storm" and "scaling new heights", we can thus see how severe the condition was.

It has almost been three and a half years since the outbreak of the Asian financial turmoil. Despite Hong Kong enjoying rather strong economic growth last year and the Government emphasizing repeatedly that our economy is back on the track of recovery, there are obvious and huge discrepancies between the actual situation and those impressive economic figures. If we take notice of our surroundings, we can see that businesses most aptly reflecting domestic consumption, such as restaurants, department stores, construction and taxi are

still struggling in their operations. Furthermore, the property market has contracted so much that it is unable to thrive again despite the price of properties has dropped 50% to 60%, even the betting turnover in horse racing has plunged considerably. All this shows that members of the public are simply unable to feel the benefit of the recovery, as many people (including those 300 000 people with negative equity) are still caught in dire straits, suffering from unspeakable misery.

However, as to this year's Budget, the Government seems to have abundant confidence in the economic recovery and its effects, resulting in the absence of measures in both alleviating the people's predicaments and stimulating the economy. Is our economy really able to continue with the recovery process? After the Financial Secretary has delivered his Budget speech, bad news set in one after another in only two weeks, including the rise of the unemployment rate instead of a fall, the aggravation of deflation, the upsurge of default mortgage repayments, and a dramatic decline in the people's confidence in Hong Kong economy. Externally, the United States economy has slowed down abruptly, the Japanese market has been dwindling persistently, plus the heavy fluctuations of the stock markets in the United States and Hong Kong, major banks in Hong Kong have reduced the forecast of growth rate of Hong Kong economy in succession a few days ago. All of these unfavourable factors are indeed disturbing.

It is obvious that the current circumstances have changed significantly in comparison with those of the time when the Financial Secretary drew up his Budget. The most critical issue the SAR Government should study is how its fiscal policy can be adjusted to deal with new circumstances and challenges. Otherwise, we may well lose the opportunity of strengthening our fundamentals and consolidating our vitality, let alone "honing our strengths, striving to excel".

Undoubtedly, to keep expenditure within the limits of revenues and ensure a balance of the books is a correct principle of fiscal management. However, under extraordinary circumstances, such a principle should somewhat be compromised as long as there is a need to do so and the relevant resources are affordable and utilized properly. The existing problem is that Hong Kong has not yet freed itself from the predicaments. It is just like a very sick person who has yet recovered; the best thing for him is to feed him constant medications. As a result, on the basis of the past two years' endeavour, the Government should exert more efforts in order to alleviate the people's predicaments and

stimulate the economy. However, economies in the world are launching tax cuts one after another, the Budget provides no further corresponding measures. Instead, in addition to launching the Mandatory Provident Fund (MPF) scheme at the end of last year, the Government has proposed some tax increases, hence adding to the burden of the public. As the economy is at low ebb and the fundamentals are still very weak, the apparent negative impact caused by adding burden to the public instead of reducing it should not be underestimated. In his Budget speech, the Financial Secretary said that many in the community would only experience an improvement in their own circumstances after a while. However, in the wake of the economic downturn, the chances of improvement in the people's livelihood are very slim.

The fact before us is that the people are poor and the Government is rich, the fortune of the people has gone up in smoke. However, the Government has a huge accumulated fiscal reserve of over trillions of dollars, which is dreadfully high in per capita terms against the population. In general, the people expect the Government will make good use of the reserve at this difficult time. I do not agree that the reserve can only be used under extreme circumstances or even on the verge of a life-and-death crisis. May I ask how many times Hong Kong has encountered such circumstances in the past 100 years or so? A suitable run-down of the reserve will not rock the security of our huge accumulated fiscal reserve. Even if the reserve level is slightly lowered, it will soon increase if Hong Kong economy recovers promptly because of the proper use of the reserve. As a result, the question of our next generation being obligated to bear a heavier burden just because we have properly used some of the reserves at the right time simply does not exist. Our children will really be victimized only if the economy of Hong Kong stays in the low ebbs persistently and unable to break away from the predicaments.

Madam Deputy, it is unrealistic to ask the Financial Secretary for any tax reduction at this moment. However, the authorities can definitely adopt some other measures to stimulate domestic consumption and soothe the pessimistic, apprehensive sentiments of the public. After all, negative impacts of the forced implementation of the MPF have already surfaced. In order to avoid one disaster after another, the Government should stop all proposed fees increase.

Moreover, it is necessary for the authorities to enhance the punch of stabilizing the property market and prevent it from plummeting again. The plunge of property value in the past few years has caused a chain reaction of depression in all sectors, a bad impact that has been felt by all. Recently, the

Government has introduced a series of measures to bail the market out. The direction of these measures is undoubtedly correct. However, the authorities should by all means avoid messing with self-contradictory statements and acts which may turn the housing policy into a mess. Since the property market is seriously overstocked with unsold flats, the over supply situation has been here for a while. I think the authorities should consider formulating a mechanism to grant home buyers from outside Hong Kong the right of abode, provided that they have purchased property of a specific value.

The other issue is related to some 300 000 people with negative equity. The way the Government determines the nature of the purchase of such property to be investment of individuals and refuses to take any further part in it is not only unjustifiable on morals or by common sense, but also not conducive to stabilizing the property market. Above all, could it be said that the Government need not assume a certain degree of responsibility for mistakes and chaos it has made in its housing policy, as well as the occasional statements and acts of officials which have encouraged the public to purchase flats? Moreover, purchasing a flat and making it a home should certainly not be considered solely a form of casual investment, otherwise, why does the Government assist the public by providing them loans to purchase flats and construct Home Ownership Scheme flats at nil land premium? Is it not equivalent to lending money to the public for investment purposes and a slap in its own face? Viewing from another perspective, this group of people with negative equity is in deeper misery than people without any property; they can be considered a new breed of disadvantaged. The Budget speech went to great lengths describing various measures to help the disadvantaged, which is performance fitting of a benevolent and generous government. However, why is the same government so determined in severing itself from some other socially disadvantaged groups?

Some critics have suggested that the Government should provide transitional loans to embittered homebuyers who have to pay expensive interest rate for their mortgaged flats as their flats have become negative equities, so that they can enjoy the same mortgage concession as other people, thus reducing their burden of servicing mortgage instalments. I support this proposal. Since the Government is able to provide loans to the public for home purchase, why is it unable to provide loans to people who have never enjoyed any benefits from the Government and who have to face the same financial difficulties as a result of home ownership? If the burden of mortgage instalment of these 300 000 people with negative equity is alleviated, then it will have positive effect on the

reduction of the number of default properties, stabilization of the property market and the enhancement of domestic consumption in Hong Kong.

Madam Deputy, the Budget speech has also devoted a lot of space to discussing the issue of enhancing public sector productivity; results of such idea were also mentioned. On the other hand, the Financial Secretary has also proposed to lift the recruitment freeze on the Civil Service which has been in force for two years. According to the information, government expenditure still accounts for a significant proportion of Hong Kong's GDP, thus the Government should take its streamlining exercise further forward. Since the outlook of the economy is not at all promising, it is not the right time to lift the recruitment freeze of the Civil Service. I consider it more appropriate if the proposal can be postponed for further discussion. I hope the Financial Secretary will think twice on that issue.

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

MISS MARGARET NG: Madam Deputy, on the face of it, the Financial Secretary's Budget is unremarkable. As such, it was welcomed by many people.

Yet, I confess that the more I examined the context against which the Budget must be seen, namely the current and forecast economic situations of Hong Kong, the more worried I became.

It is now clear that Hong Kong is facing a crisis in education and manpower. Yet, in spite of our huge fiscal reserves, the Financial Secretary is so obsessed with leaving a safe margin for balancing his books that he adamantly refuses to touch any of it to help. Instead, he insists on cutting funding for the University Grants Committee (UGC), forcing the universities to rein in first year first degree intake, and to reduce staff and staff expenditure, thus putting at risk the quality of teaching.

Madam Deputy, university education is a subject very dear to my heart because, first of all, this is what we owe to the people of Hong Kong, that to the extent that we can afford, we should give our children the best education opportunities, so that they will be equipped for a better life. And almost just as

important, having more and more of our people well-educated is what will give Hong Kong as the whole a better chance to survive in the stormy seas of globalization. In the context of "one country, two systems", it is what will guarantee Hong Kong's long-term autonomy, and the contribution we can make to a more vibrant, free and excellent China.

If this is all too idealistic, then let us look at the intensely practical facts and figures of supply and demand of manpower.

The Financial Secretary has himself told us in his speech three weeks ago that by 2005, there will be a shortage of some 120 000 workers with higher education qualification. Officials have referred us to a manpower survey published last November. The conclusion of that survey is that, for the next five years, demand for workers with degree and post-secondary education qualifications will grow by 4.8% and 7.2% respectively per annum, but supply will only grow by 3.6% per annum.

The mismatch in supply and demand will result, says the report, in shortfalls of 85 500 and 31 400 respectively in 2005, or 16% and 6% respectively of manpower supply. At the same time, there will be a surplus of workers at lower secondary education and below amounting to 136 700 or 11% of manpower supply.

The report warns us, "Unless we are able to address this mismatch, we may not be able to take full advantage of the new job opportunities that may arise and this may also affect Hong Kong's progressive transformation into a knowledge-based economy". At the same time, the surplus at the lower-skill end will mean massive unemployment.

This is the Government's own report. Madam Deputy, how can we bear to see so many opportunities bypassed, and so many people head towards unemployment and poverty? Have we not seen enough of it in the last three and a half years? How can we explain to our people, that although prosperity is now returning, because of our own failure, the new jobs available will have to go to other better qualified people imported from other parts of the world?

In another manpower survey for the information technology sector commissioned by the Government, it is estimated that we shall be short of some 3 700 to 14 000 professionals by 2005, and some 7 000 to 50 000 professionals

by 2010. On that basis, the Financial Secretary is introducing an Admission of Mainland Professionals Scheme.

I have nothing against opening our doors to mainland talents and professionals. I am all for welcoming more mainland graduates or even undergraduates to our universities. Academic and cultural exchange will only enrich us. Pluralism is our creed. But to allow Hong Kong's standard to fall behind, hoping to fill the vacuum thus created by people to be imported as mercenaries, is not to be countenanced.

The 1996 UGC report has already warned the Government that the quality of mainland graduates may well become more attractive to Hong Kong employers, and the chief deterrence is only their unavailability then and the slight advantage of multilingual ability and multicultural outlook of our own graduates. Is the Financial Secretary unmoved by these warnings?

Madam Deputy, we have examined the UGC estimated spending. We wondered why university places are being provided to only 17%, and then only 16% of the relevant age group in 1999, 2000 and 2001, in spite of the target of 18%, and in spite of the Chief Executive's stated objective that within 10 years, 60% of our senior secondary school leavers will receive tertiary education. We were told by the Secretary for Education and Manpower that the target of 18% can no longer be maintained. She said that even at 17% and 16%, we have barely enough school leavers who meet the minimum university entry requirements to fill the places provided.

It is shocking that our secondary school standards have fallen so low. We really do not have a moment to spare to place our resources at the service of the most effective improvement. We have the resources available. Should we allow our children to grow up disadvantaged, just because we are afraid that some day we may not be able to balance our books?

The near total silence on the policy about the fiscal reserves cannot be explained by Article 107 of the Basic Law. We have been assured by the Financial Secretary and the Secretary for the Treasury that there is sufficient flexibility, and they do not feel unduly restrained.

Madam Deputy, at \$442 billion, our fiscal reserves are huge by any standard. The *Financial Times* on 7 March has described them as "disproportionately large" and a "mammoth amount". The uniform view of economists is that the Government has to consider how the reserves should be better utilized, for example, for a better funding for health care and education. Indeed, in a seminar held shortly before Budget day, Professor Richard WONG, the head of the Business School of the University of Hong Kong and a highly regarded economist and trusted advisor of the Government, said that the central question for the Budget is how the huge fiscal reserves should be utilized. Yet, the Financial Secretary had all but ignored the matter. This may be a serious failure which will cause Hong Kong's power of survival very dear indeed.

Madam Deputy, I would like to turn to a different but not unrelated question, that of the near monopoly of prosecution work in the magistrates' courts by Court Prosecutors. Independent prosecution of a high standard is central to the rule of law. We are told that of the 109 Court Prosecutors as at February this year, only nine are qualified barristers, while 24 have law degrees. The remaining 76 have no legal qualification. Maintaining such a system is unjustified while qualified lawyers are in good supply.

Even from the expenditure point of view, such a system is hardly a bargain. The information provided by the Department of Justice represents the cost per court day as \$2,933. But this is on the basis of the staff cost of 89 Court Prosecutors divided by the total number of court days. This does not include the staff cost of the 19 Court Prosecutors of more senior rank required to supervise the 89. Once their staff cost is included, the cost per court day shoots up to \$4,250. The apparent "savings" from briefing out to a qualified barrister or solicitor, that is \$5,670 per day, evaporate if you consider the hidden costs of office space, equipment incidental to the posts, and the lack of flexibility.

But, Madam Deputy, it is not just a matter of whether some money may be saved. This is preoccupation with cost-saving to the neglect of principle and the longer-term goal, including maintaining a strong legal profession in private practice with high standard and wide experience, and a cross-fertilization with government lawyers. This preoccupation is just wrong. Compared with 14 860 court days for Court Prosecutors, in 2000, only 660 court days — about 4% to 5% of magistrates' court prosecution — were briefed out to qualified

lawyers. About the same is estimated for 2001. The number of court days have dropped by some 6 000 days from 1999 to 2000. The establishment, of course, cannot be lessened. Court Prosecutors took over the prosecution of certain categories of Independent Commission Against Corruption cases formerly prosecuted by barristers. Thus we are putting the cart before the horse. In the pursuit of illusory or marginal savings, the aim of upgrading legal services is being relegated to second place.

The Financial Secretary talks at length about China's accession to the World Trade Organization and the prospect of Hong Kong professionals moving into the Mainland to take up job opportunities. The reality is, Madam Deputy, that the Hong Kong lawyers will not be given any preferential treatment in the Mainland. They will be competing with international as well as mainland lawyers, and the things which will count are quality and the ability to deliver. This is the time to strengthen our legal education and training, and make more opportunities available to practice, not to cut back and put an even greater and heavier financial burden on the great majority of local lawyers who have been struggling hard in the last three and a half years.

We must put our money into where our mouth is. The Financial Secretary must back his vision with funding. He owes it to the people of Hong Kong.

Thank you, Madam Deputy.

THE PRESIDENT resumed the Chair.

MR LAU PING-CHEUNG (in Cantonese): Madam President, I would like to take this opportunity here to thank the Financial Secretary. In the past six years, with his remarkable performance in his office of the SAR's Financial Secretary, and as a member of the leadership who headed the successful transition of the SAR, in particular in stabilizing the SAR's financial market would surely win him a merit in history. This is the final Budget prepared by the Financial Secretary, Mr Donald TSANG. However, to sum up public opinions and responses in a word, it is unremarkable. I have held an open discussion session on the Budget with members of the architectural, surveying and planning sector for today's debate. Many professionals vented grievances in the course of

discussion, and the session was nearly turned into an assembly of aggrieved parties. Therefore, I will mainly speak on the promotion of infrastructure construction and manpower training.

As we all know, there are many professionals in the constituency represented by me, many of them being professionals in private practice. With regard to the Budget as a whole, despite the total amount of government reserves exceeding \$1 trillion, no large-scale infrastructural projects were proposed, which had caused considerable disappointment among them. In fact, in the face of economic recession, most countries in the world would try to promote large-scale infrastructural projects to increase public expenditure and stimulate the economy. Hong Kong was no exception in the past. During the '90s, the Government introduced the rose garden project and launched large-scale construction projects, leading to the consequential economic pinnacle in 1997. Today, the economy of Hong Kong is ready to bounce back from the valley, waiting for a locomotive to pull it out from the predicament. In the meantime, since the Financial Secretary has failed to seize this opportunity to introduce specific proposals on infrastructure construction, professionals in my constituency feel that he may possibly has just let slip a golden opportunity.

Another subject of serious complaint by the industry is that the Government has not only done nothing to speed up infrastructure construction, but has also done nothing to speed up the process of private projects as bureaucratism still prevails. For example, in order to encourage developers to provide a better living environment, the Government took the initiative to propose environmentally-friendly housing concepts by excluding balconies and roof-top gardens from the floor area. However, different departments have different opinions over the implementation of such a concept. Some departments consider the exclusion of balconies and gardens from the floor area is none of their business, so the land premium is still payable. The problem was finally solved only after repetitive co-ordinating efforts were made. In view of this, it is inevitable that people may question whether the Government is just paying lip service? Likewise, even the Government has done nothing to speed up infrastructural projects, it will be great help to the real estate industry and the construction industry if it can speed up the vetting and approval process. It is because one of the most important expenditure to these industries is the interest payment, if the Government drags the vetting and approval process of every development project for several months, the accumulated interest cost will be inconceivable.

Professionals working in government departments have complained that since the senior management of the Government has introduced the Enhanced Productivity Programme (EPP), manpower has been reduced, but the working procedure has not been streamlined specifically, therefore everybody's workload has increased. As a result, even they work until seven or eight o'clock in the evening, there are still piles of backlogs of projects for examination and approval. Naturally, the time required for approving private development projects and construction application is prolonged continuously. Madam President, as to the infrastructural construction projects of the Government, it can be said that the Government will not spend money on necessary items but will save money on things it should not save. Such a practice is utterly not helpful to economic recovery.

In respect of training and attracting talents, both the Chief Executive and the Financial Secretary have repeatedly emphasized the opportunities arising from China's accession to the WTO, and encouraged us to improve ourselves constantly. The Financial Secretary has even proposed the Admission of Mainland Professionals Scheme. With regard to this proposal, colleagues in my profession do not worry about their jobs being snatched by mainland professionals. Quite the contrary, they worry that due to the competition of international and mainland professionals, the competitiveness of locally trained talents will fade away gradually.

In fact, the strength of mainland professionals lies in their connection with the Mainland, while the advantage of local professionals lies in the compatibility of their professional skills with international practice. On the contrary, I am more concerned about the possibility that some multinational professional service companies with their base in overseas countries may bid for government consultancy contracts, or use Hong Kong as the springboard to win service contract in the Mainland then transfer the work procedures abroad by means of advanced information technology. This will not only rob the local professionals of their jobs, but also defeat the goal of technology or knowledge transfer, let alone the nurture of local professionals.

I have to make it clear that I have no intention of asking the Government to impose any restriction on professional service companies which have their bases abroad. Being the largest service user in Hong Kong, the Government's estimated expenditure for next year already amounts to \$41.74 billion in the Capital Works Reserve Fund, Loan Fund and Innovation and Technology Fund alone. I am just asking that the Government, in awarding the relevant tenders, should require such foreign companies to form partnerships with local companies,

so that locally trained professionals may achieve the objective of gaining from technology and knowledge transfer via collaboration with these multinational companies.

Our industry knows very well that Hong Kong is a small market. The number of professionals is growing as a result of continuous training efforts. Thus we can only find a way out if we are willing to exert great efforts in exploring the huge mainland market, lest cut-throat competition will emerge in the market where we will end up fighting desperately with each other like cornered beasts, and that is something all of us do not wish to see. Therefore, as we are knocking hard at the door of the mainland market, we hope government officials, apart from providing assistance, will understand the difficulties we are dealing with, and refrain from being excessively generous at the expense of the people of Hong Kong when awarding tenders for professional services. Otherwise, in the long run, foreign firms will erode the home base of Hong Kong. When that happens, do we have the ability to develop the mainland market?

I so submit.

MR LAW CHI-KWONG (in Cantonese): Madam President, in the new financial year, the Government has replaced its long-standing funding criteria based on the number of hospital beds with population size and structure, in allocating \$28.5 billion to the Hospital Authority (HA). I hope this arrangement can encourage hospitals to develop day-time community health care services in the future. To compute funding on the basis of population size can undoubtedly provide the HA with more flexibility in the utilization of resources. It is no longer necessary for the HA to try to maintain the hospital bed usage rate of departments that experience a decline in demand on its service, that is, the so-called "over-reporting" problem, for the purpose of bidding for more resources. On the contrary, the HA can redeploy its resources for other purposes, such as community health care services, according to changes in demand for services. Under the new funding model, the HA will no longer simply be a service provider, but increasingly like a health maintenance organization (HMO). Upon receiving funds from the Government, the HA acts as a contractor to provide medical services to the public. As regards what kind of services should be provided and how they will be delivered, the HA enjoys great flexibility. Under such circumstances, an effective monitoring system and performance indicators are all the more important.

Once the HA can flexibly deploy resources originally meant for hospital beds to other areas, it must ensure that patients will not be forced to leave the hospital due to shortage of hospital beds as a result of reduction in the number of hospital beds of a higher cost, before they can be discharged. In addition to providing services, the HA can even contract out its services. Under such circumstances, the question of maintaining the quality of service will become very important. The Government should therefore establish an effective system whereby the Health and Welfare Bureau, the Legislative Council and members of the public at large can monitor the situation.

Another key issue of medical services in this year's Budget is the provision of additional services for psychiatric patients. In the future, the HA will expand its community psychiatric services, strengthen outreach services and provide new psychiatric drugs. All these measures should be welcomed. However if the HA can only provide 2 500 patients with new psychiatric drugs, some needy patients may have to use old or less effective drugs because of the resource limitations. As regards other community care services, in addition to hospitals, social welfare agencies also provide different kinds of rehabilitation services. Hospitals and social welfare agencies should strengthen their communication to achieve effective utilization of resources.

In addition to medical services, the other topic that I would like to discuss is services for women. To many women who would like to be self-reliant, child care services are a kind of essential support no matter whether they would like to get a job or further their studies. However, it is evident that the Government has not done enough on this front. Many working women have to work shifts or overtime, but the hours of child care services cannot tie in with their schedule. As of January this year, only 15 out of 264 child care centres provide extended hours of child care services, and the choice of locations is also very limited. Thus, parents in different districts cannot make use of such extended service. The Government should enhance child care services by extending the operating hours of child care centres, and allow low-income households which use such services to apply for subsidies. Since mutual-help child care services can provide parents with a cheaper option with more flexibility, the Government should consider ways to support the development of such mutual-help child care service, such as by offering rental or rates subsidies.

The third issue I would like to talk about is green taxes. The Financial Secretary describes proposals on green taxes as issues which "merely scratch the

surface of the problem and fail to address the fundamental issues". I do not know where the Secretary will like to scratch but since he has raised the issue, we, being a responsible political party, must respond to his comment. First of all, on the issue of levying green taxes on products generating pollution, the position of the Democratic Party has always been that the tax should be targeted at polluting products that have substitutes. It is our intention that members of the public should be encouraged to use environmentally friendly products, so that the polluting products can gradually be phased out. A green tax policy will not only encourage the development of more environmentally friendly production techniques, but also teach members of the public to become green consumers. All these measures are indispensable to building a sustainable community. When the Financial Secretary said the proposals on green taxes "merely scratch the surface of the problem and fail to address the fundamental issue", I do not know whether it is because it does not involve large sums of money and has nothing to do with balancing the budget which he is most concerned about. However, I would still like to emphasize that the purpose of levying a green tax is not to increase tax revenue, but rather to protect the environment.

As regards whether franchised buses should continue to be exempted from duty on diesel, and whether the competitiveness of railways should be increased, the Democratic Party supports the idea of maintaining healthy competition between mass transit railways and buses, so that the public can have more choices. This is really an issue of transportation policy. Moreover, buses do perform an important supporting role in relation to railways. Any increase in diesel duty will only be eventually passed onto consumers and cannot help to improve air quality. One of the main causes of air pollution is the vicious competition among the three bus companies, leading to the continuous increase in the number of buses running into the urban areas. The crux of the matter therefore lies in the long-term transportation system management and strategy rather than diesel duty. The Financial Secretary has compared diesel and petroleum duty, and I would like to draw his attention to two issues. Firstly, though diesel produces more suspended particulates, it is still debatable as to which fuel is more harmful to the environment and human health. As diesel is more cost-effective, quite a number of European countries tend to encourage the development of diesel vehicles rather than petrol vehicles in their efforts to reduce the volume of exhaust emission and encourage the use of ultra-low sulphur. Secondly, in Hong Kong, diesel vehicles are mainly mass carriers, while the majority of petrol vehicles are private cars, therefore the purpose and impact of diesel and petrol duty should not be viewed in the same light.

As regards the fact that taxpayers have to subsidize waste procedures for the treatment of waste, the Democratic Party has been promoting the idea of landfill charges for many years (about six years), and has submitted different proposals in this regard. However, so far, the Government has not come up with any concrete proposals for submission to the Legislative Council. We hope the Government can submit a comprehensive proposal to the Legislative Council as soon as possible (hopefully within 2001) for our deliberation and endorsement.

On the fact that we wasted a lot of recyclable waste materials in the past, the Democratic Party has submitted a proposal to the Government on recycling domestic waste and developing the construction waste recycling industry. Our proposals include the formulation of an environmentally friendly procurement policy, the provision of land at dumping areas or landfills for contractors to sort waste materials, the separation of dry and wet household waste and to set up a waste transfer centre, and so on. We hope that the authorities can study our proposals as soon as possible and give us a positive response.

The Government has always maintained that it is unfair to require taxpayers to increase subsidies for sewage treatment, and the Democratic Party wishes to emphasize once again that we support the polluter pays principle. However, two factors have to be taken into account in striking a balance. Firstly, in order to protect the environment, instead of simply balancing its costs and expenditures, the Government has to encourage manufacturers to adopt more cost-effective sewage treatment measures. The Government has never taken a positive interest in the research on converting waste oil produced by food establishments into diesel, and the exorbitant appeal cost has failed to encourage small food establishments to improve their sewage treatment methods. So far, the Government can come up with a proper solution, and we believe that if the Government can come up with a comprehensive plan on encouraging trade participants to improve their sewage disposal system, there will also be less objections to the increase of sewage charges. Another factor is the basic daily sewage disposal needs of the public. Let us consider the fact that we all have a basic biological need for sewage disposal. The Democratic Party has always insisted sewage charges should not be imposed on basic sewage disposal, but if the need is higher than the basic level, that is, those who have to dispose a particularly large amount of sewage, then we totally agree the marginal cost should be recovered.

I turn now back on familiar grounds, the issue of social welfare. The Financial Secretary has announced some new items in addition to those mentioned in the policy address, including providing additional services and resources for the disabled and youths at risk, and for improving basic adult education. I think we should support all these measures.

From the information provided in the Budget this year, I am particularly concerned about one issue, that is, the expenditure on social welfare services in 2001-02 will be 17% more than that of 1998-99, while there is a slight drop of 0.7% in the manpower of the Social Welfare Department (SWD). Of course, this fully reflects how effectively the former Director of Social Welfare has frozen some necessary posts, thus leading to a shortage in the front-line staff of the SWD. I really heaved a sigh of relief on learning that the Financial Secretary has lifted the recruitment freeze on the Civil Service. I hope that in the future, the Financial Secretary and the Secretary for the Treasury can be more lenient in vetting applications for creation of new posts in the SWD. However, I hope that the Government would not misinterpret my request. I am not asking for a continual expansion of direct social welfare services. I only hope that the Government can make the most of the fund raising potential (funds raised in the private sector) of social welfare organizations and government resources, through the formulation of a more flexible policy on subvented welfare agencies to serve as a leverage, in order to provide more and effective social services. However, there is still a shortage of staff in the SWD for maintaining the existing social welfare services, and I hope Government can take positive actions to address this issue.

The Chief Executive mentioned in this year's policy address that the review of the Old Age Allowance Scheme would be completed within this year. The Secretary for Health and Welfare, Dr YEOH Eng-kiong, has also repeatedly stated in the public that another study will be conducted on how care for the needy elderly can be enhanced through the Old Age Allowance. However, I am a bit disappointed that the Financial Secretary has not made any reference to this issue in the current Budget. Two days ago, the Democratic Party asked the Government for additional funding, and today on behalf of the Democratic Party, Mr Martin LEE has also clearly requested that additional funding should be provided under the head of miscellaneous expenses and additional commitments should be made in this respect. I believe this arrangement can help the Government to set aside resources for meeting extra commitments that may arise from the review of the Old Age Allowance, and I believe the Chief Executive, Mr TUNG Chee-hwa, would also support this idea.

Finally, I would like to talk about the accrual accounting system and this is in a way related to the weightings between the developments of the SWD and subvented social welfare organizations mentioned by me earlier. Very often, we will discover a very interesting fact when we compare the cost between the same service of the SWD and subvented organizations, and that is, we will find that the SWD will incur a lower cost than subvented organizations. There is a very simple explanation for this because the fringe benefits of civil servants as well as rentals, rates, and charges for electricity, water and sewage are not taken into account when the costs for the SWD are computed. This is due to the fact that the Government has adopted a cash accounting system at present. The introduction of an accrual accounting system and an accurate cost accounting system can more accurately reflect the actual costs of government services, so that more accurate financial arrangements and policies can be made.

Since 1999, the Democratic Party has been asking the Government to introduce an accrual accounting system, we therefore, welcome the new development in fiscal management. However, I also hope that in introducing the accrual accounting system, the Government can properly deal with the enormous civil service pensions commitment. But most important of all, the Government should not use this commitment as an excuse to cut down on government expenditures or increase revenue.

With these remarks, I look forward to receiving a positive response from the Government, so that the Democratic Party can happily vote in favour of the last Budget of the incumbent Financial Secretary. Thank you, Madam President.

MISS CHOY SO-YUK (in Cantonese): Madam President, I rise to speak on the position of the Democratic Alliance for Betterment of Hong Kong (DAB) on the parts of the Financial Secretary's Budget speech relating to environmental and youth issues.

First of all, I would like to speak on "green taxes". The "green taxes" under discussion may be levied in two possible ways. One way is to charge the taxes on retailers. That means extra taxes may be levied on products that may pollute the environment, so that market forces may be brought into play to push the public to switch to environmentally friendly products. Another way is to direct efforts at producers, and require them, by means of prepaid deposits, to recycle the waste they produce in manufacturing their products, with a view to

forcing producers to use more environmentally friendly processes and materials. Regardless of the sector in which they are levied, the purpose of the "green taxes" is to make use of economic incentives to enhance the environmental awareness of consumers and producers, thereby reducing pollution.

However, in his Budget speech, the Financial Secretary has referred to the contribution of the proposals for "green taxes" to environmental improvement as merely scratching the surface of the problem and not addressing the fundamental issues. I was taken aback by his remark. On the one hand, the remark denies the environmental protection efforts which the Government claims it has been attaching great importance to all along. On the other hand, the remark also overlooks the effect of tax measures on the public and the consumers. We do understand the difficulty with the implementation of "green taxes", and we also understand that we cannot rely solely on "green taxes" to solve all the problems. But, with due respect, let me point out that the pollution problems in Hong Kong are like patients suffering from dermatitis in that if the Government is determined to scratch, it will certainly be able to address the fundamental issues. The question remains whether the Government is determined to scratch or it would rather tolerate the problem of dermatitis.

Madam President, in his speech, the Financial Secretary mentioned six measures which he considered as inconsistencies. Among them, exempting franchised buses from duty on diesel, a much lower duty rate for diesel and charging no duty on industrial diesel can, the DAB maintains, be discussed further. What I wish to discuss now is that the waste disposal policy in Hong Kong is indeed lagging behind the world. The Government has never adopted recycling as a major means of waste disposal. Besides, it has also failed to anticipate the growth in the economy of Hong Kong in the last 20 to 30 years, and the fact that waste would continually pile up in the absence of any recycling outlets. As there is no other means through which the waste collected can be recycled, the different kinds of waste all end up in landfills. As a result, and as the Financial Secretary said, we have been heavily subsidizing the disposal of solid waste over the years and our landfills are filled with waste materials that can be recycled.

These problems did not come like a bolt from the blue. I hope the Financial Secretary can try to understand more about the history of the policy on waste disposal in Hong Kong. As a matter of fact, we and the green groups have given warnings at an early stage that the aforementioned situation would

arise and have put forward specific proposals on improving the recycling system in Hong Kong. Unfortunately, the Environmental Protection Department has all along turned a deaf ear to our voices and never come up with any effective means to enhance or encourage waste recycling. People are therefore compelled, out of a lack of choice, to dispose of waste at landfills, thus causing the problem to deteriorate to the present stage. The problem has now become deep-rooted. Consequently, among Taiwan, the Mainland and Hong Kong, Hong Kong is now the region which fares the worst in waste management.

Regarding sewage disposal, the Financial Secretary raised this question in his Budget speech: "Why do we continue to subsidize sewage services at historically high levels?" I hope the Financial Secretary will understand that the irrational phenomenon is not a result of the people not meeting their obligations but a result of a most wrongful policy formulated by the British Hong Kong Government in the past. What added to the predicament is that some officials responsible for the issue performed their duties in a perfunctory manner. They made an erratic assessment of the supervision of the projects, wasting enormous sums of public money. On the other hand, given that the relevant trades have been complaining about the problematic formula for calculating the trade effluent surcharge, why does the Government continue to tolerate the problem without providing any solution, thereby arousing numerous complaints from the public? Frankly speaking, when the Government has not actively tried to rectify its mistakes but blames the people for the continual subsidy, it is passing the buck to someone else.

Madam President, I should like to speak a few words on the green policy of the Government. I believe no one will object to having more plants in the urban areas. In the coming year, the Government will be planting 2.8 million trees in 18 districts, with the total cost amounting to \$26 million. While this measure is worthy of our support, the relevant administrative work involved is highly inconsistent. On the one hand, the Government plants new trees in a high-profile manner, yet on the other, it quietly fells many hundred-year-old trees in town in the name of development. I must emphasize that these old trees have not only witnessed the long history of Hong Kong, some of them are living in a special environment and are rare species in the world. However, the Government has neither put in place special laws to protect these trees nor allocated extra resources to put them under special care, leaving them to fend for themselves. Worse still, the Government even cuts down these precious trees just for the sake of development. It is indeed saddening.

As the saying goes, "It takes ten years to grow trees but a hundred to rear people." So, to rear people so that they can grow up to be useful is certainly more difficult than caring for trees. While expenditure on social welfare exceeds \$30 billion, recording an increase of 9.3%, expenditure on youth services is only \$1.1 billion-odd, which means just an increase of 0.7%. In his Budget speech, the Financial Secretary showed his care for youths at risk and said that we should not turn a blind eye to our youths. That I do endorse. However, it is disappointing that the financial support as outlined in the Budget is not adequate. There are newspaper reports today about the Shenzhen Public Security Bureau having arrested some youths at a disco in Shenzhen, which entertains Hong Kong people only. The youths from Hong Kong were suspected of indulging in drug abuse. Last week, the Hong Kong Police Force conducted a raid on a rave party at Sha Tin and some drugs were seized. Thus, we can see that the problem of drug abuse among our youths is very serious, and that the Government must tackle the problem without delay. Moreover, there has also been an upward trend in juvenile delinquency in the last few years. Problems among young persons like drug abuse, juvenile crimes, loitering and gang activities, if not tackled expeditiously, will certainly give rise to more social problems. It is regrettable that the specific undertakings made in the Budget include only adding one service team, expanding eight integrated social service teams devoted to helping street roamers, stepping up police liaison with schools and employing an additional 30 outreach social workers. This is obviously inadequate. I hope the Government will allocate more resources and employ new thinking for the subject. For example, in tackling the problem of youths not wishing to go home at night, in addition to strengthening counselling by outreach social workers, the authorities may also consider holding night activities of interest to youths. The authorities may host drug-free parties, extend the opening hours of youth community centres, and, as far as possible, provide normal and healthy entertainment for them, with a view to reducing the amount of time they spend on the streets, thereby minimizing their chance of going astray.

Madam President, I now wish to discuss the issue of exchange between professionals. The Budget proposes to bring in mainland professionals in IT and financial services to help push forward the development of our economy. I very much support this proposal. But then, the other side of the coin is that Hong Kong talents may also find many opportunities on the Mainland. Due to its economic development, China has to bring in professionals from all over the world, including Hong Kong, to satisfy its needs. Recently, the China

Securities Regulatory Commission recruited Mrs Laura CHA as its Vice-chairman. Besides, Premier ZHU Rongji also indicated that a Vice-governor of the People's Bank of China would be recruited from outside China. Hence, China is also short of professionals and Hong Kong professionals should grasp opportunities in China.

Hong Kong professionals, with their abundant knowledge and experience, will certainly enhance the competitive edge of enterprises on the Mainland to help them converge with world standards. Despite criticisms from the local community against our university students, I do not think we should unduly belittle ourselves. I still insist that many of our university students possess good language abilities and an international vision. They can certainly help the Mainland in its development. Therefore, in admitting professionals, the SAR Government should also help mainland enterprises to absorb professionals and university graduates from Hong Kong. The Government should make all possible efforts to help promote the exchange of expertise between Hong Kong and the Mainland to create a "win-win" situation. I believe that at present, if mainland enterprises want to recruit Hong Kong people, they would do so mainly via the Internet. However, the Internet may not be a very effective channel as it may not be popular on the Mainland. In view of this, the Government should step up communication with the relevant departments on the Mainland to find out what difficulties mainland enterprises encounter in the process of recruiting Hong Kong professionals and then provide them with the necessary administrative support. I suggest the SAR Government establishing a proper channel for mainland enterprises to recruit Hong Kong professionals. For example, a telephone hotline or a fax hotline may be established so that information may flow between Hong Kong and the Mainland when either side wants to recruit staff from the other side. The information may then be coordinated and released by a relevant department in Hong Kong (such as the Labour Department) and its counterpart on the Mainland. That way, professionals in Hong Kong and the Mainland may access job information more readily. The SAR Government has done considerable work to give publicity to business opportunities on the Mainland, but it has not done enough in giving publicity to mainland job opportunities for local university graduates. I think the Government should help local university graduates learn more about the Mainland in order to enhance exchange of talents between the two places.

Madam President, I so submit.

MR LEUNG FU-WAH (in Cantonese): Madam President, though the story of "crying wolf" may not be repeated this year and the SAR Government may really have a deficit of \$11.4 billion, it is still not difficult for us to understand why some people has labelled public officers in charge of financial affairs as "Mr Scrooge", if this amount is compared against our fiscal reserve of \$400 billion or more. We agree that, in drawing up its Budget, the SAR Government, "shall follow the principle of keeping expenditure within the limits of revenues", in accordance with the provisions of the Basic Law. We also understand that as a responsible government, which has to look after the overall interests and unique features of the outward-looking economy of Hong Kong, it has no alternative but to maintain an enormous fiscal reserve to deal with contingencies like the Asian financial turmoil. However, we still hope that the Government can be more generous to the socially disadvantaged.

It is proposed in the Budget that a sum of \$72 million will be allocated to provide basic training for those with low educational attainment, and the Government has also generously allocated \$219 million to care for the disabled, including helping them to find jobs. As the representative of the labour sector, I commend the Financial Secretary for his compassion for the disadvantaged. In fact, according to information provided by the Labour Department, the employment rate of the disabled has always been on the low side, and resources devoted to this area was obviously inadequate. However, the recently announced unemployment rate of 4.5% also indicates that the unemployment rate of Hong Kong is likely to go up again; and according to academics, the situation may even deteriorate. However, no proposals have been made in the Budget on measures to address this situation, and it may be exaggerating to say that an attempt has been made on "addressing the needs of the community". Finding ways to help the unemployed is a subject that the labour sector has been working on. In the early nineties, the Government established the Employees Retraining Board (ERB) in response to persistent efforts of coercion by the labour sector, hoping that training can help workers in the manufacturing industry to transfer to other industries smoothly. In fact, the public should be glad to see and happy to learn that the Government is willing to allocate resources to boosting employment, but we are really disappointed that training has ever since become the only means of the Government to resolve the unemployment problem. At present, we can see that all sorts of training mechanisms, such as the Promoting Self-reliance Scheme, skills-upgrading guidance, Youth Pre-employment Training Programme, on-the-job training, and standing institutions like the Vocational Training Council and the ERB have successively been set up, with the

relevant expenses amounting to several billions of dollars. We are not saying that the Government should stop its training efforts, but the money should be well spent and we should have good value for it. The Government will certainly say that such courses are effective and according to figures released by the ERB, 70% of the retrainees have been successful in finding jobs, but if we go deeper, we may find that some figures are not totally credible. The Hong Kong Federation of Trade Unions (FTU) hopes that the Government can conduct an early review of the existing vocational training mechanism, and reorganize institutions that may have overlapping functions to avoid duplications in the administrative framework and waste of resources.

I would like to discuss the principle of how money can be well spent. The Government has launched a civil service reform in recent years, to reduce the establishment of the Civil Service, and the Financial Secretary has actually delivered. According to information provided in the Budget, by the year after next, the number of civil servants will fall to around 181 000, and this was described by the Financial Secretary as "enhancing public sector productivity". However, the order on enhancing productivity and streamlining the civil service establishment has resulted in different forms of unfair treatment and exploitation. At present, outside the civil service establishment, there are also contract staff, non-civil service contract staff and outsourcing contract staff. The first three categories are not covered by the Employment Ordinance because the Government considers itself to be a good employer, and contractors have taken advantage of the lack of government supervision to exploit the last category. According to information provided by the Government, the Hospital Authority, the Food and Environmental Hygiene Department and the Leisure and Cultural Services Department are major originators of outsourcing work. The Financial Secretary has pointed out in the Budget that outsourcing is a government policy. If we look at civil service vacancies reopened for recruitment after the freeze is lifted, we can see that, apart from vacancies in the disciplined services, the vacancies available are mainly restricted to those at the management level. It can thus be seen that the civil service establishment will mainly be made up of middle and senior management posts in the future. Under the trend of outsourcing, basic rank civil servants will become a minority in the civil service establishment. For more effective use of public funds, we do not object to the outsourcing of government service. However, the fact is, estimates made by the Government on wages for outsourcing contract staff have not truly reflected the actual wages of workers under layers of subcontracting, and reasonable wages intended for workers have become "huge profits" for contractors. And,

our Government, which considers itself to be a good employer, is actually responsible for such exploitation. I do not think that this is something funny, and my heart really aches when I hear about such cases. I also believe this is not something the Financial Secretary or the Government wishes to see. The FTU, therefore, strongly urges that the Government should exercise stringent control over outsourcing of services by specifying the reasonable level of pay in the contracts.

As regards the admission of mainland professionals scheme, we do not deny that there is a shortage of certain talents in Hong Kong. However, in reality, there are also mismatches between jobs and job seekers where "there are people with no jobs, and positions not being filled". My other colleagues of the FTU have repeatedly requested the Government to impose a ceiling on this scheme and set up a tripartite examination committee comprising of representatives from employees, employers and government officers to monitor the scheme. I also hope that the Chief Secretary for Administration designate will adjust the division of responsibilities among government departments so that matters concerning manpower resources can be handled by one single Policy Bureau.

Having made all these criticisms, I think we should really say some words of encouragement. I am very glad to find that the Financial Secretary has said, at the outset of the Budget, that we should enhance communication between Hong Kong and the Mainland (in particular, Guangdong Province). This point was mentioned earlier in the policy address of the Chief Executive and it is really very encouraging to learn that the general direction of the Budget is consistent with the policy address. The fact that Hong Kong, a small city with limited resources, has developed into one of the busiest container ports and financial centres, is a legend in itself. However, with the globalization of world economy and the rapid development of the mainland cities, we still have to wait and see whether Hong Kong can remain the lucky survivor among the four little dragons of Asia. I think the only way out for Hong Kong is to introduce a new thinking, enhance our co-operation with the Mainland so as to make up for the disadvantages of each other, and to give full play to our regional advantages as a result of such integration. At present, many businesses and professional organizations have requested the Government to assist them in opening up the mainland market. Though, as a representative of the labour sector, I do not wish to see any more work processes being moved out of Hong Kong, the opening up of the mainland market is an irreversible trend. The export of our

capital and talents will, in fact, help create more economic activities, facilitate the development of Hong Kong into a logistics base, and create more job opportunities.

Madam President, I so submit.

MR CHAN KWOK-KEUNG (in Cantonese): Madam President, the Financial Secretary delivered his sixth and also the last Budget in his tenure of office earlier. The Budget this year, as in the past, is prudent as usual and does not propose any new policies or measures to help the grassroots. At present, the economy of Hong Kong is in its crucial moment of recovery. Although the Government has rich fiscal reserves of more than \$400 billion, it still deliberately reduces the total public expenditure with a view to maintaining the growth in public expenditure at a very low level, and stabilizing the financial situation in the short term. However, this will only hinder the healthy development of Hong Kong economy. Although the expenditure estimates on education, social welfare and hygiene still account for a more substantial proportion than those of last year, the resources allocated by the Government have been inconsistent with the relevant policies. As a result, the estimates cannot be utilized effectively, and the people in need cannot get the assistance they actually need.

The Admission of Mainland Professionals Scheme (the Scheme) has aroused the greatest controversy. The premise of the Scheme is built on three "no-restrictions": no restriction on the ceiling, no restriction on the minimum wages and no restriction on universities. Any professionals with skills which are in short supply in Hong Kong can apply to come to work here. In fact, the FTU does not oppose the admission of mainland professionals, but the professionals so admitted into Hong Kong must possess skills not readily available in Hong Kong. Actually, Hong Kong has lagged behind many places in IT. Compared to the United States, Hong Kong is only at the elementary stage. Compared to Singapore, Hong Kong has lagged behind many years as well. The admission of professionals can undoubtedly tackle the existing crisis. However, the FTU absolutely disagrees with an unlimited admission of mainland professionals, and it is necessary to impose a ceiling.

Madam President, the gravest concern of the FTU is the Scheme's impact on the job opportunities of local employees and the downward adjustment of wages. This time, the Government proposes to admit professional for the

financial services and IT sectors, but the definition of professionals has yet been drawn clearly. What are the professionals that the Government is actually referring to? Also, no ceiling is imposed on the number of professionals to be admitted. Therefore, the FTU is gravely worried that this will make the local labour market suffer a setback, and affect the job opportunities and wage levels of local university graduates. The Government has been stressing that Hong Kong will face a shortage of about 120 000 IT professionals over the next few years. Frankly speaking, does Hong Kong really need so many such professionals? I have doubts about it. According to the statistics of the Hong Kong Information Technology & Network Engineering Employees Association under the FTU, retrenchments took place in a total of 24 dotcoms throughout last year to March this year, six of which were closed down, and six other relocated to the Mainland. As a result, more than 2 800 employees were affected and it was estimated that 1 000-odd people had managed to find jobs whereas the rest were yet to be fully absorbed by the market. This is exactly the type of professionals that the Government intends to admit. Moreover, in calculating the shortage of professionals, has the Government considered that the local supply will change due to such factors as graduates from overseas, imported professionals, new arrivals, students changing disciplines, and so on?

In fact, has the Government offered sufficient terms to retain these professionals? The global economy is developing in the high technology and advanced knowledge direction. All countries are attracting talents with favourable terms for purposes of developing their economies. This gives rise to a question. Are mainland professionals really willing to come to Hong Kong for development? As everybody knows, even a superpower like the United States has been constantly recruiting talents from overseas. Singapore even provides cheap accommodation to attract talents. Then what terms can Hong Kong offer to attract this group of talents to stay for development? According to some information, mainland professionals tend to prefer to go to the United States for development. Hence, the Government must take this factor into consideration carefully. Furthermore, how can the Administration ensure that the talents admitted are real professionals? With the proposed Scheme, the Government has imposed no restrictions on the university qualifications of the professionals to be admitted. It is known that there are more than 400 universities in the Mainland and their academic standards vary. The Government must vet the applicants' qualification documents in a strict manner, to ensure that the talents to be admitted are real professionals, and to review regularly the impact of the Scheme on the local job market. More importantly,

a complete vetting and regulatory system must be put in place for the Scheme, so as to avoid the abuse and exploitation of mainland professionals. The FTU proposes that the Scheme should be vetted by an advisory committee comprising representatives from the employee, the employer and the Government. This can increase transparency, thus enhancing people's confidence in the Scheme.

The admission of professionals can only serve as a short-term policy. In the long run, the Government must train our own people to meet the needs of the market. Facing the problem of shortage in talents, the most pressing task for the Government at the moment is to increase the funding for senior secondary and university places and to improve the quality of education. Then local universities can groom more students and increase their competitiveness rather than cutting university funding on the one hand and requesting to import talents from overseas on the other on the grounds that there is a lack of talents in Hong Kong. At present, the Government has invested a lot of resources in training, however, the courses taken forward do not completely meet the market needs. In connection with this, the Government must review the local tertiary education system, so that the local tertiary education can really nurture some professionals and address the problem at root.

Madam President, the FTU is also concerned about the civil service establishment and the contracting-out of services. The Financial Secretary announced to lift the freeze on civil service recruitment that has been in place for two years. The FTU thinks that it is a good thing. However, the Government, through natural wastage, redeployment of manpower and the voluntary retirement scheme, will cut further a total of 9 000 civil service posts. It is estimated that the civil service establishment will drop from the existing 190 000 people to around 181 000 people by the end of 2002-03. Since there will be a cut in manpower, the FTU very much worries that the authorities may continue to cut posts at the basic ranks whereas those at the senior ranks are not affected. Given that posts will be cut at the basic level but not at the senior level, not only will the junior staff feel threatened and fear that they "cannot keep their rice bowls", their workload and pressure will also increase at the same time. This will seriously affect the morale and service quality of civil servants at the basic ranks.

Moreover, the Government has said from time to time that the contracting-out of services can improve cost-effectiveness and the results have been satisfactory. The FTU absolutely cannot subscribe to this. In fact,

outsourcing has given rise to a lot of problems. For example, the Government has contracted out meal services for the elderly. Some organizations complained that the quality of meals had been worsening after the services were contracted out to private institutions. Moreover, the contractors employ only part-time staff so as to evade statutory responsibilities. As a result, the staff cannot get their entitled protection. Although the bidding prices for the outsourced services have been lowered, the administrative costs involved have increased substantially. Therefore, the overall cost cannot be lowered. Consequently, with no savings in cost but deterioration in service quality, the situation is not as satisfactory as what was stated by the Social Welfare Department.

In recent years, the Government has been promoting the Enhanced Productivity Programme (EPP) to reduce cost and improve efficiency. However, has the Government reviewed the problems arising from this programme? Undoubtedly, the EPP helps reduce cost but the victims are usually staff at the base level. The FTU has dealt with numerous such cases. For example, many staff working as ward assistants in hospitals have been laid off. As a result, the workload of some staff has been increased significantly while some have their wages cut. Furthermore, the cleansing workers of the former Urban Services Departments got \$4,000 to \$5,000 as monthly salaries, half of their former rates, after they had been transferred to the contracting companies. It was also brought to light by newspapers that for the outsourced cleansing services of the Food and Environmental Hygiene Department, the employed workers subsequently got an hourly pay of only \$6 to \$7 after exploitation at different levels by contractors. This is absolutely a very grave insult to the dignity of Hong Kong workers. Although the FTU has persistently requested to improve the conditions of work for the workers of outsourced services, the Government has neither given any specific response nor taken any action. It only said that the contract made was based on normal wages and executed according to the labour legislation, completely neglecting whether workers employed by the contracting-out companies are reasonably protected or not. The FTU proposes to enhance internal supervision for the part of work already contracted out, so as to avoid exploitation in the middle and multi-layer subcontracting. In the long run, the Government must review and study the existing outsourcing system, and protect the entitled rights of workers by way of legislation. And the contractors must be required to state clearly in the contracts the conditions of work such as the wages for different levels of workers, working hours, and so on. The FTU supports the setting of a minimum wage,

however, we think that it cannot be implemented with a broad-brush approach. We propose to introduce it as a pilot scheme in certain trades. For example, we can start with the outsourced services first. At least, these staff can get the protection they deserve through the relevant legislation.

Finally, I would like to talk about the creation of employment against the local unemployment rate which has been hovering above 4%. This quarter, the latest unemployment rate has gone up to 4.5%. The number of marginalized workers is on the rise. Wage earners are still under the threat of salary cuts and retrenchments. However, the Budget has failed to address the situations in which employment for the grassroots has constantly been worsening. The FTU feels disappointed and at the same time requests the Government to develop the environmental protection industry, so as to provide a new employment outlet for the many workers with low skills and low educational attainment. For example, it can set up a comprehensive waste-categorization and recovery system, build an environmentally friendly industrial estate, and so on. In this way, more jobs can be created. As a result, the purpose to protect the environment can be achieved and the marginalized workers can rejoin the labour market as well. Why does the Government not take this into consideration seriously? Let us look at other Asian regions. All Japanese households have to categorize domestic waste for years. Quite a few European countries, the United States, and so on have also actively promoted the green effort which is in full swing now. Hence, many job opportunities have been created. But how about Hong Kong? The Government must not remain at a slogan-chanting stage. It has to take some specific actions before the economic development of Hong Kong can be promoted.

Madam President, I so submit.

MR HUI CHEUNG-CHING (in Cantonese): Madam President, the Budget can be said to have taken on board public opinions and adopted a practical approach this time. There are neither increases in taxes which will impact on businesses and the people's livelihood, nor new types of tax. It lives up to the expectation of the public for a respite, so to speak, and it is also conducive to maintaining the sustained economic recovery of Hong Kong. Among them are proposals targeting at SMEs that are the backbone of the economy of Hong Kong. It is proposed in the Budget that \$300 million be set aside to subsidize the SMEs' staff training and commission the Trade Development Council to enhance its support

for SMEs to develop the mainland market through providing them with more information and consultation services. These proposals are especially worthy of support. If the Financial Secretary had accepted the motion proposed by me on 14 March in this Council on alleviating the difficulties of the SMEs, then their costs could have been further reduced, investments stimulated and economy revitalized.

The Budget has not shifted its focus from stimulating the economy to cutting the deficit. One of the major reasons is that the economic performance of Hong Kong in the past year was quite good. In particular, the total exports of goods grew as high as 17.1% in real terms last year, which was the highest growth recorded since 1992; it is estimated that the total exports this year will grow by 5.5% in real terms. The data again prove that the import and export trade is very important in promoting the economic recovery of Hong Kong and that there can be no substitute. Despite that, the import and export trade indeed faces even more difficult challenges this year than last year. As stated in the Budget, the economy of the United States has slowed down rapidly and that of Japan stagnated, added to that are the weakening domestic demands in East Asia, all of these may impact on the export and overall economic performance of Hong Kong. In fact, these negative factors have gradually surfaced. Taking the figures for January and February this year together, the total export and import grew by a mere 4.2% and 6.4% respectively, way below the 12.3% and 14.4% growth in the fourth quarter of last year.

The Hong Kong Progressive Alliance (HKPA) thinks that the magnitude of the hidden problem with the export and import trade may be much more greater than is estimated in the Budget. There are two reasons:

Firstly, the Taiwan Strait situation is filled with uncertainties and investors will to a certain extent be wary of that. If China and the United States enter into an arms race, the sustained economic take-off of China will be impeded to the disbenefit of Hong Kong which originally enjoys an edge because of its proximity to China.

Secondly, the European Union may not move ahead steadily. Euro and Deutsche mark continue to weaken while the economy of Germany has shown signs of slackening. Were this to continue, the European Union markets might not be able to offset the loss in business due to shrinking demands from the United States.

If the Financial Secretary hopes that the import and export trade can continue to pull the economic recovery of Hong Kong, specific resources on trade promotion must be increased. Unfortunately, the estimates of expenditure under the items of "external commercial relations", "public relations" and "foreign investments" have shrunk as a whole this year for overseas offices. Moreover, "the number of companies contacted by appointments with a view to encouraging foreign investments in Hong Kong" and "the number of companies contacted through direct mail" have respectively reduced by about 20% and 10%. The authorities stated that it was caused by some offices closing down or streamlining manpower. The HKPA thinks that while the Government must certainly endeavour to succeed in enhancing productivity, it must also be flexible in its implementation, that is, increasing or reducing expenditures as appropriate. Moreover, the Commerce and Industry Bureau, the Trade and Industry Department, government overseas offices, and so on are departments worthy of enhanced support. Only by so doing can Hong Kong reinforce its status as an international trading centre amid fierce competition worldwide.

Of course, improving the effectiveness of trade promotion does not necessarily mean opening up more resources, for the same effect can be achieved by streamlining the structure as well. For example, the locations of overseas offices of the Government, the Trade Development Council and the Hong Kong Tourism Board in Alitcs in Asia, Europe, North America, and so on are almost identical. Given that these offices are located close to one another, their resources financed by public funds and they serve the same function of promoting Hong Kong, the Government should actively consider merging them and streamlining their structures. The redundant administrative resources can then be transferred to specific work on trade, soliciting businesses, attracting tourists, and so on.

To ensure the continuous development of the import and export trade of Hong Kong, we must make good use of the hinterland of China. The authorities stated that discussions were ongoing with China on the construction of several cross-boundary transportation routes, which include a new 7 km railway extension linking with the Shenzhen underground railway, and a 5 km bridge linking with Shekou. However, all along, the cross-boundary infrastructure plans between Hong Kong and China have either been all thunder but no rain or aborted. Moreover, the Central Government is now prepared to develop the western region, and the Financial Secretary is also planning to lead members of the local industrial and commercial sector for a trip to Western China.

However, in the Budget this year and the written reply of the Secretary for Economic Services to my questions relating to estimates of expenditure on port operation and logistics services, there was no mention of how Hong Kong and Western China could build up their infrastructural links, nor was there any mention of how local logistics management operators can fight for the opportunities arising from the transportation business in Western China. Without the hardware support, how can local businessmen seize the business opportunities arising from the development of Western China? I hope that the authorities can implement the plans on infrastructural links between Hong Kong and China as soon as possible, and put forward some concrete plans and actions including the implementation and operation timetables, so that Hong Kong which is "under two systems" can have more capabilities to bring into full play the edge of being under "one country".

With these remarks, Madam President, I support the Budget. Thank you.

MR DAVID CHU (in Cantonese): Madam President, the Budget of this year is active, prudent and well-received by society as a whole. In respect of the economic development, the Financial Secretary expressed that Hong Kong would be made to capture the enormous business opportunities arising from China's accession to the WTO and its position as a service and financial centre would be strengthened. As far as society and people's livelihood are concerned, the Financial Secretary particularly mentioned the necessity of "addressing the needs of the community", and taking care of the interests of the grassroots and the disadvantaged. I appreciate and support this compassionate approach. Madam President, on the subject of "addressing the needs of the community", I would like to make some suggestions in three areas, namely unemployment, the elderly and the youth problems, hoping that the Government can come forth with improvement.

First, I hope the Government can adopt more effective and more direct measures to help people get jobs. Recently, the unemployment rate has gone up slightly against continual deflation. The performance of local and external stock markets is unstable. In addition, the economy of the United States is now undergoing adjustment. All the signs are showing that the economic situation of Hong Kong affords no optimism. Therefore, expecting the unemployment rate to lower significantly within a short period of time appears to be a very tall order.

Objectively speaking, the SAR Government has committed substantial resources to helping the unemployed. For example, in 2001-02, the expenditure on Comprehensive Social Security Assistance in respect of unemployment amounts to \$120 million. Moreover, the total expenditure on retraining courses has exceeded \$1 billion. The Secretary for the Treasury said that the total recurrent expenditure on employment, training and retraining will reach \$2.2 billion in the next financial year. However, the effectiveness of these schemes has always been doubtful. More money had been spent, yet neither was there any obvious improvement to the unemployment rate, nor did the public feel the assistance from the Government.

In view of this, I think the Government should review the actual effectiveness of various expenditures targeting at unemployment. It may consider recruiting more unemployed people to take up jobs which serve the community or help to promote the economic development, so as to benefit the unemployed and the public direct at the same time. The Chief Executive undertook in his policy address to create 7 000 employment opportunities. However, insofar as an unemployed population of more than 140 000 people is concerned, this is not sufficient. In fact, recruiting more unemployed people can improve the unemployment situation quickly. Besides, the relevant salaries can also be converted into domestic consumption to stimulate the economy.

In addition to the unemployment problem, the Government should also have concern for the elderly and the youth problems. With the population ageing continuously, a large number of elderly service and care cases are still not given the necessary resources and services. Many old people are still living in poor conditions, lacking proper care. Accidents happen frequently in singleton elderly's homes. The Government undertook to increase 2 541 residential places and several social centres for the elderly. I fully agree with this. However, the increase can hardly meet the needs of such a large number of old people. The elderly still have to wait for two years before admission to an elderly home. I hope the Government can invest more resources in this aspect. Furthermore, the Social Welfare Department intends to contract out the elderly home and care centre services. Many people in the community worry that this will deteriorate the service quality and affect the morale of welfare organizations. Therefore, the Government must take these factors into consideration.

Madam President, the problem of youths at risk has been worsening and must be dealt with seriously. Recently, the police have taken away more than

400 teenagers under 16 from a rave party in Sha Tin where a large quantity of drugs were seized. In respect of increasing resources to help youths at risk, the Financial Secretary has made his undertaking. But I think that the resources allocated are apparently not sufficient because the increase in the total expenditure on youth services grows only by 0.7%. Recently, many problems have arisen from teenagers roaming the streets at night and joining gangs. However, there are only eight outreach teams to help them at present. The Financial Secretary expressed that the number of outreach social workers would increase by 30 only. This is far from enough. I hope the Government can invest more resources in youth services.

Madam President, the social service organizations and social workers are the key factors to ameliorating the elderly and youth problems. In implementing the fiscal reforms, the Government should have regard for the morale of social workers. Most importantly, it must ensure that the implementation of the fiscal reforms will not harm the interests of the service targets, and the resources for the disadvantaged will not be reduced either.

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

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

(No Member responded)

SUSPENSION OF MEETING

PRESIDENT (in Cantonese): Thirty-one Members have spoken today. I now suspend the meeting until 2.30 pm tomorrow.

Suspended accordingly at twenty-six minutes past Eight o'clock.