

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 29 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 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 LAW CHI-KWONG, J.P.

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

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

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

THE HONOURABLE LI FUNG-YING, J.P.

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

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

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

MEMBERS ABSENT:

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

THE HONOURABLE BERNARD CHAN

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

PUBLIC OFFICERS ATTENDING:

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

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

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

BILL**Second Reading of Bill****Resumption of Second Reading Debate on Bill**

PRESIDENT (in Cantonese): Council will now continue with the debate on the Second Reading of the Appropriation Bill 2001

PRESIDENT (in Cantonese): Will those Members who wish to speak please press the "Request-to-speak" buttons?

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

MR ERIC LI (in Cantonese): Madam President, before going to the subject matter, I would like to express my heartfelt thanks to the Financial Secretary for his laborious work over these years, bearing in mind that this is his last Budget in office. In particular, I have to thank him because in his past Budgets, he accepted readily many suggestions made by the accounting sector in relation to the development of the tax regime and the handling of public accounts.

In his *An Exhortation to Learning*, Xunzi said that "if there is no dark obscurity in purpose, there will be no reputation for brilliance; if there is no hidden secretiveness in the performance of duties, there will be no awe-inspiring majesty in achievements."¹ What the people of Hong Kong need badly now is political leadership — leadership endowed with absolute sincerity and concentration, thorough wisdom, insight into world circumstances and reasons, coupled with the approach of "Honing Our Strengths" in handling things. It is with these qualities that the leadership is able to pursue awe-inspiring majesty in achievements for the people instead of for an individual.

¹ 《荀子》Xunzi, 湖南人民出版社 1999

I have remarked openly that this Budget is like a "stocktaking of fiscal policies" rather than one dealing with fiscal balance. I did not mean to belittle anyone or anything when I made this remark. In particular, before the release of the Budget, I wrote some articles requesting the Financial Secretary not to take actions that are too drastic. Instead, he should proceed step by step, and wait till the tax review commission has come up with a conclusion before introducing a reorganization of the taxation arrangements of a longer-term and fundamental nature. We do not have to "resort to gimmicks" each and every year in order to "run the country"; "prudent planning before action" is also great management wisdom.

The economic environment in the beginning of the 21st century is wrapped in uncertainties. The main reason for this is rapid globalization of world economy. Moreover, nowadays, international funds are highly concentrated in the hands of the executives belonging to a few major professional fund houses and multinational enterprises. These professional lords of the financial market are extremely decisive and swift in their reactions to changes in market information. Furthermore, with the continuous emergence of powerful advanced investment tools, the "contingency time gap" for the modern international financial market to respond to new signs and re-position itself is becoming increasingly narrow. Thus, we are invariably caught unprepared, and this makes it all the more difficult to come up with precise middle- and long-term forecasts.

In my speech during the debate held last year, I pointed out the main role of the government: "What I am asking for is a government capable of identifying a principal course of development and making use of a more higher level and clearer world view to boost and enhance both the competitiveness and the momentum of the market." The business sector and the people should be allowed to make preparations beforehand and have their planning in place.

This year, the Budget has delivered in terms of its analysis of the circumstances. However, I feel sorry to note that there are many reservations about the uncertainties in the conclusion, just like "an auditor's report with substantial reservations". This may in fact be the case, but the Government must have certain commitment in its analysis of prospects. It cannot simply put the blame on technical inadequacies when estimates turn out to be wrong.

A more positive approach is: (1) to increase as far as possible the transparency of the whole procedure of forecasting and that of the data used as the basis, so as to make it easier for the public to understand; (2) to adopt an appropriate accounting system as the medium, and conduct sustained comparisons of actual results and past forecasts; and (3) to attach full explanations to the forecasts and assumptions made, so that anyone will be able to perceive the criteria for the assumptions and make his own judgement. Even if discrepancies arise in the forecasts, the Government will be able to analyse precisely the causes and quantify the effects brought about by the changes in different factors. It can then explain to the public, learn the lesson, and keep on improving. It is only with this approach that the public, who are the users, will find it more useful, and this is also the administrative approach that can most effectively build up their confidence in the Budget.

Let us simply take the tax review as an example. All along, the Government has stayed away from stating its position as to whether a structural deficit exists. It only expresses that more data will be needed before a conclusion can be drawn. However, when the Government has gathered sufficient data, the structural deficit will have become a reality. When this is obvious to everyone, do we still need the Government to "estimate"?

A budget should live up to its name and make forward-looking forecasts. A structural budget deficit is an important fundamental problem which may arise. We have to provide against possible trouble rather than always referring to historic data to prove that the problem has become a fact and then "mend the fold after a sheep is lost due to the lack of perception". Therefore, I look forward to a visionary report, one which can face squarely to the problem of structural deficit, to be released by the tax review commission by the end of November.

After the release of the Budget, things look far from being satisfactory on the surface. It has only led to some casual arguments. In comparison, before the release of the Budget, enthusiastic speculations all the more made observers find the twists and turns incomprehensible, not able to come to a conclusion. As for the public, the "deficit mystery" and rumours of "tax increase, tax decrease" made them feel unsettled and perturbed.

In fact, the Government has already given out in a piecemeal manner much accurate data on different occasions and at different times, for example, the investment return of the Exchange Fund, the general result of land sales,

proceeds from the listing of the MTR Corporation Limited (MTRCL), and so on. Nevertheless, even two days before the release of the Budget, a lot of mass media, political commentators and financial experts made "extremely" wrong predictions on the budget deficit. Many of them even believed firmly that there would be a budget surplus.

I think this has reflected a few problems: first, it seems that the general public still fails to understand the structure of the Budget, thus resulting in a lot of unfounded casual speculations; second, since the cash accounting system is employed in drawing up the Budget, the balance in between months may see big fluctuations. This may be due to the fact that in February and March, there are still entries of huge amounts in revenue and expenditure, for example, investment income, funding for infrastructural projects, and so on. To those who are not familiar with this operational procedure, it is only too easy for them to make mistakes in their prediction; and third, the process for the Government in disseminating and disclosing information is neither comprehensive nor systematic, thus indirectly giving rise to some careless and erroneous speculations made on the spot.

If we analyse the public accounts carefully, we will find that in the existing revenue part, only a few items are the most unstable. They are in fact the prime culprit for the Government's forecast discrepancies in respect of the Government's income from investment, land sales and proceeds from asset listing, and so on, in the past few years. As regards expenditure, the Government is more often than not over-estimating (the figure is normally around 5%). In order that public confidence in the budget can be boosted substantially, all the Government has to do is to strengthen the management of these highly variable and important data, and improve their disclosure. For example, the Government should take systematic steps and draw up in advance a timetable for the release of such important data. Later on, I will suggest a new concept of "balanced fund".

Estimates will eventually become accounts and results, it is only a matter of time. The way the Government deals with its accounts will have a direct bearing on the culture of public sector fiscal management, and whether or not the public is able to monitor the Government through such estimates. The accounting sector very much welcomes the great courage demonstrated by the Financial Secretary in accepting and implementing the accrual basis accounting system. This was suggested by me in 1997 and 1999 respectively.

The accrual basis accounting system will help civil servants to fully control the costs of their own departments. Moreover, it also makes it easier to draw comparisons between the public sector and private sector enterprises providing similar services. This provides very useful reference materials in respect of whether certain departments should be demutualized, corporatized or outsource their services for increased cost-effectiveness, and so on. Moreover, it will also make it easier for the public to monitor and enhance its supervision of the operational efficiency of the public sector and the assets entrusted to the Government, in particular, the non-cash intangible assets, for example land, properties, and so on. We can then have clear records and valuation to turn to. For example, at present, under our housing policy, land for the construction of public housing units does not carry a cost. However, upon the implementation of the accrual basis accounting system, we will be able to know the real cost, and whether the cost is for the construction of public housing units or for rental allowance when formulating policies. There will be records for reference. As for the long-term liabilities of the Government such as pensions, it can also make specific estimates and disclosure. I believe this system will have far-reaching effects on the resource management culture of the whole Civil Service and will bring about considerable impact. Moreover, the civil service reform will also take a big leap forward as a result. I warmly welcome and commend this determination to reform.

There are some measure of standards internationally for the accrual basis accounting system. I look forward to greater professional communication and interchange between the Government and the accounting sector, so that civil servants can more quickly master the accrual basis accounting system as an important tool to resource management, thereby making it possible for this system to achieve its optimal effect and function.

Looking to the next year, the investment income, government reserve and other funds together amount to about \$35 billion in the Budget. Assuming the fiscal reserve balance of the Government to be around \$400 billion, this means that the rate of investment return has to be about 8%, and this income is computed at the end of each year. As we all know, from the beginning of the year up to now, many major economic researchers have one after the other adjusted downwards the growth rate of the economy of Hong Kong. With global interest rates and share prices going down, the Government will certainly not openly underestimate its investment ability, so as to avoid being denounced. However, under such an investment environment, we can hardly be over

optimistic that the 8% rate of investment return can be achieved before the end of this year.

I suggest that the Government should show the public clearly how this return rate is arrived at, and reveal to them the assumptions made in its computation. Then, those who are sceptical about the Government's forecasts can stop making blind and stubborn accusations, and make their own predictions and judgements beforehand.

The listing of government assets has also been a subject of concern to me. Ever since it has gone public, the share price of the MTRCL has seen quite remarkable increases even when the stock market is on the plunge. This proves that the market has readily accepted the listing of this type of government asset. In his Budget, the Financial Secretary promised that a study on the privatization of publicly run tunnels will be completed within this year.

I further suggest that the Government give specific consideration to packaging the Kowloon-Canton Railway Corporation (KCRC), the Airport Authority and the Post Office for listing in order to raise funds. Of course, I understand that the overall operation of these organizations will incur more liabilities as a result of new construction projects, rendering their profit condition less than satisfactory. However, Hong Kong has much experience in spinning-off businesses of China enterprises for eventual listing. Therefore, if the East Rail presently run by the KCRC is profitable, it can also be listed independent of the West Rail which is to be developed in the future. By doing so, capitals required for future investment can be raised, thus reducing the need for a direct injection of equity by the Government. Not only can these quality shares with stable return provide capital guaranteed funds such as the Mandatory Provident Fund a good investment haven at times when the market is not promising, such shares can also enable the Government to relieve the pressure of budget deficit temporarily. It can then have more time to look into the problem of structural deficit and the way to handle it.

In 1997, I already formally brought up the issue of government reserve for discussion and in 1998, I got a detailed reply from the Financial Secretary. Though not much on this has been said in this year's Budget, I have long foretold that the issue still warrants discussion and will lead to arguments. It is now clear that before and after the release of the Budget, quite a number of Members questioned if the level of our reserves is still higher than is required.

The reserve of Hong Kong increased suddenly only around 1997. The main reason for this is the surge in land premium. This is particularly so on the day of the transfer of sovereignty, when the Central Government handed over the Land Fund of over \$220 billion to the Government of the Special Administrative Region (SAR). The original purpose of setting up of the Land Fund is to help the SAR Government lay a good foundation, start a fresh page in history, make preparations to complement and tie in with the mainland economy, and face the business opportunities of the international market together.

This was the idea at that time. Unexpectedly, the Government saved up the money so as to generate long-term interest income to make up for the shortfall in tax revenue. Of course, society is in the position to discuss whether the money should be used for generating interest income or making up for tax revenue because this reserve can in fact be used in a much better way than generating low interest income.

I suggest that the Government use no more than \$100 billion from the Land Fund to set up a balanced fund of a capital expenditure nature, and divide the budget into two distinct parts, namely recurrent revenue and expenditure, and other capital income and expenditure. In this way, the public will then be able to see clearly whether there is a structural deficit in recurrent expenditure. Deficit in recurrent expenditure should be balanced by recurrent tax revenue. Then non-recurrent expenditure, that is, large-scale, one-off infrastructural expenditure such as airport, railway development, Disney theme park, Cyberport, and even numerous special funds such as the Quality Education Fund, loan fund for small and medium enterprises, and so on, should be met by investment income, proceeds from listed assets and part of the income from land sales (according to initial estimate, for example, land sale will fetch over \$30 billion in revenue).

If these three items of capital income happen to end up with unexpected surplus, the surplus can be set aside in the balanced fund for later use. If the budget comes up with a deficit, the shortfall can be advanced from the balanced fund. Advance is not tantamount to expenditure; thus, it is not necessary to treat Article 107 of the Basic Law as a dogma. When the economy has fully recovered, the balanced fund can be replenished. With this distinction, the uses of tax revenue will be more specific. As for capital investment items, more flexible arrangements can also be made in line with the amount of non-recurrent revenue received. Such a clear practice of fiscal management conforms more to

the present international need for practical fiscal management. I believe managing our finances flexibly according to Article 106 of the Basic Law is not in contravention of the principle of "keeping expenditure within the limits of revenues" as laid down in Article 107.

Madam President, HAN Feizi of ancient China had foresight into fiscal management and state administration. He said, ".....neither seeks to follow the ways of the ancients nor establishes any fixed standard for all times but examines the things of his age and then prepares to deal with them."² This view of HAN Feizi enables us to understand thoroughly the circumstances, make flexible use of our fiscal management skills and lead the financial era with innovation.

With these remarks, I support the Bill.

MR KENNETH TING (in Cantonese): Madam President, the Federation of Hong Kong Industries is happy to see that the Financial Secretary perceives the importance of achieving the synergic effect of the economies of China and Hong Kong to the future development of Hong Kong. We are also happy that specific measures have been taken to expedite infrastructural construction so as to link the economic development of the two places.

The Budget has devoted great lengths to matters concerning the improvement of the infrastructural facilities of Hong Kong. With regard to transportation infrastructure, the early construction of the Shenzhen Western Corridor connecting Hong Kong with Shekou, the Deep Bay Link and the Lok Ma Chau Spur Line will greatly improve transportation links between China and Hong Kong. Besides, these will also combine the different conditions of development and potentials of the two places into a regional advantage. Furthermore, the study on strengthening co-operation between the KCRC and the MTRCL with the railway authorities of the Mainland, planning for the development of a high-value-added logistics centre and a marine cargo terminal at the airport, expanding the facilities of the Lok Ma Chau Control Point, increasing the efficiency of customs clearance of control points, and so on are all conducive to improving the objective economic conditions.

² The Complete Works of Han Fei Tzu, UNESCO Collection of Representative Works - Chinese Series 1959

With regard to the development of the mainland market, the Hong Kong Trade Development Council will soon set up a China Business Advisory Unit to provide small and medium enterprises (SMEs) of Hong Kong doing business in Guangdong with one-stop consultation services. This will help SMEs further open up the mainland market. There is no denying that the efforts of the Financial Secretary in expediting the integration of the economic developments of both China and Hong Kong merit commendation.

However, even after improvements have been made to the infrastructural facilities, the SAR Government still has to effectively assist industrial and commercial enterprises in enhancing their competitiveness, so that they can develop soundly and rapidly. With regard to enhancing the competitiveness of SMEs, we opine that the policies mentioned in the Budget lack initiation. In order that the competitiveness of SMEs can be effectively enhanced, we think that the SAR Government can start with improving the capital flow for SMEs, as well as encouraging and assisting the SMEs in training suitable employees.

I will first talk about difficulties in financing. In the past, we have over and again reflected to the SAR Government that the credit crunch faced by the industrial and commercial sector is at present the major obstacle to economic recovery. In spite of this, the Budget fails to come up with any proposals to resolve the problem. Right now, in vetting and approving loans to industrial and commercial enterprises, the majority of banks still emphasize using properties as collateral. Given that the prices of properties have dropped substantially, it is difficult for industrial and commercial organizations to secure sufficient funds through bank loans to cope with the capital flow difficulties and maintain the normal operation of the enterprises. The SAR Government should address this problem with a more positive attitude.

In his Budget, the Financial Secretary promised that the Hong Kong Monetary Authority (HKMA) will establish a Commercial Credit Reference Agency (CCRA) later this year, and the HKMA will also make specific proposals on this so as to make it easier for industrial and commercial enterprises to secure loans from banks. I brought up this issue in the last Legislative Council session and am happy to learn that the Government shares my view. I hope that the Financial Secretary can realize the proposal of establishing the CCRA early.

The Financial Secretary has not put forth any solutions in his Budget targeted at the effect of "negative assets" on the financing of the industrial and commercial sector. This implies that such enterprises will continue to suffer from a credit crunch resulting from the drop in assets prices.

Earlier, the Legislative Council reached a consensus in its discussions on the problem of "negative assets". For example, through reviewing Hong Kong's overall housing policy, the HKMA was urged to encourage banks to adopt a tolerant mortgage policy towards owners of "negative assets", and to treat old and new mortgages alike so as to ease the burden on owners of "negative assets". Moreover, the Legislative Council also reached a consensus to urge the Government to raise the present amount of \$100,000 of home loan interest deduction. However, the Financial Secretary has not responded positively to this consensus of the Legislative Council in the Budget. Thus, I am a bit disappointed in this respect.

As regards training, the Government has raised the amount of tax allowance for job-related education expenses from \$30,000 to \$40,000, and set aside \$300 million for the establishment of a training fund to subsidize SMEs in training their employees. I very much support this. Nevertheless, we think that it is possible for the Government to adopt a "two-pronged approach", that is, offering industrial and commercial enterprises tax deduction for training at the same time, so that training-related expenses can enjoy tax deduction of 150%. This will further encourage industrial and commercial enterprises to organize in-house training for their own employees, thereby enhancing the competitiveness of the enterprises.

Moreover, information provided by the Education and Manpower Bureau indicates that "tailor-made" courses of a subsidized nature have proved to be more effective than courses run by the Employees Retraining Board. Therefore, we think that the Government should commit more resources to subsidizing the different industries and trades. With on-the-job training, employers can train their own employees and ensure that employees will be able to apply what they learn.

With regard to the admission of professionals, many colleagues of the Liberal Party have said that we all approve of the intent of the SAR Government. However, we are of the opinion that trades other than the information technology and finance disciplines also need professionals. So, we suggest that the Government should further relax this scheme to cover the other trades.

Finally, I am a bit disappointed with the Government refraining from taking action to tackle the problem of container terminal handling charges. It is learned from the reply of the Secretary for Economic Services that the Economic Services Bureau has neither any intention to increase staffing and resources nor any policy to step up the monitoring of shipping companies agreeing among themselves to collect container terminal handling charges from consignors in Hong Kong. In view of the fact that exorbitant container terminal handling charges have all along been a heavy burden to industrial and commercial enterprises in Hong Kong, the industrial and commercial sector hopes that the Economic Services Bureau will take measures similar to those for the monitoring of fuel prices in Hong Kong, increase staffing and resources, and formulate a positive policy to resolve the long-standing problem of high container terminal handling charges.

Here, I would also like to talk about the Enhanced Productivity Programme (EPP) of the Government. In terms of maintenance of service quality and speed, the Government has over-accomplished the target of the EPP. This is worthy of praise. Although there are a few flaws in the process, it is still a very bold and successful endeavour. Thanks to the EPP, civil servants have begun to foster a culture of emphasizing cost-effectiveness. I hope that other departments and all organizations in Hong Kong can have the same spirit, always improving their efficiency and enhancing their competitiveness.

We do not object to the Government lifting the recruitment freeze on the Civil Service. We believe that the Government will adhere firmly to its principle of deploying additional resources to meet the demand of front-line services, such as the Lo Wu checkpoints and actions by the Customs and Excise Department to crack down on copyright piracy, and so on. However, this does not mean unlimited recruitment which will have a bearing on the original programme.

All in all, the Federation of Hong Kong Industries and the Liberal Party approve of the Budget prepared by the Financial Secretary, in which policies on creating a synergic effect for the Hong Kong economy are made. However, there is one little imperfection and that is, insufficient measures have been proposed to help industrial and commercial enterprises enhance their competitiveness. We hope that the Financial Secretary can pay more attention to this and co-operate fully with Mr Antony LEUNG to initiate more policies which are conducive to the development of the industrial and commercial sector.

With these remarks, I support the Budget.

MS AUDREY EU (in Cantonese): Madam President, a major characteristic of this year's Budget is there are few changes. There is no proposal for tax hikes nor substantial expenditure. Given the fact that presently we have seen only an initial recovery of the economy but the people have yet to enjoy the fruit of the recovery, and we are not sure whether the growth will sustain, I think the direction of the Budget is correct. However, our GDP grew 10.5% last year and in the coming year, it is forecast that it will grow 4%, whereas the Government only increases its expenditure by 2.8%, I think this is rather conservative.

Last year, we had a deficit of \$11.4 billion and it is estimated that our future deficit will be \$3 billion. The Government also forecasts that the deficit of the coming three financial years will be less than 0.5% of the GDP. Such a deficit is negligible and the budgets can thus be called balanced on a general basis. In addition, since we now have a reserve of over \$430 billion, we do have the financial resources to relieve the plight of the people. More importantly, Hong Kong is now in the process of economic restructuring. If government expenditure does not synchronize with economic growth, our recovering economy will suffer. Therefore, no matter whether it is from the angle of practical need or financial commitment, the Government should increase its expenditure. On the one hand, it may expedite various development projects and create job opportunities, and on the other hand, it may address some concerns of the public, for example, the environmental protection and education issues that I am going to discuss.

The Financial Secretary mentioned the strategies for the development of Hong Kong. With the continuous liberalization of the mainland economy, many major cities in China such as Shanghai and those in the Pearl River Delta region are both our trading partners and competitors. It is indeed necessary for the Government to enhance our competitiveness. However, the Government always looks at this issue from a commercial point of view, for example, improving the transportation network and information exchange between the Mainland and Hong Kong. I think the Government should consider instead in what areas we enjoy an edge over those cities. I hope the Government can really "pride ourselves on living by the rule of law, maintaining a level playing field, upholding all our freedoms and providing clean government" as mentioned in the speech of the Financial Secretary.

Last year, Madam President, I was invited to be a guest adjudicator in a debate competition of tertiary institutions. The motion of the debate was: The rule of law in Hong Kong has retrogressed after the reunification. Not long after the debate started, the adjudicators noticed that the students of both the affirmative and negative sides were actually supporting the same stance. The adjudicators had to suspend the debate and requested an explanation from the students. The students of the negative side said that they could not think of any argument that could support the stance that the rule of law had not retrogressed. Instead, they had arguments in support of the stance that the rule of law had not only retrogressed, but to an extent that was beyond remedy. Madam President, I hope this example will be taken as a note of caution.

After the reunification, we felt sorry to note instances in the judicial system, the development of democracy and the maintaining of a level playing field in Hong Kong which make people start to doubt the upholding of such established advantages of Hong Kong. If we wish to enhance the competitiveness of Hong Kong, we have to maintain these advantages. However, I do not see any initiatives in this respect in the Budget. I am especially disappointed in the attitude demonstrated by the Government towards the maintenance of a level playing field.

This year, the Government has allocated \$720,000 to engage a consultancy to advise on matters of competition in other economies. At first, I found this a happy surprise, thinking that the Government would actively look into the policy on competition. However, last week, the officials of the Economic Services Bureau explained to us that this consultancy would only study the actions taken by other economies on individual complaint cases. The Government had no intention to change its current practices on matters concerning fair competition. All along, the Government is not willing to introduce legislation on horizontal competition, neither will it consider formulating a policy on vertical competition in some sectors. Even if we study the experiences of other countries, what can we do? Even if we find out that there is monopoly in some sectors, what can we do? We have no legislation that can be adhered to. The Government is like a toothless tiger. It can only give advice, but it cannot regulate the situation.

The Competition Policy Advisory Group, led by the Financial Secretary, is responsible to review competition-related matters which have a major bearing on policy and institutions. However, since its establishment three years ago, it has not achieved any obvious results. The Government always stresses that we

have to promote competition in order to assist SMEs and protect consumer interests. However, I cannot see any sincerity on the part of the Government to maintain a level playing field. Under a monopolized situation, the SMEs are bound to suffer. The retail market for daily necessities, for example, is monopolized by two major supermarket chains. As a result, a lot of small groceries and provision stores failed to survive and disappeared into obscurity. I think this is unfavourable to consumers because they will suffer from a lack of choices, or even no choice at all. The Consumer Council conducted a study on the policy of competition in 1996, using the IDD service as an example to illustrate the significance of fair competition to consumers. In the past, IDD service was monopolized by the Hongkong Telecom. After the introduction of the direct-dial service in 1993, the IDD charges have dropped considerably. In fact, maintaining a level playing field does not mean interfering with the free market. The Government really needs to take the first step and consider introducing fair competition into those oligopolized markets.

The most contentious issue in this year's Budget is the proposed implementation of the Admission of Mainland Professionals Scheme. I agree that the importation of mainland professionals will enhance our competitiveness. We will also learn more about China through these professionals, thereby making it easier for us to gain access to the mainland market. In addition, it will stimulate Hong Kong people to strive for progress. As we move towards globalization, exchange of talents is inevitable.

Many people criticize that since there is no ceiling on the number of foreigners working in Hong Kong, if a ceiling is set for the Admission of Mainland Professionals Scheme, it will be discrimination against China. I think the two cases are different. The manpower market of the Mainland is huge and there is a big gap in the general wage level. Many people in the Mainland have ties with Hong Kong and they are eager to come here. However, the requirements set by the Scheme are very lax. A person with a bachelor's degree and a one-year employment contract offered by a Hong Kong company is allowed admission into Hong Kong. There is no ceiling or specific ratio. I think the Scheme is open to abuse. In that case, not only will top-notch professionals not be attracted to work here, the manpower supply of Hong Kong will abruptly increase, causing serious impact on the employment prospects of Hong Kong students. Therefore, I think the Government should exercise particular caution in the implementation of the Scheme.

The major problem lies in the Government freezing the number of university places and cutting the funding for universities on the one hand, and claiming that there is a shortage of talents and thus it is necessary to bring in professionals on the other. The policy is so chaotic that it is totally unacceptable. From the 1994 academic year onwards, the Government has frozen the number of first degree places at 14 500. An increase in first degree places in one academic discipline has to be offset by a cut in another discipline. Given that Hong Kong must become a knowledge-based society, the demand for talents will become increasingly heavy. How can we adopt such a policy of training our university students?

Moreover, there is a lack of transparency in the determination of the number of places for different disciplines. At present, the numbers of places for only a few professions like social worker, doctor, nurse and teacher, of which the Government is the major employer, are determined in the light of manpower requirement projection. As to the other disciplines such as medicine and law, the number of places to be cut is determined by the University Grants Committee. However, the criteria employed for determination are seldom made known to the public. For another instance, in the two professions that need to bring in professionals according to the Government, how do the universities determine the number of places for these two disciplines? Why is there always a shortage of manpower that makes it necessary to bring in professionals?

In the last three years, the number of students admitted to the universities failed to meet the target age participation rate of 18%. The Secretary for Education and Manpower explained that this was due to the poor quality of students. She said that it was impossible for the universities to select any more suitable candidates — these were the wordings used by her, therefore, the universities did not expand the places to meet the set target. However, at present, many universities in the other countries adopt a "lenient admission, quality completion" approach. Why can we not do the same? When the Government says that the quality of our university students is poor, why does it cut the funding for our universities? Of course, I am not saying that the quality of students will certainly improve with increased resources. However, if the Government refuses to do so, it is impossible to upgrade the quality and quantity of our university students.

If the situation is really like what the Secretary for Education and Manpower said, that is, the quality of students is so poor that it is impossible for the universities to select any more suitable candidates, then there must be something wrong with our basic education.

All along, the Government has failed to address the problem of student/teacher ratio in class. I think this has profound impact on the quality of basic education. This year, while the Government allocates additional funding to primary and secondary schools for the employment of more teachers, the number of primary and secondary students also increases. As a result, the student/teacher ratio in class remains the same. The expenditure for primary and secondary education increases by 5.1% and 6.7% respectively. However, with education reforms about to take place in the classrooms, it is doubtful whether such rates of increase are sufficient to cope with all the many reforms.

Our pre-primary education is given a most minimal amount of resources. This year, the expenditure in this area represents only 2% of the total expenditure on education, a greater part of which is used to upgrade the qualifications of kindergarten teachers. However, I think the Government has not made good use of these resources. Although the Government has allocated additional resources to ensure that 60% of the teachers in every kindergarten are qualified teachers, they only have to receive 360 hours in-service training to obtain the qualifications required. Moreover, at present, 75% of the kindergarten teachers are qualified. Therefore, such an assurance by the Government will practically serve no meaningful purpose at all. The Government should commit resources to running degree and sub-degree courses for the pre-service and in-service kindergarten teachers so that they can receive quality training.

It will be much more fruitful if we put more effort into education at an early stage. Pre-primary and basic education are the key stages upon which a solid foundation can be built. Since the Government has such a huge reserve, it should invest more in these areas.

Lastly, I would like to talk about the commitment of the Government in environmental protection. The Financial Secretary said in the Budget that the proposals for green taxes merely scratched the surface of the problem. He also criticized the community as a whole for opting the expedient measures. However, I have reservations about the passive and evasive manner of the Financial Secretary.

The problem of environmental pollution is worsening. Take waste disposal as an example. In 1997, the waste disposed at landfills amounted to 16 000 tonnes daily. All our existing landfills will be filled up by 2015. In addition, air pollution has deterred foreigners from making investments in Hong Kong. Thus, we can see that environmental pollution not only endangers the health of our people, it also affects our economy. If we procrastinate on the relevant discussions, the problem will continue to deteriorate and we have to pay a higher price in future. Therefore, we should take positive steps to address the problem by setting a long-term target and carrying out measures to improve our environment expeditiously.

Madam President, I so submit.

MR ANDREW CHENG (in Cantonese): Madam President, as the spokesman of the Democratic Party on matters concerning labour and culture and recreation, I would like to discuss the two more contentious issues in the Budget, namely, the admission of mainland professionals and the legalization of soccer betting.

The Financial Secretary introduced a new policy in respect of manpower and labour. He announced an unlimited importation of mainland professionals. But the Government should not put forward such a new policy without prior consultation. In fact, the Democratic Party has already made its stance very clearly. We do not object to bringing in talents that are in shortage in Hong Kong. However, before we bring in foreign or mainland professionals, we have to make good use of the manpower resources available locally. Regrettably, the Government has always not done enough on the co-ordination of the demand and supply of manpower.

The Panel on Manpower asked on a number of occasions for information on the future manpower demand and supply projections and in what areas training would have to be stepped up. The Government has all along failed to provide us with definite replies. Last November, the Government finally published the Report on Manpower Projection to 2005. However, the data provided in the report are not complete. For example, it gives us a breakdown by sector on the manpower requirement projection over the next five years. It states that the manpower requirement in the information technology (IT) and financial services sectors is projected to grow at an annual average rate of 11.8% and 3.7% respectively over the next five years. However, with regard to the

manpower demand and supply projection, the breakdown is by education level only. There is no information on individual sectors. In this way, how can the Government analyse the shortfall specifically? When we evaluate whether there is a shortage in the manpower market, we cannot only look at the rate of growth in demand, we must also examine if supply and the timing can match.

The Government waited until the release of a supplementary information note yesterday to give us the manpower projection on the financial services sector. It is estimated that the sector will face a shortage of manpower as many as 16 800 people by 2005. However, no explanation on the details is given. What is the exact situation of the manpower supply situation in the financial services sector over the next few years? Is this shortfall estimate the worst scenario?

The case is better in the IT sector because last year, both the Committee on Information Technology Training and Development of the Vocational Training Council (VTC) and the Education and Manpower Bureau published more detailed reports on IT manpower. However, the government officials have quoted these data selectively. For instance, the Financial Secretary repeatedly quoted the figure in a consultancy study commissioned by the Education and Manpower Bureau last year, saying that there would be a shortage of 14 000 people with IT degree qualifications by 2005. However, the study states that this is the maximum anticipated shortfall. A lower estimate is that by 2005, the shortfall will only be 370 people. The difference between these two extreme estimates is very great. Why has the Financial Secretary only quoted the higher figure?

In addition, the VTC report states that although the estimate annual shortfall in the IT sector will be 7 000 people during 2000-04, this shortfall can be "met by graduates recruited from overseas and returned emigrants, and graduates from other non-IT/computing disciplines". The report also points out that many local graduates not pursuing IT or computing studies are willing to attend conversion courses and subsequently take up IT jobs. Why have the government officials not quoted such information?

Furthermore, the Secretary for Education and Manpower and the Financial Secretary have all along stressed that we would have a shortfall of 120 000 people with matriculated or above qualifications in the future. However, according to the Report on Manpower Projection to 2005, there will be a surplus

of 150 000 people with an education level below senior secondary by 2005. How will the Government handle this situation? How many of these people will acquire skills required by the market through training and self-enhancement? The professionals to be brought in under the proposed scheme will only take up routine operation work. They are not required to perform complex duties that involve high technology. There is no ceiling imposed on the importation of mainland professionals and they can apply for Hong Kong residency after staying here for seven years. After a few years, when we have trained sufficient talents, how can we strike a balance for our local workforce?

The data provided by the Government are specious. In addition, the government officials are ambiguous in their statements and they have been manipulating the relevant figures. What is the purpose? The Democratic Party is not negating the shortage in the manpower market. However, for the time being, the Government really cannot convince us that there is a need for unlimited importation of professionals. Certainly, it may be argued that IT advances in leaps and bounds and it takes time to see the results of training. Our market cannot wait. However, what exactly is the extent of shortage we are now facing? If there are really insufficient local talents and there is an immediate need to bring in professionals, the Democratic Party will not object to the proposed scheme. However, if it is anticipated that the shortfall will only arise in a few years, why can we not make good use of the time and train our own people? At the last special meeting of the Finance Committee, Members raised questions on the anticipated time needed to train people to meet such shortfall, and whether it was possible for the supply to tie in with the demand if we stepped up local training in the next few years. The government officials were not able to give us answers.

Moreover, the Democratic Party is concerned that the proposed requirements for the admission of professionals are not clearly delineated. When the Admission of Talents Scheme was first implemented, the Government said that the talents to be admitted into Hong Kong should normally possess a doctor's degree. However, most of those who eventually came to Hong Kong did not have such a degree. Instead, they possessed only bachelor's or master's degrees. Under the proposed Admission of Mainland Professionals Scheme, the applicant only needs to have a bachelor's degree. How many applicants can fulfil this requirement in the course of vetting and approval? The standard of the courses offered by the mainland universities varies. If the requirement for admission is just the possession of a mere bachelor's degree, will the Scheme be

abused? Some applicants can even be allowed for admission with relevant working experiences and professional qualifications. Since there is no objective standard for these qualifications, it is difficult for the Government to do the vetting. Therefore, at this stage, we think the Scheme involves too many subjective judgement and lacks objective criteria.

Madam President, I wish to emphasize that the Democratic Party is not advocating protectionism. We welcome competition, but competition must be fair. In recent months, we saw that the funding for our universities has been cut. In addition, when we face manpower shortage, the Government on the one hand reduces instead of increasing the resources allocated to local training; on the other hand, it imports professionals without a ceiling. We suspect the Government is trying to create a manpower shortage scenario in order to import inexpensive professionals. However, this will only undermine the competitiveness of the local manpower.

Therefore, the Democratic Party urges the Government to make up for the cut in university funding and increase the resources allocated to local training, which includes increasing the places for the IT and financial services disciplines to upgrade the quality of local manpower. Meanwhile, a ceiling should be imposed on the importation of professionals. The Democratic Party earnestly hopes to promote economic development. We just do not wish to see the Government employ some short-sighted measures to hamper the employment prospects and training opportunities of our young people.

With the imminent accession of China to the WTO, Hong Kong is developing towards a knowledge-based economy. The impetus for our economic growth will be the IT and financial services sectors and the promotion prospects for our young people will also be confined to these two sectors. The Democratic Party worries that the proposed scheme will stifle the only remaining job opportunities for our university students in the new economic model, denying them the vitality and ladder for upward movement. Subsequently, a vicious circle may result, making it all the more difficult for these two disciplines to attract outstanding students. In the long term, it is absolutely unfair to our young people if the Government solely relies on the importation of talents to meet our manpower needs and cuts the resources for local training.

Madam President, next I would like to discuss the legalization of soccer betting. At the special meeting of the Finance Committee, Members of the

Democratic Party asked the Financial Secretary a series of questions and he seemed to be ruffled. However, the discussion on this topical issue was started by the Financial Secretary. He should be able to stand the heat to remain in the kitchen. When he put forward this proposal in the Budget, he should expect criticisms. With regard to the legalization of soccer betting, we do not think the Financial Secretary was unjustly accused as he claimed. We think he is actually feasting his eyes on the income from the legalization of soccer betting.

We are rather disappointed with the ambivalence demonstrated by the Government towards this issue. The Government has long intended to legalize soccer betting, but it is hesitant to put forward the relevant suggestion. During the discussion of this issue, the Government only focused on the increase of public revenue and the rampage of illegal bookmaking, shying away from the effects of gambling on families and young people. The Government even resorted to saying that the legalization of soccer betting would not make illegal bookmaking more rampant. If the Government wishes to shape public opinion, it should voice its stance openly and clearly, instead of being so evasive and ambivalent. However, such an attitude clearly indicates that advocating a gambling culture is undesirable and the legalization of soccer betting is not a policy that can win applause in the community.

I can assert that, Madam President, once soccer betting is legalized, the number of soccer gamblers will rapidly increase. With soccer betting being legal, and since the number of betting centres might probably be more than that of convenience stores, which facilitates people placing bets, those who used not to gamble will join the ranks. The turnover will increase and hence boosts public revenue. The Government's intention to legalize soccer betting implies that it already regards the income from this activity as one major source of public revenue. Is it good for our Government to rule Hong Kong by gambling, and make Hong Kong prosper by gambling? We should all learn from the Macao experience of the consequences when a gambling culture is promoted. I would like to quote from Mr Paul SAMUELSON, the Nobel Laureate in Economics 1970, to tender the Government a piece of advice. He said, "(Gambling) involves simply sterile transfers of money or goods between individuals, creating no new money or goods. Although it creates no output, gambling does nevertheless absorb time and resources. When pursued beyond the limits of recreation, where the main purpose after all is to kill time, gambling subtracts from the national income."

Madam President, if soccer betting is legalized, the Government will have to commit more resources to helping the pathological gamblers and to educate our young people on the consequences of taking part in gambling. We must consider all these social problems carefully before we legalize soccer betting. The Economics Department of the University of Illinois, United States, published a thesis on the legalization of gambling in a law and commerce journal in 1996. The thesis points out that after the legalization of gambling, each adult in the United States has to shoulder an average of US\$112 to US\$338 as social costs each year. However, the benefit each adult in the United States gets from the various kinds of gambling-related duties is no more than US\$56 each year. In terms of cost-effectiveness, is it worthwhile to legalize gambling to boost public revenue? Overseas experience tells us that we should not legalize soccer betting simply for the sake of boosting public revenue. The legalization of soccer betting will certainly bring more social problems to Hong Kong. The increase in revenue will never be able to offset the social costs incurred by these problems.

Madam President, I so submit.

MR ABRAHAM SHEK: Madam President, the theme of the Honourable Donald TSANG's last Budget proposal, "Honing our strengths, striving to excel", is indeed most appropriate in these difficult times. One of the greatest strengths of Hong Kong and what attracts businesses to Hong Kong is that, besides its rule of law and being one of the leading financial centre, it has a simple tax regime and low tax rates. The Financial Secretary's final Budget proposal, which is prudent and pragmatic, maintains this principle. The proposal is prudent because no tax relief is being introduced as he did in 1999-2000. It is pragmatic because he is not introducing new tax initiatives to maintain a "balanced" budget this year. The only increases he is proposing are to non-essential items such as duties on tobacco, alcohol beverages, and licence fees on vehicles and driving licences which have not been increased for some years.

The economic performance of Hong Kong last year was one of the best in Asia, and it is something that we should be very proud of. Our gross domestic product (GDP) registered a 10.5% real growth, the highest since 1987. Our fiscal reserves are estimated to amount to \$432.9 billion by the end of March 2001. Although Hong Kong has large fiscal reserves, it has had two budget deficits during the past three years. The deficit was \$23.2 billion in 1998-99

and \$11.4 billion in 2000-01. It is estimated that there will also be a budget deficit of \$3 billion this year. The Government's operating deficits are expected to remain until 2004. What is more worrying is that the United States economy is slowing down and this could have an impact on the Hong Kong economy.

Past experience has proven that it is essential for Hong Kong to maintain strong fiscal reserves and adopt prudent financial management. In 1998, if not for the reserves that we had, the Financial Secretary would not be able to inject \$110 billion of the fiscal reserves successfully into the stock market to stop speculators from routing our stock market and to stop them from taking money away from Hong Kong. Some Asian countries, which unfortunately did not have the reserves that we had, had their coffers emptied by such speculators.

I fully support Mr TSANG's decision not to dip into Hong Kong's reserves and to give the people of Hong Kong another tax relief this year. He is not Santa Claus, he is our Financial Secretary. The Financial Secretary cannot, and must not, give citizens tax relief year after year while we continue to have budget deficits. Hong Kong must maintain a long-term "balanced" budget policy and strong fiscal reserves. This would give confidence to both the public and the international community of the stability and prosperity of Hong Kong.

The budget deficit problem is caused by a drop in land sales, a major source of government income, and an increase in the Government's recurrent expenditure. We cannot keep spending without receiving. The land sales programme has been revised and has brought some stability to the property market. We must continue to tackle the increase in recurrent expenditure so as to maintain a balanced budget now and for the future.

Given the global economic slowdown, domestic demand will increasingly become more important in shaping economic performance of Hong Kong in this and subsequent years. At present, local consumer confidence as well as domestic consumption are rather weak, despite mild pay rises amid improved job market conditions. Volatility both in local and overseas equity markets, which unavoidably affects market sentiment, and significant wealth contraction due to falling residential prices are the major contributors to weakness in consumer confidence and consumer spending. According to some reports, the number of homeowners with negative equity could be as great as 180 000. In addition, hundreds of thousands of families, though they are not suffering from the extent

of negative equity, have lost huge amounts of money in their residential property and assets. From this perspective, a slow and steady rise in the residential property market, both in terms of volume and prices, is crucial to the revival of consumer spending in order to serve as a driving force for the economy to recover.

Latest indications, however, show that the residential market is running out of steam, after having seen a short-lived pick-up in activities during February and early March this year. This is notwithstanding consecutive interest rate cuts and the strongest homebuyers' affordability since 1988. What are the major factors contributing to this deteriorating market conditions? Lack of confidence, in my view, is the paramount important factor behind this renewed weakness in the property market. The "lack of confidence" issue also needs to be addressed urgently as continued property market weakness will further drag down the economic momentum that has already begun to falter.

I understand that in the past nine months or so, the Government has already taken various initiatives and measures to strengthen homebuyers' confidence with an aim to stabilizing the property market. These include more flexible land disposal programme, limiting sales of new Home Ownership Scheme/Private Sector Participation Scheme (HOS/PSPS) flats so as not to exceed 20 000 units a year and lifting some anti-property speculation measures introduced prior to 1997. The market responded positively to these for a while. However, rightly or wrongly, the public at large remains confused about the Government's housing and land policy, thus causing uncertainty that undermines homebuyers' confidence. A continued sluggish residential property market will not only take a toll on the current economic recovery, but will have significant implications on the stability of the banking sector and government finance.

In an effort to re-ignite homebuyers' confidence, there is a need for the Government to make clearer to the public its policy on housing and land. On top of this, specific issues such as the role of HOS/PSPS, the pricing principle of HOS/PSPS flats and the positioning of the Housing Authority (HA) should be carefully reviewed. It is recommended that the HA should concentrate on building homes for the needy so that the Waiting List and waiting time for public rental housing can be further reduced. Homes for other sectors of the population should be left to the private sector and funds so saved should be used to increase the number of loans under the Home Purchase Loan Scheme and the Home Starter Loan Scheme.

With regard to the construction industry, the Government should expedite the approval of the Report of the Construction Industry Review Committee, chaired by the Honourable Henry TANG, and implement the 109 recommendations. This report and the recommendations are fully supported by the industry. The Government should also set up the proposed Construction Industry Board as soon as possible. These recommendations, when implemented, should restore much needed confidence in the construction industry and provide firm support in making Hong Kong physically a world class city.

Another measure which the Government could take to assist the construction industry, which is presently at a low ebb, as well as to make better use of its fiscal reserves for the betterment of Hong Kong, is to invest in the infrastructural projects previously approved by the Urban and Regional Councils.

The problem of budget deficits also needs to be addressed and resolved as the deficits could otherwise worsen because of the challenges posed by economic globalization and slowdown, and China's accession to the World Trade Organization (WTO). These challenges could, however, become opportunities if, as the Chief Executive said in his policy speech, we upgrade our human capital and hone our strengths as a centre for international finance and high value-added services. We must also grasp the opportunities in the development of western China and capitalize on Hong Kong's synergy with Guangdong and the Pearl River Delta and initiate joint developments with enterprises from the Mainland.

On the question of manpower required to enable Hong Kong to excel as Asia's world city, statistics indicate that there will be shortage of 120 000 people with high academic qualifications over the next five years. Many companies are, therefore, moving their offices from Hong Kong to the Mainland and other places in the Asian region, not only because of cost savings but because of a lack of well-qualified staff. To alleviate this problem, the Government has introduced the Admission of Talents Scheme and proposes to revive in modified form the Admission of Mainland Professionals Scheme implemented in the mid-'90s to attract professionals from the Mainland. If we are to further enhance our competitiveness, move to a knowledge-based economy, these schemes are

well needed and should not be feared. Hong Kong has been importing professionals from overseas for years. For example, 20 000 overseas professionals were employed in Hong Kong last year and I cannot see why we should discriminate against professionals and talents from China. Professionals from the Mainland would sustain and strengthen Hong Kong's position as a leading financial and services centre and eventually more jobs would be created, since the schemes would raise Hong Kong's competitiveness, economic potential and growth in the medium to long term. The professionals that we need to attract from China will have qualifications that make them employable in many other parts of the world, and the problem that we might encounter is to attract them and retain them.

Madam President, it is three years since we had the financial turmoil in Asia. There appears to be some light at the end of the tunnel that better times are coming. Hong Kong, therefore, must sustain and maintain its competitive edge in its strength in international finance, education and language which makes us so attractive to foreign entities as a place for their investments and as a doorway to China. If we are not able to maintain our competitive edge, we will no longer be a doorway but a doormat for foreign entities interested in investing in China.

The Budget of 2001-02 is prudent and pragmatic, as I said earlier. Considering that there are uncertainties about the economic performances in Hong Kong and elsewhere (especially the United States) next year, the Budget is the best that we could have under the present circumstances. It is easy for us to criticize the Financial Secretary. I will ask if you were the Financial Secretary, what will you do? Would you be Santa Claus, would you be the godfather, or would you be able to spend the money that he is now spending in protecting Hong Kong? It is nothing shameful to be conservative, nothing shameful to be cautious. The Financial Secretary has achieved that Budget with excellence. Madam President, I support the Bill.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, Financial Secretary Donald TSANG will be promoted to the post of Chief Secretary for Administration very soon, some people think that we should support the last Budget compiled by Mr TSANG in his term of office because we should make it

a happy ending. Despite the fact that some Honourable Members disagree with the theme of the Budget, that is, "honing our strengths" and say that the very nature of the Budget deserves criticism, I believe they will vote in support of it at the end of the day. However, I do not think that most members of the public, including the Financial Secretary himself, would like to see Members of the Legislative Council giving reluctant support to the Budget which has such tremendous impact on society, just because they would like to soothe the ego of the Financial Secretary. Mr TSANG has been the mastermind of our fiscal policy over the past six years. During the period, we have experienced a myriad of changes: we have had the good old days of a bubble economy as well as the terrible times when the bubble burst in the wake of the Asian financial turmoil. Despite these ups and downs in our economy, the hardships faced by the people and the conservative financial management of the Financial Secretary remain the same as ever. In the days of the bubble economy, those people without any property of their own had to resign themselves to exorbitant rents; and those with the money to buy a flat of their own had to spend the greater part of their lives toiling for the developers and the banks. Things turned from bad to worse when the financial turmoil hit the territory, the unemployment rate soared and the number of people in abject poverty just kept on increasing. The grassroots are longing for a helping hand from the Government, but the Financial Secretary is still holding the purse strings as tight as ever and flatly refuses to use the fiscal reserves.

I recall six years ago when Mr TSANG was appointed the Financial Secretary, he made an allusion to Greek mythology to expound on his philosophy of financial management. He mentioned that Charon (sic) sang songs to lure seafarers to their death. Charon being a beautiful sorceress and her songs were enchanting to the seafarers who then died of hunger after listening to the songs. Ulysses used wax to seal the ears of the seafarers and steered the boat past the waters where Charon dwelt. Ulysses also tied himself up on the mast to avoid succumbing himself to the temptation of Charon. The Financial Secretary thinks that Hong Kong is steering into troubled waters and songs like those of Charon can be heard at any time, such as, "spend more, the Government can afford it", "slash taxes to boost the economy", "freeze fees and charges, we have got nothing to fear as we have enormous reserves". All these are so tender, enticing and convincing to the ears of the Financial Secretary, but they are deadly. One just wonders whether he has been using wax to seal his ears

throughout these past six years. All we can hear are public outcries but no response on the part of the Government.

In the wake of the financial turmoil, the public hopes that the Financial Secretary can use the fiscal reserves to ease the hardship of the people. The Budget last year did not make any proposals to raise taxes, nor were there any comprehensive plans to help the some 700 000 people on the verge of unemployment and the some 600 000 struggling in abject poverty. Last year, I criticized the Budget for blind optimism, for the Financial Secretary only knew how to blow the bubbles of a hi-tech new economy. He was trying to make people believe in the false hopes of a new economy, telling them that everyone would benefit from it. But he was actually making them insensitive to their plight, thereby evading the Government's responsibility of helping the people to tide over their difficulties. However, the harsh reality is that the technology bubble burst last year and the myth-making proved to be a total failure. The Financial Secretary had to concede that the technology-based stocks had become "science fiction stocks". With this, the Financial Secretary still refuses to remove the wax in his ears. When the people are calling for the Government to use its huge fiscal reserves of some \$40 billion to increase spending to help the grassroots, the Financial Secretary in this year's Budget only sounds an alarm of an imminent attack by international speculators. Because of this, not a single cent can be used in the fiscal reserves, for these should be set aside to prepare for the attack. The people cannot help but ask, "Can the Government turn a blind eye to the plight of the people living in such difficult conditions, just to prepare for an attack by these international financial plunderers?" The so-called philosophy of fiscal management of the Financial Secretary is being oblivious to the needs of the people, creating panic, clinging to the fiscal reserves, and shirking and evading responsibilities. It can be better described as muffling one's ears while stealing a bell, as the ancient Chinese fable goes, rather than the story of Ulysses in Greek mythology.

No substantial increase in public expenditure is proposed in this year's Budget to boost the domestic economy, while taxes will be raised. These tax items include duties on tobacco and alcohol, which will have a great impact on the grassroots. For the commons, a puff of cigarette and a sip of a beer are the greatest solace they can find in the midst of their plight, the best ways to vent the grievances they harbour against a lame duck government. The increases in tax,

if implemented, will certainly add a heavy burden to the only kinds of pastime they can ever afford. Would that be a proper thing to do? Moreover, I implore the Financial Secretary not to put a halo of morality onto these tax increase proposals. If the Government is really doing anything for the good of the health of the people, it should do something to facilitate increases in the wages of workers, for this will reduce the burden of their lives. If working hours can be brought under some sort of regulation, the workers will not become so fatigued that damage is done to their health. These are certainly the right steps to take.

The Financial Secretary thinks that we will lack talents in technology and finance, and so they have to be imported from the Mainland. He lashes out at those people who oppose the idea, saying that they are being protectionist. He accuses his opponents of blocking the admission of professionals in order to minimize the competition faced by the young people of Hong Kong. They are well-intentioned, but will only screw things up. But his allegations are in fact meant to cover up the contradictions in his policy. Since there is a shortage of talents, then why is university funding slashed? Why are undergraduate places kept at 14 500 and no more? Is that not self-contradictory? Way back in 1994, the idea of admitting professionals was proposed, for the shortage in talents was detected at that time. But over the past seven years, what has the Government done in education and training? The admission of professionals only shows the "instant noodles mentality" of the Government. For whenever there is a shortage of talents, it will only propose to import talents, which the Government has never paid any cost in training. It is only enjoying a "free lunch" by admitting professionals, while it will reduce university funding without any twinge in conscience. That is really killing two birds with one stone. In the Radio Television Hong Kong programme "Letter to Hong Kong", the Financial Secretary mentioned that once the fiscal reserves became less and when a financial crisis of the magnitude of those in 1997 and 1998 happened again, the people of Hong Kong would have nothing to fall back on. He further queried whether it was fair to make the welcomed move of cutting taxes and spending more, because our next generation would have to suffer a heavy burden. Madam President, I would like to ask, if the Financial Secretary is so adamant in his refusal to use the reserves and to admit professionals into Hong Kong in place of locals and cutting university funding, would that also be fair to our next generation?

Madam President, over the past few years, the Financial Secretary has adopted a very conservative philosophy of fiscal management, and tightened public expenditure incessantly. In the wake of the financial turmoil and in the face of the grassroots who need help so badly, what the Financial Secretary did last year was to conjure a hi-tech illusion and told the people to indulge in a collective dream of a rosy future ahead, thus doping them into insensitivity to their present pain. This year, he is calling on the people to lead an ascetic life and get prepared to fight the international financial plunderers. All these calls stem from the Financial Secretary's undying wish to hold onto the fiscal reserves. As a matter of fact, if we increase the real growth in the recurrent expenditure of the Government from 2.5% to 4%, that will mean only an increase of about \$3 billion, but it will create a lot of employment opportunities. Take the recycling industry which we have been stressing as an example, it is estimated that at least 16 000 jobs can be created if only the Government can lend its support. So why does the Financial Secretary cling to the fiscal reserves so badly and refuse to use them? The amount of \$3 billion is a tiny sum when compared to the some \$400 billion fiscal reserves. Can we not defeat the international financial plunderers without the \$3 billion in our coffers? Over the past couple of years, with the economic difficulties we have been facing, the people long for a government which is sympathetic to their plight. It makes me think of President Franklin D. ROOSEVELT, who did much to revitalize the American economy at the time of the Great Depression in the 1930s. In his second inaugural address he said, "The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little." Madam President, I should like the Financial Secretary to know that the test of our prosperity and progress does not lie in how much reserves we have in the public coffers, nor does it lie in the growth of our economy on the surface, but whether the public at large can live an affluent and dignified life. For the Financial Secretary who is about to be promoted to the post of the Chief Secretary for Administration, another remark made by President Franklin D. ROOSEVELT will perhaps suit the occasion very well. It says to the effect that it is only partly true to say that the office of a president is an executive position, what matters more is that it is a position of moral leadership. Madam President, I hope that Mr Donald TSANG, who is about to assume leadership over the 180 000-strong Civil Service, will brace up yet greater courage, especially moral courage, make a greater commitment, be more sensitive to the needs of the people, more sympathetic to their hardship and give more protection and warmth to the lives of the people of Hong Kong.

Madam President, I so submit.

PROF NG CHING-FAI (in Cantonese): Madam President, many people say that the 2001-02 Budget contains neither shocks nor sweeteners. The New Century Forum (NCF) thinks the Budget is consistent with the style of making an effort to achieve a balanced budget demonstrated all along by Mr Donald TSANG since he took office as Financial Secretary six years ago. For the first time, however, there is mention in the Budget of Hong Kong grasping the opportunities brought about by recent developments in China. This is applaudable. Indeed, with the imminent accession of China to the WTO, there will be a host of new opportunities and challenges for China and even Hong Kong. The economic development of Hong Kong is closely related to that of the Mainland, and this will continue to be the case in the future. The vision of the Budget extends from Hong Kong to China and its idea of Hong Kong strengthening its economic integration with China is timely and exciting.

In discussing the development of Hong Kong, we cannot ignore the importance of human resources. As I said in the motion proposed by me in this Council on 28 February, we should urge the Government to expeditiously formulate an effective human resources policy. My proposals covered ways to nurture local talents, enhancing the quality and competitiveness of local human resources, and admitting talents from all directions to work in Hong Kong, including professionals from the Mainland and students from the Mainland studying in our universities.

Recently, the community has shown some rather vigorous reaction to the admission of mainland professionals. However, I think two recent events are noteworthy. First, Oracle, the second largest software company in the world, said it was considering moving its Hong Kong-based Asia-Pacific business centre to Shanghai. In addition to the high cost involved in maintaining a base in Hong Kong, it cited the lack of sufficient professionals in Hong Kong as one factor causing the company to make the relevant consideration. Another event is the announcement made by Boeing, United States, of its intention to abandon the headquarters in Seattle, which it has been using since the company was established in 1915, for another suitable site. The company is also planning to move its production line for its Boeing-757 planes from Seattle to Kansas, the reason being its dire need for more talents and a better business environment.

From these examples, we can see that globalization of the world economy and the major trend of new economy have made capital and production lines extremely mobile. Only those regions with the most talents and the best business environment can keep the best investors or attract new ones, thereby achieving sustainable economic development and creating more job opportunities. Even within the same country, investors will choose the districts with the optimum conditions for investment. For this reason, many places in the world, such as Australia, Israel and even Singapore, are trying to entice professionals. In the Mainland, many provinces and municipalities, such as Shanghai, Shenzhen and Suzhou, are beginning to understand the importance of talents and have therefore been admitting, through various means, talents from the rest of China.

In Hong Kong, just as pointed out in a research report prepared by the Education and Manpower Bureau last year, we would be short of nearly 30 000 talents with university education or above in the next five years. If we stick to the protectionist mentality by refusing to admit mainland professionals, some people in some of the sectors may continue to enjoy high salaries due to limited supply of relevant professionals in the short term. In the long run, however, investors may move to other regions due to a shortage of local talents and excessively high salaries increasing at too fast a rate. They may move to areas with more talents. So, protectionism will ultimately make people lose their jobs. Indeed, in the last couple of years, many information technology companies have started to contract out part of their work to mainland companies. Some have even moved part of their business to the Mainland. As we all know, companies which have moved away from Hong Kong seldom return.

Moreover, the Hong Kong labour market is never a closed one. Many talents from Europe and the United States and even India can come to work in Hong Kong so long as they can find employers here. In the last two years, the number of entry visas issued by the Immigration Department have been maintained at about 15 000. Hence, we need not treat mainland talents differently.

Nevertheless, Madam President, we need to understand that there are indeed some debatable details in the scheme proposed by the Government.

Under the Admission of Mainland Professionals Scheme (AMPS), applicants need to possess only a first degree but not any relevant working experience. This will theoretically provide an opportunity for mainland fresh graduates without any working experience to come to work in Hong Kong. To local university graduates and some professionals with short working experience, the AMPS naturally poses a threat to them.

In addition, the Government has not set a ceiling for admission. Some people therefore worry that the Government may continue with the admission even if local employment is being adversely affected. The worry is totally understandable.

In fact, the NCF has been advocating reference should be made to the academic qualifications of the 236 universities under the Admission of Talents Scheme when admission of mainland professionals is relaxed. The relevant talents should, in general, I stress, possess several years' relevant working experience. Initially, the Government should determine a threshold at which it will review the AMPS. For instance, it should immediately review the AMPS after 5 000 or 8 000 talents have been admitted, or after a year into the implementation of the scheme to see if there is any abuse of the AMPS or adverse effect on the job opportunities of local people. I do hope the Government will give some serious thought to my suggestion when formulating the details of the scheme.

Nurturing local talents is another issue of paramount importance. In the long term, local talents should form the core of the workforce. Talents admitted from outside Hong Kong should serve a complementary role only. Madam President, local tertiary institutions have expanded rapidly over the last decade or so, at the request of the Government. Admission of new students has tripled or more than tripled. To achieve the targets, colleagues working in these institutions have made great efforts and sweated a lot. Moreover, with minimal increases in research funds, most of us have managed to do their best to teach and conduct research simultaneously. Thus, the academic standards of our institutions have been enhanced enormously as a whole. Despite the mounting pressures felt by many colleagues in these institutions, it would be fair to say that local universities have reached world standards in a number of research areas, though there are some occasional drops in teaching standards in some cases. Under these circumstances, and as Hong Kong moves towards a knowledge-based economy and craves for quality talents, many local universities

have become closely related after undergoing a three-year Enhanced Productivity Programme (EPP). But then, the Government is now saying that university funding has to be cut further. This is inconceivable, even though the issue was discussed with some vice-chancellors several years ago. This is simply inconsistent with the needs of our community today. I have therefore pointed out repeatedly, and I still want to point out now, that the Government should try its best to compensate our universities in the next three years for the funding already cut. I wish to mention at this juncture, as requested recently by many of my colleagues in several institutions, that university staff, though not particularly fragile emotionally, were disheartened to hear the high-sounding comments made by some senior government officials who lacked an adequate understanding of university education in Hong Kong. They do not want to hear similar wrongful remarks again. Actually, rather than cutting our funding, what the Government should do is to promote more research conducted by tertiary institutions in collaboration with businesses or government departments, so that the talents in our institutions may be more fully utilized to bring more benefit to the development of the community. This is then the real meaning of EPP.

Madam President, the NCF agrees with the comment in the Budget about the need for Hong Kong people to be aware of the challenges which we face. After the financial crisis, I think the people of Hong Kong should have developed, to a certain extent, a sense of adversity awareness. Many people are pondering upon the future of Hong Kong — its economic restructuring, social development, positioning, or ways to maintain its original edge and at the same time develop new ones in a competitive environment. Many are concerned that Hong Kong may lose out to other cities or regions due to complacency. We must stay positive and endeavour to enhance the competitiveness of Hong Kong.

In this context, the Budget may thus appear to be quite conservative and lack a long-term, comprehensive and detailed economic policy. It fails to apply a strategy for management of public finances to give impetus to the economic restructuring of Hong Kong. Nor can it face squarely up to the undue reliance of the Hong Kong economy on the service industry to the neglect of industrial development.

The NCF is of the view that more observation needs to be done to find out whether the deficits are structural in nature. We are, however, certain that there are problems with the economic structure of Hong Kong. Thus, apart from considering adjustments in individual tax items, the Government must

employ a flexible taxation policy to promote economic restructuring. Specifically, the Government should grant tax concessions to some strategic industries. These industries include those which may provide an impetus for economic development and create trades that may absorb a large number of lower-skilled labour. A list of such industries have been produced by a research conducted by a consultancy firm commissioned by the Commission on Innovation and Technology and the Commerce and Industry Bureau some time ago. The list includes high-technology industries, chips manufacturing industry, multinational enterprises with their headquarters in Hong Kong, biotechnology, Chinese medicine, and so on. Furthermore, the Government should grant more tax concessions to enterprises in respect of the research and development expenses they incur. It should also assist industries that can create job opportunities for lower-skilled labour, such as home service teams for the elderly and environmental protection-related trades such as the waste recovery industry.

In the long run, after the economy has fully recovered, the Government should explore ways to suitably broaden the tax base. It should formulate a set of green tax policies that are comprehensive and complete enough to meet the demand for developing a better environment in Hong Kong.

Madam President, the Financial Secretary has been adhering to the principles of fiscal prudence and free economy for several years. Undoubtedly, this is one of the reasons for the past success of Hong Kong. However, it seems to me that he is too obsessive with the principles to respond to changes in the new situation. Globalization of the world economy has given rise to keener competition among neighbouring regions. Such competition can be described as very cruel indeed.

The NCF wishes to see a flexible taxation policy to promote economic restructuring and development, at the same time as the new Financial Secretary adheres to the principles of fiscal prudence and free economy. The policy should set the scene for a concrete macro strategy for economic development in the long term. If this can be achieved, the economy of Hong Kong will move forward into new horizons. At the moment, despite reported recovery in the economy of Hong Kong, the United States and Japanese economies happen to enter a slowdown or even a recession. Hence, it is difficult to find any smile on the faces of the people of Hong Kong who are confronted with uncertainties in the economic prospects. So, it is not without reason that the reaction to the admission of professionals has stemmed from fear. Let me quote, however, from one of the many famous quotes of ROOSEVELT, a former president of the

United States: "The only thing we have to fear is fear itself." The people of Hong Kong must have faith in themselves. They must rise to meet future challenges by keeping the initiative in their own hands. We have certain expectations for the new Financial Secretary and the new Chief Secretary for Administration. We are also expecting adroit leadership from the SAR Government as a whole.

I so submit.

MR SZETO WAH (in Cantonese): Madam President, the last Budget of the incumbent Financial Secretary who will soon be promoted to Chief Secretary for Administration is wrapped in a specially designed cover — it is yellow in colour — yellow like gold, gradually changing to white from bottom to top. It is said that this implies "getting better".

Who exactly is "getting better"? Is it you, I or everyone is "getting better"? To answer this question, we need look no further than turning the cover upside down. It is yellow on top — yellow like gold, gradually changing to white from top to bottom. It symbolizes the upper classes of society — big consortia, big enterprises and big businessmen, who have billions of dollars and lots of gold. However, as we move down, the assets become less and less and it is a complete blank at the bottom.

While the Government keeps saying that the Hong Kong economy has recovered, no one can deny that the general public has not benefited from such recovery. Instead, they are still suffering from the painful consequences of the financial turmoil. Recently, the unemployment rate has risen again and deflation has reappeared. People with negative assets are still in dire straits. The economy of the United States, the largest importer of Hong Kong products, is showing volatilities and threatens to head for a recession. Its future is rather uncertain. Besides, China's imminent accession to the WTO will bring both positive and negative impacts on the Chinese economy. At this point, the Budget suddenly announces the Admission of Mainland Professionals Scheme. In my view, this Scheme will cause the white part to grow bigger on the Budget's cover turned upside down. While the Admission of Talents Scheme previously introduced had never been carefully reviewed, this scheme has not undergone any consultation. Everything was carried out in the dark and the Admission of Mainland Professionals Scheme is introduced all of a sudden. Anything that comes out of the dark cannot be any good.

This Scheme has no ceiling on the number of persons to be admitted. It has not set a time for review or minimum wages. There is no vetting mechanism, nor are there specific requirements with regard to qualifications. It will "initially" apply only to the information technology and financial services sectors. We must pay special attention to the word "initially". It implies that the Scheme will be extended to other professions or even all professions and services in the "medium" and "later" stages. The implementation of this Scheme will be a nightmare to all employees in Hong Kong.

Senior government officials have said that the mainland professionals to be admitted will be earning a monthly salary between \$10,000 to \$30,000. At present, who fill the posts that are paid such salaries in Hong Kong? They are filled by university graduates, secondary school graduates who have been promoted after showing good performance and accumulating years of experience, and people with lower academic qualifications who have upgraded their skills through retraining or self-learning. The Admission of Mainland Professionals Scheme will pose a huge threat to their jobs, prospects of promotion and pay rise and opportunity of improving their standard of living.

These people are not the only ones who are being threatened. The people around them and those above or below them will also be affected. Some of these people will be forced to take up posts that offer a lower rate of wages. This will increase the competition for such posts and the relevant unemployment rate. The salaries of posts above those to be filled by mainland professionals will also be suppressed because of the influx of these professionals. The people who hold those jobs can be considered as the middle class and they will not have a very bright future either.

It is said in the Budget that the professionals to be admitted will meet the companies' immediate operational needs. In what way will they help immediately? The most obvious way is by keeping wages down in general, lowering operating costs and thereby increasing the profit. As a result, the yellow part on top of the cover turned upside down will turn a deeper yellow, while the white part underneath will not only become whiter, but will also move upwards gradually.

The argument for the introduction of the Admission of Mainland Professionals Scheme is that "Hong Kong will face a shortage of as many as 120 000 people with high academic qualifications over the next five years". We cannot but ask, "Who is to blame for not having foreseen this shortage in time in

order to enhance and develop tertiary education and training in Hong Kong?" Five years are not a short time. If we enhance and develop education now, could we reverse this shortage after some time? According to the manpower projections, there will be a surplus of 140 000 workers with low academic qualifications. If we do not upgrade their skills to keep up with the economic development and restructuring, are we going to flush them into the sewer and the sea?

What is scandalous is that while the Government loudly proclaims a shortage of talents with high academic qualifications, it is cutting university funding and the number of university places, running counter to the correct course. In reply to a question on this, the Secretary for Education and Manpower said that the cut in the number of university places was necessitated by insufficient qualified secondary school graduates in Hong Kong. Let me ask further, "Who is to blame for the shortage of qualified secondary school graduates? Who is the highest authority accountable?" Apart from admitting mainland professionals, do we have to admit mainland secondary school graduates and primary and secondary school teachers as well? Do we have to admit a secretary for education and manpower and a director of education from the Mainland?

The bubble economy of information technology has burst. More and more technology and Internet companies are shrinking, retrenching and closing down. From time to time, we hear news about the retrenchment of staff by banks which intend to relocate their base. Does Hong Kong really need to admit professionals in these two disciplines without imposing any ceiling, time limit, minimum wages, vetting mechanism or qualification requirements?

China will soon accede to the WTO and will be developing the Western Region. Will there not be a great demand for professionals as well? Is it not "wishful thinking" on our part to want to admit mainland professionals?

What worries me most is: if we admit mainland professionals, it will destroy the prospects of our next generation, reduce their incentives for industry and undermine their sense of belonging to Hong Kong. If so, will we not be letting them down? Their disillusionment and sense of frustration will have very serious and far-reaching consequences.

Madam President, I so submit. As to how I will cast my vote, our party chairman, Mr Martin LEE, already made a very clear stand yesterday.

MR LEE CHEUK-YAN (in Cantonese): Madam President, this is the last Budget prepared by the Financial Secretary during his term of office. Allow me to speak frankly to the Financial Secretary as always, even though "truth is impolite", as the Financial Secretary says. The heading of this year's Budget was praised by Premier ZHU Rongji for its "high standards". However, I do not aspire to the standard of the Financial Secretary, but only that of the ordinary man in the street. This year, my answer to the theme of the Budget "Honing Our Strengths and Striving to Excel" is "Slamming the Principles of the Budget and Exhausting Ourselves in Poverty". While slamming the Budget, we should bear in mind the principles of the Budget, which is "miserly and conservative", which "jealously guards the fiscal reserves and refuses to spend where spending is due despite ample means".

When I say the Government refuses to spend even though it has ample means, I mean that while the Hong Kong economy is forecast to achieve double-digit growth, the growth of the Government's recurrent expenditure this year will not exceed 2.5%. As I recall, when the Hong Kong economy saw negative growth in 1998, the Financial Secretary did not hesitate in reducing the growth rate of the expenditure for 1999-2000 twice. The purpose of such a fiscal philosophy which is "quick to tighten the purse strings and slow to loosen them" is only to enable the Government to prepare the largest dowry since that of Cleopatra, so that the Financial Secretary can proudly leave fiscal reserves of an astronomical amount to his successor.

The Financial Secretary may feel very happy when he looks at today's accounts and the 12-digit fiscal reserves. But if we do not spend where spending is due today, we may have to repay the principal together with interest at double the amount in future. I wonder if the Financial Secretary will feel happy then. In this respect, we would do well to refer to some history:

During the '60s, Hong Kong did not have universal education. The then Financial Secretary John COWPERTHWAITTE was quite happy because he did not have to worry about a huge education budget. But today, there are some 1 million to 2 million adults in our population who did not receive junior secondary school education. That is why they are not happy at all.

In the '70s, people began to fight for retirement protection for everyone. When this was rejected by the Government, the then Financial Secretary, Sir Philip HADDON-CAVE, was quite happy too since there was no need to spend any money. But today, due to the ageing population in Hong Kong, a million or so elderly persons may have to queue up for Comprehensive Social Security Assistance (CSSA) payments. The elderly are not happy at all.

During the '80s, the community made repeated calls on the Government to formulate a long-term industrial policy to help the manufacturing industry develop towards high added value. But the Government turned a deaf ear. The then Financial Secretary, Sir John Henry BREMRIDGE, was happy since there was no need to spend any money. But are people happy today when industries have failed to add value and are relocated to the north?

During the '90s, over a million workers were in danger of being displaced because of the relocation of industrial processes to the north. When the labour sector called on the Government to formulate a comprehensive retraining policy to help workers switch to other jobs, the Government would not be drawn in. Financial Secretary Piers JACOB who did not have to spend any money was as happy as could be. But today, the unemployed workers are not happy at all.

Yesterday's "happiness" has painful consequences for the community today. The Financial Secretary's "happiness" today will have painful consequences for the community tomorrow. If the Financial Secretary is willing to increase expenditure and invest in the community today, such as increasing job opportunities and investing in training, education, social services and environmental protection, we will reap the fruits tomorrow. It will bring us a sizeable economic and social return. However, the Government refuses to spend where spending is due or make suitable social investments, especially in training and education. The economic restructuring will soon affect the local labour market. Not only are low-skilled workers being threatened, but middle-level clerical posts are also at risk.

Despite this, the Government refuses to make a strong commitment in respect of vocational training. It is true that the Government has made a lot of efforts, implementing all kinds of programmes such as retraining courses, the Youth Pre-employment Training Programme, a special job attachment programme, the Workplace English Campaign, the Intensive Employment Assistance programme, the Skills Upgrading Scheme and the Re-employment

Pilot Programme for the Middle-aged. This year, it will organize various training programmes for small and medium enterprises (SMEs) and there is also a \$72 million adult education programme. While there seems to be all sorts of programmes, how useful are they? They are nothing but window-dressing and decorations here and there. If we want to solve the structural unemployment problem and upgrade the skills of local workers in general, these are not measures that can really "hit the nail on the head" — to quote the famous words of the Financial Secretary.

Let me reiterate the long-standing suggestion of the Hong Kong Confederation of Trade Unions (CTU), that is, the Government should allocate a one-off sum of \$10 billion from the fiscal reserves to set up a vocational training fund and formulate a comprehensive post-employment training policy. This policy should ensure that each employee can acquire basic skills, establish a system of training leave and allowance, and subsidize the training of workers with middle-level or low skills in general. I hope the Financial Secretary will consider this. The CTU also calls on the Government to rescind the decision to cut funding for tertiary institutions by \$2 billion, in order not to affect the quality of education. We also hope the Government will fully subsidize pre-primary education, the cost which only amounts to \$3.2 billion. These items of training and education are worthy investments.

Next, I wish to talk about the jealous guarding of the fiscal reserves. When I accused the Financial Secretary of "jealously guarding the fiscal reserves", the Financial Secretary retorted that were it not for the some \$400 billion fiscal reserves, we would not have been able to repulse the speculators in 1998, and Members would not have been able to give him a good dressing down here. Maybe the Financial Secretary was so blinded by anger that he forgot he had not intervened in the market with the fiscal reserves. Instead, he used the \$1,000 billion Exchange Fund (which is not the same as the fiscal reserves) by virtue of section 3(1A) of the Exchange Fund Ordinance to maintain the stability of the monetary and financial systems of Hong Kong. Although the fiscal reserves are placed in the Exchange Fund, they should not be mixed up. More importantly, even if the fiscal reserves were only half the amount, that is, if they totalled only \$200 billion, there would still be some \$400 billion in the Exchange Fund at the Government's disposal to intervene in the market, discounting the amount required to maintain the assets of the Fund that was not disposable. In any case, it would be far from the truth to say that we could only repulse the international speculators because we had some \$400 billion fiscal reserves at our disposal.

Nevertheless, whenever Members call on the Government to dip into the reserves to make social investments, the Financial Secretary will stress that the stability of the financial system can only be maintained with the availability of substantial fiscal reserves. The Financial Secretary also reminds Members from time to time that the fiscal reserves are very close to the lower end of the range announced in 1998. It seems that the Government still finds the reserves inadequate and cries for help even though they stand at over \$400 billion. But the question is, the Financial Secretary has never made clear the rationale behind the guidelines for the fiscal reserves. In particular, we still find the adoption of M1 money supply as a benchmark in these guidelines incomprehensible.

Under the existing arrangements, note-issuing banks are required to pay to the Exchange Fund the equivalent of the face value of the notes issued in foreign exchange as a guarantee for the issue of Hong Kong dollar notes. This essentially provides a first line of protection for the stability of the exchange rate. If this is still considered insufficient and double protection is required, we have the investment return of the Exchange Fund, which has accumulated to a sizeable amount over the years. This accumulated surplus stands at over \$300 billion, exceeding the M1 money supply which is over \$200 billion. This accumulated surplus provides a second line of protection. What economic theory is the Financial Secretary applying when he deems it necessary to reserve an amount equivalent to the M1 money supply in the fiscal reserves as a third line of protection? I hope the Financial Secretary will note that experts say that "wearing three safety helmets or using three condoms will not provide triple protection". Do we really need to maintain such huge fiscal reserves?

By refusing to spend where spending is due despite ample means, the Financial Secretary inspires the second theme I wish to talk about this year, which is "Exhausting Ourselves in Poverty". In the Budget speech, the Financial Secretary mentioned that poverty and the question of wealth gap in Hong Kong had attracted attention. But he went on to say that this was a common phenomenon all over the world and tried to shirk all responsibilities. The Financial Secretary did not go into the reason why the wealth gap in Hong Kong is the widest among developed countries in the world and why the income difference between the poorest and the 10% richest people widened by 100% in a short span of 10 years, from 10.8 times in 1990 to 19.2 times in 1999.

This is no doubt the result of "refusing to spend where spending is due despite ample means" and the lack of long-term social investments mentioned just now. It is also the result of the Government's economic and social policy in recent years which sides with consortia to oppress the grassroots. In order to save costs, the Government implemented false reforms that take away the jobs of civil servants, introduced the lump sum grant arrangement for subvented organizations and contracted out government services on a large scale, thus creating low-paid jobs. These services used to be provided by civil servants earning a monthly salary of about \$10,000, which is not excessive. After the services are contracted out, how much are the contractors' workers earning now? They are earning only \$5,000. How can one live with only \$5,000 a month? This is the result of outsourcing. The Government pays the contractors, while the workers only earn such meagre wages.

Another example of creating poverty is the jobs created by the Government to help the poor. It started as a well-intentioned measure to create jobs with a monthly salary of \$6,950 in community service organizations. However, these organizations have to dismiss several staff members before they can offer such a job. How does this help the poor, when several people have to be dismissed in order to hire one person, thus producing a few more poor people? These are the principal causes of the rapid widening of the wealth gap. With such a persistent serious wealth gap problem, it will only serve to divide society and create hostility. One day, the strength of the community will be exhausted. This is called "Exhausting Ourselves in Poverty".

The Financial Secretary also said that everyone could improve their livelihood through upward mobility as long as they strove to excel. He seemed to be passing the buck against to the individual. Maybe the Financial Secretary is not aware that many low-paid workers are facing increasingly long working hours and sinking wages. They are already expending all their time and strength to get a mere subsistence. When the Financial Secretary asks them to strive to excel, it sounds like sarcasm. This brings out a very important question. In English, they say "work to live or live to work". Do we work in order to enjoy life, or do we exist merely for work? It seems that many grass-roots people exist merely for work. When wages are as low as \$7 or \$10 per hour and one has to work 12 or even 14 hours a day, is the meaning of life not confined to earning two meals daily? This is the second implication of

"Exhausting Ourselves in Poverty". There is a third implication. At present, not only are individuals exhausted, families are also falling apart. The Government contracts out its services and employees are now "contracting out" the work of taking care of their families. The work of caring for young children is contracted out to domestic helpers. When children grow a bit older, they are handed over to schools. If they do not have a good upbringing, they are handed over to the police, and then social workers. When our families and our marriage are contracted out, what is left of our society? If we are exhausted by our work, and our families begin to fall apart and society becomes divided, what would be left? Thus, "Exhausting Ourselves in Poverty" means that everyone, including the community, is exhausted.

As Members know, the CTU has been fighting for the setting up of minimum wages and the regulation of working hours. As Members also know, the Financial Secretary and we have quite divergent views. Today, I dare not hope that my differences with the Financial Secretary will disappear in a day. However, can the Financial Secretary at least ensure that the minimum employment standards are built into the outsourcing programme? This means disqualifying bidders who pay excessively low wages and require workers to work excessively long working hours, instead of helping them to exploit workers with public money, which would be outrageous indeed. I have always longed for the opportunity to be able to vote for the Financial Secretary's Budget. This year is the last chance. Let us see if the Financial Secretary would give me the opportunity.

Last, in keeping with the spirit of "Slamming the Principles of the Budget", I have to criticize the Financial Secretary's philosophies of governance and fiscal management. In my view, the Financial Secretary only sees the free market economy. He believes in the free market economy almost like a religious fanatic. The Financial Secretary has become the high priest of the free market economy. He believes blindly in it, neglecting the damage it does to human society. We should find a balance between the market and society. However, we have now totally lost balance. The paradox is that while the market runs ever more smoothly and develops more rapidly under the new economy and does not need government intervention, the social problems engendered by the rapid market changes call for forceful intervention by the Government. Under the new economy, people should have more consumer choices just by a click of the

mouse. But since they have become poorer as a result of being displaced by the market, they have less choice instead. When the general public are working long hours for low wages and their jobs are insecure, and when human beings are enslaved by work, what choices do they have in their lives? What is the use of clicking the mouse? At the same time, the market has created more social divisions. Banks differentiate between rich and poor accounts. Employees are divided into professionals and non-professionals, permanent and temporary staff, and civil servants and non-civil servants. We also differentiate between Hong Kong people and new immigrants. Our society is divided in the extreme.

Seeing a string of social problems, the CTU calls on the Government to find fundamental solutions and seek a new balance between market value and human value. That is why the CTU advocates setting minimum wages, regulating working hours, the right to collective bargaining, subsidies for low-income households and unemployment insurance. I hope the Government, or the Financial Secretary, will stop market forces from doing harm to humanity unrestrained. Unfortunately, the Financial Secretary, high priest of the free market economy, see my suggestions as scourges. Let us keep our eyes peeled. Society has become more and more unstable. Hostilities and ill feelings are growing all the time because the Government refuses to intervene. Sooner or later, this social bomb is going to explode.

However, my greatest worry is that the Financial Secretary designate — "Sir Chung" — may be even worse than Mr Bowtie Secretary. The past comments of "Sir Chung" show that he is an even greater believer in the supremacy of the market and a dedicated upholder of elitism. I fear that after he comes into office, he will preach the religion of free market economy even more vigorously and thoroughly, so that people will have even less breathing space. By then, we might find that the former Financial Secretary is the more likeable in comparison.

Madam President, after all this "slamming", I hope the Secretary will take what I said as the "impolite truth". Even though our views may be diametrically opposed, I am sure we can still respect each other and continue to argue with each other.

Thank you, Madam President.

MRS MIRIAM LAU (in Cantonese): Madam President, the Chinese authorities have decided to develop Western China and China will be acceding to the WTO very soon. In the Budget, the Financial Secretary spent quite some length on explaining why Hong Kong has to grasp the business opportunities brought about by China's accession to the WTO and its large-scale development of the Western Region, and that Hong Kong has to step up co-operation with the authorities in the Pearl River Delta. The strengthening of the infrastructural link between Hong Kong and the Mainland is certainly no cause for complaint. However, all these are simply empty platitudes rather than new viewpoints, and from which, we cannot see any new measures either.

We all know that right at our doorstep is a vast expanse of treasured land, and we have a "compass" pointing us northwards. But what we lack is a map, telling us the different roads ahead. At present, it seems that we are in the middle of a jungle, beset with crises. We must have an appropriate sense of crisis. We must be well prepared and stand united in order to turn danger into safety, adversities into opportunities. However, in order to get out of the jungle unscathed and to reach the treasured land, we will feel at a loss and can only take a step at a time without a map in hand. The sense of loss of direction among the people of Hong Kong will not subside just because of a few honeyed words. What Hong Kong people urgently need are concrete strategies, material actions and specific measures.

The ports in Hong Kong are now facing keen competition from ports in neighbouring countries and on the Mainland. The major container terminals on the Mainland recorded a throughput of 22.68 million twenty-foot equivalent units (TEUs) last year, an increase of 37% compared to the previous year. It is a historic high. The port of Yan Tian, for example, took off rather late though, its speed of growth has been astonishing. In 1996, it only handled 600 000 TEUs. But last year, the number rose dramatically to 4 million TEUs. As regards logistics service, both Hong Kong and the Mainland are taking the very first step. Nevertheless, looking at the performance of container terminals on the Mainland, the logistics service of the Mainland could well surge ahead. Some experts on the Mainland even point out that the development of logistics service in Shanghai may surpass Hong Kong within 10 years.

According to a study report entitled "The Two Cities: Shanghai • Hong Kong" released by the Hong Kong Trade Development Council recently, if Shanghai still maintains its high speed of growth in the future, its GDP will

surpass that of Hong Kong in 15 years' time. With China's accession to the WTO, competition between ports of Hong Kong and ports of Shanghai and on the Mainland will be much keener. The same applies to the competition between ports of Hong Kong and the ports of neighbouring countries. If Hong Kong is to maintain its competitive edge, what should we do?

Looking at the current global trend, if we are to maintain our competitive edge, we must develop logistics service at full steam. Although we have the general direction, how are we going to proceed in order to attain our goal? As China is acceding to the WTO, the whole world is now eyeing covetously at this vast market. If Hong Kong is to fight for a bigger market share at an early stage of China's accession to the WTO, there is already not much time left for preparation.

However, the Government still holds firmly onto the market-led philosophy of fiscal management. Although the Government says that we have to enhance logistics efficiency between Hong Kong and the Mainland, it is only confined to the provision of transportation infrastructure. For instance, a few more checkpoints may be constructed or one or two more roads may be built at the border. The effectiveness of transport infrastructure is, of course, affirmative. But it can only be realized in a few years' time, and by that time, the China market may already be snatched by others. Furthermore, logistics service relies not only on hardwares, it also needs software, together with training of talents. Therefore, what Hong Kong urgently needs is initiation by the Government, embodied in concrete strategies, actions and measures. It should strive to implement policies that are conducive to the development of logistics service, fight for sources of goods on the Mainland, and seek more room for development of our logistics service sector on the Mainland.

Although the Government emphasizes that it will not practise planned economy, in fact, it has proposed to construct the Disney theme park to promote tourism, and the Cyberport Project to promote the development of information technology. If we solely rely on the market-led mechanism, these projects will not have been initiated by the Government. And in fact, the introduction of these projects by the Government can serve a positive function of stimulating the development of the related industries.

Besides, the logistics service encompasses the land, sea and air, and it also involves different government departments. As the saying goes, a snake cannot crawl without a head. If we are to develop logistics service at full steam, there must be a responsible institution or department to concentrate its efforts and make a good job of it. In view of this, certain cities in the Mainland have already set up some organizations to co-ordinate various policies on the logistics service industry from different departments. On the Hong Kong front, insofar as policy is concerned, the logistics service involves quite a number of government departments including the Airport Authority (AA), the Economic Services Bureau, the Hong Kong Port and Maritime Board, and also the Information Technology and Broadcasting Bureau, the Education and Manpower Bureau, the Transport Bureau, the Planning and Lands Bureau, the Security Bureau, and so on.

Hong Kong has the basics for land, sea and air freight transport. However, no matter they be government departments or private organizations, they all operate separately. While the AA develops the land, sea and air freight transport and logistics centres on its own and conducts its own studies, the Hong Kong Port and Maritime Board together with its Committee on Logistics Service Development also conduct studies and promote the development of logistics service in Hong Kong. Nevertheless, in reality, by entrusting a committee under the Hong Kong Port and Maritime Board which is under the Economic Services Board with the co-ordination of six or seven Policy Bureaux of the Government in promoting this kind of work, it is entrusting it with an immensely difficult job indeed.

I do not understand the situation. The airport is managed by the AA which has enormous resources and powers, while land transport is managed by the Transport Bureau which has solid powers in policy making. However, while Hong Kong has for many years been reputed as the first container port in the world, it is only being assisted by the purely advisory Hong Kong Port and Maritime Board which has no actual power, no resources. In order to promote the development of logistics service, there must be an effective and interlinked land, sea and air freight transport system, and the departments and organizations concerned must not work in isolation. The Government should also consider upgrading the functions of the Hong Kong Port and Maritime Board, so that it could work with its corresponding Policy Bureaux and could further play the role of the co-ordinator. As a result, the work of different departments could be organically linked together in promoting the logistics service.

Another obstacle in developing the logistics service is land. On the Mainland and overseas, our competitors see clearly what our weaknesses are. In the Hong Kong airport, two logistics centres are being constructed. If we compare them with the logistics centres in the airports of Europe, the United States and even Singapore, they really pale into insignificance. In order to solve the land problem, the Government can allocate land from Northern Lantau near to the airport and the development areas in Northwest New Territories for the purpose of logistics service. The Government can also consider making use of some existing buildings to provide or to facilitate the more effective provision of logistics services. Take Tsuen Wan and Kwai Ching districts as examples, there are currently many vacated industrial buildings. Can these buildings be redeveloped or converted by the Government so that they can be used for logistics services? However, the most important point is that when the Government develops logistics centres, it must definitely not regard them as real estate projects. This is a project about logistics service, not about real estate.

Many people say that we should not underestimate ourselves. The competitive edge of Hong Kong is still here. We have advanced port and land transport facilities, a sound legal system and highly efficient financial, electronic commerce and customs clearance services. These are the factors contributing to our success over the past two to three decades, and they are our assets. However, when the other territories begin to build up their assets by improving their ports and systems, we can absolutely not sit on our laurels. We must take the initiative and move ahead of the others. We must fight for a bigger market share early so as to give a vitality boost to the Hong Kong economy.

Madam President, economic revival is already just round the corner. But recently, the unemployment rate has gone up, while deflation expanded and the index of confidence fallen across the board. There are also uncertainties in external economic factors. All these are worrying indeed.

Last week, the Government announced that the unemployment rate for the latest quarter is 4%. This is the first time that it rose in 17 months. For the transport and a few related sectors, the unemployment rate is worse compared with others. In October last year, the Financial Secretary predicted that if the unemployment rate of Hong Kong could only be gradually reduced by 0.1% each

month, it would be reduced to 3% in 20 months' time and then full employment could be attained. But judging from the current figures, the wish of the Financial Secretary may not come true. Figures may go up and down, and this is not a major concern. But the cruel fact behind the figures is that the general public has yet to really benefit from economic recovery. Since ticket prices and transportation charges have not been adjusted over the years, they are still on the low side. For the freight forwarding industry, the charges have been reduced by as much as 30% to 40%. Even if the drivers make a few more trips, their income cannot be deemed as fairly satisfactory. As the Financial Secretary says, "Only could we see the body moving but not the rice cooked." We could notice the increase in economic activities, but the economic gains have yet to be seen.

Recently, the Government has increased some fees and charges claimed to be unrelated to the people's livelihood. The reason held is that the number of people affected is rather small, and the fees and charges only account for a minimal percentage of the cost of operation. Thus, the fees and charges increased will not be passed onto the public. For the other fees and charges relating to people's livelihood, they will continue to be frozen, as the Government is sympathetic to the people's livelihood. However, the diesel duty is closely related to the people's livelihood, and it involves or affects a large number of people and accounts for a large part of the cost of operation. The transport industry may not be able to pass the increased duty onto the public and has to shoulder all the burden. If the Government abolishes the duty concession on ultra low sulphur diesel (ULSD) and increases the diesel duty after 1 July, the income of drivers will only be further reduced and the drivers will only continue to suffer in the course of economy recovery.

Last year, the transport industry requested the Government to extend the effective period of concessionary duty rate for ULSD by one year, and this was unanimously supported by the Legislative Council. However, the Government decided to extend the period by six months only. Recently, the Treasury hastily announced that the effective period of concessionary duty rate for ULSD would expire by the end of June this year and there would be no more extension. If the Government is so unsympathetic, it will only generate grievances among hundreds of thousands of people, including drivers from the transport industry.

I hope that the Government can gain an in-depth understanding of the operation of the transport industry before making a decision as to whether the duty concession will be extended or abolished. The Government previously promised that it would conduct a review within this year before deciding on the appropriate level of duty rate for ULSD in 2002. Why is the review not conducted now? The earlier the review is conducted, the earlier the decision can be made. I hope that by the end of June, the Government could come up with a decision that the effective period of duty concession be further extended.

Madam President, from the series of questions raised by the Financial Secretary on green taxes, I see that there might be a psychological burden on the part of the Government for not extending the effective period of concessionary duty rate for ULSD, as it thinks that reducing diesel duty is not environmentally friendly. In this connection, I would like to ask the Financial Secretary a number of questions.

Why did the Government exempt franchised buses from paying fuel duty in 1992? Has the exemption of franchised buses from fuel duty really weakened the competitiveness of railway transport? Why does the Government subsidize the fares of the MTRCL by granting it the property development rights for the superstructures of new MTR stations and depots? If the Government does not support public transport operators by means of fuel duty exemption and property development rights, can the fare prices be maintained at a reasonable level? Can the diesel-driven vehicles do away with diesel and switch to other fuels? If diesel duty is increased, would there be less public transport or commercial vehicles running on the roads?

The purpose of imposing green taxes is to reduce pollution. However, imposing green taxes on public transport operators and abolishing the duty concession on ULSD will actually increase the coffers of the Treasury without reducing pollution. It is because franchised buses and green minibuses have to run according to schedules, lorries have to move upon receiving orders, while taxis have to cruise around due to lack of taxi stands. All these vehicles will not run less simply because of the increase in diesel duty.

In fact, as far as environmental protection is concerned, the Government is taking the easy way out and unwilling to face up to the crux of the problem. It

is easy to increase the duty and to increase the penalty. And therefore, the Government increased the duty and the penalty, believing that this would help to reduce the use of diesel and solve the problem of vehicle emissions. It is difficult to upgrade the skills of vehicle maintenance, and therefore, the Government has been reluctant to pursue this end. It is difficult to introduce natural gas suitable for use by heavy vehicles, and therefore, the Government has refused to do it.

I hope that the Financial Secretary could take off his "bow-tie" and mingle with the masses. I also hope that the Financial Secretary, while listening to the views of the public, can also put away his prejudices and eliminate his unjustified worries towards the transport industry.

Madam President, I so submit.

MISS CYD HO (in Cantonese): Madam President, the policy address announced in October 2000 was entitled "以民為本" (Serving the Community). The Frontier fully supports this objective and agrees with the Chief Executive that he should govern Hong Kong on the basis of this. Actually, back in 1998, we already used exactly the same four-character phrase to sum up our response to the policy address, and later on, the Frontier even adopted it as the theme of its political platform.

The title of the Budget this year also contained the character "本": "秉要執本" (honing our strengths) is a quotation from *Hanshu Yiwenzhi* (《漢書·藝文志》). This has won the acclaim of the mass media, which see the use of this phrase as a display of good literary style. According to the Financial Secretary, "本" in the context of the Budget denotes our treasured principles and strengths. However, after going through the whole Budget, I have become increasingly convinced that the word "本" can in fact be more appropriately interpreted as fiscal reserves. Even today, the Government is still clinging to its fiscal philosophy of refusing to use its fiscal reserves. This fits perfectly well into the original context of the quotation. In *Hanshu Yiwenzhi*, the quotation appears in such a context: "知秉要執本，清虛以自守，卑弱以自持" (Hone our strengths, and we can always protect and maintain ourselves in times of weaknesses and fragility). This aptly reflects the Financial Secretary's thinking that since the

economy of Hong Kong is very fragile and susceptible to raids by international speculators, we must always maintain as much fiscal reserves as possible, so as to "protect and maintain ourselves in times of weaknesses and fragility". If we agree that we should spend just as much as we earn, we will naturally also agree that "honing our strengths" can in fact be interpreted as being close-fisted with our fiscal reserves. But then, if we look at the governance of Hong Kong as a whole and also at its long-term, sustainable development, we must say that the golden rule of "keeping expenditure within the limits of revenues" as advocated by the Financial Secretary is indeed a departure from the objective of "serving the community". Land is scarce in Hong Kong, and so are other natural resources. What are most abundant in supply in Hong Kong are manpower resources. But people have to be trained and nurtured before they can develop their potentials. If we can spend money on providing good education and training, and on protecting children during their formative years, so that they can become individuals with originality and a sense of commitment in the future, then we will be able to turn people into a valuable asset. But at a time when we are faced with economic restructuring and global competition, if we do not drastically increase our education funding, or if we even reduce the funding for the universities, or if we do not offer adequate protection to the grass-roots workers, watching with folded arms how these vulnerable members of society suffer the various social injustices and grumble, then people will definitely become a burden on society.

When it comes to upgrading the quality of our people and making investments in our future, we should start with nurturing our children. Unfortunately, in Hong Kong, there is a policy on the elderly, a policy on the youth and a recently established Women's Commission, but there is no policy on children. We are not asking for the establishment of one more commission, a Children's Commission, one which is going to be just a part of the consultative framework and which is not capable of put any proposals into practice. The fact is that our children are now battered by heavy schoolwork, by poverty, by maltreatment, by sexual abuse and by domestic violence. During their formative years, our children are battered many, many times, and in the end, they have developed the tendency to solve problems by resorting to violence, and to find release in drugs. According to a survey, only 5% of our youth are happy and confident. In 1998-99, 15 children committed suicide, and 19 did so in 1999-2000. These statistics are alarming. Children should in fact be happy

and without any worry, but there was this child, just 10 years old, who was so cool-headed in his suicide attempt that he traveled to a certain housing estate, took a lift to the 30th floor of a housing block there and then jumped to his death. We should take immediate actions to tackle this problem, and we should adopt a three-pronged approach to make up for our past inadequacies, concentrating on remedial, preventive and developmental work. Failing this, when our children grow up and work in society, if they fail to live up to the expectations of society and the Government thus has to import professionals, then we as adults should definitely be held responsible. Regrettably, the Government has emphasized remedial work only, making efforts like "rounding up nocturnal youths" and the Youth Pre-employment Training Programme. Recently, there has been some slight improvement, such as the allocation of \$50 million to uniformed youth organizations. But this is still not enough, and the Government has not sought to tackle the problems at root.

Let me start by talking about babies. The Social Welfare Department (SWD) has recently conducted a study on the early identification of families at risk. The Director of Social Welfare agrees that the incidence of child abuse is higher in reunited families with old husbands and young wives from the Mainland, families living in crowded conditions and those with "teenage mothers" (mothers aged between 15 and 19). Since the SWD is aware of this problem, can it take more active follow-up actions? Instead of just organizing some seminars in the offices of the Department of Health and Maternal and Child Health Centres, the Government should really conduct home visits to these families to give them advice before anything happens and to advise those parents experiencing difficulties in bringing up their children. In the case of "teenage mothers", for example, the statistics of the Census and Statistics Department for 1999 show that as many as 1 100 babies are born to "teenage mothers" every year. These "teenage mothers" are immature, both physically and mentally, but they already have to shoulder the responsibility of a mother. So, they can no longer go out for fun, and this is something very difficult for them. That is why they badly need regular home visits and counselling which may reduce the number of child abuse cases. Against Child Abuse, a voluntary organization, is running a home visit programme, but at the initial stage, it was just given \$1.2 million, and with this sum of money, it could only handle 59 case families. This means just a sum of less than \$7,000 for a family in one year. Actually, a programme like this will benefit not only the families and children concerned,

but will also enable voluntary workers to understand and think more about their relationship with their own children and families. I hope that the SWD can start with prevention and development and actively consider the possibility of expanding similar programmes. Even if we are to handle all the "teenage mother" families to which the 1 100 babies belong, the funding required will just be \$7.7 million a year. This is much more cost-effective than "rounding up these babies as nocturnal youths" after they have reached their teens.

When it comes to education for children, the quality of pre-primary teachers is very important. Unfortunately, many children's interest in learning for the rest of their life will have been entirely stifled after three years of kindergarten education, and the mere mention of going to school will make them shiver. The fact is that the standards of our kindergarten teachers are extremely low. But we are still aiming to achieve a rate of 60% with respect to qualified teachers. When can we ask for a rate of 100%? Are our requirements really too low? Kindergarten teacher training courses should in fact be made more demanding, and we should seek to upgrade these courses to first degree levels, laying more emphasis on the learning psychology of children and their guided development, so that after finishing their kindergarten education, children can have a stronger desire to learn new things in primary and secondary school. There is actually a strong demand in the community for subsidized pre-primary education. We now have 146 000 kindergarten pupils, but only 67 800 of them are given subsidies. So, to begin with, we must consider the possibility of expanding the scope of subsidy; second, we must also review the existing system of subsidy. Under the existing system, a child can receive subsidy only if he is admitted to a kindergarten covered by the subsidy scheme. This has effectively reduced the choices open to parents, because they can apply for subsidy only if their children are admitted to those kindergartens covered by the scheme, and subsidy is not attached to individual pupils. So, there is an absence of any market forces to induce kindergartens to improve teacher quality, and to raise their quality of teaching. I think this cannot enable us to properly utilize our resources. Actually, unlike primary and secondary education, pre-primary education can take on a lot more varieties, and give more room for development to sponsoring bodies with different educational beliefs. This leads me to think that a voucher system may well be tried out for kindergarten education. I urge the Government to consider the feasibility of such a system.

We have no doubt increased our education funding in recent years, but since we have lagged far behind other Southeast Asian countries or the rest of the Four Little Dragons, we must still increase the funding even more drastically before we can really improve the situation. The Government must spend huge resources on school premises and the teacher/pupil ratio, even if it means dipping into the reserves. We must strike a proper balance between "serving the community" and maintaining our reserves.

On improving the quality of our education, besides our schools, parents should also play an important part. But since some parents are not so well educated, they are not capable of guiding their children, nor do they know how to do so. The Government allocated a sum of \$50 million last year for the purpose of implementing parent education, and a steering committee has recently been set up to plan how to use this sum of money. We of course think that the Government is moving much too slowly. Now that the funding is already there, why should it still take so long to formulate a concrete programme? I hope that members of the inter-departmental group can take forward the work as quickly as possible. Also, we have \$72 million in funding to develop basic education for adults. I must thank the Financial Secretary for this, for he says that the provision is granted basically as a response to the serious problem of illiteracy among women. But I must say that while there are 400 000 illiterate women, there are also some 120 000 men who are close to illiteracy. I hope that these people, after completing the relevant courses, can still keep abreast of social developments and progress hand in hand with their children, even if they do not find a job. I wish to urge the relevant government departments and colleagues in this Council not to regard this sum of money merely as funding for adult vocational training. The provision is in fact part of our efforts to promote parent education, part of our efforts to raise the overall quality of our population; and, parent education should be conducted on a regular basis, and we simply should not stop after allocating a sum of money for use in the next two or three years, because there are new births every year and many people will thus become parents. I hope that in the Budget next year, parent education can be made an item of recurrent expenditure.

Children's life is inextricably bound to that of their parents, so I cannot avoid talking about women again. Madam President, in most cases, women are

homemakers. In a topic research report on labour mobility issued in September 2000, it is pointed out that 58.6% of those women who resigned from their jobs did so mainly because of their family obligations. From this, we can see the gravity of the problem. We have been pointing out that once a woman stops working, she will easily fall in the poverty line, and the poverty problem faced by women will easily also affect their children. The number of single-parent families receiving Comprehensive Social Security Allowance (CSSA) now is 25 900, and the children of all these families are battered by poverty. But just how serious the is problem? The Government has never released any statistics on this. Besides single-parent families, we also have some 8 000 low-income families, 23 000 families with unemployed members and other 3 700 CSSA cases. The Government should know how many children are involved, but other organizations will not have any idea about this. But are all these statistics comprehensive enough to depict the whole picture? I believe not, because some families are not eligible for CSSA, and other families may well be unwilling to apply for CSSA out of dignity. If we simply do not have any accurate statistics, we will not be able to formulate any policy that can nurture our children and help them resolve the problem of poverty.

Whether our policies and measures can work effectively and whether our money can be used effectively and properly will all depend on the availability of reliable statistics. The Government has been making efforts to help the poor, one example being the fact that there is no ceiling for our annual CSSA expenditure, and this is indeed fortunate for all of us. However, is the funding enough? Are CSSA payments set at reasonable levels? How many people in society actually need assistance? And, what is the number of low-income families with employed adults which also require assistance? We do not yet have any answers to these questions. Therefore, Madam President, we propose that the Government should try to set down a poverty line, so that society as a whole can reach a consensus on what the reasonable basic standards of living should be. With this line, we will know how serious the problem is and how much resources are required to tackle it. Actually, as far as helping the poor is concerned, the Government can also implement some administrative measures in parallel with expending financial resources, and the setting down of a poverty line is one such measure. The setting down of a poverty line does not require enormous public expenditure, but with it, we can set down an indicator that can

facilitate public discussions on how best to help the poor. I am sure that once a poverty line is set down, the wages of workers involved in the work contracted out by the Government would be set above the line. So, we can then monitor the contractors to see whether they have exploited their workers. Then, workers can extricate themselves from poverty by working hard, and they do not have to lead a life below the poverty line any more. This will in turn reduce the number of low-income families applying for CSSA. For all these reasons, this is an advisable measure.

Madam President, this year, I have put the same question to every Policy Bureau and government department, asking them what studies or research they will conduct in the coming year. Last year, with the exception of the education authorities, most other departments and Policy Bureaux rarely conducted any studies and surveys on protecting children and developing their potentials. I hope that in the coming year, the authorities can take positive actions to develop a policy on children and to reflect the importance of such a policy in terms of resource allocation in the Budget for the next financial year.

I wish to stress once again that people are the most valuable asset of Hong Kong. They are precisely the strengths we should hone. Manpower training will make people become our strengths. This accounts for our past success, but there is a crisis now, and it seems that there are problems with our manpower resources. That is why we must catch up with others; when necessary, we should even make use of our reserves to nurture our children, to invest in manpower training and to focus on people's development. People are far more important than the reserves, because the former can always create more of the latter. But if people are not properly nurtured, they will become a baggage, and the Government will fail to use the reserves in a constructive way. When this happens, it will be too late to rectify the situation. The Government should bear this advice in mind. Thank you, Madam President.

MR CHEUNG MAN-KWONG (in Cantonese): Madam President, the biggest education-related flaw in the last Budget prepared by Mr Donald TSANG in his capacity as Financial Secretary is the cut of university funding by \$3 billion. Mr Donald TSANG has been criticizing that the unit cost of local undergraduates

is too high, and he has been making meticulous preparations to cut university funding. He has even said that he would rather give money to students to pursue their studies at overseas universities instead of increasing the funding for local universities. In the eyes of Mr Donald TSANG, a university is nothing but a knowledge production plant, a commercial concern that sees only cost-efficiency. He has perhaps forgotten the value of a university as an institution contributing to our culture heritage, acquisition of knowledge and pursuit of academic and humane activities. Hence, the Financial Secretary's approach to education is underlined by one single "golden rule" — money as a means of evaluating the success or otherwise of education.

Since Mr Donald TSANG thinks that the operating costs of local universities are too high, he has never increased the number of university places since he assumed office as Financial Secretary six years ago. So, despite the constant development and restructuring of the economy of Hong Kong, the number of local university places has remained at the level of 14 500 a year. The Government once undertook to offer university places to 18% of our suitably aged young people. However, as shown by the statistics in the Budget this year, the rate for the next three years will only be 16%, largely due to the increase in the youth population. The Government has thus broken its promise of achieving an 18% participation rate, thus depriving many young people of their opportunities to receive university education.

Following the cut in university funding by the Government, the eight universities have been forced to reduce staff salaries and resort to layoff, and they even have to implement voluntary or even mandatory retirement schemes. There is widespread panic in the universities, and lots of grievances too. Mr TUNG Chee-hwa once said that within 10 years, the number of higher education places in Hong Kong must be increased to accommodate 60% of all our suitably aged young people, bringing the total number of tertiary places offered to 55 000 a year. This lofty ambition of Mr TUNG Chee-hwa has become something very much like a cannon firing empty shells, all bang and no punch. The materialistic approach of Mr Donald TSANG is both clear and explicit, and as a result, the universities must slim for six years in a row until they become really skinny. This has seriously impeded their development. The Government must stop before it is too late and promptly pay back the \$3 billion of university funding, so as to arrest the decline of morale in the university community.

Besides cutting university funding, lowering the university admission rate and stopping the increase in university student population, the Financial Secretary has even announced in the Budget this year the Admission of Mainland Professionals Scheme with no quota. The Democratic Party has never opposed the importation of talents for the purpose of fostering our economic development. That is why we supported the Admission of Talents Scheme. But we do not agree that such a scheme should be expanded into the Admission of Mainland Professionals Scheme, particularly when there is no quota. The reason is that there is after all a difference between "talents" and "professionals". Talents are people with professional leadership expertise, and they can create wealth for Hong Kong. But professionals are just bachelors or even technicians. So, their unlimited admission will surely affect the job opportunities of local young people and exert downward pressure on the salaries of local university graduates.

Madam President, the human resources policy of the Government is self-contradictory. Why has it cut university funding on the one hand, and tried to import mainland professionals with no quota on the other? Why does it still try to keep the number of university students at 14 500 a year while it knows very well that there will be a shortage of 120 000 university graduates in the next five years? Why does it seek immediately to import mainland professionals without any quota instead of formulating a comprehensive manpower training programme after realizing that there is manpower shortage in the IT and financial services sectors? Why has the Government sought to create such an artificial shortage of professionals as a justification for the importation of mainland professionals? The Democratic Party demands the Government to allocate funds to our universities and training institutions for the purpose of training up more local young people to fill the shortage of professionals. We also demand the Government to set a ceiling on the importation of professionals and to set down a minimum wage level for them, so as to protect the job opportunities of local young people, because their unemployment rate is already very high.

Madam President, the Budget prepared by Mr Donald TSANG is marked by yet another big flaw — the lack of funding for education reform. In his policy address last year, Mr TUNG Chee-hwa accepted the reform proposals of the Education Commission, and in an unprecedented move, the Financial Secretary subsequently allocated a sum of \$800 million for the purpose of meeting the initial expenses of the reform. However, in the Budget this year,

no additional funding is allocated specifically to the actual implementation of the education reform. Hence, what is left of the reform is just a mere blueprint, and due to the shortage of funding, all this talk about reform is empty.

During many debates of this Council, I actually asked the Government to set up an education reform fund to lay down a solid financial foundation for our education reform. Hong Kong now possesses more than \$400 billion in fiscal reserves. If we really agree that education is the most important social investment, then the Government should have no reason to suppress the aspirations of society in respect of education. Instead, it should set up an education reform fund to answer people's aspirations. And, this fund should be used to subsidize kindergarten education, so that there can be better quality and lower school fees; a concrete timetable should be set down for the gradual reduction of the average class size in primary and secondary schools to 25 students, on a par with that of international schools. The fund should also be used to grant additional funding to schools endeavouring to ensure development of the full potentials of students and attainment of minimum standards, so that they can employ more teachers and teaching assistants to look after students in need or even to hold remedial classes for students falling below standard. The fund should also be used to expand university education, and more places should be provided, whether in publicly-funded or private universities, or in vocational and community colleges, so as to fulfil the promised 60% target within 10 years. A system of education vouchers should be set up to offer lifelong learning opportunities to adults seeking in-service training and continuing education after their graduation from secondary school.

Madam President, having read the Budget, one can say that the legalization of soccer betting is sure to be introduced, much to the bitter regret of the education sector. Soccer betting is unlike horse betting. Students in Hong Kong love soccer, but they have very little interest in horse racing; but European soccer is the favourite sport of the people, young and old. More and more secondary and primary students have become the super fans of European leagues. The soccer columns of local newspapers have in fact become soccer betting columns, producing very bad influences on students. As a result of prolonged exposure, some students have started to bet on soccer matches and become little gamblers. Last year, a syndicate of soccer betting comprising some 60 students was detected in an Anglo-Chinese grammar school, but this is simply the tip of an iceberg because soccer betting will only become more and more serious

among students. Once soccer betting is legalized, information about soccer bookmaking and dividends will certainly be disseminated unscrupulously by newspapers, and also by radio and television stations to the homes of people during prime time. This will worsen the problem of soccer betting, making gambling more popular and corrupting our students. If Mr Donald TSANG opens the gate for soccer betting today, he must be held responsible for the gambling craze among students in the future, and he must also be held responsible for the increasing number of youths at risk. I urge Mr Donald TSANG not to ignore social ethics and his social responsibility just for the sake of money.

In one of his policy addresses, Mr TUNG Chee-hwa said, "..... young people growing up in a materialistic society will have their values distorted" He therefore saw the need to "turn the tide and inculcate correct values". In the recent Budget, Mr Donald TSANG even said, "I appeal for the collaboration of parents, teachers, social workers and the media. Together we must save Hong Kong's younger generation at risk." But when he asked the Legislative Council to "rationally" consider the proposal on legalizing soccer betting, Mr Donald TSANG was actually acting contrary to his concern for youths at risk. He has allocated \$840 million to save young people at risk, but at the same time, he has proposed to legalize soccer betting which will create more such young people. Instead of trying to "turn the tide and inculcate correct values", he is actually trying to "hard sell soccer betting and induce a gambling craze". I must put down on records that the education sector opposes the legalization of soccer betting. I am not afraid of being criticized for being an advocate of "pan-moralism", for if teachers do not distinguish right from wrong, if they turn a blind eye to the resultant strong gale of soccer betting, they will fail in their duties. Mr Donald TSANG is about to be promoted to the post of Chief Secretary for Administration. I urge him not to sacrifice morality for the sake of money, not to look only at money and forget his duty to bring up our young people properly.

Madam President, in the Budget, the Financial Secretary still presses on with the corporatization of the Survey and Mapping Office. Has he forgotten that the corporatization of government departments has been the focus of resistance by civil servants after the reunification? Civil servants all fear corporatization, which will break their "rice bowls", driving them into desperation in their middle age. The Government should appreciate civil servants' desire for security. Civil servants all want to work hard and fend for

their families, and there is nothing wrong about this. Why does the Government always wish to make life difficult for them? Why does it always try to stir up their anxieties and lower their morale? The staff of the Survey and Mapping Office has recently conducted a questionnaire survey on corporatization, and the findings show that 93% of the staff oppose corporatization. If the Government does not take the worries and discontent of the staff seriously, and if it presses ahead with corporatization, it will only arouse the bitter struggle of the staff of the Survey and Mapping Office. All civil servants are in the same boat, and so, a new movement by civil servants will surely emerge. I urge Mr Donald TSANG not to play with fire.

Madam President, the Government's effort to trim the civil service establishment has over-achieved, with a total curtailment of 17 000 civil servants, or 10% of the size of the Civil Service. The freeze on the civil service establishment has been lifted, and government departments can now recruit new staff once again. But we must not forget that at present, there are still 9 000 non-civil servant contract staff working in the Civil Service; they are offered short-term renewal agreements to work for the Government on a long-term basis, and they are all second-class civil servants, as they are deprived of all the usual fringe benefits enjoyed by civil servants. The Leisure and Cultural Services Department and the Post Office are the largest employers of these temporary staff, employing 3 500 second-class civil servants. The Government must be fair to its own employees, and it should offer formal civil servant status, salaries and fringe benefits to all these second-class non-civil servant employees who are offered only short-term agreements to work on a long-term basis. It must not continue to exploit these employees, and it must not degenerate into an unscrupulous employer.

Madam President, Mr Donald TSANG is going to say farewell to the office of Financial Secretary, and he will shortly be promoted to the post of Chief Secretary for Administration. The Democratic Party does not think much of his conservative philosophy of fiscal management and his unnecessarily restrictive golden rule. But we do very much appreciate his sincerity of purpose and integrity. We hope that he can continue to remain true to himself and continue to "bang on the table". But we also hope that he, having "banged on the table", can listen more to the Democratic Party.

Madam President, I so submit. We will support the Bill only if Mr Donald TSANG really accepts the views of the Democratic Party.

MR FREDERICK FUNG (in Cantonese): Madam President, the Association for Democracy and People's Livelihood (ADPL) and I are very disappointed with the 2001-02 Budget released on 7 March. The overall increase in funding proposed by the Budget is less than \$10 billion. So, the whole Budget actually gives people a feeling of "stagnancy", for it has not offered any relief to the low-income families. I am not saying that there must be a huge increase in funding before a budget can be considered good. But we notice that although the economy of Hong Kong grew by 10.4% last year, the rate of increase in our public expenditure as proposed in the Budget is just a mere 2.8%. Madam President, I am sure that you will also agree that there is really a very big difference between these two rates. In this Budget debate today, I wish to express my views on three aspects, namely, the housing issue, the housing problem of the elderly and fair taxation principles.

First, we notice from the total public expenditure proposed in the 2001-02 Budget that there will be a negative growth of 27.6% for housing, meaning that there will be a reduction of 27.6%; in the coming year, the non-recurrent expenditure of the Housing Authority (HA) will be reduced by \$13.9 billion. What is so worrying is that in one of its policy addresses, the Government expressed the hope of shortening the average waiting time for public rental housing to three years before 2003. But now, it proposes to reduce its expenditure on housing construction. Will this lead to any contradiction? The ADPL once asked the Government to offer elderly people some kind of "rental allowances" in the interim, and this idea may be given further consideration in the future. That being the case, we do worry that the Government may simply use "rental allowances" as a substitute and then seek to stop or reduce the construction of public housing units. We wish to remind the Financial Secretary that 100 000 households are now waiting for public housing units, and every year, 30 000 households will join the line. If we also take into account the demand generated by urban renewal and other development projects, we will see that the Government needs to provide at least 40 000 new public rental housing units annually before it can achieve the aim of shortening the waiting time to three years within a span of three years. Then, if Home Ownership Scheme units are included, the Government will need to provide 50 000 public housing units annually. But in the Budget this year, the Government proposes to reduce its expenditure on housing construction, and this will reduce the annual volume of construction to 42 000 units five years later. So, is it really true that the Government is actually trying to offer "rental allowances" as a means of

replacing its long-standing policy of providing public housing units that can satisfy the minimum standards of daily living (that is, self-contained and permanent housing units with at least some community facilities)? I think that the provision of housing should involve something more than simply money. But it seems that the Government is now trying to reduce the whole issue to a case of money only. Under this approach, the Government may well stop its policy of providing public housing units to improve people's living conditions, and it may then offer "rental allowances" to people as a substitute, whether they live in caged homes or cubicles, or whether they are one of the four households sharing one single flat. This approach of the Government is not people-oriented, but simply intended to save money. We think that this approach is not desirable.

My second point is about services for the elderly. It is stated in the 2001-02 Budget that the Government will provide an additional 2 461 subsidized residential places for the elderly. According to statistics released by the Census and Statistics Department in October last year, the number of elderly people waiting for such places is 28 600, which means that the additional places provided will not be able to satisfy the needs of the elderly. Moreover, we notice that the Government is planning to contract out the provision of such services, not only to voluntary agencies, but also to private companies. We just wonder whether it is a people-oriented approach for the Government to seek to change the provision of housing and residential places for the elderly by way of outsourcing.

I can remember that in the early 1990s, when I was a member of the Housing Authority (HA), the HA once set up a task force to take charge of exploring ways of using public housing to assist in offering the elderly satisfactory living conditions without severing their ties with their old neighbourhood. If satisfactory solutions could be identified, we would not only succeed in solving their housing problem, but also improve their living conditions, making them feel that they were not waiting for death, but leading a meaningful life with their relatives and friends. At that time, we put forward a very detailed plan and various feasible recommendations, including the advice that the HA should consider the possibility of making some appropriate arrangements in those communities of the right sizes. In such a community, for example, an adequate number of elderly centres should be set up, so that those elderly people who can still get about without any difficulties may visit the

centres in the day time to chat with their friends, to have fun, to do something meaningful or even to earn some side income. These elderly people may go home after spending the day at these centres; then, when these elderly people become still older, when their physical conditions become worse off, there should be social workers to assist their family members in looking after them. When even the family members of these elderly people can no longer look after them, there should be enough homes for the aged and elderly services for them in their respective communities, so that they can receive the services they require without having to go elsewhere. Once an elderly person becomes unable to get about, we are sure that his friends may have the same problem because they are of the same age. But what is the situation now? At present, elderly people having no difficulty in getting about may visit elderly centres; those who have started to experience such a difficulty must go to a home for the aged; those others who have a still greater difficulty must go to a care and attention home. Every time when they need a different type of care, they will have to move to a different neighbourhood, and every time when this happens, they may meet some total strangers. If an elderly person is transferred to a district far away from their relatives, the latter may visit them less often. The plan outlined above was discussed by the HA and deemed feasible. But it has been shelved by the Government ever since. Can the Financial Secretary consider the implementation of a people-oriented policy, so that our elderly people can live their last years in peace and comfort? So, I urge the Government to stop contracting out the provision of elderly services under the excuse of cost-efficiency and saving public money. I am convinced that outsourcing will only add to the compartmentalization of such services, severing old people's ties with their neighbourhoods.

My third point is about fair taxation principles. On 14 February, this Council held a motion debate on the Budget for the following financial year. I spoke on the functions of taxation at that time. I said that taxation was more than simply a form of government revenue to meet its expenditure. I also said that our system of taxation should also serve the purpose of narrowing the wealth gap. Over the past year, the ADPL and I have been offering many taxation-related recommendations to the Financial Secretary, covering a progressive profits tax regime, salaries tax and the charging of different levels of rates. But the Financial Secretary has taken none of these recommendations on board in the Budget.

Over the past year, we have repeatedly heard government officials (including the Financial Secretary) emphasize that the economy of Hong Kong has recovered, evident in our double-digit growth rate. But the Financial Secretary has also admitted that the general masses have not yet been able to share the fruits of economic recovery. That being the case, where has all the money gone? We have earned more money, but the money has not gone into the pockets of the general masses. This means that some individuals and companies must have taken all the fruits of economic recovery. We are of the view that if we really want the general masses to share the fruits of economic recovery, we must put in place a certain kind of taxation system that can apportion a reasonable share — just a share, I must stress — of our money to those families in difficulties. This does not necessarily mean any pay-outs. The Government can in fact do so by increasing public expenditure and job opportunities and also by making those companies which have made more profits contribute to the well-being of Hong Kong. Why does the Financial Secretary not consider this? If the Financial Secretary does not consider this idea, how can he convince me and the kaifong I represent that this is a people-oriented Budget?

In this Budget, the Financial Secretary proposes several items of fee increases — not any increases in salaries tax, but increases in tobacco duty, duty on alcoholic beverages, vehicle and driving licence fees, on-street parking meter charges and air passenger departure tax. The ADPL and I agree that tobacco and alcohol duties should be increased, because we think that smoking will do no good to us all as a green city, and it is also bad to people's health. But, as I pointed out in various debates, we do not think that this is the right time for increases in fees and duties. The Government must wait until we can clearly see any economic recovery and resultant benefits for the general masses before it increases its fees and duties.

To sum up, the ADPL thinks that the 2001-02 Budget is a budget marked by "stagnancy". Some say that the Financial Secretary simply cannot do much in this Budget because he has to leave the expenditure part to the decision of his successor. I hope that this is not the truth. I am sure that the Financial Secretary should know only too well that if he is to leave the expenditure part intact, then he must make an allowance for at least one year. But to a rapidly developing city, one year is already much too long; to a person caught in

financial difficulties, one year will already exert very heavy pressure on him. I am sure that the Financial Secretary should also know that to a poor fellow, the greatest problem now is not so much whether he is willing to work hard to earn money, for the poor fellow knows only too well that even if he works more than 10 hours a day, he will still remain poor and unable to improve his lot.

Madam President, one year is in fact long enough to turn the wealth gap problem more acute. Therefore, at this time of economic difficulties, I would say that people do expect the Government and the Financial Secretary to do more. We hope that the Government can take more positive and proactive steps in its policies or the Budget, so as to show its concern for the people. This "stagnant" Budget of the Financial Secretary is marked by indifference, a kind of indifference that makes people shiver and sneeze.

Madam President, I am disappointed with this Budget. I so submit.

MR TAM YIU-CHUNG (in Cantonese): Madam President, although the Academy Awards Ceremony has come to a close, members of the community are still delighted in talking about it. Of all those nominations, apart from the "Crouching Tiger, Hidden Dragon", which has brought great honour to the people of Hong Kong, I believe there is one more film that can arouse sympathy in the hearts of the audience and, that is, "Cast Away", starring Tom HANKS. When the Financial Secretary delivered his last Budget early this month, it seemed we were watching the real-life version of "Cast Away" when he concluded the budgets of the past six years and looked back at the socio-economic changes in Hong Kong during in the same period. From the height of enjoying a high degree of economic prosperity, Hong Kong suddenly plunged into a merciless financial turmoil, facing fierce and frightening swells of the sea. After going through tremendous hardships, the people of Hong Kong finally managed to clear the wilderness, turning the tide and recreating new opportunities. In times of prosperity, the Financial Secretary accumulated wealth for us; in times of depression, he provided us with momentum. Although there were praises as well as criticisms from various sectors of the community, the Financial Secretary has definitely fulfilled his responsibility as a helmsman.

We can see from the Budget debate held yesterday that this year's Budget has brought no great surprises. Fortunately, the Financial Secretary has put forth two controversial policy issues with respect to the admission of professionals and the legalization of soccer betting in the Budget. Like someone throwing two pieces of stone into a placid lake, the Financial Secretary has finally managed to make some ripples. Although the Budget has not proposed any major changes of a guidance nature, there are still some outstanding issues, such as the "green taxes", which have yet been discussed and examined, and shall be dealt with by the Financial Secretary's successor.

In addition to globalization, the fact that Hong Kong economy is heading in the direction of a hi-tech, high value-added and knowledge-based mode of development has exerted greater pressure on the lower classes of the community. Although the people needed not worry about increases in basic expenses in the past two years because of deflation, they felt insecure against the tide of retrenchment and wage reduction. The power and desire of spending have also diminished sharply. As the old saying goes, "the cheaper the goods are, the poorer the people become". The widening gap between the wage structures of traditional and newly developed trades and industries has further polarized incomes. Insofar as manpower demands are concerned, we can see that there is the phenomenon of "some jobs remain unfilled while some people are unable to secure a job". Because of a lack of professionals in the information technology and financial services sectors, there is a need to import such people. There is a need to import home helpers too. Over the past 10-odd years, the number of home helpers has constantly risen so that now we have more than 210 000 home helpers in Hong Kong. Although we are confronted with such problems as serious mismatch, an unemployed population of more than 100 000, reduced wages for 20% of the low-income earners, and so on, the Budget has failed to provide any effective prescriptions. Recently, the Government decided to invest more by committing billions of dollars to training and retraining affected workers, to help them switch to other industries and to enhance the knowledge and skills of grass-roots workers so that they can cope with new demands. I support the government initiative because I have been advocating this. Nevertheless, we need to expeditiously examine a set of manpower resource policies to cope with our future development. At the same time, we need to render assistance to low-income earners by enhancing the wage protection for employees of contractors awarded government works and service projects and by

protecting the interest of part-time workers. This we must do as a matter of urgency. In addition, the Government must reorganize its training framework, prevent scattering of resources, systematically promote professionalization of trades and industries through various qualification ladders in co-ordination with the provision of self-education allowances and remuneration structures, thus encouraging workers to pursue further studies and eventually upgrading gradually the overall manpower standard of the community. The Singaporean Government has been taking its training work very seriously. In August and September of 2000, the first "Singapore study festival" was launched with a view to promoting the concept of lifelong learning. These measures merit our consideration.

Madam President, training and retraining can only help workers who are qualified or able to re-enter the labour market, but not create a large number of vacancies or additional vacancies. In order to fully resolve the unemployment problem, we need to rely on economic development or other solutions. These are the major issues the Government must face.

In this year's Budget, the expenditure on elderly services will increase by 16.3% for, *inter alia*, the provision of 2 541 additional residential places for the elderly. I welcome this decision. Over the past three years, the number of elderly Comprehensive Social Security Assistance (CSSA) applicants has consistently risen at an average rate of 10.7% annually. Up to January 2001, the number of elderly CSSA recipients has reached more than 133 000. Furthermore, more than \$2.53 billion has been aside by the Government for the provision of elderly institutional care this year, representing an increase of 96% compared to 1997-98 and of 29% compared to two years ago. All these figures show that more and more elderly people are relying on public welfare to see them through their senile years. With limited public revenue, we fear that expenditure on elderly services will fall far short of the demands in future.

Madam President, upgrading the skills of the workforce, creating job opportunities, improving the financial situation of the elderly people, helping the elderly to sustain their livelihood can not only improve social harmony, but also alleviate the pressure on public finance. The Financial Secretary, who has remained in the post of Financial Secretary for so many years, certainly understands the significance of achieving all these goals. I personally hope that

he can continue to follow up these issues and strengthen the co-ordination of the work of various bureaux when he takes up the post of Chief Secretary for Administration. I also hope his successor can come up with innovative solutions that can really solve the problems to give Hong Kong an enhanced competitive edge, and enable workers and the elderly alike to lead a stable life.

Madam President, I so submit.

MR WONG SING-CHI (in Cantonese): Madam President, I will focus on discussing youth services today.

Over the past three-odd years since the reunification, the SAR Government has allocated more than \$20 million for organizing 360 youth exchange delegations to the Mainland. These activities are mainly aimed at enabling young people to get to know the Motherland, with a view to enhancing their patriotic sentiments. These activities are undoubtedly constructive. But compared to such problems as juvenile delinquency, drug abuse and youth unemployment, these patriotic activities are obviously of lesser urgency. Fortunately, we can see from this year's Budget that the Government has made a timely turn by showing renewed concern for the difficulties and problems faced by youngsters and expressed a willingness to set aside some resources for improving youth services. This is also considered to be one of the more important selling points of the Budget.

In order to cope with the deteriorating youth problems, the Government will provide screening tools to identify youths at risk from among Secondary One students from 200 secondary schools. At the same time, an extra \$10 million will be allocated for the provision of 30 additional posts for police sergeant to take charge of school co-ordination and preventive work. It is hoped that the "one inspector for 12 schools" schemes can help teachers and social workers to deal with youth problems, particularly those involving triad societies, occurred in schools and in their vicinity. However, we must bear in mind that youth services should aim at helping youngsters to build up a healthier outlook on life and rid them of adverse influence by accepting and understanding them, instead of deterring them by way of punishment and exerting pressure for that may achieve an opposite result. Therefore, the major role social workers and teachers should play is to get acquainted with youngsters and provide services to

them directly. As for the police, their role should be confined to giving assistance. In putting these services into implementation, the Government should pay attention to the specific details of implementation. Otherwise, these services, albeit well-intentioned, will end up not helping the youngsters. On the contrary, the young people might feel resented, thinking that their rights and interests have been exploited and their freedom suppressed. Should that really happen, we would not only fail to bring improvements to their behaviour, but might also induce anti-social behaviour among them.

In addition to enhancing police strength, the Budget has also set aside resources to set up additional integrated teams with a view to strengthening manpower to extend their service to roaming youths at night. Although this arrangement is good, it is still inadequate because the existing integrated teams and outreaching teams are all district-based in the sense that services are provided for youngsters within their respective districts only. Nevertheless, youngsters are mobile. In particular, activities considered to be risky are usually cross-district activities rather than being confined to a specific district. For instance, youngsters from the Tuen Mun District may wander with their friends at the Tsim Sha Tsui waterfront or even sleep on the streets. In the daytime, they will return to the districts where they live and hang out on the streets, doing nothing. Under such circumstances, social workers from both the Tuen Mun and Tsim Sha Tsui Districts will take up follow-up action. Eventually, one youngster might end up being followed up by a number of social workers. Although this may be beneficial to that youngster, resources and time will be wasted. Moreover, social workers will find it hard to establish a relationship of mutual trust with their young clients. It is even harder for these district-based integrated teams to provide services for youngsters who choose to spend and even commit a crime or violate the law in Shenzhen. For instance, it was reported in the newspapers a few days ago that several hundred youngsters were detained by public security officers in Shenzhen and the period of detention was reported to be 15 days. For certain young people, this might produce a deterrent effect. However, in order to achieve an absolutely effective result, the authorities concerned may need to send them to correctional institutions and keep them there for three years before the behaviour of these youngsters can see fundamental improvements. However, this is not the case in reality. As far as we understand it, a number of social workers now do venture to go to Shenzhen to help these youngsters. Social workers from Hong Kong are absolutely unprotected when they follow up their cases in Shenzhen. In order to solve the problems arisen in Shenzhen involving cross-boundary youngsters, we must put

in more resources and examine carefully how the problems can be properly dealt with. In providing these services, the Government should give careful consideration to and examine how cross-district youth services can be upgraded, how the safety of social workers working across the boundary can be taken care of and the status of these social workers. Otherwise, it is virtually impossible for us to help most young people.

The Budget is targeted mainly at youths at risk. These young people definitely need care. Nevertheless, I must emphasize that the important issue at stake is to prevent youngsters from becoming "youths at risk" or "rebellious youngsters". Owing to the high unemployment rate among young people, we can see that young school-leavers have nothing to do, roam the streets and join gangs. They will be taken advantage of by lawless elements easily. Eventually, they will act against the law because of behavioural deviation. In addition, the competitive edge of young people with low education attainment and skills has fallen sharply in the labour market and there is no way out for them. In order to satisfy their desire for material enjoyment, they will very easily engage in illegal acts. Actually, many youngsters have been arrested for "making quick bucks", most of them having committed such crimes as shop theft, burglary, and so on. And these crimes have also seen the greatest increase. This year, the Government made a provision of \$2.97 million for recruiting job-seekers of Secondary Three to Secondary Five levels to fill the posts of assistants for organizing youth activities for community service units. This is worthy of support. Nevertheless, apart from creating job opportunities, it is equally important that we should let the young people know what they should do to develop their careers in future, rather than giving them a job to fill up their time and to prevent them from engaging in delinquency. It is therefore necessary for the Government to organize daytime adult courses and provide support for youngsters studying in private secondary schools at or above Secondary Three. In doing so, it will encourage young people to pursue further studies and prevent those who are out of school as well as out of a job from going astray. Regrettably, the Budget has not mentioned anything about this.

In Hong Kong, 5 000 to 6 000 young people are arrested for committing crime every year. At present, the Government has introduced a series of correctional and support services to target at these young people. These services include the Superintendents' Discretion Schemes and the community support services scheme, the enforcement of the probation order and the community service order, the provision of correctional homes, hostels, remand

homes, reformatory schools, as well as the training centres, detention centres and drug addiction treatment centres managed by the Correctional Services Department. As these several thousands of young people are scattered in different institutions, it is difficult to assess the utilization rates and impossible to deploy manpower flexibly. As a result, the cost-effectiveness of various institutions is reduced. Let me cite the O Pui Shan Boys' home as an example. With an admission rate of 35%, it is estimated that there are about 28 boys and yet 50 staff are working there. In other words, the Government will need to spend an average of \$75,108 on each boy monthly. In spite of the extremely high cost, only 65% of the boys have successfully completed the institutional training. Insofar as institutional services are concerned, what we need to do is not to examine ways to reduce the manpower of individual institutions and their operating costs. Instead, we need to conduct a comprehensive review to see what correctional services are the most effective. At present, most countries adopt the concept based on the community and rehabilitation in correcting young offenders. Hong Kong should indeed consider strengthening the community-based approach to allow young offenders to receive proper counselling, help them integrate into society, and reduce the reliance on locking up young people in institutions.

In recent years, juvenile delinquency has been worsening and offenders are getting younger and younger. We have seen such cases in which primary pupils attacked teachers for their own interests or because of unhappy incidents. Even primary schools have started to see the emergence of "rebellious youngsters". Although the Budget has introduced some services targeted at youths at risk, it has not proposed a comprehensive plan to deal with the violation of rules by young people in the provision of preventive, outreaching, correctional or ex-prisoner services. As these services are provided separately, it is definitely hard for the problem of young offenders to be improved. We must have a comprehensive plan and holistic policies to help young people to lead a better life and prevent them from going astray. Therefore, we expect the Government to review youth services in a comprehensive manner by targeting particularly on youngsters at risk and caught in difficulties, in order to help them lead a more fruitful life and achieve better development in future.

I so submit.

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

MR MICHAEL MAK (in Cantonese): Madam Deputy, the Budget delivered by the Financial Secretary can be described as overly conservative for it has stubbornly insisted on adhering to the principle of "keeping expenditure within the limits of revenues" as provided for in the Basic Law. As a big government, the Administration has refused to loosen its purse strings generously to the benefit of the public. Instead, members of the public are expected to fend for themselves. This is my biggest disappointment and dissatisfaction with the Budget. The Financial Secretary has predicted a \$11.4 billion deficit this year. But according to experience, the Financial Secretary has been "crying wolf" in making his previous estimates. Even if he had predicted a deficit, it would finally turn out to be a surplus. For instance, he had predicted a \$36.5 billion deficit for 1999-2000, but we ended up having a \$9.9 billion surplus. Will the Financial Secretary make a wrong estimate again in this year's Budget?

The purpose of keeping reserves is to save against a rainy day. For example, in times of economic recession, the Government can make use of reserves to launch huge infrastructure projects to stimulate the economy. In spite of the fact that the Government has more than \$400 billion in reserves, members of the public are generally faced with the unemployment problem. Although people desperately hope the Government can lend them a helping hand, government expenditure for this year is increased by 3.5% only. It is evident that the Government is unwilling to answer the aspirations of the general public with a positive attitude.

As for medical expenditure, the Government has failed to make proper adjustment in the light of the future needs of the public. The problem of our ageing population is getting worse: Hong Kong has now a population of more than 6 million. People aged over 65 now accounts for 11% of our total population, and the percentage is expected to rise to 15% by 2019. The ageing population, the rising standards of living, and the great improvements in medical technology have all contributed to the ever-rising demands for health care services. However, only \$28.8 billion, representing an increase of 1.9%, is set aside for the Hospital Authority (HA) as recurrent funding this year. While the number of front-line staff has to be cut under the Enhanced Productivity Programme (EPP) currently implemented in public hospitals, the number of administrative staff and consultants continues to rise rather than drop. In 2001-02, the number of nurses employed by the HA will shrink from 19 697 to 19 351. The EPP has virtually imposed additional pressure on front-line staff. In spite of the fact that the document on health care reform has outlined such

directions as requiring health care staff to pursue continued studies, introducing new Chinese medicine services, and promoting family medicine, the commitments mentioned in the document will only eventually turn into "empty talks" if no matching resources are provided accordingly. The costs of providing medical and health care services are constantly rising in the light of the improvements in technology, population growth, and ageing population. With limited resources, government officials must formulate medical policies with vision. At present, the local medical policies are "piecemeal", stressing treatment rather than primary health care. The provision of primary health care services is considered a long-term investment. Although we cannot expect to see returns in the short term, it is definitely worthwhile for us to inject substantial resources into primary health care services for they can heighten the health awareness of the public, thereby enabling the public to reduce the morbidity rate and keep their physical and spiritual health in good condition. In this way, the overall medical costs may go down. As good health will bring good fortune, "we will not reap a big profit unless we make a small investment". By "big profit" I actually mean good health. This is definitely the ideal concept for managing the costs of providing medical care services. Therefore, officials responsible for formulating such policies must not be too shortsighted. They should inject more resources into such areas as medical care, primary health education, food regulation, and environmental hygiene.

Now I would like to turn to some budget proposals that I do not approve of. The Financial Secretary explained that he had not proposed other tax concessions for he considered the local economy had revived. Therefore, he saw no need to introduce other measures to stimulate the economy. Although government officials have been constantly stressing that the economy has revived and that the public will see gradual improvements in their livelihood, the reality tells us that the pace of our economic recovery is still slow and the unemployment rate remains high. In the past, retrenchment was confined to SMEs. Now even major banks (such as the HSBC) have chosen to move their support centres to Guangzhou. Actually, the economic recovery cited by the Government is only confined to employees working in new sectors of the new economy. Other sectors are still suffering badly. The latest unemployment rate has risen for the first time in six months to 4.5%, or a rise of 0.2%, over the previous quarter. Some economic analysts have even predicted that the unemployment rate for January to March will further deteriorate and reach 4.7%. I really doubt whether the economy of Hong Kong can recover at the rate predicted by the Government.

At present, both wage earners of the low- and middle-strata are faced with the problem of insecure employment. They hope the Government can introduce more tax concessions to relieve their burden by, for instance, relaxing home mortgage interest deduction, raising the personal allowances, and so on. Regrettably, the Government has not listened to the appeals made by most Members in the debate on the Budget initiated by Dr YEUNG Sum on 14 February and turned a deaf ear to the predicaments of the public instead.

Moreover, I have reservations about the manpower policies outlined in the Budget too. According to the Financial Secretary, we will face a shortage of 120 000 people with high academic qualifications over the next five years. Therefore, it is necessary for Hong Kong to bring in mainland professionals without subject to any quota. Although the Financial Secretary stated that professionals brought in under the scheme would not compete with local students, I cannot agree with his viewpoint.

I believe mainland professionals will be attracted by Hong Kong's fame as there is an enormous gap between the wages in Hong Kong and in the Mainland and the fact that Hong Kong, as an international cosmopolitan, affords a higher quality of living than that in the Mainland. With the implementation of the scheme, it is not hard to imagine that employees of different sectors will request the Government to extend the scheme to professions other than the financial services and information technology sectors. I am afraid the scheme will not only affect local university graduates and the employment and development opportunities of the middle-level management staff, but also stifle their ideal of "born here and live here".

The middle class is, on the one hand, under the pressure of being negative assets holders and, on the other, receiving no assistance for the Government has introduced no measures in the Budget to help them. There will definitely be growing discontent with the Government if the employment opportunities, levels of incomes, and sense of belonging of the middle class are affected by the admission of mainland professionals scheme.

The Financial Secretary indicated in a radio interview that he perfectly understood the feelings of negative assets holders and stated that he was one of their numbers too. I am afraid the Financial Secretary did not realize that his negative assets could in no way compare to the negative assets possessed by the general public. This is because the Financial Secretary's negative assets have

backing from his "iron rice bowl" and a D10 salary of \$210,000. How can the Financial Secretary share the feelings of the middle class, who are worried about their employment prospects? Perhaps we cannot blame the Financial Secretary for saying that negative assets holders should be responsible for their own investment decisions. Nevertheless, the Government is obliged to assume a major responsibility — when the property prices were at their height, some senior government officials openly appealed to the public to buy properties. As a result, some people entered the market "happily" and "did what they were told to do". Eventually, their life savings are all gone and they have to live frugally. The Government is therefore duty-bound to lend them a helping hand!

Apart from these, I object to certain tax increase proposals. For the purpose of achieving a fiscal balance, these tax increases will not be able to provide much help. But for the middle class, increases in driving licence fees, vehicle licence fees, on-street parking meter charges, and Air Passenger Departure Tax are definitely not negligible. In comparison, the Government seems to have given profit-making enterprises excessive care. Actually, we can have an additional revenue of more than \$1 billion if the Government raises the corporate profits tax rate by half a percentage point. At the moment, China is making persistent efforts to open its domestic market to enterprises from all parts of the world. As the Financial Secretary stated, Hong Kong has four key advantages of living by the rule of law, maintaining a level playing field, upholding all our freedoms, and providing a clean government. As Hong Kong is an intermediary for the mainland market and it has the lowest profits tax rate in the world, I believe we will not scare off inward investments even if our profits tax rate is slightly raised.

Indeed, the Budget does have some merits. The Financial Secretary stated that he would raise the amount of deduction for two items under salaries tax, including raising the amount of allowances for self-education expenses. I greatly support this reduction item. As public expectations for the quality of health care services are constantly rising, my colleagues, who are providing professional services in the health care services constituency, are also keeping themselves abreast of the times. A lot of my colleagues are still pursuing professional continuing education programmes. Each year, they may spend up to \$40,000 to \$50,000 on such studies. I hope the Government can continue to raise this allowance in the coming year to relieve the burden of my colleagues and to upgrade the quality of service constantly.

At the same time, I greatly support the Government in raising tobacco duty and duty on alcoholic beverages for these increases may induce the public to smoke less and improve their drinking habits. This will definitely help preventing diseases.

I see that there is positive value for the implementation of the controversial proposal of legalizing soccer betting. According to the figures provided by the police, prosecution was initiated against 31 illegal soccer betting cases last year, and up to \$206 million in formula betting was intercepted. We can thus see that there is a huge market for soccer betting. It was reported in newspapers that soccer betting was extremely widespread in local bars and cafes when the Euro soccer tournament was being held. As pointed out by the Financial Secretary, even if huge police manpower is deployed, it is still impossible to crack down on soccer betting activities effectively. The legalization of soccer betting can undermine the revenue of unlawful organizations by channeling money from triad societies to government coffers. At the same time, a portion of the money can also be used for charitable purposes. Nevertheless, the legalization of soccer betting is an issue concerning moral and social values. It is necessary for various strata of the community to take part in discussions to come up with an arrangement acceptable to all.

I also support the Government in setting aside \$4 billion this year for meeting the expenses incurred for adjusting the remuneration of civil servants and employees of subvented organizations. In doing so, government departments can resume their recruiting exercises. Moreover, "lifting" the "freeze" on recruitment can help expand the relevant public services. I hope the Financial Secretary will not give the people concerned a false hope.

Madam Deputy, I so submit.

MR FRED LI (in Cantonese): Madam Deputy, after the publication of the Budget by the Financial Secretary, I visited a number of public housing and Home Ownership Scheme (HOS) estates in my own constituency as I used to do and held 11 consultative meetings to listen to the views of residents on the Financial Secretary's last Budget.

In all these consultative meetings, the largest audience attracted was 500, and the smallest 20. Perhaps Members will find it strange why 500 people

would be interested to learn about the Financial Secretary's Budget. This is because "the sale of public housing flats" was included as an additional topic on that particular occasion and many people were thus attracted to the meeting. Eventually, the 11 consultative meetings drew a total audience of 1 100. Speaking with enthusiasm, the residents were particularly interested in such topics as the admission of professionals, legalization of soccer betting, increases in tobacco duty and duty on alcoholic beverages, and so on. They were so enthusiastic in expressing their views that it was really beyond my expectation.

On each of these occasions after the discussions had ended, I would ask those kaifong present at the meeting to let me know their views on the three policies by a show of hands. It was found that there was lopsided support from the residents for the increases in tobacco duty and duty on alcoholic beverages. 70% of the residents opposed and 30% supported the liberalization of soccer betting. While most residents from HOS estates supported the proposal, most of those from public housing estates opposed the idea. Unfortunately, up to 90% of the kaifong objected to the admission of professionals.

The findings of the opinion surveys conducted by me are consistent with the views previously expressed by us in public, reflecting that the position taken by the Democratic Party with respect to these policies is all along consistent with the views and aspirations of the public. I hope the Government can carefully consider the views of the public and our viewpoint in promoting the relevant policies.

I will now focus my speech on two areas, namely fair competition and expenditure on implementing policies on food control and the environment.

The Financial Secretary has stressed more than once during his office the importance of a level playing field to Hong Kong. It is worth commending that over the past five years, the Financial Secretary-led Competitive Policy Advisory Group (COMPAG), comprising the Financial Secretary himself and representatives from Policy Bureaux, has enacted competition legislation for the telecommunications and broadcasting industries in a bid to prevent monopoly.

Regrettably, Hong Kong has not yet formally enacted fair competition legislation and established a commission on fair competition. In particular, when the Government joined the WTO discussions on fair competition policies, the COMPAG was used as a shield by the Government whenever Hong Kong was

questioned by representatives from other countries over the lack of anti-trust legislation. In reality, however, this advisory group is merely a nominal organ and can only be seen as a flower vase for the sole purpose of putting up a "show".

To start with, the COMPAG is lack of resources and it has no administrative framework. Although it is supported and led by the Economic Services Bureau, the Bureau has only made an annual provision of \$2.26 million for the promotion of competition policies. This amount only accounts for 2% of the provision for the Economic Services Bureau, or represents eight millionths of the overall government expenditure of \$25.47 billion. In addition, more than half of the \$2.26 million provision is to be used for publicity, which is some sort of public relations work only.

Insofar as manpower support is concerned, only five officials have been designated to join the COMPAG to help implement policies on competition. Of these officials, the Deputy Secretary for Economic Services and the Principal Assistant Secretary for Economic Services are not involved on a full-time basis. Judging from the funding and establishment, it is hardly convincing that the Government is taking its policies on competition very seriously and that the policies are occupying a significant position.

In October last year, when the debate on the policy address was underway in this Council, the Council of Europe criticized Hong Kong for the emergence of monopoly in the local market and urged the Government to expeditiously enact a fair competition law. As usual, the Government refuted the criticism by saying that the Council of Europe did not fully understand the situation of Hong Kong. As a result, when I delivered my speech in the policy debate, I reminded the Government in particular that if it should insist on adopting the strategy of playing the ostrich, it would only end up deceiving itself and others.

Following the Council of Europe, other international organizations, such as the International Monetary Fund and the WTO, criticized the competition environment of Hong Kong one after another. How can such an allocation and establishment talk the local community and foreign investors into restoring their confidence in the level-playing business environment in Hong Kong?

What specific results have been achieved by the COMPAG since its establishment? With limited manpower resources, it is virtually impossible for the COMPAG to handle, investigate and follow up complaint cases. For instance, no independent investigations and studies have ever been conducted by the COMPAG on the eight complaints received last year. The only action it has taken is to refer the complaints to the relevant Policy Bureaux or the Consumer Council for follow-up.

According to the explanation given by the Economic Services Bureau, the COMPAG will advise various Policy Bureaux on their follow-up action to ensure that their work is in line with the principle of the competition policy. In reality, however, issues pertaining to fair competition and monopoly are usually very complicated and substantial human resources are required to carry out studies and investigations. Without the resources for independent investigations and studies, how can the COMPAG form its own judgement?

Let me cite a recent incident involving the container terminals and the Hong Kong Mid-stream Operators Association (HKMOA) as an example. On what basis has the COMPAG judged whether or not there exists collaborative price fixing? In 1998, for instance, the Economic Services Bureau explained that there was no monopoly in container terminal operations because we had four terminal operators. It also maintained that there was no monopoly on the part of the Hong Kong Liners Shipping Association because only 60% to 80% of the shipping companies were members of the Association. In February, I asked the Secretary for Economic Services in a meeting of the Panel on Economic Services whether there was any collaborative price fixing. The Secretary responded that "this issue is too deep and too broad. Moreover, there is no information showing that monopoly is involved and the authorities need to study the matter carefully".

There is virtually not much difference whether the advisory group is in existence or not if it can only refer all cases to individual Policy Bureaux at the end since it is not given any power to conduct investigations independently. Eventually, it can only perform the function of window-dressing by acting as the Government's mouthpiece in promoting competition policy. This may explain why more than half of the funding for the COMPAG has been devoted to publicity and public relations.

Admitting that it does not fully understand the competition policy, the Government has planned to commission consultants to advise it on matters of competition next year. Moreover, the Government has indicated that training on promotion of competition would be provided for various Policy Bureaux to enhance their understanding of the competition policy. For these reasons, it is imperative for the Government to take practical action to expeditiously expand the terms of reference and the establishment of the COMPAG by further widening its representativeness through introducing more non-government representatives and enacting anti-trust legislation in a comprehensive manner in future.

Madam Deputy, next I will express my views on policies on food control and environment.

Following the dissolution of the two Municipal Councils, the Government has put last year's focus of work on restructuring the relevant departments. From this year onwards, a number of new policies will be introduced in succession. In the light of these changes, I would like to speak on behalf of the Democratic Party on food safety and environmental hygiene.

Of the various municipal problems, I believe the hawker management problem has been causing us the most serious headache. In 2000-01, the government expenditure on regulation of unlicensed hawkers will reach a handsome \$0.77 billion and the expenditure for the coming year is expected to remain more or less the same.

Although 130 posts for assisting the management of hawkers have been cut, I understand that the Hawker Control Team still has an establishment of more than 4 000 to exercise control over approximately 4 400 unlicensed hawkers. In other words, nearly \$200,000 is spent annually on controlling one unlicensed hawker and for the carrying out of the one-to-one raiding strategy. In my opinion, the Government must pay attention to this area to see if this is really cost-effective.

In the speech delivered by me in response to the Budget last year, I quoted a report prepared by the Management Services Unit of the former Urban Services Department (USD), which reads: "In view of the extremely low number of arrests made after each raid, it might not be cost-effective if excessive resources are injected for the purposes of raiding and arresting unlicensed

hawkers.". The point I made with respect to this year can indeed be substantiated by the figures quoted by me earlier.

Last year, the Hawker Control Team made a total of 89 325 raids but successful prosecution was taken against 14 199 cases only. In other words, the success rate for each raid is just 15%. Therefore, no matter how we calculate, it is impossible for hawker control to be considered one of the tasks carried out by the Environment and Food Bureau that the Government should feel proud of.

I am greatly disappointed that the Secretary for the Environment and Food has been reluctant to respond to the comments made by the Management Services Unit in 1997. Last week, the Secretary replied in the Special Finance Committee meeting held with respect to the Budget by saying: "A more effective way to crack down on unlicensed hawkers is to take strict enforcement action by deploying additional manpower to patrol hawker black spots.". The view of the Secretary seems to be in complete contrast to the conclusions drawn by the internal study conducted by the former USD.

I think that the Environment and Food Bureau should conduct a full review of the functions, establishment and resource deployment of the Hawker Control Team. Both the Environment and Food Bureau and the Food and Environmental Hygiene Department have not included these tasks in the matters warrant special attention in next year's Budget. The Government should indeed conduct a full review of the effectiveness of its hawker policies from such aspects ranging from expenditure, cost-effectiveness to hawker management culture and expeditiously table the findings to this Council for scrutiny.

Another controversial policy is related to market rentals. The rent-freezing periods for various municipal markets will expire in end June or July this year. The current rental mechanism is based on the systems adopted by the two former Municipal Councils, with the rental mechanism of the former Urban Council being the most complicated. But no matter what changes will be introduced, the stall tenants of the markets are most concerned whether the Government will increase rents on the pretext of standardizing the rental mechanisms of the two Municipal Councils. And what concerns the public most is whether the relevant costs incurred, as a result of the eventual rent increases made by the Government, will be shifted onto them.

As far as I understand it, the review of market rentals is now being considered by the Treasury. I am worried that the Treasury might, based on consideration made purely from the angle of increasing government revenue, alter the relevant mechanisms in order to follow market value closely as well as reducing subsidy. If the Treasury really decides to do so, stall tenants will find the business environment even more difficult to operate. The beneficiaries will definitely be the two major supermarket chains and megastores rather than the general masses. Eventually, the result is Government taking the lead in creating a monopolized situation.

In order to maintain the competitiveness of municipal markets and give the public more choices, the Government should not increase the rents payable by stall tenants on the criterion of adhering to prevailing market rents closely. Of the two existing rental mechanisms, the one adopted by the former Urban Council is more sympathetic with stall tenants. Indeed, the original intent of establishing a rental mechanism is to help them to make a living. Therefore, I think the Government should model on the market rental mechanism adopted by the former Urban Council in deciding on the major direction to be taken in reviewing rents.

Madam Deputy, I so submit.

MISS EMILY LAU (in Cantonese): Madam Deputy, the Committee on Economic, Social and Cultural Rights (CESCR) of the United Nations will convene a hearing in Geneva from 27 to 30 April and they are, of course, especially concerned about the economic, social and cultural affairs of Hong Kong. Secretary LAM Woon-kwong, leading a delegation of more than 10 members, will then make responses before the Committee. Non-governmental organizations such as us the Frontier and the Democratic Party will also attend the hearing.

Madam Deputy, I wonder if the Secretary has noted the remarks made by the Committee after the last hearing in the United Nations. The Committee made a closing submission on 6 December 1996 and stated that the per capita Gross Domestic Product of Hong Kong was US\$23,500 which was the fourth highest in the world. The Committee continued to remark that Hong Kong had a reserve of US\$20 billion, around HK\$156 billion, in March 1996 and Hong Kong was one of the places in the world with the most serious uneven income because 50% of the wealth was in the hands of 20% of the people while 11% of

the Hong Kong population, 250 000 families at that time, were living in abject poverty. Besides, 850 000 families were living below the poverty line.

Madam Deputy, I definitely have reasons to believe that the United Nations Committee will strongly criticize the SAR Government for keeping hundreds of billions in reserve. The Government submitted a report to the United Nations last year. Madam Deputy, I just wish to say that it was stated that Hong Kong had a generous reserve and it was most important to defend the exchange rate of the Hong Kong dollar. I believe the Secretary also knows — actually, the Secretary should urge the persons concerned to write the report better before submitting it to the United Nations, especially when the Government evidently knew that Prof DANDAN, Chairman of the CESCRC of the United Nations, would attend the hearing, and that Prof DANDAN was most concerned about reserves — that the report has gone to great length about the point that Hong Kong had a generous reserve. I wonder how the Secretary is going to respond.

Madam Deputy, many colleagues have discussed the reserves these two days and they have referred to the foreign exchange reserve exceeding \$1,000 billion at Mr Joseph YAM's. The fiscal reserve exceeds \$400 billion, the reserve for issuing bank notes exceeds \$200 billion while the accumulated gains and profits from investments exceed \$300 billion. We discussed the matter very often these days and we just discussed it at the Panel on Financial Affairs this morning. We decided to start discussing this matter at our next meeting on 7 May and we will discuss how the Secretary proposed the formula to the Provisional Legislative Council in February 1998 and how the formula was derived. We also hope that the Secretary will provide further information on how the money should be spent and why we cannot spend the money but only allow the reserves to accumulate from over \$100 billion to over \$200 billion and then to over \$400 billion and more.

Madam Deputy, I note that some colleagues in the Provisional Legislative Council said at the time that the Secretary had made up the number and they had also made other comments. I believe the Secretary got our message very clearly during our debate these two days. Although the Secretary has been promoted and Ah Chung will soon take over, I believe the Secretary will still keep an interest in this issue. It is because the Secretary has to respond to the international community, including the International Monetary Fund that the Secretary is most favourite with, and the CESCRC of the United Nations, about why it is necessary to keep so much money. I fully support the questions asked

by the Honourable Albert HO this morning. He asked if the accumulated investment profits of over \$300 billion should be allocated to our reserves, how the money should be spent as well as how much is needed to defend the Hong Kong dollar. I believe we should discuss these issues.

Madam Deputy, I hope you will give me leave to advertise something here. At 2.30 pm this coming Saturday, I will hold a forum in the Chater Garden to discuss how the Government should use the money because I think we should start holding such discussions. Some people have suggested a tax rebate and some others an increase in expenditure. I think these topics are worth discussing. Madam Deputy, I support a tax rebate and I believe the Liberal Party will certainly support it. But I definitely support an increase in expenditure on education, environmental protection, and so on, for instance, the expenditures suggested by the Honourable Ms Audrey EU and Miss Cyd HO earlier in the debate.

However, some money should not be spent. Madam Deputy, the Liberal Party and I discussed the purchase of office premises by the Hong Kong Monetary Authority this morning. Madam Deputy, do you know the location of the premises it intends to purchase? It is Phase II of the International Financial Centre in Central. How many floors it wants to purchase? Fourteen floors. The total area of its existing office is 200 000 sq ft and they are going to purchase 12 floors there, the 77th to the 88th floor. Certainly, Mr Joseph YAM's office will be located on the 88th floor. They intend to purchase 280 000 sq ft, 80 000 sq ft more than the existing 200 000 sq ft and they also intend to purchase the 55th and the 56th floors, an additional 60 000 sq ft. What are the uses of these two floors? They will be used for conference facilities and exhibitions to enhance contact with the public. I wonder how many people they can contact on the 56th floor of this building and I am not sure about the price of the premises. Madam Deputy, you may know the property price better but if we calculate the price on the basis of \$10,000 per sq ft (some may say I am silly because the property price will not be that high now), it will amount to \$3.6 billion. If we calculate the price on the basis of \$8,000 per sq ft, it will cost around \$2.8 billion.

I wish we would discuss this matter very soon. Why? Madam Deputy, you may recall that the Government had to submit a proposal to this Council when it wanted to purchase a *siheyuan* (a compound with houses around a courtyard) in Beijing earlier on. Why does it not submit a proposal this time? It is because the purchase will be made with the reserve of the Exchange Fund.

Madam Deputy, section 3(1) of the Exchange Fund Ordinance explicitly states that the Exchange Fund shall be under the control of the Financial Secretary and shall be used primarily for such purposes as the Financial Secretary thinks fit affecting, either directly or indirectly, the exchange value of the currency of Hong Kong and for other purposes incidental thereto. Who should he consult before using the money? Only the Exchange Fund Advisory Committee, but not the Executive Council, needless to say the Legislative Council. Section 3(1A) also states that in addition to using the Fund for its primary purpose, the Financial Secretary may, with a view to maintaining Hong Kong's status as an international financial centre, use the Fund as he thinks fit to maintain the stability and the integrity of the monetary and financial systems of Hong Kong. With the purchase of so many floors, our status and the stability and soundness of our monetary and financial systems will certainly be maintained. But I wonder if it can achieve the purpose by spending billions on the purchase of office premises. We need a discussion and we have decided to hold a meeting to discuss this issue on the 17th or 18th next month. We strongly object to the notion that the examination and approval of this Council is not required before money is spent on the purchase of premises. As this does not comply with section 3(1) and section 3(1A) of the Exchange Fund Ordinance, I believe the Secretary certainly knows that I, Emily LAU, will definitely raise an objection to such inappropriate spending.

The Honourable WONG Sing-chi made another point earlier that is also worth discussing. He mentioned the services provided by the Social Welfare Department to lawbreakers. Madam Deputy, do you know how much has to be spent? The expenditure of the Fanling Girls' Home will be \$19.8 million next year — excuse me, it will be \$9.6 million — but how many girls does it look after? It looks after 30 girls, but only 15 girls were admitted last year. If we divide the provision by the number of people, we will see that \$640,000 will be spent on one girl. How many boys did the Shatin Boys' Home look after with \$19.8 million last year? It looked after 63 boys, thus, \$309,000 were spent on one boy. Let us take a look at those places of refuge. The Pui Chi Boys' Home spent \$12.8 million in looking after 27 boys, thus, \$474,000 were spent on one boy. I am tired of reading out these figures. I can only say that the figures are simply frightening. Miss Cyd HO asked if additional funding could be given to the Against Child Abuse Limited (I want to sound as gentle as her), and she has asked Secretary YEOH how much would be allocated. Only \$7,000 is spent on the provision of rudimentary assistance to one person each year because we should not give people assistance after they have been arrested.

Though the Government is unwilling to spend on rudimentary assistance, it has to spend \$600,000 to \$700,000 a year on a person after he has entered a correctional home. It is really startling that the Government spends money this way.

Madam Deputy, I think the United Nations will also be concerned about the problem of disparity between the rich and the poor. It was admitted in the report submitted by the Government that the Gini Coefficient increased from 0.453 in 1986 to 0.518 in 1996, indicating that the situation had become worse. We will get the latest figures after the Census this year. As explained in the report, the situation had worsened as a result of economic transformation. The Government also said that it would make efforts in education and retraining and put in more resources to solve the problem. After Members have expressed their views on education and training, I wish to discuss what the Government will do in respect of education.

Madam Deputy, as the Honourable CHEUNG Man-kwong has mentioned, I have asked the Secretary for a supplementary answer. Our objective is to achieve an 18% participation rate for bachelor's degrees to students of the right age, but the rate has dropped to 16%. I have asked the Secretary about the situation of our competitors and he told me that the rate is 53% in Australia, 36% in Japan, 28% in Germany, 48% in Britain, 44% in the United States and 17% in Hong Kong. Mr CHEUNG Man-kwong reminded us that the Chief Executive had said that the rate should be 60% 10 years later. I would rather say "I will appoint you as a government official 10 years later". Though we have to compete against the others, our rate is only 17% while the others have a rate of 20%, 30% or even over 40%.

There is a very interesting thing. Madam Deputy, as an alumni of the University of Hong Kong (HKU), have you noticed that the HKU Social Sciences Alumni Association recently conducted a survey on the views of business, political, professional and labour leaders? However, not many people received the questionnaires. A total of 365 questionnaires were issued and 77, only 21%, were collected, which was not a very good response. However, I wish to tell Members that when the interviewees were asked which universities they would send their children to, 55% of these crème de la crème and leaders (not including me of course) said that they would send their children abroad while 10% said they would let their children stay in Hong Kong. I wonder what votes they have cast on our education system.

Concerning kindergartens, Miss Cyd HO has said that there are over 8 000 kindergarten teachers and they need to have five passes in the Hong Kong Certificate of Education Examination before they will be offered training beginning next year. There are 200 training places this year and there will be 600 places next year, 1 200 the year after and 1 100 two years after next. Madam Deputy, when I asked when all kindergarten teachers would be university graduates. I was told that it was impossible because the long-term target was only sub-degrees. If so, I believe others will certainly overtake us. Thus, there are things on which money deserves to be spent.

In respect of retraining, I wish the Honourable Miss LI Fung-ying would not feel offended because I am just mentioning a fact — the recurrent expenditure is \$400 million this year, I support it but I think that money must be spent for a good cause. At a meeting of the Public Accounts Committee at which the Honourable Abraham SHEK was also present, we said we were sorry about the poor performance of the retraining board (the former one perhaps), and we were deeply concerned about the following:

First and foremost, the business sector and we are concerned about the point that a shortest employment period has not been defined in advance, therefore, the employment situation and the value of the retraining courses have been exaggerated. The Secretary stated in paragraph 36 of his Budget speech that over 70% of the attendees had successfully found jobs, which is really ridiculous. The Secretary has evidently not read our report published in February. Second, we are angry that the Employees Retraining Board has not sufficiently monitored the expenditure of the retraining courses run by this training organization. There are even no bills; do you think the Director of Audit will be very angry when he learns this? Some have also said that they fail to monitor the attendance of the attendees.

Madam Deputy, it is a pity that I do not have enough time to speak. I support allocating funds when money should be spent after all. Where should money be spent? It should be spent on education and the environment. Mrs YAM has told us that the air quality will continue to deteriorate despite the fact that a lot of efforts have been made. I think she should implement the landfill charging policy as soon as possible. The relevant preparations have been made over six years but a proposal has yet to be made after such a long period, and I am really sorry about this.

Lastly, I wish to say a few things to the Financial Secretary. This is the last Budget during his term of office and I believe many people support him. Whenever opinion polls are conducted, the popularity rating of the Secretary is invariably very high. However, there are two major blemishes during his term of office — I believe the Secretary has heard these before but I have to tell him once again — firstly, he decided to intervene in the market then. Although the leader of the Liberal Party applauded him, he has said himself that he will never do so again. Secondly, the Cyberport incident. I wish such incidents would never happen again. I so submit.

MR SIN CHUNG-KAI (in Cantonese): Madam Deputy, in the past two and a half years, I have discussed the shortage of information technology (IT) talents on different occasions. When I was interviewed by the *Hong Kong Economic Journal* in September 1998, I reflected that some foreign-funded companies wished to set up branches in Hong Kong but were worried that Hong Kong lacked IT professionals. In the motion debate on IT and talents moved by me at a meeting of this Council in March last year, I warned that there would be a serious shortage of IT talents. Unfortunately, the Government failed to grasp the nettle during the past year and propose effective measures to solve the IT talent problem. When I met with the Secretary for Education and Manpower and the Secretary for Information Technology and Broadcasting respectively in September last year, I requested them to follow up the recommendations made in the survey report on IT and manpower conducted by a consultant appointed by the Secretary for Education and Manpower. I also asked them to formulate long-term policies as soon as possible to solve the IT talent problem. However, little progress was made last year.

In the Financial Secretary's Budget, the only policy that catches people's eyes is the admission of professionals, and nothing is mentioned about the training of IT talents. Without conducting a consultation, the Government suddenly proposed a scheme on the admission of professionals. It was really astonishing. I am a member of the Information Infrastructure Advisory Committee and also a member of the Task Force on Information Technology Manpower under the Information Infrastructure Advisory Committee, but I have no idea that the Government would propose such a scheme before the release of the Budget and the Task Force has never thoroughly discussed the proposal on the admission of professionals.

The Financial Secretary declared on a public occasion on Tuesday that there were 6 600 students at degree level or above reading IT-related subjects in Hong Kong. The Financial Secretary was just playing a game of figures to give people a wrong impression that the Government was willing to spend and invest in talents training and that there was thousands of IT degree places in Hong Kong. We have to clarify that the Financial Secretary was talking about the total number of people who took up IT-related subjects instead of the number of graduates who entered the market each year. Information shows that only 2 059 people graduated from degree or above courses in the institutions funded by the University Grants Committee; there is a 300% difference between the figure given by the Financial Secretary and the actual figure.

In the light of the human resource survey reports published by the Government in the past and through contact and communication with the industry, we find that it is indisputable that there is a manpower shortage in the IT industry, and the Government urgently needs to formulate policies and proposals to solve the relevant problems. The seriousness of shortage of IT talents in Hong Kong has caused many local companies to relocate to the north, leaving in Hong Kong departments that require high technology or external communication in operation.

The admission of mainland professionals is one of the solutions to the problems. In addition to attracting companies to maintain their operations in Hong Kong, we can also forge closer links between local companies and their mainland counterparts through the mainland professionals to further develop business opportunities in the Mainland.

In terms of urgency, the admission of mainland professionals can meet our pressing need. Making investments in the training of local talents so that the supply of human resources in the market will be able to meet our future needs is the right direction in the long run.

According to a questionnaire survey conducted by me in the industry on the admission of mainland professionals, 60% of the respondents replied that they had faced a manpower shortage and most of the affected posts were middle posts. The situation is particularly serious in software development and support, with system analysis and technical support coming next. Evidently, the IT industry has a fairly large demand for highly skilled, moderately skilled and lower-skilled workers of different levels.

To solve these problems, most companies offer high salaries to headhunt, thus, a tremendous salary raise is very common in the IT sector. A lot of companies relocate certain procedures to the north or other countries, and some small and medium companies are even uprooted and steered away from trouble.

One question in my questionnaire is: "What do you suggest the Government should do to alleviate the manpower shortage?" Over 80% of the respondents said that the Government should enhance training for local graduates while 50% of them said that the admission of mainland professionals could solve the problem. We think that it is the most effective solution to enhance local training, followed by the admission of mainland professionals.

As to whether it is necessary to set a quota for the admission of mainland professionals, 56% of the respondents gave their support and only 20% of them found it unnecessary to impose a ceiling. Besides, 70% of them proposed tightening the requirements under the scheme. For instance, we should only admit professionals for work types with a shortage of workers in Hong Kong and also the graduates of recognized universities.

Lastly, does the IT sector support the scheme? While 49% of the respondents expressed support, 30% of them raised objection. This reflected that the IT sector generally supported the scheme. However, over 50% of the respondents thought that the Government should give priority to local talents training above the admission of mainland professionals. The crux of the manpower shortage problem lies in inadequate training resources and an under-supply of highly skilled talents and lower-skilled workers.

The governments in various parts of the world nowadays lay enormous emphasis on IT talents training and I wish to cite the examples of three countries, namely India, Taiwan and South Korea.

The Ministry of Human Resource Development of India set up an ad hoc group last year to work out long-term plans and policies in respect of the future demand for IT talents. The Indian Government selected quality universities and educational institutions to introduce new IT courses with a view to doubling the number of places for IT courses in 2000 and thrice the number again between 2002 and 2003.

The group also pointed out that IT would be the main source of income for the Gross National Product of India in the future; thus, the Indian Government attached great importance to IT talents training. The Secretary for Information Technology and Broadcasting visited India in January this year, and the relevant report showed that there were 250 public universities and 11 800 affiliated colleges in India, and 1 270 universities and colleges among them offered IT degree courses. Some other private colleges also offered various IT subjects. Therefore, India is now second only to the United States in turning out the largest number of IT graduates every year.

As reported by the *Business Week* in February, among the 500 largest multinational companies in the world, 180 companies contract out IT work to Indian companies. With 12 500 engineers graduating every year, India can meet such an enormous market demand. Although the economic development of India lags behind that of Hong Kong, it has achieved excellent results in IT development, especially in the software industry.

The Taiwanese Government allocated \$200 million this year for the launch of a four-year scheme called "training talents for automatic and electronic services in the manufacturing industry". Trainees can get 50% tuition fee allowance from the Government which aims at training 5 000 people a year. As the co-ordinator of the scheme, the Taiwanese Government liaises with various tertiary institutions, large IT companies, associations and non-governmental bodies to train talents jointly. The Hsinchu Science Park has attracted a lot of Taiwanese who use to study in the United States and work in the Silicon Valley after graduation to return to Taiwan for work, injecting new blood into Taiwan.

According to the information published in the March issue of *Asia Computer Weekly*, the South Korean Government will invest US\$500 million in the training of 200 000 software and IT-related professionals in the next five years. Summing up these examples, we find that foreign governments evidently attach importance to talents training and are willing to allocate funds for long-term investments.

As the representative of the IT sector, I urge the Government to formulate long-term goals and policies to solve the problem. Synthesizing the opinions of the industry, I wish to make the following suggestions and requests, and I hope that the Government will consider them seriously.

Firstly, I hope that the Government will create more places for IT degree courses, increase grants to tertiary institutions so as to create more places for IT courses and to nurture local talents to meet the future needs of the human resources market. Some institutions have actually reflected to me that they are able to and hope to double the places for IT courses, but they encounter difficulties under the existing mechanism for university grants. Therefore, the Government should make the relevant adjustments.

Secondly, the Government should enhance training for Secondary Five and Secondary Seven leavers, make use of the vacant classrooms and equipment to offer summer IT training courses in IT and train a group of technical staff who do not need to have high academic levels. The IT industry in fact needs talents of different technical and academic levels. Provided that Secondary Five and Secondary Seven leavers undergo training (I am not referring to the two-week courses offered by the Employees Retraining Board, but training lasting at least 10 weeks to six months), they will be able to master certain skills and take up IT-related work. Actually, the greatest demand for technical staff with primary skills comes from SMEs. Training secondary school leavers will not only be helpful to reducing the unemployment rate among the youths, but also to alleviating the problem of technical staff shortage in the IT sector.

Thirdly, the Government should hold discussions with the Mainland over the introduction of business visas so that those mainland employees of local companies can enter Hong Kong more easily. With the issue of multiple business visas, it will be more convenient for mainland employees who need to make business trips between Hong Kong and China. The Singaporean Government recently proposed that Asian countries should give IT talents visa-free treatment and it is willing to take the lead to relax immigration control. The Government should make reference to such a positive measure.

Fourthly, I propose that the Government should set up a specialized college for IT talents training. This proposal is nothing new for I already urged the Government to set up a software technology institute at a motion debate in this Chamber in March last year. I proposed that the institute and private organizations should form a partnership in running the institute and that arrangements should be made for the trainees to receive training in private companies. With this arrangement, we can train specialized and suitable talents for companies lacking in manpower and ensure that the course contents taught could meet the needs of the market. This form of co-operation is very popular

in India and other places. The Government can bear part, say 60%, of the expenditure while the rest can be shared among the private organizations and trainees concerned.

Fifthly, the Government must impose a ceiling on the admission of mainland professionals. The Government can base on the IT manpower survey report published last year and the forecast made by the Vocational Training Council (VTC) on the data on human resources supply and demand in the IT market after the Financial Secretary delivering his Budget speech, and make a forecast on the basis of our future demand for IT talents. It can also conduct yearly reviews in the light of the development of the IT industry that changes with each passing day. According to a survey report of the VTC in 2000, the demand for IT manpower will increase by more than 10 000 annually between 2000 and 2004, and it is projected that there will only be 6 000 graduates each year, including degree graduates and VTC course trainees. The Government can make an analysis on the basis of these data and work out the actual quota for the admission of mainland professionals. This can solve the manpower shortage problem and ensure that local students will have job opportunities. I wish to give a warning here. As reported in the *Wall Street Journal* on 29 March, after the bursting of the dot com bubble, it was projected that 30 000 posts would be deleted over the next three years in the Bay area of San Francisco. As the IT industry is rapidly changing, we can make adjustment to the ceiling on the admission of mainland professionals in the light of changes in the economic situation and market. We can expand the quota when there is a large demand and reduce it when demand reduces or the market changes.

In the future, the relative size of the IT sector in our GDP will far exceeds that of other industries, and its growth rate will double and redouble. The Government's concept of spending with thrift will only do harm to the future development of Hong Kong. So I hope the Government will commit substantial resources to training young people for the industry.

Thank you, Madam Deputy. I so submit.

THE PRESIDENT resumed the Chair.

MR CHAN KAM-LAM (in Cantonese): Madam President, the Financial Secretary has made another deficit budget this year, and there are again no tax increases or new taxes. People generally welcome this Budget for it gives them a chance to rest and restore strength before full economic recovery. Although this Budget appears to be calm and tranquil, the Financial Secretary has actually left his successor a generous reserve and a lot of difficult problems pending solution.

We all understand that this Budget has introduced no substantial changes since Mr Donald TSANG is about to leave office. The general public will not benefit from the fiscal reserves of over \$400 billion. Even though the community earnestly hopes that the Government will use a fraction of the reserves, just a very small part, to alleviate the people's difficulties, and especially to relieve the burden of those who have mortgaged their flats and those owners of negative assets in dire straits. Yet, the Budget has not touched upon this and gives us an impression that the Government has enormous capital but it fails to alleviate the people's difficulties.

The Financial Secretary cried "Wolf! Wolf!" in the Budgets over the past few years and his erroneous estimation that there would be astonishing budget deficits successfully intimidated the public. Since they would not expect any good news like a tax break, they were already satisfied if there was no tax increase and no new taxes. We may say that the wolf has really come this year as the budget deficit has increased from the budgeted \$6.2 billion to \$11.4 billion, yet, the deficit is fairly small. Even though the Financial Secretary has projected that the deficit in the coming year will increase from the budgeted \$1.8 billion to \$3 billion, one of the major reasons is that the Government will implement the Voluntary Retirement Scheme for civil servants and need to make a lump sum compensation of \$5.7 billion. Excluding this expenditure, there will actually be a surplus of \$2.7 billion next financial year.

Madam President, it is certainly prudent for the Financial Secretary not to use the reserves lightly. The Financial Secretary cited the examples of the Government's intervention in the market in 1998 and the batterings at the currencies of other countries on radio to illustrate that the \$400 billion reserves could be used up within a few days. For this reason, he declines to use a fraction of our reserves to stimulate the internal economy and improve the people's livelihood, but he is really excessively prudent and conservative. In fact, our economy was in the course of a major adjustment in 1998. Foreign

speculators raided our financial market but we had not used all of our reserves to strike back at this unhealthy force in the market. We only spent \$118.1 billion to stabilize the markets. Yet, I wish to emphasize that we are not asking the Government to spend all of the reserves. It is after all a waste to keep a considerable reserve without using it appropriately. We think that it is too early to say whether Hong Kong has a structural deficit now, but we have to wait for the successor of the Financial Secretary to solve such problems as a consistently high rate of unemployment, employment mismatch, aggravating disparity between the rich and the poor, and incessant suppression of the wages of lower-skilled workers.

Moreover, in the process of economic transformation, the upsurge in web-based technology companies last year gave people a wrong impression that Hong Kong was successfully developing into a knowledge-based new economy. Unfortunately, we are now back to square one and everybody has turned to target the conventional old economy. What drove economic growth in the old economy? How can we ensure that the competitiveness of Hong Kong in the international arena will not weaken gradually and that it will not be overtaken by other economies? The Financial Secretary must look squarely at these issues. The next step for the Government to take is to further promote economic transformation. In this process of developing into a knowledge-based economy, it must give up the positive non-intervention strategy adopted in the past and play a leading role more actively.

One rather forward-looking proposal in this year's Budget is the introduction of a scheme on the admission of mainland professionals.

No sooner had this proposal been made than some people in the community made protectionist remarks. They said that the scheme would snatch the rice bowls of Hong Kong people and further aggravate the unemployment problem. I find these oversimplified remarks and worries unnecessary, but we must put in place a mechanism to ensure that the talents to be admitted are talents whom Hong Kong really needs.

As the Financial Secretary has said, there will be an under-supply of workers with high academic qualifications, a total of 120 000 people, in the labour market in the next five years. The result of a survey on large foreign companies operating in Hong Kong shows that one of their worries is the lack of quality professionals in Hong Kong. However, the Democratic Alliance for

Betterment of Hong Kong (DAB) thinks that the existing unemployment problem mainly involves non-professionals and lower-skilled workers rather than professionals. Therefore, the problem of mainland professionals snatching the rice bowls of Hong Kong people does not exist, and the problem really lies in whether Hong Kong can find qualified people to take the rice bowls in Hong Kong. The DAB is fully confident in the local professionals who have weathered many a storm in the course of growing up. We need not intentionally shut out foreign professionals, but local professionals must neither be complacent or narrow-minded. Is the success of Hong Kong today not brought about by the hard work of local professionals and foreign professionals?

Back in 1994 and late 1999, the Government respectively introduced schemes similar to the admission of professionals scheme. The pilot scheme in 1994 only permitted the entry of 1 000 graduates of 36 major universities in the Mainland while the Admission of Talents Scheme in 1999 only permitted the entry of doctorate graduates in specified professions. As these schemes failed to admit talents that Hong Kong lacked, they had degenerated into a gimmick to satisfy the professions' yearning for talents.

Certainly, it was mainly because top mainland talents did not earnestly want to work in Hong Kong. In the two days after the release of the Budget, local media interviewed some university graduates working in the information technology industry in the Mainland. The conclusion was that married professionals who had begun a successful career and had families found that there was unlimited room for development in the Mainland. As the scheme does not permit the professionals to bring their dependents to Hong Kong, it is absolutely unattractive to them. The fresh graduates in information technology have lofty ideals and they aim at joining large multinational enterprises and organizations, thus they are not very interested in becoming pathbreakers in Hong Kong. So, if Hong Kong wishes to attract mainland talents, it must offer terms that are comparatively more favourable than those offered by other countries.

Apart from the problem of talents, SMEs have always encountered financial difficulties. The Government has explicitly stated that it will not allocate funds for the Special Finance Scheme for SMEs. As a new measure to assist SMEs, the Budget makes a provision of \$300 million to the Trade and Industry Department for setting up a training fund. It seems that the Government has failed to target at the needs of SMEs for comprehensive

assistance. Besides, the Government has stopped accepting applications for the Special Finance Scheme for SMEs since last April. It is estimated that a report on the operating details of the \$300 million scheme will only be submitted in June and it may still take a few more months before it can provide subsidies to SMEs. The Chief Executive proposed possible new measures under the themes of "helping to start a new business", "helping to build a new business" and "helping to expand a business" in his policy address last year, but a report on the specific proposals will only be completed in June this year and it is unknown when services can really be provided.

Madam President, as the spokesman of the DAB on housing policies, I wish to express my views on the financing of housing. As the Housing Authority (HA) faces the difficulty of reduced revenue as a result of the reduction in sale of Home Ownership Scheme units as requested by the community, I think the Government can consider selling some commercial premises or car parks. Although the HA owns many quality commercial complexes, as it lacks experience in commercial operation and management, some commercial complexes are frequented by only small numbers of people and the shop tenants have been crying for business. The sale of commercial complexes can infuse the operational skills of the commercial sector into the public sector, the HA can make money and improve the business environment of the commercial complexes. I also propose expediting the sale of public housing. The scheme is successful in terms of the acceptance rate of the past few phases of the Tenants Purchase Scheme. In some newly completed housing estates, we often hear people voice the aspiration that the Housing Department would sell the units in their estates. The sale of public housing will definitely have no effect on the private property market and it will only give residents a stronger sense of belonging, thus, they will more actively take the initiative to participate in the management of the estates. However, I have to say that the Government must comprehensively maintain the buildings before selling the flats in order to guarantee that the buildings sold can meet the basic requirement of the residents. Though the HA will not profit from the sale of public housing, I wonder why the Government does not want to do so because it will be able to recover the replacement costs and the flow and utilization of the resources of the HA can be expedited by the faster sale of flats.

I hope the two measures above can give the HA more sources of revenue.

Madam President, I so submit.

MR ALBERT CHAN (in Cantonese): Madam President, the Budget released by the Financial Secretary, Mr Donald TSANG, this year is in my view cold-hearted and unsympathetic. To many people who are caught in hardships, the Budget gives an impression that the Government is blind and deaf to their plights.

Let me start from the cover, the colour of which is a gradual change from white to gold. White represents the coldness and indifference of the Budget, whereas gold fully demonstrates that the fiscal policy is gradually moving towards money politics, and this direction is fully reflected throughout the entire Budget.

The Financial Secretary has stated that to truly help the aggrieved property owners, we can only pinch our hope on property prices rising. From my contact with the Financial Secretary over the years, I always think that he is very competent. But perhaps all his acquaintances are from consortia and persons in power or their spokesmen, so he does not know much about people in difficulties and the disadvantaged and therefore, the Budget can satisfy only the demands of the consortia to the negligence of the needs and piteous pleas of the lower class and people caught in hardships.

Mr Donald TSANG considers that the Government is unable to help the aggrieved property owners for two reasons:

- (1) Government reserves cannot be used rashly; and
- (2) The way to truly help the aggrieved property owners is to wait until the Hong Kong economy has improved, in which case property prices can be expected to rise.

These two reasons unreservedly reflect the lack of in-depth understanding on the part of Mr Donald TSANG of the problems of the aggrieved property owners. A great many aggrieved property owners are faced with immense difficulties and in dire financial straits. Their income has dropped as a result of the financial turmoil. Their mortgage loans have imposed an extremely heavy burden on them, and they face the liabilities of defaulting on mortgage repayment and subsequently being demanded by banks to pay for the differences in property

prices. Many aggrieved property owners are facing serious financial hardships. Whether the property market can rebound in future is a future matter. It definitely cannot resolve the financial problems now faced by these property owners.

Mr Donald TSANG's attitude can be likened to seeing a group of people who are dying of thirst in a desert and while a nearby person can save them with the water in his hand, that person in control of the water does not come to the rescue of these seriously dehydrated people and instead, he tells them to continue to creep forward to an oasis vaguely seen ahead. When these people who are dying of thirst clench their teeth and creep step by step to that oasis, they finally find that what they saw earlier was but a mirage. But still, the person controlling the water remains indifferent, watching groups and groups of these people walking or creeping to death.

That Mr Donald TSANG should draw up the Budget in a mechanical and callous manner is heart-rending. I hope that the Financial Secretary, while having bright prospects and scaling new heights in career, can bring some sunshine and warmth to the disadvantaged and the suffering masses when he formulates social and economic policies in future, so as to make the cold-hearted bureaucratic structure of Hong Kong a little bit more humanistic.

Mr Donald TSANG has stated that the fiscal reserves cannot be used rashly to provide assistance for the aggrieved property owners. I find it very difficult to agree with him. I wish to point out here that the budget deficit cannot be attributed to a certain part or item of expenditure. Any expenditure in the Budget is part of the overall expenditure. From the provision as substantial as hundreds of millions of dollars for building a magnificent opera house to the costs as trivial as those for hiring a driver for Mr Donald TSANG, all come from the public coffers and are part of the financial expenditure. To provide people facing bankruptcy and hardships with assistance or using a small proportion of the government revenue to ease the pressure on the aggrieved property owners is also part of the overall financial expenditure. As the expenditure on providing assistance for these aggrieved property owners comes from the public coffers, why should this part of expenditure be spent out of the fiscal reserves whilst the other expenditures are not? Is it not squandering money to build a magnificent opera house at hundreds of millions of dollars, or use US\$1 billion to help Thailand tide over their financial hardships, presenting a false picture of peace

and prosperity, or hold banquets for guests? Why is it regarded as spending money frivolously to provide assistance for the aggrieved property owners? What about the other expenditures? I think the Financial Secretary's remark is misleading indeed. It is so disappointing that a person experienced in fiscal management should hold such a view. If Mr Donald TSANG does not wish to help these people in difficulties, he should say so in express terms, rather than misleading the public.

It is definitely not the case that the reserves cannot be used. Nor is it the case that an increase in government expenditure must be made out of the fiscal reserves. The Government can increase its revenue by taxing the highest income group at a higher rate so as to offset the expenditure on providing the needy in society with assistance. The consortia are making profits in tens of billions of dollars. Why can we not effect a small increase in the profits tax rate to increase government revenue? What is it if not partiality for the consortia? If the interests of the upper class and those of the consortia cannot be slightly touched, what is it if not money politics?

In the 19th century, Karl MARX advocated revolutions by the working class in capitalistic societies to overthrow capitalism and set up communist societies. For many years in the past, revolutions have not taken place in many capitalistic societies mainly because of the welfare policies of their governments, under which a diversity of welfare services are provided, thus alleviating the plights of the people, improving the people's livelihood and protecting the rights and interests of the working class. We are not suggesting that Hong Kong should take the path of a welfare state. But the present situation in Hong Kong is totally running counter to the direction of welfarism. The livelihood of the lower class is not protected, and worse still, they are often subject to suppression and exploitation. Workers are not protected by a minimum wage system; they do not have the right to collective bargaining; they do not enjoy any protection upon dismissal by employers; and there is no unemployment allowance for the unemployed.

The situation in Hong Kong is similar to the 19th century English society described by Charles DICKENS in his books. Here, I must warn the SAR Government that if it continues to show partiality for consortia in its policies and if it continues to refuse lending a hand to people in hardships despite having amassed a reserve of hundreds of billions of dollars, the lower class will become more and more discontented and this will only create more factors for social

instability. I hope that the Financial Secretary can spend some time looking into the causes, process and consequences of social revolutions in foreign countries. He must then learn from history and cease to obstinately stick to a wrong course.

Following the financial turmoil and a plunge in property prices, a din of resentment from the aggrieved owners of negative assets has emerged in society. The Financial Secretary designate, Mr Antony LEUNG, has stated that the Government is not obliged to guarantee profits for investors and he therefore considers that the Government should not do anything for these people. I think this is not a question about the Government guaranteeing profits for investors, but one about the indebtedness, livelihood, future, bankruptcy and even suicides of these people living in grossly straitened circumstances. With regard to those remarks of Mr Antony LEUNG, if he does not want to lend them a hand, he should say so, rather than distorting the facts and adding insult to injury. These owners of negative assets, like people who are starving and dying of hunger, want desperately just some water and bread. What they want to eat is not expensive delicacies. So, I consider this indiscreet and irresponsible attitude of Mr Antony LEUNG utterly regrettable.

Madam President, I wish to turn now to issues relating to land and public works. In this regard, under the high land price policy, the revenue of the Government used to rely heavily on land-related income from, among other things, land sale, land premiums and stamp duty on property transactions. However, the collapse of the property market in the wake of the financial turmoil has directly affected this part of income of the Government and as a result, the government revenue has dropped substantially. In the long term, the Government must broaden the tax base, and I think this is welcome news to Mr Donald TSANG for he has been talking about this for years. The Government should consider broadening the tax base, and I think the Government should not rely too much on land-related proceeds. Having said that, the Government must at the same time have regard for the needs and pressure of the grassroots. It should not be partial to the consortia when considering the issue of broadening of the tax base.

Madam President, in view of the tremendous pressure faced by the economy of Hong Kong, many people have recently suggested the Government to stimulate employment through large-scale infrastructure construction. In particular, many professional bodies have time and again lobbied the Government and made this suggestion. In this connection, I must raise the concerns of the Democratic Party. Massive public works expenditure does give

cause for concern over the cost-effectiveness of the projects. Members may recall that the 10 major Airport Core Programme Projects were announced for political reasons. These projects included such major infrastructures and roads as the Route 3, Tsing Ma Bridge, North Lantau Highway and Airport Railway, and their present utilization rates are far lower than the estimates made at the planning stage. Besides, regarding the Strategic Sewage Disposal Scheme which has been ongoing for years, many mistakes have been made due to the hasty implementation of the Scheme and in the absence of thorough consideration and detailed studies, thus wasting both resources and time. For projects such as the cross-boundary trunk road, Route 10 and the Green Island reclamation currently under consideration and planning, will the past mistakes be committed again? Here, I must remind the Government that it must handle the matter cautiously and conduct detailed studies. These projects must not be commenced hastily in an attempt to yield to pressures from various sectors and to stimulate the economy.

To conclude, massive works projects must dovetail with the future development of Hong Kong. They should not be commenced rashly purely to stimulate employment. We must ensure that the limited resources of Hong Kong are properly used, in order to better the financial conditions of Hong Kong on the one hand and genuinely improve the people's livelihood on the other.

Regarding the tax increase proposals in the Budget, including increases in tobacco duty, duty on alcoholic beverages and vehicle licence fees, Mr Donald TSANG stated that only some modest adjustments will be made to these items. For instance, we only have to pay 10 to 20 cents more for a can of beer and so, he does not think that these increases will produce any significant impact. While these tax increases appear to be fair on the surface, I think they are still unfair to the lower-middle class. The impact of the proposed tax increases on the highest income group will be minimal, and people with an annual income exceeding \$1 million are not in the least affected by these increases. But to the grassroots who earn several thousand dollars a month, an increase of just a dollar or a dime in daily expenses will put pressure on them. If Mr Donald TSANG considers that an increase at a dime will not be of any problem, then it can be said that he does not have the least understanding of the livelihood of the grassroots people. Some elderly people and housewives would rather walk for an hour or two than take public transport only to save a dollar or a dime. This shows how important a dollar or a dime are to the grassroots. I hope that Mr Donald TSANG can spend more time understanding the needs of the grassroots. A lopsided Budget should definitely not be supported.

MRS SELINA CHOW: Madam President, according to the Government, our gross domestic product registered a 10.5% growth in the year 2000, and the Financial Secretary in his Budget for the coming year is predicting a further growth of 4%. Great news indeed! But what does it mean to our community, our businesses and our people?

Both the Chief Executive and the Financial Secretary were quick to admit that somehow the recovery had not been generally felt or shared by our community at large so far. The authoritative research department of the HSBC has corrected their prediction for growth downwards to 2.2%, indicating that the path ahead is not quite as rosy as the Financial Secretary would have us believe.

Another indicator is, of course, the unemployment rate. Up till February this year, the peak of 6.3% in 1999 had continuously slid downward, and hit 4.3% this January. But before we could have time to celebrate, it moved back up to 4.5%. Worse still for my constituents, retail and wholesale is the sector that has registered the main surge upwards.

Research conducted by the Retail Management Association shows that we have not regained lost ground since the deterioration in local consumption which hit us in 1997, and in the year 2000, we are still 20% less than that of 1997. This drop may partly be due to the price correction which has taken place in response to the downward pressure on prices posed by the economic downturn, and the threat of competition in the region as a result of the round of currency devaluation in neighbouring countries in Asia. But the principal reason observed by the trade is the outflow of spending by Hong Kong people, whose ease of travel has attracted them to do their weekend shopping in Shenzhen, and their longer holiday shopping in Southeast Asia.

Last year, there were 39.9 million land departures of Hong Kong people through the northern border. Every weekend, some 160 000 people crossed Lo Wu and there is no sign that this figure will come down. Departure figures increased to over 200 000 during long weekends. Tens of thousands of Hong Kong people have, in fact, bought property in nearby Chinese towns, either as their permanent residence or holiday homes. This naturally means that those who occupy these units would do their daily shopping or at least their leisure spending on a regular basis north of the border. As have been pointed out by retailers, such spending is not restricted to the purchase of goods, but also

includes consumption directed at all leisure activities such as food, recreation, entertainment and sports. The effect of the exodus is also felt by public transport operators, who have complained to me about the consistent loss of business during weekends and holidays.

These signs are all pointing to the fact that our domestic consumption is being seriously undermined by the outflow of spending in nearby places which can offer much cheaper deals for a wide range of products and services. As far as our own people are concerned, Hong Kong is no longer competitive in the prices that we are able to offer.

It is, therefore, not surprising that there is a call among many service providers that the Government should seriously consider the introduction of a land departure tax, so as to take away the incentive for people to travel north for their leisure and shopping. Since there is already a tax levied on departures by sea and air, why should those leaving by land be exempted, particularly when the volume of traffic there imposes a huge burden on the manpower and resources of the Immigration Department? Should the "user pays" principle not apply here? A charge of \$20 per departure would bring a revenue source of \$800 million. Apart from keeping some of that spending power here at home, it will give less cause for the Government even to consider introducing any new tax, least of all a general sales tax, which the service sectors are all convinced will permanently damage Hong Kong's standing as a shoppers' paradise as well as a service centre.

It is widely recognized and acknowledged that Hong Kong is not cheap, that we compete on value and not on price. By way of justification, this is not an unreasonable argument, but unfortunately, most consumers, including you and me, would always look at the price tag first. So already we are disadvantaged if we are regarded as expensive, which is a reputation that we are beginning to acquire.

That is probably the reason why our Government reiterates the aspiration for Hong Kong to become the world city of Asia, on par with London of Europe and New York of the United States. This is all fine, except that when Londoners go to the country to spend their weekends and holidays, they contribute to their own national economy. It is a very different story with us, under the "one country, two systems" arrangement.

I, therefore, lament the fact that in his last Budget, the Financial Secretary failed to address this very serious problem that our economy is facing.

Lest I should be accused of asking for government intervention into our free market, I hasten to say that no business in Hong Kong, big or small, expects the Government to subsidize business. However, it is fair for the business community to ask the Government what it intends to do to bolster our competitiveness and promote consumption.

Mr TUNG Chee-hwa and the Financial Secretary have talked about the Government's intention to create a business-friendly environment in Hong Kong. For many local businesses, big and small, this high-sounding objective, just like our economic growth projections, remains an aspiration rather than an achievement. Government control through legislation, regulation and licensing is increasing rather than decreasing. As a result, fees and charges under the "user pays" principle are also increasing. At the same time, because of more requirements to be fulfilled, more time, which often translates into income loss, is taken to get started, and more work is created which leads to no return or reward. When a problem is identified, it takes years to correct. The restaurant licence is a living example of that. The sewage charges for restaurants is another. A hotel still requires 30 licences before it can open its doors, a supermarket requires 12 licences, and it takes a games centre six months to obtain a licence. How many more consultancies, and how many more years must we wait before we can break up such bureaucratic inefficiency and save costs for everybody?

A major role that the Government must play in strengthening our overall competitiveness is the investment that we must make on education and training. I recall that after 4 June 1989, the then Government anticipated a mass exodus of mature talents from our shores, and therefore decided to expand our tertiary education sector. I remember vividly how our colleagues in this Council savagely criticized the Government for not getting the balance right, and not spending enough on primary and secondary education.

For many years, I had been involved in the debate of education issues both in this Council and in the Education Commission. In hindsight, I think that we correctly identified the problem but came up with a solution which is less than

ideal. We discovered that the language of instruction which should have been English was in fact pidgin, mixing English and Chinese according to convenience, and as a result, it dragged the entire standard of both languages down. Instead of addressing the root of the problem then, which was to map out a clear plan to upgrade the standard of both languages among teachers, in particular English, we chose the easy way out, and opted for mother tongue as the medium of instruction. Educationally it made sense, as we were cutting our clothes according to our cloth. However, adopting this policy and expecting that we would still retain bilingualism was probably too much to hope for. We are losing our English proficiency. The recent phenomenon of thousands of parents flocking to the British Council in order to secure a place for their children to study in the United Kingdom, and long queues at international school entrance exams, must be clear signs to our Government that people are losing confidence in our public school system, and something must be done, not only to uphold the standard of English in our schools, but also to present the choice of education in the medium of English. Parents' aspiration should not be dismissed easily. But it goes beyond that. English is undoubtedly the key communication tool of today's world, and there is just no way that we can realize our goal to be the world city in Asia if we do not focus on this issue of language. We must be conscious of the fact that our strong competitors, Singapore and Shanghai, can easily overtake us in offering services in the international language.

To be fair, the Government seems to be aware of the problem, and is prepared to allocate funds for this purpose. However, just setting aside funding for applications which require initiatives from the business sector is not enough. What is required is a co-ordinated and proactive strategy under the Secretary for Education and Manpower, with input from professionals, educators and end-users. We need a plan, and we need it fast, if we are to cement our position as a top service-providing centre in the Asia Pacific Region.

But just resolving the language problem is not quite enough. Unlike the Japanese who always impress visitors with their courtesy, even though most of them could only speak Japanese, our people have a tendency to shy away, or simply ignore any approach for help when this is done in a language unfamiliar to them. This is often taken as rudeness, and at its worst, is construed to be a sign of discrimination. If we are to position ourselves as the preferred destination for visitors, the regional hub for trade and professional services, and

the link between the world and the Mainland when China enters the World Trade Organization, then the readiness to serve, and to serve politely, as well as efficiently, must be our goal. Schemes such as the Quality Tourism Service Scheme must be adequately funded and expedited to elevate the standard of service provided. And public education and extensive promotion to stamp out discrimination must be initiated as soon as possible. Just imagine what a disaster it will be, if we allow our visitors from the Mainland, India, the United States and Europe to go home with a bad taste in their mouth, swearing never to come again, after all the efforts we put in to upgrade our tourism infrastructure, increase our facilities, and mount marketing campaigns all over the world to attract them to Hong Kong.

Another way that the Government can encourage quality service is to take the lead in recognizing its immense value to Hong Kong. Recently, the Government Property Agency put out to tender the lease of a cafe on the Peak. The existing lessee has made great strides over the last few years in improving its service when he took over the premises from his predecessor. Unfortunately, no recognition was awarded to the achievement of its management and staff, and a new bidder who offered more money was awarded the new lease. This is hardly encouragement to operators who have devoted much hard work and dedication, and have made marked contribution in setting high standards of service for the trade. I call on the Government to review its policy by rewarding such achievements in the future by giving the appropriate weighting in the award of government leases and contracts to private operators of the service industry.

It has been said often enough that what makes Hong Kong tick is our appreciation of talents. The opportunity for upward social mobility for anyone with the determination and capacity to perform has attracted achievers to contribute to our success, whether they are native Hong Kongers, or foreigners who have come to call Hong Kong home. I am, therefore, surprised that some of our colleagues, including those in the Democratic Party, have, in the past, preached competition and attacked protectionism should they themselves be so protectionist as to advocate the limitation of admission of mainland professionals. I fear that they, not being practising businessmen, tend to approach issues of business in an academic way, while choosing to ignore market needs. In the process, they may deprive our own graduates of business opportunities when

investors discover greener pastures. The Admission of Talents Scheme has been ridiculously restrictive, and has driven talents to Singapore, the United States and elsewhere. The proposed scheme is already being regarded as inadequate, due to its narrow scope and its exclusion of families of employees. This needs to be addressed quickly if we are to remain competitive in our recruitment and retention of talents. This, in turn, determines where investors would choose to set up shops.

Madam President, as this is the last Budget of the Financial Secretary, I would like to congratulate him for a job well done, for having by and large got the balance right, but most of all, for having listened.

MR IP KWOK-HIM (in Cantonese): Madam President, the title of the Budget, "Honing Our Strengths, Striving to Excel", is praised by Premier ZHU Rongji for its high level of standard, and this has indeed won applause for the sixth and the last Budget of the Financial Secretary. However, after the Budget was released, the general view has been that this Budget contains no pleasant surprises. Although it is rather pragmatic, apparently it is not aggressive enough.

From the angle of the general public, their aspiration is more than a Budget that commands praises from leaders of the Central Authorities, but one that can truly benefit their "pockets". However, apart from the increases in five minor tax items, no significant changes are proposed to the expenditure and revenue. Salaries tax, the amount of home loan interest deduction, and so on, remain unchanged. No wonder the results of an opinion poll conducted after the Budget was released show that among the interviewees, those who are satisfied with the Budget dropped by 13% this year compared to last, whereas those dissatisfied with this year's Budget increased by 8% compared to last year.

Madam President, as the economy of Hong Kong is gradually turning the corner and showing signs of improvement although hardships still exist, it is true that the public has expectations of the Government. But this Budget has failed to answer the public aspirations and even lacks initiatives that can give psychological comfort rather than substantive support to the people. To put it more bluntly, the Government is rather unsympathetic. At present, the general public has not been able to enjoy the fruits of economic recovery. If the

Administration can be more generous in taxation by slightly lowering the rates percentage charge, the public can benefit from it directly; or if the period for home loan interest deduction can be extended from five to 10 years, the plights of the people can be mitigated, and I believe these measures will also stimulate consumer sentiments and speed up economic recovery.

Furthermore, the five items of tax increase proposed in the Budget, such as an increase in driving licence fees, vehicle licence fees, on-street parking meter charges and air passenger departure tax, are all targeted at the middle class. In Hong Kong, the middle class people are always made to shoulder a heavy financial burden. Under the high land price policy in Hong Kong, the middle class people purchased costly properties and many of them became owners of negative assets in the wake of the financial turmoil, but the Budget has failed to ease their burden. No wonder they consider the Government cold-hearted, and are disappointed and dissatisfied with the Government.

After the release of the Budget, another focus of discussion is that the Government's reluctance to provide the public with some relief despite having accumulated fiscal reserves as much as over \$400 billion. It has been a virtue of the Chinese people since ancient times to be prepared for a rainy day. While the economy registered a growth of 10% last year, uncertainties abound with regard to the future economic environment, particularly such external factors as changes in the United States and Japanese economies, which will certainly constitute great challenges to Hong Kong. To maintain the fiscal reserves at a certain level is to send a clear message to the public and to the international community, and this is understandable. The Democratic Alliance for Betterment of Hong Kong (DAB) supports the principle of fiscal prudence, but the reserves must be put to good use.

Madam President, as the representative of the District Council (DC) Functional Constituency in the Legislative Council, I must say that I am gratified to learn that the Government, while professing prudent fiscal management, still earmarks an additional \$100 million a year to strengthen the role of the DCs. But with regard to this \$100 million, having considered it with a sober mind and with greater care, one will notice that from this \$100 million to be shared by the 18 DCs, the additional resources to be given to each DC will be very limited. So, \$100 million is certainly not enough. Over the years, DC members have consistently demanded more government support, such as increasing the monthly accountable allowance for DC members, sending government officials at the

rank of Assistant Director or above to attend DC meetings, and handling and responding to complaints from DC members direct. But we have heard nothing from the Government and no explanation has ever been given. While the Government has time and again stated openly that the requests of DC members will be seriously considered in the context of the review of the roles and powers of DCs to be completed this year, the DAB hereby calls on the Government to address the requests of DC members squarely, and not to disappoint my fellow DC members again with its "undertakings".

Madam President, the accession of China to the WTO is an important issue in recent years. Its entry to the WTO indicates that the open door policy and reforms which have been ongoing in the Mainland for over two decades will be implemented to the full. It also indicates that convergence with the world economy, a fundamental task crucial for generations to come, will finally be materialized. With the many drastic, comprehensive changes made over the years, China is steadily developing in the direction of modernization in terms of society, the economy and the spirit of the people. The impact of China's accession to the WTO will sweep through the country. The South China region will be at the forefront of modernization, and Hong Kong will continue to play an active role in the process.

Since its inception as a port, Hong Kong has been playing the role as China's main gateway to the world. Our role as an intermediary for China's economic and cultural interflow with foreign countries is an important asset of Hong Kong. This is also the principal reason for Hong Kong to have a name in the world map. Since the opening up of the Mainland, enterprises funded by capital from Hong Kong have taken up a significant proportion, particularly in the Pearl River Delta Region. The economic structure of Hong Kong has now transformed from one based on labour-intensive manufacturing industries to one that stresses international finances and marketing. The Hong Kong economy and that of the Mainland have a complementary and mutually beneficial relationship. We must co-operate closely for prosperity.

Given China's imminent accession to the WTO, the many restrictions in respect of taxation, legislation, and so on, are set to be removed. In the meantime, the number of multinational enterprises making investments in the Mainland is bound to grow substantially. With this opportunity of a lifetime, Hong Kong can make good use of its conditions in such areas as communication, infrastructure, the rule of law, legal system, tax regime and quality talents, and

give play to its geographical and cultural advantages, so as to strive to become the headquarters of these enterprises in the South China region or even in Southeast Asia.

While China and Hong Kong are relying on each other economically, there are differences between them from business environment to society and culture. Local talents familiar with the business environment and laws of the Mainland are lacking. If the shortage of talents will deter inward investment, thus greatly jeopardizing the appeal of Hong Kong or even resulting in Hong Kong being surpassed by other cities, there is all the more reason for us to adopt an open attitude towards the admission of professionals and talents.

When considering using the admission of professionals to maintain the competitiveness of Hong Kong, we must at the same time give due regard for the economic and social factors in Hong Kong, in order to ensure healthy economic development and social stability. Since the outbreak of the Asian financial turmoil in 1997, the majority of people have been employed on terms far less favourable than before. The economy is in the doldrums, consumer sentiments are weak, and the shadow of recession cast over the economy. It has been a major issue in recent years as to what steps should be taken to make the local economy turn the corner and remove people's psychological effects. We must carefully assess our needs for professionals in future and put in place an effective monitoring mechanism, in order to ensure that the professionals eventually admitted are genuinely needed in Hong Kong and prevent the valuable quota and employment opportunities from falling prey to cronyism and manipulation by a coterie. Only in this way can the interest of Hong Kong people be safeguarded.

Madam President, as the DAB spokesman on planning matters, I wish to speak on building management and safety. In recent years, the Government has obviously shown more concern over the safety of buildings. The Budget has earmarked considerable resources, including \$167.1 million for the Buildings Department, to step up control on unauthorized building works, substitute the costs for the management of the two building safety loan schemes, and introduce a registration scheme for advertisement signboards. Overall speaking, the efforts made by the Government recently are there for all to see, and they merit recognition and commendation. Yet, it does not mean that the Government has done enough in this regard. I wish to express my views in two areas.

Firstly, fire safety. The Government enacted legislation in 1997 and 1998 respectively to regulate fire safety on commercial premises and in commercial buildings completed before 1973. Some time ago, the Government tabled a bill on composite (commercial/domestic) buildings and domestic buildings to upgrade the fire safety standard in buildings governed by the bill, and this is supported by the DAB. However, for buildings originally intended to be commercial buildings but have all along been used for residential purpose since their completion, the Administration should respect the "historical factors" behind the reality. To wit, the Administration, in requiring these buildings to improve their fire safety facilities, must consider the difficulties faced by the residents, including the financial costs and pressure that they can bear, and adopt a down-to-earth attitude and exercise flexibility in implementing the new legislation. The Government should provide additional funds to facilitate the clearance of unauthorized structures in an effort to remove these time bombs in the urban areas. I must point out that it is inadequate to resolve the fire safety problem only by upgrading the fire safety provisions of buildings, for fire safety facilities are passive. The DAB has conducted a questionnaire survey on fire safety for three successive years, and results do not show any trend of increasing public awareness of fire safety. Take fire drills as an example. Last year, less than 20% of the respondents replied that they had participated in fire drills, and the percentage was even lower than the year before last year. The DAB considers it necessary for the Government to commit additional resources to enhancing publicity and education, with a view to raising public awareness of fire safety.

Lastly, about the support measures for building management. This year, the Home Affairs Department (HAD) will be allocated an additional \$22.5 million for the provision of more comprehensive support services to owners. The HAD will, among other things, create 12 new posts and set up a new division to provide professional legal and technical services relating to building management. Moreover, 78 posts will be created to form District Building Management Liaison Teams in the 18 District Offices to help owners tackle problems relating to building management and provide mediation for disputes between owners and owners' corporations (OC). The DAB welcomes these proposals. But at present, OCs have been incorporated in only about 8 000 buildings among a total of some 40 000 buildings in Hong Kong. Based on the government target of setting up OCs for about 300 buildings yearly, it will take 100 years at the earliest to set up OCs for the rest of the 32 000 buildings. Further, as the number of new buildings completed will increase with each

passing year, the resources allocated by the Government for this purpose are utterly inadequate, and it is utterly impossible that the target be achieved in any way. The DAB strongly urges the Government to show its sincerity by redeploying resources to earnestly resolve this major livelihood issue. Human body is made up of cells, and buildings are the cells of society. Only when buildings can grow healthily that society can have healthy development.

Madam President, over the six years when Mr Donald TSANG holds the office of the Financial Secretary, the Hong Kong economy has seen sharp rises and falls, from the prosperity before the reunification to a recession in all trades and industries in the wake of the financial turmoil, with the unemployment rate constantly rising to a record high. As the commander-in-chief of fiscal management in Hong Kong, Mr TSANG has successfully steered Hong Kong away from crisis, and the economy of Hong Kong started to recover last year. As Mr TSANG will cease to hold the office of the Financial Secretary, the people of Hong Kong will certainly make their own judgement on his achievements and mistakes. After seeing this Budget through, Mr TSANG will leave his present post on accomplishing his mission and assume the office of the Chief Secretary for Administration. I hope that Mr TSANG, who is going to scale new heights in his career, can fully co-operate with colleagues of the Legislative Council in his new post.

PRESIDENT (in Cantonese): Mr IP, your time is up.

MR IP KWOK-HIM (in Cantonese): I so submit.

MR ANDREW WONG (in Cantonese): Madam President, I speak in support of the Second Reading of the Appropriation Bill 2001 and I would like to express my appreciation for Mr Donald TSANG, the Financial Secretary, who is about to leave the office. May I wish Mr TSANG that he will be able to realize the theme of the Budget, that is, "honing our strengths, striving to excel" when he assumes the new post of the Chief Secretary for Administration.

Madam President, this is the last Budget prepared by Financial Secretary Donald TSANG in his term of office. Yesterday, Mr Martin LEE accused Mr TSANG of overestimating expenditure while underestimating the revenue. I

hope Mr TSANG will not feel offended at that remark. In the Budget debate last year, I pointed out that in the debate on the last Budget prepared by Sir John COWPERTHWAITTE, the convenor of the Council at that time, Sir Y. K. KAN sang praises on Sir John, saying that he was a wizard in fiscal management. Sir Y.K. joked that the secret of Sir John's transformation of a budget deficit into a surplus lay in his ability to systematically overestimate spending while underestimating revenue. The remark was not made with any tone of accusation, but simply to crack a joke. It is a tribute to Sir John's conservative and prudent financial management. Last year, I said that the remark was made in 1970 as I remembered, but actually it happened in 1971.

Madam President, we have had surpluses in our accounts in most of the years past, and that is why we have saved a considerable amount in reserves. Our fiscal reserves have reached an embarrassing some \$400 billion. In 1998, Mr TSANG laid down the benchmark or the formula for the desirable level of reserves, and the reserves at that time was already some \$400 billion. So from that time onwards, up to yesterday and even today, many Members of the Council have criticized the policy of fiscal reserves of Mr TSANG.

Madam President, as a matter of fact, Mr TSANG is not the first financial chief who has tried to set some kind of benchmarks or standards for fiscal reserves. The first post-war Financial Secretary, Mr Geoffrey FOLLOWS, laid down in 1951 the principle that the amount of fiscal reserves which could be freely used should at least be equal to the amount of expected revenue for the year. As the fiscal reserves in most of the financial years at that time did not reach this standard level, the third post-war Financial Secretary, Sir John COWPERTHWAITTE, revised the principle in 1962 to the effect that the level of fiscal reserves must at least equal to half of the projected recurrent expenditure of the year in question. Further revision was made by the fourth Financial Secretary after the war, Sir Philip HADDON-CAVE, in 1977. After a review made, a complete overhaul was made to the principle. He pointed out that part of the reserves was to be used as preparation for the contingent liabilities for government or public sector organizations, and so that part of the reserves could not be used. He laid down the principle that for every three dollars of contingent liability, it should be backed up by one dollar of fiscal reserves. The rest could be called free fiscal reserves. He also laid down the principle that the level of free fiscal reserves should at least be 15% of the total expenditure of the general accounts receivable. As for the remarks made by other Financial Secretaries, I would not repeat them here.

Madam President, all these benchmarks, standards, ratios and formulas as set down by the Financial Secretaries over the years are not backed up by any economic theories as such. Nor are the standards of the fiscal reserves in any country supported by any economic theories. I hope Mr TSANG would not mind the attacks made by Members on the standards of fiscal reserves adopted by him. In the Budget debate in 1998, I advised Mr TSANG that it might be better if he could be more frank. It would not matter so much if the reserves are great or small. The most important things are: first, increase spending as much as possible, but the rate of increase should not exceed or higher than the rate of economic growth; second, taxes should be reduced as much as possible but the reduction should not affect the long-term stability of revenue. The enormous fiscal reserves that we have is the result of incorporating the Land Fund into our fiscal reserves after 1997.

Madam President, the Budget of 2001-02 is formulated in accordance with the two principles mentioned by me earlier. Mr Martin LEE mentioned yesterday that when the fiscal reserves become too great, those from the left wing would want to increase spending and those on the right wing would demand tax concessions. Let us leave aside the question of whether or not the fiscal reserves are excessive. I hope Mr Martin LEE and other Honourable Members who share similar views on increasing spending are not purely leftists. Likewise, I hope they will not regard me and those who share similar views with me as being purely rightists. A sound approach to management of public finances should not blur the line between the right and the left and it should take both the right and the left into account. In this respect, the last Budget prepared by Mr TSANG can be deemed to have embraced the views of both the right and the left.

Having said all this, Madam President, I think our fiscal reserves are indeed excessive. Within the framework of the growth in expenditure should not be greater than the rate of economic growth, I think we are able to introduce further tax concessions and reductions. The best example is the abolition of estate duty as proposed by Dr the Honourable David LI yesterday. I fully support Dr LI's suggestion. Under the existing regime for estate duty, many people are transferring their estates to other countries and there are also many people who give their properties to their successors as gifts before they die.

Madam President, many Honourable Members have proposed to increase the amount of mortgage loan interest deduction for self-owned property and extend the period within which the deduction can be claimed. I am in full support of this idea. Although this measure cannot give a complete solution to the problem of negative assets, it will ease the burden on those with negative assets whose properties are used for their own residence. This will lead to an inevitable decrease in tax revenue, but the plight of the people can be eased to a certain extent.

Madam President, the Honourable James TIEN suggested yesterday to put the profit earned in the Exchange Fund which does not belong to the fiscal reserves into the government accounts, thus making the way for further tax cuts. It will not lead to any tax increases either. That is not a new idea. In fact, the profits earned in the Exchange Fund can actually be used for government purposes according to the amended Exchange Fund Ordinance. That was done in the years 1964 to 1975. However, I do not agree to Mr TIEN's proposal because of two reasons, first, our fiscal reserves are very great and second, the main function of the Exchange Fund is to stabilize the exchange rate of the Hong Kong dollar. So its profits and surpluses should be primarily used for the purpose of stabilizing the Hong Kong dollar.

Madam President, the Honourable Eric LI proposed the idea of setting up an equalization fund. That is not a new idea either. In 1953, the second Financial Secretary after the war, Mr Arthur CLARKE, introduced a Revenue Equalization Fund and it was only abolished in 1971, that is, the last year in the term of office of Sir John COWPERTHWAITTE. I do not agree to Mr LI's proposal in the first place, for the fiscal reserves as a lump sum would afford more flexibility than a specified fund, however, I would be glad to know more about the details of his proposal.

Madam President, I have reservations about the introduction of an accrual basis accounting system. Since the Government is not a profit-making organization, the cash basis accounting system is more suitable. The latter system will enable the Council and the Members to exercise greater checks on government finance. However, the accrual basis accounting system does have some advantages in that it can provide more detailed information and it will help in knowing the long-term financial implications of policies in the course of formulation. I think the accrual basis accounting system can be adopted only for certain types of government liabilities such as the pensions and certain kinds

of investments that may generate profits, such as the Mass Transit Railway, the Kowloon-Canton Railway, and so on. As the Financial Secretary is going to adopt both accounting systems simultaneously, I would not oppose these systems at the present stage. I would like to discuss them later when they are to be introduced and after their introduction.

Madam President, I so submit in support of the Second Reading of the Bill and the 2001-02 Budget.

MR HENRY WU (in Cantonese): Madam President, first of all, I would like to congratulate Mr Donald TSANG on his promotion from the bottom of my heart. The Budget this year is the last Budget prepared by Mr TSANG in his term of office. In general, Honourable Members have criticized the Budget for failing to bring any pleasant surprises. However, as a representative of the financial services sector, I would like to thank the Financial Secretary for revising downwards the stamp duty on stock transactions despite a slight budget deficit that we have this year. It is expected that the measure will cause a loss in government revenue for the next year at \$680 million and with an aggregate reduction over the next four years at \$4.2 billion. Therefore, to show my respect and gratitude for the Financial Secretary who has made this only tax reduction proposal in the last Budget prepared by him, I have made a special attempt and tried to match my attire with that of the Financial Secretary today. Having said that, though, I must admit I do not look as smart as the Financial Secretary at all.

Madam President, as a representative of the financial services sector, I will concentrate my speech on the part of the Budget related to the sector. The Financial Secretary points out in his Budget that he would like to see the Council finalize as soon as possible the Securities and Futures Bill which is presently under deliberation. He also says that he is glad to see that with effect from 1 April next year, the minimum commission of stock brokers will be abolished. As a matter of fact, I have spoken on many occasions, and it has been also debated in the motion debates of the Council, that the sector is very concerned and worried about the issue. It is because these measures will produce far-reaching effects on the sector. As the issue is quite complicated in nature, and as the views expressed by the sector and me previously might have been too technical, Members may not be able to understand the crux of the problem, so I would like to approach the issue in a more lively manner.

Madam President, recently I watched a programme of the National Geographic on television. Please relax. Imagine yourself in a natural environment. I would like to make a warning first, if what happens later makes you feel uneasy, please turn down the volume of your headphones or even switch it off. Thank you for your co-operation. Now we have come to a plain. The sun is shining hard over it. A big bison is fighting with a huge bear. Far away from the scene a pride of lions is watching closely. As the bison and the bear fight to their exhaustion, the lions circle in and launch their attack. Out of sheer luck, the bison managed to escape and the bear is left to fend off the predators. Despite its great efforts, the bear is killed in the end as the lions leap on it. And so the pride of lions has a hearty meal and leave afterwards. The remains of the bear are left.

Not long afterwards, a pack of wolves come along. The wolves come close to the remains with great caution. When they find that the bear is motionless, they start to eat the decayed flesh to their hearts' desire. Then they go away with joy. That is understandable, for they have had a meal for free.

The bear is so big in size that parts of it still remain after it has been devoured two times. A group of vultures now gathers in the sky above. They are getting interested in the carcass. After circling for a short while above, the vultures dive one by one and prey onto the body. They start to devour the remains slowly, savouring the flesh that is left. Afterwards, they soar away to the sky again.

As night falls, the plain is left with a heap of bones from what used to be the bear's body. It looks as if something is moving on these bones. As we get a closer look, a colony of ants is moving. The ants are carrying the decayed flesh left on the bones away. After a night's labour, only a heap of bones is left in the dawn.

Madam President, as we come back to the real-life situation, what would you react to the story I have just told? I think Honourable Members will know that nature is a unique ecosystem. It is a place where living things fight for their survival, but it is also a place where they co-exist. It is only when there are big and small animals, strong and weak that a complete biological chain is formed.

The same goes for the securities trade. Stock houses and brokerages of various sizes are providing services to different kinds of clients in the market. They are competing with each other, and yet at the same time they are complementing one another. Despite this, the Government is trying to promote the speedy passage of the Securities and Futures Bill, which is unfair to securities brokers, in July this year. The Government also supports, without conducting extensive consultations, the decision to abolish the minimum commission for securities brokers with effect from 1 April next year. In effect, the move is like spraying insecticide on the tiny amount of decayed flesh left on the bones, the means which small and medium-sized brokers rely on to make a meagre living. That is meant to drive them into extinction.

Madam President, I recall the Chief Executive saying in the 1999 policy address that he hopes to turn Hong Kong into the New York and London of Asia. I am afraid Mr TUNG is going to be disappointed. For according to the findings of a survey undertaken by a large accounting firm, at least 200 brokerages, or 40% of the total, will vanish in Hong Kong by the middle of next year. Madam President, when an internationally renowned accounting firm is making such a pessimistic prediction, does it merely show that some people are trying to raise alarmist talk or is the securities brokerage trade gasping for its last breath? I hope the Government can give serious thoughts to this question.

There are three possible reasons I can think of. First, the Securities and Futures Bill which this Council is presently deliberating on. The trade is gravely concerned that the banks will enjoy special privileges under the Bill, thereby creating a situation of unfair competition. In fact, in the course of scrutinizing the Bill, we discovered quite a number of provisions and rules that are unfair to the securities brokers. When this is coupled with excessive regulation by the Securities and Futures Commission on the securities brokers trade, it may thus be concluded that the trade is doomed. Despite the repeated claims made by the Government that the securities business accounts for only about 2% of the total income of banks, the fact remains that the market share of banks in the securities market is actually as large as 30%. As we all know, banks in recent years have been actively expanding their stocks trading and retail business, it can therefore be seen that the Government's statement is self-deceiving and that the securities brokers are facing increasingly greater challenges from the banks.

Moreover, the forced passage of the decision to abolish the minimum commission of stock brokers with effect from 1 April next year is very likely to spark off vicious competition at that time. Those who suffer in the end are very likely to be the investors who will be denied choices as a result of monopoly is formed in the market. It is lamentable that Financial Secretary Donald TSANG appears to be not fully aware of the plight of the trade, nor has he made any response to it.

On the other hand, in the Budget the Financial Secretary has made the financial services sector one of the two sectors to implement the Admission of Mainland Professionals Scheme during its initial stages. Those professionals to be admitted will engage in the operations of a company and there is no ceiling on the number to be admitted.

I have received a paper today and this is to be discussed in the joint meeting of the Panel on Security and the Panel on Manpower tomorrow. According to this paper which has just been released, the findings of a manpower demand projection to 2005 conducted by the Education and Manpower Bureau show that the manpower demand by banks, insurance companies and other financial institutions will increase at a rate of 3.7% annually. By year 2005, the manpower demand will be 219 300 people and the growth in the demand for managers, supervisors and professionals will be 7% annually. It is estimated that the shortage may be as many as 16 800 people by 2005. Manpower shortage is found in such fields as economic analysis, capital financing and investment services, risk management, and so on. The paper points out that the unemployment rate last year in the financial services sector is 1.4%.

Madam President, the Secretary for Financial Services, in reply to a question raised by me in respect of the Budget, mentioned that the Advisory Committee on the Human Resources Development in the Financial Services Sector submitted a report on the manpower demand in the financial services sector to the Government in January. However, the report has not been released to the public or submitted to the relevant panel of this Council for discussion. I have therefore written to the Panel on Financial Affairs to ask representatives from the Administration and members of the Advisory Committee to attend a meeting of the Panel to brief Members on the findings and the grounds behind these findings.

Although I have not had a chance to read this report, I have some views on the manpower demand in the sector. In the first place, the current situation in the market is very much different from what it used to be in the best of its times. The fall in trading volume has a direct bearing on the commission payable to the brokers. Since the income from the commission has dropped, the manpower demand for securities brokers should not be rising. If mainland professionals in financial services are to be admitted without any ceiling on their number, I am afraid this may create considerable mental stress on participants in the sector. I believe that is not what the Government and the public would like to see. Moreover, the 1.4% unemployment rate has shown that there is an oversupply of manpower in the sector. So why does the authorities still insist on admitting mainland professionals?

Apart from that, the financial sector in the Mainland has started to develop only in recent years. It is doubtful whether there are experienced and qualified talents for "export" to Hong Kong. Recently, the Securities Commission of China has engaged in some headhunting in Hong Kong to help in the improvement of its rules and regulations as well as promoting healthy growth in its market.

Owing to the operational difficulties confronting the securities brokers mentioned by me just now, I am worried that some brokerage houses which will lay off some of their staff or even close down. The problem which follows may be one of an oversupply of manpower instead of a shortage. Moreover, the prediction made by an accounting firm quoted by me indicates that by the middle of next year, about 40% of the brokerages will "disappear". If this forecast should come true, and coupled with this unlimited importation of professionals, I am afraid it will give rise to serious unemployment.

Madam President, there is another issue which has not been raised in the Budget this year but is a cause of concern to both the sector and me. That is the issue of equity in the public listing of some public sector organizations which will be privatized. I believe Honourable Members will recall that when the Mass Transit Railway Corporation (MTRC) was to be listed last year, the Government appointed a few large brokerages as underwriters or distributors. The medium and small brokerages were shut out of the doors. The entire process was not transparent at all and it was not open, in strict non-adherence to the principle of fair competition. More importantly, this is a kind of "labelling effect" made on

the initiative of the Government and it would only aggravate the problem of unfair competition in the sector.

As a matter of fact, what the trade is asking is only that when the Government selects underwriters and distributors, it should be fair, just and open. It is quite easy to achieve this, for the Government only needs to list publicly the various requirements of selecting underwriters and let those companies which think that they are able to meet the requirements to apply. Then the Government can make a choice from the information provided by the applicants.

In this connection, I made a special visit to Miss Denise YUE, the Secretary for the Treasury, in the middle of last September. I expressed the concern and dissatisfaction of the sector represented by me. At that time, I was glad to hear from the Secretary that if there was further share offer by the MTRCL or when any public sector organizations were to be privatized, the related arrangements would be improved. These would be done to achieve the objectives of fairness, equity and openness. The Secretary also undertook that the sector would be consulted in finalizing the arrangements.

Madam President, the reason why I am raising this issue again today is because it is expected that there would be further share offerings by the MTRCL and the public listing of some public sector organizations to be privatized in the next couple of years or so. As for the privatization of the public tunnels mentioned in the Budget, I hope that the principle of fairness, equity and openness would be adhered to and that brokerages of various sizes would be allowed to participate in the underwriting activities when the Government launches any share offerings, financing and privatization efforts.

As I have mentioned above, I hope that Mr TSANG and the Financial Secretary designate, Mr Antony LEUNG, will be sensitive to the difficulties of the sector and be aware of the anxieties which we have for our vitality. We hope that the Secretary can make some reasonable and sound arrangements in this regard expeditiously. Lastly, I hope that the respect which I show to the Secretary on behalf of the sector represented by me will be answered with the respect which the Secretary will show for the survival of the sector.

Madam President, I so submit.

MR LAU KONG-WAH (in Cantonese): Madam President, with regard to the Budget prepared by the Financial Secretary, I would like to respond to the first part because that part is in my opinion very important. This especially applies to the two issues of the economic partnership between Hong Kong and Guangdong and the admission of mainland professionals.

Basically, the two initiatives are meant to complement the recommendations made in the policy address of the Chief Executive. Some people say that this year's Budget is like a miniature policy address. I agree that the Budget should be prepared in this manner because the Financial Secretary should be more than a treasurer responsible for the income and expenditure matters, he has to formulate strategies for economic development and restructuring, and to complement the governance of the Administration.

The Financial Secretary has mentioned the setting up of a trade and economic office in Guangdong Province and that is a very important move. It is what we have been expecting for a long time. Recently, I learn from the newspapers that the Commission on Innovation and Technology suggested to set up offices in Shanghai, Beijing and Shenzhen to pool the results of research in the Mainland and to facilitate their development in Hong Kong. This is a good idea and it is something that we have been expecting for a long time. I hope this will become a reality.

I have an expectation and that is: as Mr TSANG is now able to make use of economic policies to meet the policy objectives of governance, I also hope that when he assumes the new office, he would be able to make the necessary political moves such as fostering the links and co-operation with the mainland authorities and various provinces and municipalities. That is very important. I hope that he would do a good job in his new office and in the new role he will be playing.

Madam President, recently many people have been making comparisons between Hong Kong and Shanghai. For me, I would like to compare Hong Kong with the Mainland as a whole. This especially applies to economic development. With two decades of reform and opening to the world, China has made remarkable progress. The accession of China to the WTO will apparently

intensify the pace of reform in China. With regard to this second wave of reform and opening, the Chinese leaders have impressed us with their bold and relentless determination to proceed, no matter what difficulties may lurk ahead. Hong Kong has certainly benefited from the reforms and open-door policy of China over the past two decades or so. I think we must seize this great opportunity and with the intensification of the second wave of reforms, we should be ready to catch up and play a part in it. The admission of mainland professional talents is a complementary measure riding on this wave.

It is unfortunate that some people in Hong Kong are hesitant about this idea, others even oppose it. Those who oppose the admission of mainland professionals fail to answer a question, and it is a very important one. Why did we over the years admit professionals from abroad, but finding it unable to do so with professionals from the Mainland? According to figures provided by the Security Bureau, 14 000 professionals came here from overseas in 1998, 13 000 in 1999, and the figure rose by 30% to 18 000 in 2000. Why has there never been any opposition to the admission of professionals from overseas, whereas the mere mentioning of admitting mainland professionals would have caused such a great reaction?

Yesterday, when the Honourable LAU Chin-shek spoke in opposition of the admission of mainland professionals, he used the image of an open chicken cage to describe the situation. I think that is quite a biased view and it does not show enough tolerance. Hong Kong is no chicken cage, even if it is, why is the gate of this cage always open to the west and closed to the north? Why is it open to the outside but closed to the inside? We are at a time of economic restructuring on a global scale, a time when countries hunt and scramble for talents. The economy of a country cannot rely on its talents alone to serve as the engine for growth. The closed-door mentality must be discarded. Some people made a criticism 20 years ago that mainland China was adopting a "bird cage" economy. Now 20 years later, is Hong Kong following the footsteps of China and upholding a chicken cage economy? That is incredible. Hong Kong should never be a cage and it has never been one. The interflow and mobility of talents are the keys to our success.

The lesson we have learnt from the financial turmoil is that the golden rule for making money can never be people of the same group gaining profits from each other. The same golden rule applies to talents. It is interesting to note that before the reunification, we talked about the problem of brain drain and after the reunification, we talk about the admission of talents. Many people would feel scared at the mentioning of these two issues. I do not think one should feel scared about them at all. The key lies in the mobility of talents.

The two sectors under question, that is, information technology personnel and finance personnel, are present-day nomads. They are highly mobile, but yet they are the most adaptable. They are truly the men of the world. By this, I do not mean any derogatory favour. It refers to the fact that these people can find opportunities anywhere they go and they can make a fortune anywhere. Our education system should train some of these men of the world so that they can go anywhere and adapt to the place soon. There are only too few of these men of the world indeed.

Madam President, our professionals have in fact made considerable achievements. Some of them are working in the Mainland, and I think they will adapt to the environment very soon. When we are discussing whether we should admit mainland professionals to Hong Kong, our professionals are already working in the Mainland and they are not subject to any restrictions, ceilings or bottomlines. I feel therefore that the gap between Hong Kong and the Mainland with regard to this issue is getting wider and wider, and that is most unfortunate. We see that a senior staff member from the Hong Kong Securities and Futures Commission has assumed a new post in Beijing, and the President of the Fu Dan University, Shanghai, has gone to Britain to take up the post as the first Chinese chancellor of a famous university there, and we see more than 10 000 overseas professionals come to work in Hong Kong each year. All this points to the mobility of talents. That is very important. As the saying goes, "mobility gives life and immobility means death". This is true when applied to the activities of groups, political parties and economies. "Mobility gives life and immobility means death". Some people may say that the admission of mainland professionals will render the local students jobless. That is an exaggeration. Such a view is put forward only for the sake of making an opposition. It may get a few cheers of acclaim, but it will never breathe life into our economy in any material way.

Madam President, we can see with our own eyes the results of the reforms and opening of China. We are working on this as well. Earlier we were

talking about the civil service reform and the education reform. Now we are talking about the admission of mainland professionals. These are issues on the opening up of our society. We need to reach a consensus on the reforms we are to make and how we should open ourselves up to the world. If this kind of debate is allowed to drag on, it will only make our society lag far behind in this age and times of economic restructuring. Failing a consensus, we may waste another 10 years without making any advance.

Madam President, the people of Hong Kong have never confined their vision to the waters of Lei Yue Mun and Kap Shui Mun and stop there. I think we should not confine our vision to the stretch of territory from Aberdeen to Lok Ma Chau. Recently, the Secretary for Transport has mentioned that a regional express line will be built. The line will make possible a trip from the urban area to the boundary at Lok Ma Chau in 17 minutes. However, we are not very excited about this. For the journey after the 17-minute train ride will be more important, that is, the links with the transportation network in the Mainland. The question is, "What happens after 17 minutes?"

Madam President, I made a trip to Shanghai recently. Shanghai is building a railway from the Pudong airport to the town centre. They are using the German magnetic levitation model. The train will travel at great speed and the construction cost amounts to \$8 billion. I figure if Hong Kong is to use \$8 billion to build a railway, the railway will only cover such a short distance as from Ma On Shan to Tai Wai. Do we need a through train service linking Hong Kong and Shanghai? A through train service linking the two cities is very important. Shanghai is not only a competitor for Hong Kong. The two places can in fact complement each other. I hope the Secretary for Transport will not just set his eyes on Hong Kong but to go beyond the territory. There must be no obstructions in traffic, and so is the case with the interflow of talents.

Madam President, on the one hand we are very much in support of admitting professionals from overseas and the Mainland, for this will complement our inadequacies. But on the other hand, I would like government officials to refrain from making any derogatory remarks about the local students. They should value the training of local talents. Unfortunately, both the Financial Secretary and the Financial Secretary designate have made such remarks recently. Financial Secretary Donald TSANG said that the costs of universities in Hong Kong were too high and the talents they produced were too few. Mr Antony LEUNG, the Financial Secretary designate, made a remark

that local students had high marks but low capabilities. Remarks like these are all too sweeping. We do have many high-achievers. My observation is that the recent graduates are very hardworking, maybe due to the changes they have experienced after the financial turmoil. I think when the students face external competition in the future, they may experience yet even greater changes. For those students with a lower self-esteem, remarks such as those mentioned above will deal a heavier blow to them.

Madam President, something is happening in society, and that is, the media are blaming the Members, the Members are blaming the officials and the officials are blaming the students. The students are in fact innocent. With self-pitying among the students, grievances are bound to build up. I just wonder when this vicious cycle will ever stop. Madam President, we have to see how Mr TSANG will handle this when he takes up the new office.

MR JAMES TO (in Cantonese): Madam President, I had expected the Chairman of the Panel on Security to talk on the security issues. Now that he has not, perhaps I should speak a few words in this respect first! In the last few years, security issues have ceased to be the focus of attention. This is in fact desirable, for at least we can see from this that, on the whole, things in Hong Kong are going fine at the moment.

I should like to speak on a few special areas covered by security affairs, which, whether considered from the point of view of public fund or other resources, still have room for improvement.

To begin with, because of the murder of constable LEUNG Shing-yan, who was killed on duty, people have started talking about the adequacy or otherwise of manpower for beat patrol other police duties. As a matter of fact, the Police Force has seen an additional manpower of some 1 000 to 2 000 strong over the past few years. From the financial year 1994-95 to date, more than 1 000 police officers have been recruited for such purposes as leave relief, compensation leave arrangement, training, and so on. Insofar as the present establishment is concerned, the police manpower should suffice. As regards the question of how the manpower can be used flexibly to achieve the best results on the one hand and the front-line officers be given peace of mind on the other, it would nevertheless require the co-ordination of many factors. Hence, this is an issue much broader than whether police officers should perform their beat patrol

duties alone or in pairs. But then again, Hong Kong is still a rather safe city on the whole. We should not say that even our police officers are gravely concerned about their own safety just because of one single incident. Otherwise, the public will become excessively-concerned.

Over the years, I have been suggesting the police to invoke the Organized and Serious Crimes Ordinance to neutralize the force of triad societies. After six years of advocacy, the police have finally cracked down, in this year, an inaugural ceremony held by one of the triad societies. In other words, we finally have a breakthrough in this respect. Nevertheless, according to my understanding, this breakthrough does owe a little bit to good luck. But then again, planning work is also very important. Indeed, if we are to crack down on organized and serious crimes and to neutralize the force of triad societies, it is imperative that we make good use of the relevant legislation more actively and put in more hard efforts.

On the other hand, I also mentioned about some cases of "loafing" officers last year. According to my understanding, the various police regions have all stepped up their monitoring efforts in this connection. However, I am very much concerned about one thing and that is, the hearsay that the police officer who reported a case of "loafing on the job" (the case was eventually substantiated) may be charged with an "imaginary" crime and be dismissed on such grounds. Basing on my understanding of the background to the case concerned, I will consider this as persecution. I hope that the parties concerned will look into the matter. If the hearsay should be true, many people pondering upon whether or not to disclose cases of abuse of authority or dereliction of duty would be deterred by the risk of being charged with "imaginary" crimes or being taken revenge on. If such things should really exist in our system, that would be very serious indeed.

Regarding the \$100 million earmarked for rewards and special services, as well as the issue relating to the independence of the Complaints Against Police Office, I will expound on my views in detail when this Council considers the relevant Committee stage amendments later on. Last year, I also made mention of computer-related crimes and expressed my hope that the Government could expeditiously deploy more manpower to tackle the problem. It appears that the Government has finally made some response this year. Nevertheless, I consider it not enough to set up just one special team within the Police Force to be responsible for looking into the problem. Moreover, I do not think we should

expect the police to train up manpower with computer-related expertise internally. In my view, since there can be numerous types of computer-related crimes, not only the Security Bureau but also other bureaux and government departments should keep an interest in the problem.

In connection with the Immigration Department (ImmD), some three to four years ago I mentioned the manpower shortage problem at border control points, and that the problem was so acute that sometimes the officers concerned just could not find the time to visit lavatories. Actually, this situation has been existing for three to four years. Despite the fact that there has been manpower increases over the past two years, and that there may be a greater manpower increase this year, the existing staffing level of the ImmD is just far too inadequate compared to the enormous passenger flow recorded at the various control points. I just hope that Financial Secretary Donald TSANG, regardless of the post he holds in the future, will expeditiously consider ways to tackle the problem. I believe the case of the ImmD is very different from any past cases. I say this because the Government might associate the case with the time when the Correctional Services Department (CSD) was faced with surplus manpower after the problem of Vietnamese boat people had been dealt with. At that time, the CSD was at a loss as to how the surplus staff should be handled. However, I believe that following China's accession to the WTO and the increasing close commercial ties between Hong Kong and the Mainland, we would need to make relevant manpower plans in the next five to 10 years. According to my estimation, the ImmD would need to have an annual manpower increase of over 300 people in these three to four years; or else we would have much difficulty maintaining the border security. Certainly, there is still a very drastic measure, as the Government has hinted that it might adopt the policy whereby people leaving Hong Kong would not need to undergo departure clearance procedures. Indeed, subsequent to a study conducted in this respect in 1998, the United Kingdom has eventually abandoned its departure clearance procedures. Even though I mention looking into the possibility of doing away with departure clearance, I do not mean that we should shift our departure clearance responsibility to the Mainland by transferring the relevant duty and documents to the mainland authorities concerned and asking them to handle the clearance procedures for both the Mainland and Hong Kong. Nevertheless, if we should really consider seriously doing away with departure clearance, this may as well be a drastic measure solving the problem at the root.

As countries of the European Union have agreed to grant visa-free access to holders of Hong Kong Special Administrative Region Passports (SAR Passports), I hope that the Government, in particular the ImmD, will step up the intelligence and information collection work concerned and further enhance communication with the Mainland, with a view to combating activities relating to forged SAR Passports. One crucial point in this connection is that the SAR Passports can give holders much convenience in the future. Come to think about this. If the illegal immigrants are willing to spend some \$100,000 to \$200,000 and risk their lives just to sneak into other countries, they will all the more be ready to pay the high-tech forgery syndicates a much higher price for a forged SAR Passport. For this reason, the Government must make an effort to keep a closer watch on the situation and step up the relevant intelligence collection work.

With regard to the Correctional Services Department (CSD), the Government has proposed to construct a super prison to resolve the overcrowded problem and to enhance efficiency. I understand that many members of the public may have much misunderstanding regarding this proposed super prison. The so-called super prison is not any jail accommodating more than 10 000 prisoners. Rather, it is a place where prisoners will be locked up in accordance with their age and sex. For my part, however, I still consider that the administrative risk for a super prison is just too enormous. I would rather turning the super prison into several medium-scale prisons run with an acceptable rate of efficiency and economic effectiveness, and yet at the same time can keep the management risks in acceptable proportions. What is more, we might have some extra pieces of land left, which may then be put under the charge of the Treasury. In that case, the Government may also consider selling the lots for revenue. That way, the Government can keep the good points of both without taking any excessive risk.

As regards the Rehabilitation Division of the CSD, since it has only been established for two years, I will not criticize it too much. But I do have high expectations of this Division. Given that the Rehabilitation Division is now keeping a recidivism rate index, I hope that the CSD can do a good job to contribute to a lower recidivism rate in the future.

On the Independent Commission Against Corruption (ICAC), actually I have reminded the Government last year that corruption involving China-capital organizations must be combated with greater efforts. I have also alerted the

Government to the fact that its investigations into corruption involving China-capital organizations might be pre-empted. By that I meant the persons involved might have been transferred to places outside Hong Kong before the Government could collect enough evidence or make any arrests. It is unfortunate enough that the situation I warned the Government of last year really takes place, for several cases similar to the one cited by me last year have already taken place in the year. I hope that the relevant authorities can keep a closer watch on the situation. Besides, I also hope that government officials at a very senior level can strike up a tacit political agreement with the mainland authorities, with a view to finding out the manner in which the ICAC is allowed to investigate into cases in this respect and ensuring whether we are given a free hand to handle corruption cases taking in Hong Kong in accordance with the principle of "Hong Kong dealing with affairs Hong Kong". I am sure we can bring our efficiency into full play and do a good job in coping with the anti-corruption efforts of the mainland authorities. Apart from that, I also mentioned last year that I hoped the Government would respond to my inquiries about the so-called proactive investigation work, undercover operations, criteria for identifying target companies and persons, how the target companies and persons are being monitored, and the availability of any good guidance. Regrettably, it appears that the Government is unwilling to discuss such issues with Members of the Council. I was really amazed. And that is why I bring up these questions again this year, bearing in mind that the issues concerned will affect very much those so-called objective investigations as well as people's confidence in the rule of law.

Another issue I wish to speak on is the problem of drug abuse among young persons. Just now I heard from the news report that the Government has just cracked an attempt to smuggle more than 2 000 "ecstasy" pills from Shenzhen into Hong Kong, an amount which tops the seizures made in the past. With regard to the problem of drug abuse among young persons, particularly the problem of young persons going to Shenzhen to indulge in abusing the so-called soft drugs, I think we can make two points as follows. Firstly, drug abuse has become a so-called trend or a kind of trendy activity. I hold that we must keep a close watch on the development in this respect. As regards those people who care about our youngsters, including parents, teachers and social workers, they must also be highly vigilant and notice with great care the behaviour of the young persons concerned. In my view, this trend will not last long; but then again, it will not fall suddenly from its peak in a few months' time either. I think this trend will still linger on for a year or two perhaps. As regards the cause leading

to this trend, actually the factors involved can be very complicated. On the one hand, these youngsters all have a feeling of emptiness in their hearts; on the other hand, their families might have failed to take proper care of them due to problems like negative assets, unemployment and many other disappointments in life. Since these situations may give rise to all kinds of problems, I believe the most effective measure to target the problem at root is for society as a whole to be better awakened to the facts in this respect, to be determined to make an effort to avert the situation, and to adopt a more caring attitude towards our young persons.

Recently, we have seen the public security authorities in Shenzhen taking measures in response to the requests made by Hong Kong all along by stepping up anti-drug abuse efforts. I think we should give them high commendations. Certainly, some of the parents concerned might be gravely concerned since they do not know how long their children may be detained on the Mainland, or whether their children will be forced to undergo rehabilitation programmes for drug addicts. For my part, I think we can discuss with the mainland authorities in respect of such matters. All in all, the Mainland has indeed spent a great deal of manpower helping Hong Kong to resolve some of our youth-related problems, we should really give them high commendations. Back to the home front, I am afraid the resources committed by the Government are not enough to cope with the actions concerned. I therefore hope that the Financial Secretary, especially the Financial Secretary designate, will pay extra attention to this aspect.

Last but not least, I wish to speak on the urban renewal compensation proposal we are going to vote on tomorrow. Actually, having deliberated and discussed the issue for the past few months, the divergence of the two parties (the Government and Members of the Council) should have been minimized as far as possible. I just hope the Government will take this opportunity to give some thought to the fact that actually many Members are no longer insisting on changing the age of the replacement flats used for calculating compensation payments from seven to five years. Rather, most Members just hope that the Urban Renewal Authority will adopt the standards proposed by the Government. I trust that if the Government can make an undertaking to the effect that the compensation payable for the 200-odd redevelopment programmes concerned will be more generous than the compensation calculated on the basis of an seven-year-old building, and that the compensation package for those 25 delayed programmes will be better than the other 100-odd programmes — all the Government needs to do is in fact to make these pledges — to dispel the worries

of Members, Members will then vote in support of the compensation proposal and reach the best consensus with the Government. Certainly, some may suggest adopting a 7-6-5 compensation standard whereby a seven-year-old replacement flat will be adopted as the basis for calculating compensation payable for land resumption, a six-year-old flat for the 100-odd programmes concerned, and a five-year-old flat for resumed flats. In my opinion, if we are to complete the urban renewal programmes within 20 years' time, we must adopt an approach with foresight after all. I just hope that when we vote on the proposal tomorrow, the voting result of 28 versus 26 will not appear again. Otherwise, there will still be many disputes, which will not be conducive to the urban renewal programmes. I therefore wish to take this last opportunity today to persuade the Financial Secretary to earnestly consult the Planning and Lands Bureau to find out whether the difference between the two parties has reached too great a magnitude that the Government just cannot accept any suggestion made by Members. In my opinion, if we can have more than 50 votes in support of the compensation proposal tomorrow, the urban renewal programmes will be able to win the unanimous support of society and be implemented smoothly.

PRESIDENT (in Cantonese): Twenty-seven Members have spoken today, together with the Members who spoke yesterday, a total of 58 Members have spoken on the motion.

MRS SELINA CHOW (in Cantonese): Madam President, thank you for permitting me to speak again. I move that the debate on the Second Reading of the Appropriation Bill 2001 be adjourned to the meeting of 4 April 2001.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the debate on the Second Reading of the Appropriation Bill 2001 be adjourned to the meeting of 4 April 2001.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Council will continue with the debate on the Second Reading of the Appropriation Bill 2001 at the meeting to be held on 4 April when public officers will respond.

MEMBERS' MOTION

PRESIDENT (in Cantonese): Member's motion. Proposed resolution under the Interpretation and General Clauses Ordinance.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

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

The object of my resolution is to repeal the Public Revenue Protection (Revenue) Order 2001 (the Order). This is the first time since the establishment of the mechanism that a resolution is officially presented to the legislature seeking to repeal a relevant public revenue protection order.

The Order was gazetted on the day this year's Budget was published and came into force immediately. This is an order made under the Public Revenue Protection Ordinance to give full force and effect of the law to all the provisions of the Revenue Bill 2001, which has yet to be presented to this Council for consideration, during the period the Order remains in force.

As Honourable Members are aware, the Financial Secretary has put forward five major proposals for increasing duties and fees. Among these proposals, three took immediate effect on 7 March by virtue of the Order. These revenue proposals include:

First, increasing from 30% to 40% the *ad valorem* duty rates on liquors, other than wine, with an alcoholic content of 30% and below;

Second, increasing tobacco duty by 5%; and

Third, increasing all driving licence fees as well as the vehicle licence fees for private cars, motorcycles and motor tricycles by 10%.

My stance on the proposals for increasing duties and fees is very clear: Given the existing fact that the Government is the rich and the public is the poor, proposals for increasing duties and fees are "attempts made by the rich government to rob the impoverished people"!

For the meantime, even the Government has admitted that not every stratum of society has benefited from the recovering economy, and that the rate of unemployment is rising again. Worse still, the Employers' Federation of Hong Kong even urges further restraint on wage levels. It can be said that the general public is still living in an abyss of misery. I cannot help but ask the Government this question again: Why must it lead off in the trend of charge increases by raising government fees and charges for different services, instead of allowing the people to continue to recuperate and revitalize?

I notice that just in the Budget debate held in these two days, many Honourable colleagues have already queried the Government's rationale for insisting on being a Scrooge when it had in its possession a handsome fiscal reserve of more than \$430 billion. Many Members have also urged the Government to review whether the reserve level is too high. What is more, there were also Members who held that the Government should make proper use of the reserves to return wealth to the people. Mr James TIEN, for example, suggested the Government to put all the returns made from investment using the Foreign Exchange Fund under the Government account so as to make up for the budget deficit in these few years. While the Government should take the

aforementioned suggestions into serious consideration, I believe there is one very clear point and that is, that most Members consider the Government not only very rich but "too rich". That being the case, I can see no reason why the Government should insist on keeping an "oversized" fiscal reserve.

There has been the view that in the face of a budget deficit, a minor increase in fees and charges should give no cause for criticism. I need to point out that compared to the \$430 billion-odd fiscal reserves the Government has in its possession, a minor budget deficit is practically insignificant. Moreover, the budget surplus in the financial year 1997-98 alone has already amounted to some \$80 billion; this amount should be enough to cover the possible budget deficits in these recent few years. At the present moment when the economy has yet to fully recover, withholding the proposals for increasing duties and fees will do no harm to the sound financial position of the Government. Indeed, the three revenue proposals discussed in this motion debate today, if implemented to the full, will only generate an additional \$380 million revenue for the Government annually. Hence, the proposed increases really do not mean a thing to the Government. But then, to the affected members of the public, the increases will add substantially to their burden.

On the other hand, there has also been the view that the "user pays" principle should be adopted for services provided by the Government, and that such services should not be subsidized by the Government over a long period of time. While I believe that Members may have different views on the "user pays" principle, I wish to point out that the subject of our discussion today is not the fees chargeable on government services but duties, and that "user pays" is not any taxation principle. As a matter of fact, the Government's reason for increasing tobacco duty, duty on alcoholic drinks, as well as vehicle and driving licence fees this time is not that the relevant revenue cannot recover the cost involved, but that the Government consider the current duty rates too low.

I understand that in making voting decisions many Honourable colleagues will consider "whether or not the people's livelihood is being affected". In this connection, the Government has for many times emphasized that the revenue proposals concerned would not affect the growth of the economy or the people's livelihood. Speaking of the people's livelihood, I cannot help but ask the Government why duties on tobacco and alcoholic beverages do not affect the

people's livelihood. To labourers from the grassroots, smoking a cigarette or two and taking a few bottles of beer during leisure time almost form a basic part of their daily lives. That being the case, can one believe that the people's livelihood will not be affected by increases in tobacco duty and duty on alcoholic drinks?

Some may say that the Government should make use of duty increases to prevent people from smoking and drinking alcoholic beverages, as both activities are hazardous to health. If you should ask me, I would say that I do not like people smoking because my nose is highly allergic to the smell of cigarette smoke. However, when it comes to the people's livelihood, cigarette smoking is no longer a moral issue. The issue in question, in this case, is whether or not people's daily expenses will be affected by the proposed increases in the fees and duty rates concerned. For my part, I do support stepping up "anti-smoking" legislation. But then, unless we have made it an offence to smoke and to drink alcoholic beverages, it is an indisputable fact that the people's livelihood will be affected by increases in tobacco duty and duty on alcoholic beverages.

Madam President, two days ago, Members of this Council all received a letter from the Secretary for the Treasury, urging them to vote against my proposed resolution. Yesterday, the Financial Secretary has also pleaded repeatedly during an interview that I should take serious reconsideration. Hence, I consider it necessary to respond to the views expressed by the Government.

First of all, the Secretary for the Treasury indicates in her letter that since the bill relating to the revenue proposals (the Revenue Bill 2001) has yet to be submitted to this Council for consideration, my proposed resolution is tantamount to "asking the Legislative Council to make an "advanced" decision to negative the Revenue Bill 2001". I need to point out that the view raised by the Government is utterly misleading.

The subject of the resolution before us today is whether or not the Government should advance the implementation of its revenue proposals prior to the three Readings and passage of the relevant bill in this Council. Regardless of today's voting result, the Government can still submit the relevant revenue bill to this Council as usual. Likewise, Members of this Council also have every

right to set up a Bills Committee to scrutinize that bill. By the time we are to vote on the bill, we can also vote on the different revenue proposals separately. The resolution today just has nothing to do with the relevant bill to be submitted in the future.

The Government may say that according to the relevant legislation, if any of the revenue proposals given effect to by virtue of the Public Revenue Protection Order should be negated during the passage of the relevant bill, the Government has the responsibility to reimburse the public the excessive duties charged. However, I must point out that as reflected in past cases, the Government would always introduce amendments to the bill to the effect that it would not be required to pay back the excessive duties collected. As such, the "excessive duties collected on a provisional basis" would then become the "real increase in duties". This is by no means acceptable. Let me cite an example. I believe many Members can still recall the case two years ago in which the Government invoked the Public Revenue Protection Order to give immediate effect to a number of revenue proposals after the announcement of the relevant annual budget. Even though the proposal for increasing the on-street parking meter charges per 15 minutes from \$2 to \$4 was negated in July that year, because of the implementation of the Public Revenue Protection Order the excessive charges collected during the three months immediately before then were not paid back to the public. In other words, the public had unnecessarily paid more during that period of time.

The second point raised by the Government is that since the Public Revenue Protection Order can help to curb tax evasion, repealing the Order will cause the Government to incur revenue losses.

In this connection, I should like to show Members that in giving advanced effect to the three revenue proposals concerned through the Public Revenue Protection Order the Government can in fact be rightly suspected of abusing the Order.

On 18 December 1974 when the former Legislative Council was debating the motion on the Second Reading of the Public Revenue Protection (Amendment) Bill 1974, on behalf of the Unofficial Members of the Council, the Honourable Oswald CHEUNG rose to query the Government's rationale for making use of

the Public Revenue Protection Order to advance the implementation of revenue proposals relating to some non-urgent revenue items like vehicle licence fees, annual fees for business registration certificates, and so on. He also pointed out then that in so doing the Government was in fact putting the Order into inappropriate use. In his speech, the Honourable Oswald CHEUNG pointed out very clearly that the sole purpose of the Public Revenue Protection Ordinance was to protect the Government against loss of revenue arising from tax evasion, and that it was never intended that the Ordinance should be used for pre-empting the decisions of the Legislative Council on proposed changes in rates of tax, or for the convenience of the authorities entrusted with the duties of revenue collection. He also made a very clear statement to the effect that "the Unofficial Members would not find it possible to support use of the Ordinance in relation to revenue items that were not of an urgent nature". For this reason, the Unofficial Members requested the Government to give an assurance to the then Legislative Council that the Ordinance would not be used for any purpose other than for the purpose of protecting revenue. In making his response, the Attorney General did give Members the assurance requested.

As regards the revenue proposals included in Public Revenue Protection Order before this Council, they also cover vehicle and driving licence fees. These fees are in fact the items pointed out by the Unofficial Members of the former Legislative Council clearly as not to be included under the revenue proposals to be given advanced effect via the Public Revenue Protection Order. Besides, the Attorney General also promised publicly that the Order would not be abused. I really have to ask the Government whether it will keep its promises. If the Government is credible, it will not invoke the Order this way.

I hope that Honourable colleagues will still support my resolution even though they may not oppose some of the revenue proposals involved. That way, we can prevent the Government from implementing in advance the proposed increases in duty by abusing the Public Revenue Protection Order. When the relevant bill is submitted to this Council for consideration, Members can still choose to vote in support or against individual revenue items.

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

Mr LAU Chin-shek moved the following motion:

"That —

- (a) the Public Revenue Protection (Revenue) Order 2001 (the Order), published as Legal Notice No. 61 of 2001 and laid on the table of the Legislative Council on 14 March 2001, be repealed and that the provisions of the Dutiable Commodities Ordinance (Cap. 109), the Road Traffic (Driving Licences) Regulations (Cap. 374 sub. leg.) and the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374 sub. leg.) in force immediately before the commencement of the Order shall, as from the date of publication of this Resolution, be revived and be in force; and
- (b) notwithstanding anything in this Resolution, the duty and fees provided for in the Order and applying immediately before the date of publication of this Resolution shall continue to be payable in relation to any application lodged or anything done under the provisions of the Dutiable Commodities Ordinance (Cap. 109), the Road Traffic (Driving Licences) Regulations (Cap. 374 sub. leg.) and the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374 sub. leg.) between the date of commencement of the Order and the date of publication of this Resolution as if this Resolution had not been made and passed."

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

Does any Member wish to speak?

MR ALBERT HO (in Cantonese): Madam President, on behalf of the Democratic Party, I rise to speak in opposition to the Honourable LAU Chin-shek's resolution. First, I wish to point out that the Democratic Party supports increasing the duties on tobacco and liquor not because they absolutely have no impact on the people's livelihood, but for another consideration and that is, health. We consider that excessive smoking and liquor consumption is bad for our health. Increasing these duties can make people consume less liquor and

smoke less. Therefore, the Democratic Party will not oppose the proposed increases in these duties. In fact, the Democratic Party has already made public this position. Since the Democratic Party has expressly indicated support for the bill to be tabled by the Government later in relation to increases in the duties on tobacco and liquor, so if we support this resolution which seeks to repeal the Public Revenue Protection (Revenue) Order 2001 (the Order), it might result in some people rushing to buy cigarettes or liquor, trying to stockpile cigarettes and liquors. Thus, before the passage of the bill on increases in the duties on tobacco and liquor, many people will attempt to evade these duties in many ways. This will not only affect public revenue, but also induce acts of evasion. Therefore, insofar as this is concerned, we cannot deny the importance of the Order.

That said, the Democratic Party fully supports an immediate review of the Order, for the Public Revenue Protection Ordinance can be easily abused by the Government by including unsuitable items in the Order. For example, in 1999, the Government even included in the Order an item relating to fixed penalties that carried no urgency and would not lead to evasion. I think that was obviously an abuse of the mechanism and gave the impression that the Order actually circumvented or undermined the powers of the Legislative Council to scrutinize the relevant bills. At that time, I did try to move a motion to delete certain items therein and retain those that we considered to be worthy of support for the purpose of revenue protection. But given the legislative limitations, we could not propose a motion to this effect. Indeed, the Public Revenue Protection Ordinance has aroused queries from many colleagues in this Council, and a Bills Committee has been set up to discuss this issue and urge the Government to conduct a comprehensive review of the relevant provisions. Much to our regret, the Government has not given us any response yet.

Madam President, another point worthy of attention is that while it is explicitly stated in the Ordinance that any excess of fees and charges will be repaid to the payers if the relevant bill is rejected, the Government nevertheless refused to repay the payers on two occasions in the past on account of administrative complications. The Democratic Party is very dissatisfied with this.

This year, the driving licence fees and vehicle licence fees are included in the Order. While the Government has made certain arrangements to the effect that renewal of driving licences will not be affected by the fee increases, we think

there is still a case of abuse by the Government insofar as first-time applicants are concerned, for the relevant fees carry no urgency and evasion is difficult. But given the legislative limitations, Members can only vote on the Order in its entirety and cannot move any amendment to it. After making holistic considerations, the Democratic Party holds that if the bill relating to increases in vehicle and driving licence fees is negatived, the Government should reimburse the payers. In this case, our consideration is that if the entire Order is voted down, it might result in many people buying cigarettes and liquors in bulk in an attempt to evade the duties, as I have just described. Therefore, we can only vote in support of the Order this time and oppose Mr LAU Chin-shek's resolution. However, Madam President, I must stress here that the Democratic Party calls on the Government to expeditiously review the Ordinance and make amendments to it as appropriate so as to allow votes to be taken on different items separately.

Once again, I must tell the Government in unequivocal terms that if the Government fails to make suitable amendments next year, which means that Members of this Council are still required to vote on the Order in its entirety, then we will have no choice; and as a matter of principle, we may be forced to vote against the Order in its entirety. Therefore, I hope that the Government will listen very carefully to this ultimatum of the Democratic Party.

MR JASPER TSANG (in Cantonese): Madam President, the DAB does have very great reservations about some of the points raised by the Financial Secretary in relation to the various proposals on government revenue. My colleagues have already discussed this point over the last two days during the debate. But the DAB does not support this resolution moved by Mr LAU Chin-shek, because we think that a very undesirable situation will emerge if the Public Revenue Protection (Revenue) Order 2001 is repealed today

We think that as the whole community waits for our debate on the Revenue Bill 2001 to see whether there will be any increases in tobacco and alcohol duties, many speculative activities other than tax evasion will emerge. The turning of "the anticipation of increased duties" into an excuse for boosting the sale of tobacco and alcohol is the last thing we wish to see. We therefore think that there is a need for the protection order. As to whether or not we should support the Government's proposals on individual revenue items, we will wait until the relevant debate before we give our views in detail. We do not intend to hold the debate in advance today.

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

MR JAMES TIEN (in Cantonese): Madam President, like Mr LAU Chin-shek, the Liberal Party opposes a series of fee increase recently proposed by the Government. Nevertheless, we are not going to discuss this point today. Instead, we will discuss whether the Public Revenue Protection (Revenue) Order should operate in its present *modus operandi*.

I share the view of the Honourable Jasper TSANG and the Honourable Albert HO that confusion will arise with respect to tobacco, alcoholic beverages and other items if the increases did not take immediate effect on the day the Budget was published. We are therefore of the view that this practice should continue. Seeing it necessary to conduct a review, Mr Albert HO has told us the possible consequences should the Government fail to do so. Nevertheless, Mr Martin LEE stated yesterday that they would by all means raise objection if funding for universities were to be cut by \$3.2 billion and no ceiling were imposed on the admission of mainland professionals. I think the Financial Secretary will probably not mind one more objection.

Coming back to our story, we in the Liberal Party will oppose the proposal raised by Mr LAU Chin-shek today to repeal the Public Revenue Protection (Revenue) Order 2001. As for other fee increase items, we will state our views during the formal discussion.

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

(No Member responded)

SECRETARY FOR THE TREASURY (in Cantonese): Madam President, the Public Revenue Protection (Revenue) Order 2001 (the Order) was made under the Public Revenue Protection Ordinance by the Chief Executive on 3 March this year in consultation with the Executive Council. The Order stipulates that all the provisions under the Revenue Bill 2001 (the Bill) to be submitted to the Legislative Council for consideration shall have the full force and effect of law so

long as the Order remains in force. Out of practical needs, the Order is made in accordance with the relevant legislation to enable the Government to protect its revenue by giving effect to the three revenue proposals announced in the Financial Secretary's 2001-02 Budget before this Council discusses and votes on the Bill and during the period prescribed by law. These revenue proposals include the proposed increases in tobacco duty, duty on alcoholic beverages, as well as driving licence fees and vehicle licence fees for private cars, motorcycles and motor tricycles. This measure is identical to the standing measure adopted by the Government to deal with certain revenue proposals put forward in the annual budgets over the past few decades.

The resolution proposed by Mr LAU Chin-shek seeks to repeal the Order with immediate effect, thereby making it impossible for the Government to prevent any loss in revenue by collecting the relevant duties and fees in accordance with the proposed new rates before the Legislative Council discusses and votes on the Bill.

In addition to contravening the legislative intent of the Public Revenue Protection Ordinance, the Government considers that the resolution proposed by Mr LAU Chin-shek is in effect asking Members of the Council, at a time before they can discuss the Bill in detail, to advance discussing and voting on the proposals contained in the Bill. If Mr LAU's resolution were passed, opportunities for tax evasion would be increased, thereby causing the Government to suffer losses in revenue. We therefore hold that the resolution is neither appropriate nor consistent with the interests of the public as a whole.

Madam President, since the implementation of the Public Revenue Protection Ordinance, the Government gives immediate legal effect to a number of revenue proposals upon the announcement of the relevant annual budgets by way of the Order. Failing this, people will try to evade their duty liability by means of stockpiling and presale, thereby causing the Government to incur unnecessary losses in revenue. For this reason, the Government makes use of the Public Revenue Protection Order to give immediate effect to proposals for increasing the duty rates of dutiable commodities such as tobacco duty, duty on alcoholic beverages, and vehicle and driving licence fees.

In the 2001-02 Budget, the Financial Secretary puts forward a total of five revenue proposals. After careful examination of the nature of these five proposals, the Government decided to make use of the Order to give effect to the three proposals to increase tobacco duty, duty on alcoholic beverages and vehicle and driving licence fees within a prescribed period. This is because the persons affected by the three revenue proposals concerned may adopt various kinds of methods to cause the Government to suffer losses in its due revenue from the date on which the Budget was announced until the time the Bill is passed or negated by this Council.

With regard to tobacco duty and the duty on alcoholic beverages, if the proposed new rates were not given effect immediately after the announcement of the Budget, most probably many merchants will then keep large stocks of tobacco and alcoholic beverages until the Council votes on the Bill to avoid paying higher duties, thus making it impossible for the Government to protect its revenue.

Mr LAU Chin-shek claimed that there is no need for the proposed increases in vehicle and driving licence fees to be included under the Order because the Government would not suffer any revenue loss as a result. He also pointed out that the then Attorney General had already promised in 1974 not to include the annual licence fee of vehicles in the Public Revenue Protection Order. Madam President, what Mr LAU Chin-shek said was far from the truth. Firstly, the Honourable Oswald CHEUNG and the other Unofficial Members of the former Legislative Council were in support of the measure employed by the Government to give temporary effect to the proposed increases in duty rates for dutiable commodities. As such, the Government's attempt to give effect to the proposed increase in tobacco duty and duty on alcoholic beverages by way of the Order is fully in line with the consensus reached in 1974. Secondly, the Attorney General promised the former Legislative Council that the Government would make use of the Public Revenue Protection Order only for the purpose of protecting its revenue. Hence, the Order is fully in line with this promise. Thirdly, the Government will definitely incur losses in revenue if it does not include the revenue proposals relating to vehicle and driving licence fees under the Order. Judging from the speeches made by Mr LAU Chin-shek and Mr Albert HO during the debate, I believe the two Honourable Members do not really quite understand the matter. If the Government does not give immediate

effect to the new vehicle and driving licence fees upon the announcement of the Budget by way of the Public Revenue Protection Order, a certain number of the members of the public who need to apply for such licences will most probably apply for new licences or even renew their licences in advance before this Council votes on the relevant revenue proposals. This is because the relevant provisions under the Road Traffic Regulations allow holders of driving and vehicle licences to apply for renewal four months before their licences expire. According to the experience of the Transport Department, if the new fees cannot come into effect until the relevant bill is passed by the Council, and if this Council votes on the proposed increase in licence fees towards the end of June, then many holders of driving and vehicle licences, including those people whose licences will expire during the period between July and November, will rush to the Licensing Division of the Department to renew or apply for new licences to avoid paying the new fees. That way, unnecessary chaos will result.

As Members are aware, the Transport Department has made a special arrangement to tackle the problem of overcrowding at its Licensing Division caused by certain holders of vehicle licences who deliberately rush to renew their licences before the announcement of the annual budget. Under the new arrangement, holders of driving and vehicles licences which will expire on or before 6 July may renew their licences at the original fees during the period between 7 March and 6 July. The date of 6 July is chosen simply because any Public Revenue Protection Order shall remain in force for at most four months under the Public Revenue Protection Ordinance. Since the Budget for the year was announced on 7 March, four months from then would be 6 July. That is why the date is chosen by the Transport Department. If Mr LAU's motion should be passed, holders of licences which will expire between July and November will all rush to the Transport Department towards the end of June to renew their licences. This will not help the Department in maintaining order or providing services for the public, and will definitely cause the Government to suffer losses in revenue. For this reason, and in view of the overcrowded situation prior to the announcement day of the annual budget in the past, we suggest including the proposal for increasing driving and vehicle licence fees under the Order to prevent similar situation from taking place again. I hope Members can understand that we have not misused the Public Revenue Protection Ordinance upon learning the goodwill of the Government.

As regards the remaining two revenue proposals announced in the 2001-02 Budget, which will increase the rates of Air Passenger Departure Tax and on-street parking meter charges, the Government has not included them under the Order. Just as Mr Albert HO said in his speech, the Government also believes that air passengers normally will not change their departure date just to avoid the proposed increases in tax and charges, nor will people change their on-street parking needs for the same reason. I therefore wish to take this opportunity to inform Mr Albert HO that the Government has already made improvement to its measures in the light of the experience gained in 1999.

The resolution moved by Mr LAU Chin-shek violates the legislative intent and purpose of the Public Revenue Protection Ordinance. The only purpose of the Public Revenue Protection Order is to enable the Government to give effect to certain revenue proposals upon their announcement and before the relevant bill is voted on by the Legislative Council, so that the Government can avoid any unnecessary loss in tax income and thereby protect its revenue.

In fact, it is already pointed out in the Public Revenue Protection Ordinance that the objective of the Ordinance is to protect the revenue of Hong Kong. The effective period of any Public Revenue Protection Order is subject to the relevant legal provisions. Under section 5 of the Public Revenue Protection Ordinance, every such order shall expire and cease to be in force:

- (a) upon the rejection by the Legislative Council of the bill in respect of which the order was made;
- (b) upon the withdrawal of the bill;
- (c) upon the bill, with or without modification, becoming law in the ordinary manner; or
- (d) upon the expiration of four months from the day on which the order came into force,

whichever event first happens. In other words, any Public Revenue Protection Order shall remain in force for not longer than four months. These provisions have made it clear that the legal effect of the Public Revenue Protection Order is provisional in nature and has no intention to pre-empt the power of the Council.

The resolution moved by Mr LAU Chin-shek seeks to repeal the Public Revenue Protection Order and render it ineffective before the Legislative Council discusses and votes on the relevant bill. This purpose does not fall into any of the four situations in which the Public Revenue Protection Order cease to remain in force as prescribed under section 5 of the Public Revenue Protection Ordinance. Besides, the resolution has also denied fully the need of the Government to make legislation to protect its revenue under certain circumstances. Mr LAU's resolution is in effect asking this Council to neglect the provisions under section 5 of the Public Revenue Protection Ordinance. If the resolution should be passed, it would definitely impair the function of the Public Revenue Protection Ordinance in protecting public revenue and reduce the Ordinance to existing in name only.

Mr LAU Chin-shek's resolution is in effect asking this Council to negative the Revenue Bill 2001 before it has any chance to discuss the Bill. Obviously, this approach is too hasty and inconsistent with spirit of the Legislative Council or its existing approach to scrutinizing bills with prudence and caution.

I wish to emphasize that the support or otherwise Members give to Mr LAU's resolution does not mean they accept fully any or all of the revenue proposals made in the Revenue Bill 2001. The opposition to Mr LAU's resolution only means Members agree that there is indeed a need for the Government to give provisional effect to the proposals under the Bill to avoid losses in revenue until the Bill is debated and voted on by the Council. Actually, before Mr LAU Chin-shek moved his resolution, I had already informed the Legislative Council Secretariat that the Revenue Bill 2001 would be laid on the table of this Council on 25 April. After then, Members will have sufficient time to scrutinize and debate the various proposals carried in the Bill before deciding to vote in support or against them.

For these reasons, I implore Members to adopt an objective and practical attitude in considering the purpose and importance of the Public Revenue Protection Order, and then give support to the measure taken by the Government to give effect to the three revenue proposals put forward in the 2001-02 Budget by way of the Order to avoid any losses in tax income. I hereby call on Members to vote against the resolution moved by Mr LAU Chin Shek.

Thank you, Madam President.

PRESIDENT (in Cantonese): Mr LAU Chin-shek, you may now reply.

MR LAU CHIN-SHEK (in Cantonese): Madam President, I believe it is the first time since my birth that I have my name mentioned so frequently on one and the same occasion. I therefore must say "thank you". I had the feeling that the name "LAU Chin-shek" was mentioned every now and then in Members' speeches. This was very impressive indeed.

I think the Government is abusing the Public Revenue Protection Order. The Government is trying to mislead the public by mixing different things up. Thus, liquor duty, tobacco duty and vehicle and driving licence fees are lumped together. Besides, the Government also misinterpreted the speech made by the Honourable Oswald CHEUNG on behalf of the Unofficial Members on 18 December 1974. At that time, the Honourable Oswald CHEUNG made it very clear that he wished to query the Government's rationale for making use of the Public Revenue Protection Order to advance the implementation of such revenue items as licence fees of vehicles. He then specified beyond doubt which categories of tax were involved. Furthermore, he also stated clearly that Public Revenue Protection Orders would not be used for any purpose other than protecting the Government against revenue loss arising from tax evasion. Earlier, the Secretary for the Treasury made it a point that tax evasion could occur in respect of increasing tobacco duty and liquor duty. But what did she say when she came to vehicle and driving licence fees? She indicated that confusion could arise because people might apply for licences in advance. But that was exactly what the Honourable Oswald CHEUNG was pointing out then: It was never intended that Public Revenue Protection Orders be used for the convenience of the authorities entrusted with the duties of revenue collection. I have the feeling that the Government is trying to cheat, mix things up and pre-empt.

Some political parties have indicated that they would wait until the relevant bill is tabled before the Legislative Council to scrutinize the revenue proposals and consider whether to vote for or against certain items. But the problem remains that if increases for some of the items were approved now, the Government would then ask why Members lump together the approved increases with those increases to which they object. When I drafted this motion, I pondered upon the meaning of the Chinese term which in effect means working together to ride out the storm. The social implication of the term is for the rich

to help the poor; and the privileged, the underprivileged. And in the context of the Government *vis-à-vis* the people, the implication of the same term is that since the Government is rich, it should not increase fees or taxes so that the people could be given the chance to recuperate. Today, the Government is rich but the general public is poor. Why can the Government not let the public recuperate? Why does it not give the public a break? Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek, as set out on the Agenda, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

PRESIDENT (in Cantonese): I think the question is not agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the motion negatived.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 4 April 2001.

Adjourned accordingly at ten minutes to Nine o'clock.