

# OFFICIAL RECORD OF PROCEEDINGS

**Wednesday, 10 April 2002**

**The Council met at half-past Two o'clock**

## **MEMBERS PRESENT:**

THE PRESIDENT

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

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

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

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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

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

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

THE HONOURABLE NG LEUNG-SING, J.P.

THE HONOURABLE MARGARET NG

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN

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, B.B.S.

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

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

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

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

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 IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

THE HONOURABLE MA FUNG-KWOK

**MEMBERS ABSENT:**

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

THE HONOURABLE FREDERICK FUNG KIN-KEE

**PUBLIC OFFICERS ATTENDING:**

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

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

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

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

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

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

MR JOSEPH WONG WING-PING, G.B.S., J.P.  
SECRETARY FOR THE CIVIL SERVICE

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

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

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

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

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

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

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

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

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

MR JOHN TSANG CHUN-WAH, J.P.  
SECRETARY FOR PLANNING AND LANDS

MR PAUL TANG KWOK-WAI, J.P.  
SECRETARY FOR TRANSPORT

MR PATRICK LAU LAI-CHIU, J.P.  
ACTING HEAD, CENTRAL POLICY UNIT

**CLERKS IN ATTENDANCE:**

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

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

**TABLING OF PAPERS**

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

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Po Leung Kuk Ordinance — Resolution of the Board of Directors of the Po Leung Kuk .....	36/2002
Road Traffic (Construction and Maintenance of Vehicles) (Amendment) Regulation 2002 .....	40/2002
Road Traffic (Traffic Control) (Amendment) Regulation 2002 .....	41/2002
Tax Reserve Certificates (Rate of Interest) (No. 4) Notice 2002.....	42/2002
Gas Safety (Installation and Use and Miscellaneous) (Amendment) Regulation 2002 .....	43/2002
Fixed Penalty (Public Cleanliness Offences) Regulation .....	44/2002
Noise Control (Motor Vehicles) (Amendment) Regulation 2002 .....	45/2002
Business Registration Ordinance (Amendment of Schedule 2) Order 2002 .....	46/2002
Intellectual Property (Miscellaneous Amendments) Ordinance 2001 (2 of 2001) (Commencement) Notice 2002.....	47/2002
Patents (General) (Amendment) Rules 2002 .....	48/2002

## WRITTEN ANSWERS TO QUESTIONS

### Professional Grade Staff in EPD

1. **MR JAMES TIEN** (in Chinese): *Madam President, with regard to the Environmental Protection Department (EPD), will the Government inform this Council of the following in each of the past three years:*

- (a) *as at the end of each year, the total number of its professional grade staff with a breakdown by ranks, as well as their proportion in all staff of the Department; and*
- (b) *the total amount of remuneration paid out to officers at professional grades and its proportion in the gross staff remuneration of the Department?*

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

- (a) The EPD has two professional grades, namely the Environmental Protection Officer (EPO) and Treasury Accountant (TA) grades, in its establishment. A breakdown by ranks of the EPO and TA grades as well as their proportion (in percentage) in the total establishment of the EPD, as at the end of the past three financial years are shown in the following table:

Grade/Rank	1999-2000		2000-01		2001-02	
	No.	%	No.	%	No.	%
<i>EPO Grade</i>						
Director of Environmental Protection	1	0.06	1	0.06	1	0.06
Deputy Director of Environmental Protection	1	0.06	1	0.06	1	0.06
Assistant Director of Environmental Protection	5	0.30	5	0.30	5	0.30
Principal EPO	23	1.39	23	1.40	23	1.40
Senior EPO	100	6.05	101	6.13	104	6.31
Assistant EPO/EPO*	292	17.65	300	18.23	306	18.58

<i>Grade/Rank</i>	<i>1999-2000</i>		<i>2000-01</i>		<i>2001-02</i>	
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
<i>TA Grade</i>						
Senior TA	2	0.12	2	0.12	2	0.12
TA	1	0.06	1	0.06	1	0.06
EPO and TA Grades Total	425	25.69	434	26.36	443	26.89
EPD Total Establishment	1 654	100	1 646	100	1 647	100

\* The Assistant EPO and EPO ranks form a combined establishment.

- (b) The total amount of remuneration for the EPO and TA grades, and its proportion (in percentage) in the Departmental total, for the past three financial years are shown in the following table:

	<i>1999-2000</i>		<i>2000-01</i>		<i>2001-02</i>	
	<i>\$M</i>	<i>%</i>	<i>\$M</i>	<i>%</i>	<i>\$M</i>	<i>%</i>
EPO and TA Grades	344.6	48.3	357.5	49.4	380.0	49.7
Department Total	712.7	100	724.1	100	763.6	100

### **Claims for Allowance by District Council Members**

2. **MR IP KWOK-HIM** (in Chinese): *Madam President, to help District Council (DC) members discharge their duties more effectively, the Finance Committee (FC) approved in December 2001 the Government's proposal to enhance the allowances for DC members and the flexibility in the use of such allowances, as well as to strengthen support resources provided to DCs. The specific guidelines have been drawn up by the Home Affairs Department. However, I note that too many restrictions exist in the guidelines, which pose obstacles to DC members in discharging their day-to-day duties. This goes against the FC's original intention of approving the Government's proposal. In this connection, will the Government inform this Council whether:*

- (a) *it will consider conducting a review on the specific guidelines in the near future; and*

- (b) *it will, by making reference to the existing mechanism of this Council, set up a committee made up of DC members to handle appeals relating to claims for allowances?*

**SECRETARY FOR HOME AFFAIRS** (in Chinese): Madam President,

- (a) After the FC had approved the modifications to the package of remuneration and allowances for DC members in December 2001, the Director of Home Affairs revised the existing guidelines on claims for allowances to reflect the changes. When the guidelines were subsequently implemented, some DC members found that certain DC Secretariats have adopted a rather strict interpretation of the guidelines. In response to DC members' request that greater flexibility should be allowed to facilitate their work, the Director of Home Affairs carried out an internal review. She concluded that the guidelines have set out clearly the scope of the allowances and the general principles for claiming reimbursements. Instead of amending the guidelines, DC Secretariats have been instructed to be reasonably flexible in processing claims for the allowances. We will keep under review the guidelines and other arrangements relating to claims for allowances in order to facilitate better utilization of funds by DC members to serve the community.
- (b) Under the current mechanism, DC members may lodge appeals relating to claims for allowances to the Director of Home Affairs or her deputies. This system is, generally speaking, working satisfactorily. We do not consider it necessary to introduce changes at this stage, especially when a new set of guidelines has just been implemented. We will, however, keep open the option of a separate committee to handle appeals if the need for a different appeal channel becomes apparent.

### **Flow of Passenger Vehicles in Cross-border Links**

3. **MS MIRIAM LAU** (in Chinese): *Madam President, regarding the flow of passenger vehicles in existing cross-border links, will the Government inform this Council:*

- (a) *of the respective numbers and growth rates of private cars, coaches, shuttle buses, lorries and container trucks travelling between Hong Kong and the Mainland via the boundary control points (BCPs) at Sha Tau Kok, Man Kam To and Lok Ma Chau (LMC) in each of the past three years;*
- (b) *of the measures in place to accommodate the persistent growth in the flow of passenger vehicles at the three BCPs, especially the one at LMC; and*
- (c) *how it can ensure that the measures adopted to improve the flow of passenger vehicles in cross-border links will not adversely affect the development of logistics business?*

**SECRETARY FOR SECURITY** (in Chinese): Madam President, our reply to the above questions is provided below.

- (a) The statistics on vehicular throughput of the three land boundary crossings are set out in Annex.
- (b) To accommodate the persistent growth in the flow of passenger vehicles at the three BCPs, the Administration has implemented a number of measures including improvement to the BCP facilities, flexible deployment of resources, a quota system to control the increase in cross-boundary passenger vehicles and traffic control plans at BCPs. Details of these measures are summarized in the ensuing paragraphs.

#### *Improvement to the BCP Facilities*

LMC BCP is the busiest land boundary crossing between the Hong Kong Special Administrative Region (SAR) and the Mainland. In 2001, over 75% of the vehicular traffic crossed the boundary through this BCP. To accommodate the persistent growth of the flow of cross-boundary passengers, we are proceeding with the

LMC expansion project Phase II which is scheduled to be completed by September 2003. Apart from renovating all kiosks for vehicular clearance, we will increase the number of parking spaces at the coach pick-up and drop-off areas from the existing 15 and 17 bays for southbound and northbound traffic to 32 bays for both directions. Furthermore, we will also provide enlarged "coach waiting areas" which can accommodate 28 southbound and 83 northbound coaches. On the other hand, we will also improve the passenger clearance hall by increasing the number of immigration counters from the current 26 to 50 under the LMC expansion project Phase II. By providing these additional facilities, the capacity of handling cross-boundary passengers and passenger vehicles of LMC BCP will be increased substantially. The overall traffic flow at the BCP will also be improved as a result.

#### *Flexible Deployment of Resources*

According to experience, cross-boundary passengers tend to bunch up during early morning and evening daily and before and after the public holidays and festive periods. Targeting the upsurge in cross-boundary demand at these peak hours, the Immigration Department (ImmD) will man as many counters and kiosks as practicable by practising effective and flexible deployment of the available resources. For festive periods, the ImmD will arrange additional helping hands through internal redeployment to cope with the sudden increase in the number of cross-boundary passengers.

In addition, the ImmD and the Customs and Excise Department (C&ED) formulated a tidal-flow passenger clearance arrangement for implementation at the passenger clearance hall at LMC BCP in mid-2001. If the number of passengers with either southbound or northbound traffic increases, the ImmD and the C&ED will temporarily divert the spare clearance resources from the less-busy side of traffic to the other side to make more effective use of the limited resource to cope with passenger demand.

*Quota System to Control the Increase in Passenger Vehicles*

In view of the constraints of our BCP facilities and the increasing boundary crossing demand, the SAR Government and the Guangdong Public Security Bureau have devised a quota system for cross-boundary passengers vehicles to keep the growth in the numbers of cross-boundary private cars and coaches through the three BCPs under control.

*Traffic Control Plans at BCPs*

The police are in close liaison with other law enforcement departments to formulate effective traffic control strategies at the BCPs so as to assist passengers to cross the boundary orderly. Apart from devising traffic diversion and emergency response plans in advance to deal with untoward incidents, the police will deploy officers to perform traffic management and crowd control duties at the BCPs during their operating hours, in particular the peak hours and festive periods, to facilitate passengers to cross the boundary safely, speedily and orderly.

Apart from the measures mentioned above, the SAR Government and the Guangdong authorities are actively considering to co-locate immigration and customs clearance facilities at the control points at Huanggang/LMC. Under this arrangement, governments of the both sides will make use of the existing facilities in the Huanggang/LMC Control Points to implement co-location. Private cars crossing the boundary will be diverted to the Huanggang Control Point to undergo clearance procedures required by both sides. Such an arrangement, if materialized, will not only solve the problems of traffic congestion at LMC but will also enhance the efficiency of clearance of goods vehicles.

- (c) Both the SAR Government and the Guangdong authorities attach great importance to facilitating vehicular and passenger traffic at boundary crossing. While we are implementing measures to

improve passenger movements across the boundary, efforts are being made to improve the infrastructure for freight vehicles. For example, we will provide more spacious freight vehicle holding areas in LMC BCP under the expansion project Phase II to improve the flow of freight vehicles thereat. In addition, an additional vehicular crossing connecting western part of Shenzhen is under planning and is expected to be commissioned for service in 2005.

On the other hand, we will improve the software for freight clearance which will enhance our handling capacity for cross-boundary cargo vehicles. In early March this year, the C&ED has started an exercise to streamline the customs clearance procedures for cargo vehicles in phases. The Department will also install 42 sets of Automatic Vehicles Recognition System (AVRS) at LMC, Man Kam To and Sha Tau Kok BCPs in phases. The AVRS installation programme will start off in June this year at LMC. The installation works at 22 kiosks thereat will be completed by November this year while the installation of the systems at the remaining two kiosks will be completed by September 2003 when the expansion project is finished. The installation works at the 18 kiosks at Man Kam To and Sha Tau Kok BCPs will commence in September this year for completion in December in the same year. Coupled with the AVRS, the streamlining exercise will substantially increase our handling capacity for cross-boundary vehicles. Following the implementation of the simplified procedures and the automation programmes, the C&ED's average clearance time for processing a laden cross-boundary vehicle will be reduced from 45 seconds to approximately 30 seconds.

Upon the completion of the LMC expansion project phase II in September 2003, the 12 kiosk lanes in both directions will be open to freight vehicles (four lanes in each direction will be for shared-use with private cars). In addition, fixed X-ray vehicle scanning systems will be installed at the freight examination platform at LMC to provide more speedy clearance service for cross-boundary freight vehicles.

## Annex

Statistics on Vehicular Throughput of  
the Three Land Boundary Crossings from 1999 to 2001

## LMC

	<i>Private Car</i>	<i>Coach</i>	<i>Shuttle Bus</i>	<i>Goods Vehicle</i>	<i>Container</i>	<i>Total</i>
1999	693 500	174 900	101 900	2 585 500	3 062 600	6 618 300
2000	990 100 (+42.8%)	209 500 (+19.8%)	122 800 (+20.5%)	2 794 100 (+8%)	3 496 700 (+14.2%)	7 613 100 (+15%)
2001	1 221 900 (+23.4%)	270 600 (+29.2%)	132 000 (+7.5%)	2 898 500 (+3.7%)	3 435 200 (-1.8%)	7 958 100 (+4.5%)

## Man Kam To

	<i>Private Car</i>	<i>Coach</i>	<i>Goods Vehicle</i>	<i>Container</i>	<i>Total</i>
1999	208 400	33 200	1 528 700	1 074 800	2 845 100
2000	218 300 (+4.8%)	45 300 (+36.4%)	1 476 400 (-3.4%)	1 009 600 (-6%)	2 749 600 (-3.4%)
2001	238 300 (+9.2%)	48 400 (+6.8%)	1 391 300 (-5.8%)	854 800 (-15%)	2 532 800 (-7.9%)

## Sha Tau Kok

	<i>Private Car</i>	<i>Coach</i>	<i>Goods Vehicle</i>	<i>Container</i>	<i>Total</i>
1999	194 000	47 300	485 200	135 200	861 700
2000	211 500 (+9%)	49 000 (+3.6%)	483 700 (-0.3%)	136 700 (+1.1%)	880 800 (+2.2%)
2001	225 800 (+6.8%)	51 700 (+5.5%)	440 100 (-9%)	119 400 (-12.7%)	837 000 (-5%)

Note: Statistics include both inward and outward trips.  
 Figures in bracket denote rate of year-on-year increase/decrease.  
 Total may not add up due to rounding.

## **Police Tactical Training Complex**

4. **MR NG LEUNG-SING** (in Chinese): *Madam President, it has been reported that following the opening of the world's first Police Tactical Training Complex (PTTC) late last year, the Police Force is planning to provide another simulated tactical training ground this year for serving police officers. In this connection, will the Government inform this Council:*

- (a) *of the utilization rate and effectiveness of the PTTC at present;*
- (b) *of the practical difference between the proposed tactical training ground and the PTTC opened late last year; and*
- (c) *whether assessment has been made to ascertain the difficulties that may arise when both new recruits and serving police officers are using the same training ground?*

**SECRETARY FOR SECURITY** (in Chinese): Madam President,

- (a) The PTTC was opened on 16 November 2001 at the Police Training School in Wong Chuk Hang. It provides tactics training in a realistic environment for new recruits and officers from various Districts of the Hong Kong Police Force. It is planned that about 500 new recruits and 12 000 officers from Districts will receive training in the PTTC in 2002. In its first four and a half months' operation until 31 March 2002, a total of 500 new recruits and 953 District Police officers attended training in the PTTC. Out of a total of 89 working days available during the said period, the PTTC was used for training for 72 days, representing an initial utilization rate of approximately 81%. The remaining 17 working days not utilized for training were used for maintenance and fixing of minor outstanding works by the contractor.

The PTTC provides the necessary facilities for the trainees to concentrate on learning the tactics in a realistic environment. Such facilities greatly improve the quality of training and the ability of officers in carrying out their duties effectively and efficiently in various situations. Given that the PTTC is new, it is too soon to measure the overall long-term benefits in a quantitative manner.

- (b) The PTTC was designed for basic tactics training for new recruits and District Police officers. The existing facilities are less suitable for meeting the needs of advanced and specialist training which involves more extensive co-ordination among several groups of officers. The ground for advanced and specialist tactics training requires larger floor areas, more open space and a more extensive road system specifically designed for the purpose. One example of the more sophisticated facilities in the proposed ground, which the PTTC does not have, is a "mock town" which will include full-size multi-storey buildings and facades, comprising a variety of residential, commercial and industrial premises with a network of roads and alleys and associated control towers for training purposes.
- (c) The PTTC currently provides tactics training for new recruits and serving police officers in the Districts. However, it does not cater for advanced tactics training for specialist units such as Police Tactical Units and Emergency Units. As the design specifications and requirements are different, only limited objectives would be achieved if the PTTC is used for advanced tactics training. Moreover, the capacity of PTTC is not sufficient to cater for the requirement of tactics training in the Force. In the long run, the Force would need another purpose-built tactical training complex for achieving essential specialist training and meeting the operational needs of the Force. By enhancing the overall training standard, the Force will be more equipped to better safeguard the public and meet the occupational safety standards for police officers.

### **Consultancy Study on Land Use in New Territories**

5. **MR LAU PING-CHEUNG** (in Chinese): *Madam President, in reply to a Member's question raised at the Council meeting on 30 January this year, the Administration indicated that the Planning Department would commission a consultancy study to comprehensively review land use in the New Territories. In this connection, will the Government inform this Council:*

- (a) *whether the consultant will be engaged through open recruitment;*
- (b) *of the commencement and completion dates of the study; and*

- (c) *of the detailed scope of the study, and whether it will include the compilation and verification of geographical co-ordinates for land boundary; if not, of the reasons for that?*

**SECRETARY FOR PLANNING AND LANDS** (in Chinese): Madam President,

- (a) To improve the existing land use planning and management practices in the rural New Territories, the Planning Department has recently commenced the Study on Rural Planning and Land Management. The study comprises two stages. Stage 1 is an in-house study carried out by the Planning Department. Stage 2 of the Study will be conducted by consultants engaged through open recruitment.
- (b) Stage 1 of the Study has commenced in March 2002 and is expected to complete in 12 months' time. The entire study (including both Stage 1 and Stage 2) is expected to complete in around mid-2004.
- (c) The study aims to formulate a rural land use planning and management strategy, with the objective of improving the rural environment and utilizing the rural land resources through suitable development and land management. The compilation and verification of geographical co-ordinates for land boundary is primarily a technical task in land surveying and mapping. It has no direct relationship with the study on planning and land management strategy and hence does not fall within the scope of the Study.

The scope of the study includes:

Stage 1

- to examine the existing practices on planning and management of land in the rural New Territories;
- to examine the rural land management problems, the causes of these problems, and explore the approaches to resolving the problems; and

- to explore possible options for better planning and management of the rural environment by drawing references from international and local experiences.

#### Stage 2

- to formulate a rural land planning and management strategy and implementation framework for the purpose of improving the rural environment; and
- to formulate pilot schemes for assessing the effectiveness of the planning and management strategy as well as the implementation framework.

### **Employment and Training of Local Domestic Helpers**

6. **MR LEUNG FU-WAH** (in Chinese): *Madam President, regarding the employment and training of local domestic helpers, will the Government inform this Council:*

- (a) *of the respective numbers of registration received by the Labour Department (LD) with respect to domestic helpers' job applications and vacancies over the past five years; and among the registered job seekers, of the number of people who have secured employment with the help of the vacancy processing service;*
- (b) *whether the LD has assessed the reasons for other registered job seekers' failure to secure employment as domestic helpers; if so, of the results; and whether the LD will formulate new policies or adjust existing policies, or introduce other measures to help job seekers secure employment;*
- (c) *with respect to domestic helpers training courses run by institutes under the Employees Retraining Board (ERB) over the past five years, whether it knows the numbers of training places offered, students enrolled, students who have secured employment as domestic helpers upon graduation and the average level of their salary, daily working hours and job duties;*

- (d) *whether it knows if the ERB has carried out regular reviews on whether the numbers of training places and contents of the courses run by their institutes have met the needs of the market; if so, of the results of such reviews and the ERB's follow-up actions; and*
- (e) *how the LD and the ERB would delineate their roles and responsibilities in helping domestic helpers to secure employment; and whether there will be changes to such delineation in the future?*

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

- (a) The LD began keeping detailed statistics on the employment services provided to local domestic helpers from 1998 and the figures are as follows:

	1998	1999	2000	2001
No. of job seekers seeking domestic helper posts	3 059	5 480	5 619	6 839
No. of domestic helper vacancies	3 665	5 002	4 865	6 974
No. of domestic helpers placed through the LD referral	1 134	2 026	1 781	2 288

- (b) We believe that some of the job seekers fail to secure employment as domestic helpers because their skills or working experience fall short of the requirement of the employers, or the employers' terms of employment are not up to the expectation of the job seekers. To address this situation, the LD will do its best to match expectations between employers and job seekers, and where appropriate, encourage and refer job seekers to attend training courses organized by the ERB to enhance their skills and upgrade the quality of their services. The LD also launched the following initiatives to enhance service for job seekers and employers in the domestic helper market:

- (i) assigning Placement Consultants to all of the 11 Job Centres to provide job counselling, job referrals and latest market information for job seekers, enabling them to better understand the domestic helper market;
  - (ii) assisting job seekers in compiling their personal resume and record of obtaining recommendations from employers, if any, so as to improve their chance of securing employment;
  - (iii) launching a local domestic helpers webpage on the Department's Interactive Employment Service website to facilitate exchange of information between prospective employers and job seekers;
  - (iv) setting up a Telephone Employment Service Centre to provide more convenient access to information on domestic helper vacancies in the locality, enabling interested job seekers to get the information over the phone instead of having to queue up at Job Centres in person; and
  - (v) setting up a Job Vacancy Processing Centre to collect recruitment details, so that prospective employers only need to call the Centre to place their local domestic helper vacancies with the Department.
- (c) In response to market needs, the ERB has substantially increased the number of training places for domestic helpers over the past five years. From 1997-98 to 2001-02 financial year, more than 41 000 training places have been offered for domestic helpers against an accumulative total of 67 000 enrolment applications:

	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>	<i>2001-02</i>
No. of places offered	1 985	5 690	10 729	10 435	13 000
No. of applications received	3 071	10 749	14 603	16 624	22 000*

\* projection for the year

For the years from 1997-98 to 2000-01, the respective numbers of trainees who secured employment upon completion of domestic helpers training courses are as follows:

<i>Financial year</i>	<i>No. of trainees having completed domestic helpers training courses</i>	<i>No. of trainees having secured employment #</i>	<i>No. of trainees having secured employment as domestic helpers</i>
1997-98	1 658	998	463
1998-99	5 292	3 792	2 159
1999-00	9 882	7 801	4 549
2000-01	9 294	7 397	4 010
2001-02	11 825*	Not available	Not available

\* projection for the year

# Including those who secured employment irrespective of their trades

The ERB has recently conducted an opinion survey among employers of local domestic helpers. The result indicated that among the trainees who have secured employment as domestic helpers, 79% work three to six hours per day, 14% work less than three hours per day and 7% work seven hours or more per day. Those who finish the training courses are generally paid \$45 to \$59 an hour, depending on job requirements, hours of work, working locations, and so on. Regarding job duties, they are mainly employed to take charge of household cleaning (93%), followed by washing/ironing clothes (23%) and preparation of dinner (12%). Other duties include buying food, preparing lunch, baby-sitting, child and elderly care, and so on.

- (d) In working out the annual provision of training places and its distribution among different courses, the ERB will take into consideration, *inter alia*, the performance of various training bodies, market demand and supply, and its annual budgetary expenditure. Taking domestic helpers training courses as an example, in response to the development potential of this job type and an increasing number of job vacancies in the trade, the ERB is now providing additional domestic helpers training places to cope with market demand.

The ERB will also suitably adjust the provision of training places for individual courses quarterly in response to the latest market situation, the performance of training bodies and the placement rate of its trainees. To help adjusting the provision of training places, the ERB Working Group on Research and Development also holds regular meetings to review the employment situation of and the demand for domestic helpers as well as workers in other trades on the basis of the vacancy information gathered by the LD, the ERB and various training bodies.

As regards the contents of training courses, the ERB set up the Course Steering Group on Domestic Helpers and the Trade Advisory Groups in 1999, and introduced a standardized 12-day domestic helpers training course. The Course Steering Group and the Trade Advisory Groups meet regularly to revise and update the courses with due regard to the comments of the employers and trainees. The ERB also conducts user surveys from time to time in order to have a better understanding of the demand of specific trades and help develop courses to meet market needs, for example, follow-up training modules on cookery and elderly care will help improve the employment opportunities of domestic helper trainees. Besides, the ERB is actively helping local domestic helpers to expand their market by introducing employer-oriented supporting services and providing one-stop follow-up services for both employers and trainees through 13 regional services centres administered by the training bodies. The ERB is also stepping up publicity at the district level to promote the services of local domestic helpers to employers.

- (e) In helping local domestic helpers to secure employment, the LD provides job matching and job referral services for both job seekers and employers who come forward for registration. Generally, there is no restriction on the age and background of the job seekers. As to the ERB, its target clients are unemployed persons aged 30 or above with junior secondary education or below. Trainees who have completed training in domestic helper skills will be entitled to a three-month follow-up package covering job matching, job referral, post-employment counselling, and so on. Thus, the LD and the ERB serve different groups and perform different functions.

Nevertheless, the two work closely together. For example, the LD's placement officers will, where appropriate, encourage job seekers to attend training courses in domestic helper skills organized by the ERB. The two organizations will also share information on local domestic helper vacancies. The Government has no plan to revise the delineation of their roles and functions for the time being.

### **Protection of Patients' Privacy**

7. **MR MICHAEL MAK** (in Chinese): *Madam President, it has been reported that a female worker in Princess Margaret Hospital had fraudulently used the identity label of a patient for testing her own urine sample. In respect of the protection of patients' privacy and professional conduct of the staff, will the Government inform this Council of:*

- (a) *the mechanism in place to protect the information on the resident patients' medical record in the ward from being read indiscriminately or even disclosed; and*
- (b) *the measures in place to ensure that a patient's testing request form and sample will not be altered or changed in the course of delivery?*

**SECRETARY FOR HOUSING** (in Chinese): Madam President,

- (a) The Hospital Authority (HA) maintains a system to safeguard the confidentiality of patient records. All HA hospitals are required to follow the HA Manual of Good Practices in Medical Records Management to ensure, among others, that medical records are securely kept to protect patient's confidentiality. Only authorized staff are permitted to access patient records. The right to access medical records is governed by two principles, namely "patient under care" (that is, staff can only access medical records of patients who are directly under their care) and "need to know" (that is, staff can only access those medical records of a patient that are necessary for the provision of care to the patient concerned). Proper measures have been put in place to ensure the secured storage, transport and transmission of patient records to protect the

confidentiality and privacy of patient records. For example, medical records are required to be kept in a secured area and should not be left unattended in areas accessible to unauthorized individuals. The identity of the person requesting a patient record should be proved and verified before access is allowed.

Unauthorized access to and/or disclosure of confidential or restricted information related to patients constitute acts of gross misconduct. Any HA employee found to have committed such acts may be subject to disciplinary actions under the HA's prevailing human resources policy, ranging from verbal or written warning to dismissal from service.

- (b) Detailed instructions are issued to staff who are responsible for the transport of laboratory test specimens and request forms. As a general rule, all specimens collected from patients have to be individually placed into special containers, fastened with labels that carry the patient's identity and packed into plastic bags by ward staff before despatch to the laboratories. These labelled special containers are used by portering staff for collection and transport of specimens from the wards to the designated laboratories. All concerned staff are reminded regularly of these standing instructions.

### **Attendance of Members at Meetings of Public Organizations**

8. **MR FREDERICK FUNG** (in Chinese): *Madam President, regarding the attendance of members at meetings of the Housing Authority, Board of Urban Renewal Authority, Town Planning Board, Mandatory Provident Fund Schemes Authority, Hospital Authority and Sports Development Board, will the Government inform this Council whether it knows:*

- (a) *the respective number of meetings held by these public organizations and the attendance rate of each member in the past year; and*
- (b) *the number of public organizations whose members' average attendance rate was below 60% in the past year; and the number of meetings held by each of these organizations; and*

- (c) *if mechanisms are in place to require that the remunerated Chairmen/members concerned should reach a certain level of attendance rate; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR HOME AFFAIRS** (in Chinese): Madam President,

- (a) Statistics on the number of meetings held by the six bodies in 2001 and the attendance rate of each of their members at these meetings are at the Annex.
- (b) According to our information, the average attendance rate of members of all public organizations in 2001 was above 60%.
- (c) No, there is no existing mechanism requiring remunerated Chairmen/members to reach a certain attendance rate. As the present attendance rate of Chairmen/members of public organizations is reasonable, we do not consider it necessary to set a minimum attendance rate for Chairmen/members.

Annex

- (i) Housing Authority  
Number of meetings held in 2001: 5  
Members' attendance rate:

<i>Members</i>	<i>Attendance Rate</i>
Dr CHENG Hon-kwan (Chairman)	100%
Director of Housing (Vice-chairman)	100%
Mr Daniel LAM Chun*	100%
Mr YEUNG Ka-sing*	100%
Mr Anthony WONG Luen-kin*	100%
Mr Eddy FONG Ching	80%
Mr Raymond CHOW Wai-kam	60%
Ms SIU Yuen-sheung	100%

<i>Members</i>	<i>Attendance Rate</i>
Mr Walter CHAN Kar-lok	100%
Mr WAN Man-yee	100%
Mr CHAN Bing-woon	100%
Dr LAU Kwok-yu	100%
Mr Peter WONG Hong-yuen	80%
The Honourable NG Leung-sing	80%
Mr NG Shui-lai	100%
Ms Iris TAM Siu-ying	100%
Mr WONG Kwun	100%
Prof Richard WONG Yue-chim	80%
Mr Philip NUNN	80%
The Honourable CHUNG Shui-ming	40%
Mr Michael CHOI Ngai-min	100%
Mr Alex CHOY Kan-pui	100%
Mr HO Sai-chu	100%
The Honourable IP Kwok-him	100%
Mr George NG Sze-fuk	100%
Mr CHENG Yan-kee	100%
Prof Patrick LAU Sau-shing**	100%
The Honourable CHAN Kam-lam**	100%
Ms Teresa CHENG Yeuk-wah**	33%
Dr the Honourable David CHU Yu-lin**	33%
Dr Martin KWONG Hoi-chau**	67%
The Honourable SIN Chung-kai**	100%
Secretary for Housing/Deputy Secretary for Housing	100%
Secretary for the Treasury	40% <sup>Note</sup>
Director of Lands/Deputy Director of Lands (General)	100%

\* up to 31 March 2001

\*\* from 1 April 2001

Note: This rate refers to the personal attendance of the Secretary for the Treasury. She was represented by Finance Bureau officials at meetings which she could not attend personally.

- (ii) Board of the Urban Renewal Authority  
 Number of meetings held in 2001: 8  
 Members' attendance rate:

<i>Board Directors</i>	<i>Attendance Rate</i>
Dr LAU Wah-sum (Chairman)	100%
Mr Canice MAK	100%
Mr Terry ARTHUR	100%
Mr Russel HUI	88%
The Honourable CHAN Kam-lam	100%
Prof Cecilia CHAN Lai-wan	63%
Mr Barry CHEUNG Chun-yuen	88%
Mr Michael LAI Kam-cheung	75%
Mrs Peggy LAM PEI Yu-dja	75%
The Honourable Ambrose LAU Hon-chuen	63%
The Honourable LAU Ping-cheung	88%
The Honourable Fred LI Wah-ming	100%
Prof David LUNG Ping-yee	75%
Miss Maria TAM Wai-chu	100%
Mr Dicky Peter YIP	63%
Director of Buildings	75%
Director of Home Affairs	88%
Director of Lands	100%
Director of Planning	100%

\* The Urban Renewal Authority was established on 1 May 2001.

- (iii) Town Planning Board  
 Number of meetings held in 2001: 25  
 Members' attendance rate:

<i>Members</i>	<i>Attendance Rate</i>
Secretary for Planning and Lands (Chairman)	68%
Director of Planning (Vice-chairman)	100%
Mr CHAN Ka-kui	56%
Mr Daniel HEUNG Cheuk-kei	84%
Mr Edward PONG Chong	96%

<i>Members</i>	<i>Attendance Rate</i>
Mr Charles N BROOKE	80%
Prof JIM Chi-yung	92%
Mr Daniel CHAM Ka-hung	96%
Dr CHAN Wai-kwan	72%
Mr Christopher CHENG Wai-chee	64%
Prof Anthony M J COORAY	72%
Mr LAM Kwok-cheong	92%
Prof LEUNG Tin-pui	56%
Mr Frederick LUI Lai-cheung	76%
Dr Alex CHAN Siu-kun	48%
Dr Rebecca CHIU Lai-har	68%
Dr Leonard John ENDICOTT	60%
Mr KWOK Kwok-chuen	64%
Prof Patrick LAU Sau-shing	60%
Mrs Angelina LEE WONG Pui-ling	48%
Prof LEUNG Yee	44%
Dr Eddy LI Sau-hung	36%
Mr Almon POON Chin-hung	36%
Dr Peter WONG King-keung	64%
Prof Shane ZEE Sze-yong	80%
Mr Michael LAI Kam-cheung	76%
Prof HO Kin-chung	64%
Mr LO Man-tuen	28%
Prof Alex LUI Chun-wan	72%
Mr Francis LUI Yiu-tung	48%
Mr Keith Gordon McKINNELL	80%
Mr Anthony NG Heung-hung	28%
Mr NG Shui-lai	64%
Prof Anna PAO-SOHMEN	16%
Dr Pamela Rumball ROGERS	56%
Dr Greg WONG Chak-yan	84%
Mr WONG Chi-kui	92%
Mr YU Kwok-chun	28%
Dr Jose YU Sun-say	44%
Secretary for Housing (or representative)	96%
Deputy Secretary for Transport (1) (or representative)	96%
Director of Home Affairs (or representative)	80%
Director of Environmental Protection (or representative)	96%
Director of Lands (or representative)	88%

## (iv) Mandatory Provident Fund Schemes Authority

Number of meetings held in 2001: 9

Members' attendance rate:

<i>Directors</i>	<i>Attendance Rate</i>
The Honourable Charles LEE Yeh-kwong (Chairman)	100%
Mr Rafael HUI (Deputy Chairman)	100%
Dr the Honourable David LI Kwok-po	78%
Dr the Honourable LUI Ming-wah	44%
Mr Eddy FONG Ching	78%
Mr LEE Kai-ming	89%
Mr Robert TANG Ching	33%
Ms Anna WU Hung-yuk	67%
Mr Alan WONG (up to 30 June 2001)	100%
Mrs Diana CHAN	100%
Ms Hendena YU	100%
Mr Ernest LEE	100%
Mr Raymond TAM	89%
Secretary for Financial Services	89%
Secretary for Education and Manpower	56%
Chief Executive, Hong Kong Monetary Authority	67%

## (v) Hospital Authority

Number of meetings held in 2001: 10

Members' attendance rate:

<i>Members</i>	<i>Attendance Rate</i>
Dr LO Ka-shui (Chairman)	100%
Miss Eliza CHAN	50%
Miss Iris CHAN	70%
Mr CHENG Yiu-tong	30%
Dr Lily CHIANG (from 1 December 2001)	100%
Ms Nancy CHOW (up to 30 September 2001)	87.5%
Prof Sydney CHUNG	40%
Mr Vincent FANG	60%
Dr Anthony HO (from 1 December 2001)	100%

<i>Members</i>	<i>Attendance Rate</i>
Mr Michael HO (up to 30 November 2001)	88.9%
Dr William HO	100%
Dr James HWANG (from 1 December 2001)	100%
Dr Conrad LAM (up to 30 November 2001)	88.9%
Prof LAM Shiu-kum (from 1 April 2001)	57.1%
Mr Stephen LAU (up to 30 November 2001)	44.4%
Mr LEE Jark-pui	80%
Dr LEONG Che-hung	80%
The Honourable Mrs Sophie LEUNG	80%
Dr Patrick LI (up to 30 September 2001)	87.5%
Mrs Eleanor LING	80%
Mr LO Chung-hing	80%
Mrs Virginia MONG (from 1 December 2001)	100%
Ms Scarlett PONG (from 1 December 2001)	100%
Prof Grace TANG (up to 28 February 2001)	100%
Prof Thomas WONG	90%
Prof Richard WONG (from 1 April 2001)	42.9%
Mr Anthony WU	50%
Dr Raymond WU	50%
Mr Paul YU Shiu-tin (from 1 December 2001)	100%
Director of Health	100%
Secretary for the Treasury (or representative)	70%
Deputy Secretary for Health and Welfare	100%

- (vi) Hong Kong Sports Development Board  
 Number of meetings held in 2001: 4  
 Members' attendance rate:

<i>Members</i>	<i>Attendance Rate</i>
Mr John HUNG (Chairman)	100%
Mr Billy KONG (Vice-chairman)	75%
Prof CHAN Kai-ming	100%
Mr John FAN	75%
Mr David YAU	100%
Prof Frank FU	100%

<i>Members</i>	<i>Attendance Rate</i>
Mr WAI Kee-shun	75%
Mr Herman HU	100%
Mr Albert HUNG	75%
The Honourable Bernard CHAN	75%
Mrs Jenny FUNG	50%
Mr Alfred FUNG	75%
Chairman of Sports Federation and Olympic Committee of Hong Kong, China (SF&OC) (or representative)	100%
Representative of SF&OC	100%
Secretary for Home Affairs (or representative)	100%
Director of Leisure and Cultural Services	100%

### **Innovative Toy Design Centre**

9. **MR KENNETH TING** (in Chinese): *Madam President, it has been reported that as electronic and innovative technological toys have been considered by most toy manufacturers to be the mainstream orders in the coming three years, the Toys Manufacturers' Association of Hong Kong proposes that the Government set up an Innovative Toy Design Centre to upgrade the quality of local toy products. In this connection, will the Government inform this Council:*

- (a) *whether it will consider setting up an Innovative Toy Design Centre to provide resources for local toy designers to study overseas, launching toy designing programmes and engaging overseas experts to teach in Hong Kong in order to enhance the competitiveness of the entire toy industry; and*
- (b) *of the policy to steer the development of the local toy industry in the direction of high-tech and innovative designs?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Chinese): *Madam President, we understand that the Toys Manufacturers' Association of Hong Kong has recently completed its Survey Report on the Prospect and Competitiveness of the Toy Industry. The Association is examining the recommendations of the Survey Report, including the establishment of an*

Innovative Toy Design Centre and improving training for the toy industry, with a view to finalizing its proposals for submission to the Government. We shall study their proposals carefully upon receiving them.

It has been the Government's long-held policy to assist local industries, including the toy industry, to enhance their competitiveness through embracing advanced technology and innovation standards. Over the past three years, the Innovation and Technology Fund has allocated over \$18 million to finance 10 applied research and development projects related to the toy industry. These projects included the Development of Technologies on Networked Smart Toys, the Development of Benchmarking Models and Skills Enhancement Programme for Electrical Appliances Industry and Toys Industry, as well as the Development of a Mechatronic Chess-playing System.

In addition, the Hong Kong Productivity Council (HKPC) has taken active steps to promote the application of new technology by our industries and provided support to manufacturers in product design and development. The aim is to enhance the added value and competitiveness of Hong Kong products. The HKPC's Industry Group of Toys and Plastics, Product Development and Innovation Institute, and DigiHall 21 have been disseminating the latest information on the toy industry and its technological development, such as computer and information technology applications, environmental management, as well as computer-aided design and manufacturing, product design and development, and so on. Such efforts were aimed at helping the local toy industry upgrade their operational know-how and move towards more hi-tech and innovative designs. The HKPC also organizes meetings, seminars and training courses for the toy industry on a regular basis.

The Hong Kong Design Centre, scheduled to begin operation later this year, will also help to promote innovative design and raise design standards in the toy industry among others.

### **Expenses of Chief Executive Election**

10. **MR CHEUNG MAN-KWONG** (in Chinese): *Madam President, regarding the election of the second-term Chief Executive, will the Government inform this Council:*

- (a) *of the number of temporary staff employed by the Registration and Electoral Office (REO) to prepare for and conduct the election and the overall expenditure, with detailed breakdowns by the expenditure on the salary of temporary staff, rent for the office, activity arrangements, press conferences, printing, postage, publicity advertisements, and so on; and*
- (b) *whether it knows the public or statutory bodies which have put up advertisements to congratulate the Chief Executive on his re-election, of their expenditure on the advertisements, and whether they have spent public money or used their own resources to meet such expenses?*

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Chinese): Madam President,

- (a) A breakdown of the estimated expenditure to be incurred by the REO in the preparation and conduct of the Second-Term Chief Executive election is as follows:

	<i>Estimated total expenditure (\$'000)</i>
(A) Personal emoluments for civil servants temporarily deployed to the REO	2,430 (involving six staff)
(B) Election expenses	
(1) Salaries for non-civil service contract staff	860 (involving 10 staff)
(2) Office rentals <sup>(Note)</sup>	-
(3) Printing/postage	10

<sup>(Note)</sup> As the REO carries out all its work within its existing office premises, no extra expenditure has been incurred.

	<i>Estimated total expenditure (\$'000)</i>
(4) Publicity	110
(5) Other election expenses (including deposits for hiring venues, expenses in organizing activities/press conferences, purchasing stationery, and other miscellaneous expenses, and so on)	770
(B) Sub-total	1,750
(A)+(B) Total	4,180

- (b) As the congratulatory advertisements were published after the completion of the election and did not form part of the election, we have no record of such information.

### **Legislation Against Racial Discrimination in Private Sector and Among Individuals**

11. **MISS CYD HO** (in Chinese): *Madam President, last year, the Home Affairs Bureau (HAB) consulted commercial organizations, non-governmental organizations (NGOs) and groups of ethnic minorities respectively on the need to legislate against racial discrimination in the private sector and among individuals. In this connection, will the Government inform this Council:*

- (a) *whether the outcome of the consultation has indicated that most commercial organizations, NGOs and groups of ethnic minorities are in support of legislating against racial discrimination, together with the names of organizations and groups which support, do not support and have no comment respectively;*
- (b) *of the criteria for evaluating the views of these organizations and groups and the weighting of each criterion;*

- (c) *of the ranks of the government officials responsible for evaluating and analysing the views of these organizations and groups, the number of meetings they have held, the details of other relevant work and the conclusions drawn so far; and*
- (d) *given that the United Nations Committee on Economic, Social and Cultural Rights (the Committee) has requested Hong Kong to submit information on its progress in implementing the Committee's recommendation regarding racial discrimination in the private sector and among individuals by 30 June 2003, whether relevant legislation will be timely enacted by that date, and of the legislation timetable?*

**SECRETARY FOR HOME AFFAIRS** (in Chinese): Madam President, taking the Honourable Member's questions *seriatim*:

- (a) The consultations were conducted in two phases:
  - (i) in the first phase, which started on 13 June 2001, we consulted the business community from which we received 25 responses after extending the original deadline from 31 August 2001 to 30 September 2001. Sixteen of the 25 were broadly in favour of legislation. These included nine overseas chambers of commerce and six local trade associations. The 16 also included one local association that, while supportive in principle, did not consider it appropriate to legislate at this stage. Of the remaining nine respondents, six were opposed to legislation and three had no views;
  - (ii) in the second phase, which started on 21 November 2001, we consulted NGOs and other organizations with an interest in the issue. Several of the organizations so consulted were small bodies with limited resources and, as such, needed more time to discuss the issues with their membership and formulate their replies. To enable them to do so, we extended the deadline from 31 December 2001 to 31 January 2002 and again to 28 February. Of the 55 organizations consulted, a total of 44 submitted comments, almost all being in favour of legislation.

Turning to the request for the names of our contributors and the positions that they took in regard to the question of legislation, the list of those we consulted is at Annex. A few of our contributors published their replies in the press. But the others have not indicated that they are willing for their individual positions to be made public. Without their consent, we cannot release their names in association with their views;

- (b) we do not consider it appropriate to set any predetermined criteria to evaluate the responses. They are being analysed on the basis of the views expressed and the rationale behind these views;
- (c) the responses are being analysed and evaluated by staff of the Home Affairs Bureau under the supervision of a D2 officer, reporting directly to a Deputy Secretary for Home Affairs, in accordance with the normal process. We have not yet drawn any conclusion as the process is still ongoing; and
- (d) our report to the United Nations Committee on Economic, Social and Cultural Rights will inform the Committee of the outcome of the present consultations and any further developments that may flow from those conclusions.

Annex

First phase consultation — business groups

1. Association of Restaurant Managers
2. The Chinese General Chamber of Commerce
3. Employers' Federation of Hong Kong
4. Federation of Hong Kong Hotel Owners Limited
5. Federation of Hong Kong Industries
6. Hong Kong Association of Banks
7. Hong Kong Construction Association
8. Hong Kong Federation of Insurers
9. Hong Kong Hotels Association
10. Hong Kong Institute of Human Resource Management
11. Hong Kong Institute of Marketing

12. Hong Kong Public Relations Professionals' Association
13. Professional Insurance Brokers Association Limited
14. The American Chamber of Commerce
15. The Australian Chamber of Commerce
16. The British Chamber of Commerce
17. The Canadian Chamber of Commerce
18. The DTC Association
19. Travel Industry Council of Hong Kong
20. The Chinese Manufacturers' Association of Hong Kong
21. Association of German Chamber of Industry and Commerce
22. The Hong Kong General Chamber of Commerce
23. The Hong Kong Japanese Chamber of Commerce and Industry
24. The Hong Kong Management Association
25. The Indian Chamber of Commerce of Hong Kong
26. The Korean Chamber of Commerce in Hong Kong
27. Swedish Chamber of Commerce in Hong Kong
28. Hong Kong Employers of Overseas Domestic Helpers Association
29. Hong Kong Real Estate Agencies General Association
30. Properties Agencies Association Limited
31. Societies of Hong Kong Real Estate Agents Limited
32. Hong Kong Chamber of Professional Property
33. New Territories of Estate Agency Association Limited
34. Council of Hong Kong Indian Association

Second phase consultation — Racial minority groups and interested NGOs

1. Civic-Exchange
2. Hong Kong Against Racial Discrimination
3. Hong Kong Human Rights Monitor
4. Movement Against Discrimination
5. Society for Community Organization
6. Human Rights Council of Hong Kong
7. Amnesty International Hong Kong Section
8. Refugee Concern Hong Kong
9. Hong Kong Catholic Commission for Labor Affairs
10. Hong Kong Christian Institute
11. Justice

12. International Social Service Hong Kong Branch
13. Caritas – Hong Kong Asian Migrant Workers
14. Salvation Army Migrant Workers' Counselling and Referral Centre
15. Asian Students Association
16. Asian Migrant Centre Limited
17. Asian Regional Exchange for New Alternatives
18. Christian Action - Domestic Helpers and Migrant Workers Program
19. Jesus is Lord School of Ministry (HK) Limited
20. United Migrant Workers Interim Trust
21. The Hong Kong Bayanihan Trust
22. Asian Domestic Workers Union
23. Coalition for Migrants' Rights
24. Association of Sri Lankans
25. Pakistan Islamic Welfare Union of Hong Kong
26. Friends of Thai in Hong Kong
27. Thai Women Association
28. United Filipinos in Hong Kong
29. Asia Pacific Mission for Migrant Filipinos
30. The Bethune House Migrant Women's Refuge
31. Mission for Filipino Migrant Worker (HK) Society
32. Helpers for Domestic Helpers
33. Filipino Workers Resources Centre
34. Filipino Migrant Workers' Union
35. Forum of Filipino Reintegration and Saving Group
36. The Indian Resources Group
37. Indian Domestic Workers Association
38. Indian Businessmen's Association
39. Indonesian Migrant Workers Union
40. Association of Indonesian Migrant Workers in Hong Kong
41. The Voice of Indonesian Migrant Workers
42. Amal Indonesian Direct
43. Far East Overseas Nepalese Association
44. Gurkhas (Nepalese) Federation Hong Kong
45. Gurkha International (Hong Kong) Limited
46. The Nepal Business Association (Hong Kong) Limited
47. Nepalese Alien Association Hong Kong
48. Hong Kong Gurkhas Forum
49. British Gurkha Ex-Servicemen Association

50. Tamu Association of Hong Kong
51. Dharan Hong Kong Forum
52. Hongkong Nepalese Women Association
53. Nepal Post Overseas
54. HK Construction Workers Union
55. Unison

Remarks:

We have also counted the following three parties' views in the 44 submissions received but they are not on the consultation list:

- (i) Asian Migrants Coordinating Bodies
- (ii) Citizen Party
- (iii) Justice & Social Concern Committee of Hong Kong Christian Council

### **Posting of Obscene Posters in Public Areas by Vice Establishment Operators**

12. **MISS CHOY SO-YUK** (in Chinese): *Madam President, the Control of Obscene and Indecent Articles Ordinance (Cap. 390) (COIAO) prohibits the display of obscene and indecent articles in public places. However, it has been reported that prosecution has never been instituted against offenders under the Ordinance, and that there is an increasing trend of obscene posters being posted on the streets under the aegis of operators of vice establishments. In this connection, will the Government inform this Council:*

- (a) *of the number of prosecutions brought against persons connected with the posting of obscene posters in the past three years; if the number of prosecutions is not large, the reasons for that;*
- (b) *of the specific measures taken to prevent the posting of obscene posters in public places by operators of vice establishments; and*
- (c) *whether it has assessed regularly the effectiveness of the existing measures and of the ways to improve the situation?*

**SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING** (in Chinese): Madam President,

- (a) Officers of the Television and Entertainment Licensing Authority (TELA) will closely monitor the content of posters displayed in public places during daily inspections. The public will also lodge complaints about posters displayed in public places which may contain obscene or indecent content. In the past three years, no prosecution under the COIAO had been instituted against any person for the posting of posters on the streets. It is mainly because such posters have not exceeded the classification standard of Class I (neither obscene nor indecent) articles of the Obscene Articles Tribunal.
- (b) The display of pornographic posters in public places has always been a subject of concern to the Government. The TELA, the police and the Food and Environmental Hygiene Department (FEHD) have discussed interdepartmental efforts to tackle the display of pornographic posters in the streets. When officers of the TELA identify posters which may contain indecent or obscene elements during daily inspections or upon receipt of complaints lodged by the public, they will take actions to seize the posters. Moreover, the task force of the FEHD will enforce the Public Health and Municipal Services Ordinance (PHMSO) and remove posters illegally displayed in the streets.
- (c) We will regularly review the enforcement of both the COIAO and the PHMSO. Where necessary, the departments concerned will carry out joint operation to prohibit the display of indecent or obscene posters in the streets.

**Counselling for Divorced Spouses and Their Children**

13. **MR LAW CHI-KWONG:** *Madam President, regarding the counselling for divorced spouses and their children, will the Government inform this Council:*

- (a) *of the number of cases out of the 13 247 divorce decrees granted in 2000 which involved children aged below 18, and the number of children involved in these cases, together with a breakdown by their age;*

- (b) *whether counselling services are currently provided to the divorcees and their children in divorce cases involving children; if so, of the details; if not, whether it has assessed the need to provide them with counselling services in a systematic manner; and*
- (c) *whether the Administration will consider the introduction of "counselling conferences", given that the Sub-committee on Guardianship and Custody of the Law Reform Commission recommended in December 1998 the introduction of such conferences modelled on the Australian system of conciliation counselling and conciliation conferences, and the inclusion of such conferences as an integral part of the case management process of the court system, so as to assist divorced spouses and their children to adjust to new lives and work through their anger and hurt; if it will not, of the reasons for that?*

**SECRETARY FOR HOUSING:** Madam President,

- (a) According to the Judiciary, there were 13 048 divorce decrees granted in 2000. However, no detailed breakdown as requested is available from the Judiciary.
- (b) At present, a range of counselling and other welfare services are available for divorcees, persons seeking or undergoing divorce and their children on a voluntary basis.

A counselling service, whilst not part of the legal system, is available to help reduce conflicts between divorcing couples, and to assist them to look after the interests of their children. A territory-wide network of Family Services Centres and Family and Child Protective Services Units run by the Social Welfare Department and non-governmental organizations provide such a service for divorcees and individuals planning to divorce, if they so require.

In addition, the Courts may refer cases to the Social Welfare Department for investigation and report during divorce proceedings. For example, this may be where the couple fail to agree on the

guardianship arrangements for their children or where the Court has reservations that the proposed arrangements are in the children's best interests. During this process, social workers take the welfare of the children as their paramount consideration and provide counselling to the parents and children to help them arrive at appropriate decisions regarding the custody and access of the children. After the issue of court orders, social workers supervise access arrangements for the children in accordance with the orders and continue to provide counselling to the parents and children, as necessary.

In May 2000, the Judiciary launched a three-year pilot family mediation scheme. This is designed to help separating or divorcing couples reach agreement regarding the ongoing arrangements for their children and/or the resolution of financial matters. It is a voluntary process in which a trained mediator assists both parties to communicate and negotiate issues in a confidential setting. The mediators, who come from various professional backgrounds and usually have qualifications in law, social work, and so on, are specially trained and meet certain accreditation requirements covering negotiation and dispute resolution skills.

Apart from counselling services, many other welfare services are available for divorcing couples and their children including psychological services, child care services, compassionate rehousing, and so on. There are also five Single Parent Centres to assist single parents overcome problems arising from single parenthood, build up a social network of support and mutual help, and improve their capability for employment and self-reliance. These Centres have established linkages with the Family Court Registry to publicize their services to couples divorcing.

- (c) The Law Reform Commission's Sub-committee on Guardianship and Custody issued a consultation paper in December 1998. The proposal to introduce counselling conferences in Hong Kong for couples undergoing divorce is one of a number of proposals being considered by the Commission. It is expected that the Commission's final reports on mediation and custody and access will be issued later this year. The Administration will study the reports before taking a view on this and other proposals.

### **Traffic Congestion at Cross-Harbour Tunnel**

14. **MR ABRAHAM SHEK:** *During the peak hours, heavy traffic congestion develops at the Cross-Harbour Tunnel (CHT), causing serious congestion in the main roads nearby, and this problem has remained unsolved for years. In this connection, will the Government inform this Council:*

- (a) whether it has assessed the economic losses suffered by Hong Kong as a result of the persistent traffic congestion at the CHT;*
- (b) of the average waiting time for motorists to pass the CHT by using the autotoll system and by paying at the manual toll booths respectively during the peak hours; and*
- (c) of the measures in place to smoothen traffic flow to ease congestion at the CHT; whether it will consider replacing all manual toll booths with the autotoll system and requiring all vehicles using the CHT to be equipped with an autotoll device?*

**SECRETARY FOR TRANSPORT:** Madam President, with the expansion of road networks and public transport services in recent years, a wide range of alternatives for crossing the harbour are now available to motorists and commuters who could choose the routes and travel modes across the harbour most suitable and convenient to them.

As far as the CHT is concerned, while we have not conducted any study to specifically assess the economic implications of traffic congestion at the tunnel, we have implemented various measures in the last few years to improve the traffic flow. These included the opening of Princess Margaret Road Link, widening of the slip road from Hong Chong Road onto Chatham Road South and rationalization of bus stops at the Kowloon Portal of the CHT. Both the journey time and queue length through the CHT have been reduced as a result.

In 2001, the total average daily autotoll users of the CHT were 46 000 (representing about 39% of the total traffic of 118 000 vehicles per day). Measuring from the entrance of the tunnel plaza, the average time for motorists travelling through the autotoll lanes and manual toll booths during peak hours is about 14 seconds and 20 seconds respectively in the northbound direction, and about 33 seconds and 50 seconds respectively in the southbound direction.

Our present arrangement of giving tunnel users a choice of autotoll and manual toll lanes is widely accepted and working well. In March 2001, an additional northbound autotoll lane has been provided and thus increasing the total number of autotoll lanes from four to five for both directions. Construction is now underway for an additional southbound autotoll lane to be put into use by mid 2002. Upon implementation, six out of the 16 lanes at the CHT will be autotoll lanes. We will continue to closely monitor the user pattern and install additional autotoll lanes where necessary.

### **Bacteria Content of Public Toilet Paper**

15. **MR FRED LI** (in Chinese): *Madam President, it has been reported that the bacterial content of the toilet paper provided in public toilets in Hong Kong exceeds the level prescribed in the mainland hygiene standards, and may thus affect public health. In this connection, will the Government inform this Council:*

- (a) *whether it has conducted tests on the bacterial content of the toilet paper provided in public toilets; if it has, of the results; if not, whether it will do so;*
- (b) *how it will urge the public toilet cleansing contractors (the contractors) to provide toilet paper that meets the hygiene standard; and*
- (c) *whether it will prohibit the contractors from providing toilet paper which does not meet the hygiene standard; if so, of the details; if not, the reasons for that?*

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

- (a) Currently, government departments do not conduct tests on the bacterial content of the toilet paper provided in public toilets under their purview. This is because the bacterial content of toilet paper only reflects the hygienic condition of the toilet paper and not the risk of users being infected by diseases. Users would only be

infected if the bacteria on the toilet paper are harmful to humans, alive and contagious.

Toilet paper provided in some public toilets was procured earlier by the Government Supplies Department (GSD) through open tender. For remaining toilets, their toilet paper is provided by the contractors. Relevant departments at present only request in the contracts with the contractors/providers to provide clean and hygienic toilet paper with no specific standard set for the bacterial content.

In order to raise the general hygienic standard, the GSD has recently requested suppliers to provide toilet paper which meets the mainland "Hygienic Standard for Disposable Sanitary Products" (GB 15979-1995) in the tender specification, and the suppliers have to provide relevant certificates as proof.

For the remaining toilet paper provided by the contractors, when individual relevant departments enter into new contracts with the contractors in future, they would request the contractors to provide toilet paper which complies with the hygienic standard stipulated in the tender specification of the GSD.

- (b) In future, when individual relevant departments request the contractors in the new contracts to provide toilet paper which complies with the hygienic standard stipulated in the tender specification of the GSD, supervising officers, when patrolling public toilets, will check the record and see whether the toilet paper complies with the requirements in the new contract. If necessary, the officers will select samples for testing.
- (c) Contractors generally have to provide clean and hygienic toilet paper as requested in the contract. In future, individual relevant departments will, in the new contracts with the contractors, request them to provide toilet paper which complies with the hygienic standard stipulated in the tender specification of the GSD. If the contractors provide toilet paper which is not up to the standard, the departments concerned will request the contractors to change the toilet paper in order to comply with the requirements in the contract,

or appropriate warning or disciplinary action may be taken against the contractors.

### **Use of Octopus Cards by LRT Passengers**

16. **MR ALBERT CHAN** (in Chinese): *Madam President, regarding Light Rail Transit (LRT) passengers paying their fares with Octopus cards, will the Government inform this Council:*

- (a) *of the number of passengers who were warned or prosecuted in the past two years because there were no entry records on their Octopus cards due to the failure of the Octopus processors when they entered the station with Octopus cards; and*
- (b) *whether there is any mechanism monitoring LRT to ensure that failure of Octopus processors at the stations will not entail unfair treatment to the passengers; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR TRANSPORT** (in Chinese): Madam President, the Kowloon-Canton Railway Corporation (KCRC) does not warn, surcharge or prosecute LRT passengers who do not have valid entry records due to Octopus equipment failure. The Corporation has in place a mechanism to ensure that passengers will not suffer any financial loss or be charged a wrong fare due to failed Octopus processors.

The Octopus equipment at Light Rail stops are connected to a central computer at the Light Rail Operations Control Centre. Any failure of an Octopus processor will be noted on the computer, and the officer-in-charge will immediately arrange to have maintenance staff to conduct an on-the-spot examination and carry out repairs.

Light Rail platforms are equipped with a number of Octopus processors. If one Octopus processor fails to work, it will not process any travel transactions, and passengers can use the other processors on the platform. The failed processor will display an "Out of Service" message on the screen and will not sound a tone when an Octopus card is held against it.

For LRT passengers who do not have valid entry records and claim that it is due to Octopus processor failure, surcharge will be levied only when the KCRC's ticket inspectors have confirmed with the Operations Control Centre that there is in fact no malfunctioning.

### **Installation of Mobile Phone Immobilizers**

17. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, at present, mobile phones are widely used in Hong Kong but they have some adverse effects. Apart from their possible secret use by race-goers for illegal off-course horse bookmaking in the racecourse, their ringing may also interfere the progress of various activities, such as opera performances. However, under the Telecommunications Ordinance (Cap 106), it is an offence for the person in charge of a place to install mobile phone immobilizers to jam the normal reception of signals by mobile phones. In this connection, will the Government inform this Council whether it will consider amending the Ordinance to the effect that the persons in charge of individual places may, having obtained permission from the authorities, install mobile phone immobilizers; if it will, of the timetable for the relevant work; if not, the reasons for that?*

**SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING** (in Chinese): Madam President, under section 8(b) of the Telecommunications Ordinance, the possession or use of radiocommunications equipment is subject to licensing control. Devices which seek to block mobile phone communications, commonly known as "mobile phone jamming devices", are radiocommunications equipment and hence are subject to licensing control. The Telecommunications Authority (TA) has not yet licensed the use of such devices in Hong Kong.

The TA has been considering whether to license the use of the devices. However, there are a number of important issues to be considered:

- Although mobile phone jamming devices are intended to cause jamming of signals at the installed premises, its effect may spill over to areas outside the intended premises and cause unacceptable interference to normal mobile phone communications outside the premises.

- Mobile phone jamming devices will suppress communications to "999" or "112" in case of emergency.
- At present, many mobile phones may be set at vibration mode instead of ringing mode. There are also short message services which enable users to receive messages in a silent manner. Hence, there are a number of ways for mobile communications without causing nuisance to others.
- It is a question of whether the community accepts that mobile communications capability be suppressed by the installation of the devices.

As we can see, the subject of licensing mobile phone jamming devices involves many important issues. We note that overseas countries like Canada also conducted a public consultation in early 2001, although they have yet to make a decision on the matter. In the light of the above, the TA plans to conduct a public consultation later this year to solicit the views of the public and the industry before deciding on the way forward.

### **Claims Against Airport Authority by Contractors in Relation to Airport Project**

18. **MISS EMILY LAU:** *Madam President, regarding claims against the Airport Authority by contractors in relation to the Chek Lap Kok airport project, will the executive authorities inform this Council of:*

- (a) *the number of such claims that were settled in the past 24 months, the nature of each claim and the total amount of compensation involved;*
- (b) *the comparison between the amount of compensation as settled in each of such claims and the original estimate of the contract from which the claim arises; and*
- (c) *the number of claims still unresolved and the estimated contingent liability?*

**SECRETARY FOR ECONOMIC SERVICES:** Madam President, during the past 24 months (that is, April 2000 to March 2002), the Airport Authority has settled a total of 6 779 claims relating to 30 airport related contracts. Of the 6 779 claims, 3 745 arose from variations to works, for which the contractors could make legitimate claims in accordance with the contract terms. This is a commonly accepted practice, since such variations are normally envisaged in works contracts.

The other 3 034 claims fall into the following categories:

	<i>No. of claims</i>
(i) work site access, design/technical requirement issues	1 494
(ii) design and construction interface issues among contractors	897
(iii) other miscellaneous items, for example, adverse ground conditions	643
Total:	3 034

Some of the claims above also involve minor additional works and the contractors could make claims for these additional works under the contract. We have no detailed breakdown of these items.

The total amount of settlement for all the above-mentioned 6 779 claims was \$3,795 million and the original estimates of the contracts from which the claims arose was \$22,612 million. As these claims involve sensitive commercial information and in some cases, both parties are bound by a confidentiality clause, the Airport Authority cannot reveal the amount settled for each claim.

The Airport Authority is still negotiating with contractors for settlement under four contracts involving 10 claims. As the negotiations are ongoing, the Airport Authority considers it undesirable to disclose the estimated contingent liability concerned.

**Language Used in Court Injunctions**

19. **DR RAYMOND HO** (in Chinese): *Madam President, it has been reported that some members of the public who were served with injunctions by the Court failed to act on such injunctions because they did not understand the content of court documents written in English, and they were subsequently accused of defying injunctions. In this connection, will the Government inform this Council:*

- (a) *of the maximum penalty for defying injunctions;*
- (b) *of the number of cases in which members of the public were accused of defying injunctions under the circumstances mentioned above in the past three years; and*
- (c) *why bilingual injunctions in Chinese and English are not issued by the Court, and whether there are plans to make it mandatory for all injunctions to be set out in both languages; if not, of the reasons for that?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Chinese): Madam President, we have consulted the Department of Justice and the Judiciary Administrator on the question and have received the following information and response:

- (a) An individual who breaches an injunction order may be committed to prison for civil contempt or his property may be sequestered (that is, temporarily impounded) under Orders 45 and 52 of the Rules of the High Court. The Court may also impose a fine. There is no statutory limitation on the period of imprisonment or the level of fine that can be imposed. Imprisonment may be for a fixed period or until the contempt is purged. A fixed term should reflect the seriousness of the breach.

A corporation which breaches an injunction order can be guilty of contempt of court. Its property may be sequestered and a fine may be imposed. There is no statutory limit on the level of fine that can

be imposed. A director or other officer of a corporation may be held personally liable for any breach provided he knows of the injunction order and either actively assisted in the breach or wilfully took no steps to ensure that the injunction order was obeyed.

- (b) The Judiciary has not kept statistics on the number of cases involving breaches of injunction orders because of failure on the part of the defendants to understand such orders in English.
- (c) The litigants may choose the language used in an injunction order.

If an application for an injunction order is made in English, the injunction order will be issued in English. In such case, the injunction order may be issued with Chinese translation upon the request of the applicant or the defendant to the Court, or upon the order of the Judge who has considered the circumstances of the case.

If the injunction order is issued in English but the defendant does not understand the language and has therefore not observed the injunction order, the Court may grant relief and not make a committal order against the contemnor. This is sufficient protection for the interests of the defendant.

### **Cancer Cases**

20. **MR LAU KONG-WAH** (in Chinese): *Madam President, regarding cancer cases, will the Government inform this Council:*

- (a) *of the number of new diagnosed cancer cases in each of the past three years, together with a breakdown by the types of cancer and the patients' age profile (in age groups each covering five years); and*
- (b) *whether there are adequate data at present to indicate the types of cancer the incidence rates of which are on an upward trend and the causes of such a trend?*

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

- (a) The Hong Kong Cancer Registry has compiled statistics on cancer up to 1999. The number of new cases of cancer diagnosed in 1997, 1998 and 1999 are 19 921, 20 091 and 20 526 respectively. A detailed breakdown is at Annex.
- (b) In order to minimize short-term statistical fluctuations that may distort the trend of new cancer cases, it is necessary to examine cancer data over a long duration. To adjust for the effects of population growth and ageing, it is customary to use the age-standardized incidence rate (rather than the absolute number of new cases) as the measure of cancer incidence trend. The age-standardized incidence rates of the five most common cancers in Hong Kong (the first to fifth types of cancers in the table at Annex) remained the same or showed a slightly downward trend, except for colon and breast cancers which appeared to be on the rise.

In general, there is epidemiological information about the risk factors of cancer. Smoking is associated with many types of cancer, including cancers of the lung, larynx, oral cavity, esophagus, pancreas, kidney, bladder, and cervix. The main risk factors of colon cancer include family history and certain colon conditions (for example, adenomatous polyps or ulcerative colitis). A high-fat diet and obesity may increase the risk of colon cancer. For female breast cancer, women with late age of first pregnancy, strong family history and previous exposure to radiation are particularly at risk.

The Health and Welfare Bureau has set up a Cancer Co-ordinating Committee last year, comprising experts in public health, epidemiology, oncology, cancer registry and healthcare planning, to study different types of cancers in detail and formulate an overall strategy for cancer prevention and control.

Number of New Cases of Various Types of Cancer by Age Profile and Gender in 1997

Type of Cancer	0-4		5-9		10-14		15-19		20-24		25-29		30-34		35-39		40-44		45-49		50-54		55-59		60-64		65-69		70-74		75-79		80-84		85+		Age	All ages	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	Unkn				
Lung	-	-	-	-	-	-	-	-	1	-	4	2	16	5	34	23	51	42	87	37	132	48	221	55	369	125	474	148	475	215	361	199	211	164	116	157	-	-	3 772
Colon	-	-	-	-	-	-	-	-	1	1	4	3	5	10	20	18	22	29	42	44	40	24	62	42	135	79	183	131	170	134	141	129	73	107	46	92	-	1	1 788
Breast	-	-	-	-	-	-	-	-	-	4	-	22	-	75	-	173	-	234	1	259	1	145	1	127	2	120	-	119	1	126	1	85	-	67	-	51	-	1	1 615
Liver	2	2	1	1	2	3	1	-	5	3	7	2	17	5	71	9	72	16	119	20	123	20	139	33	203	51	193	59	167	72	89	52	55	31	23	33	-	-	1 701
Nasopharynx	-	-	-	-	-	-	5	-	8	7	22	18	43	43	108	38	134	50	126	49	86	23	77	21	81	25	49	32	30	15	27	10	4	8	4	3	-	-	1 146
Stomach	-	-	-	-	-	-	1	-	-	1	1	5	9	5	15	16	24	20	40	20	32	17	43	23	79	26	100	48	126	54	94	53	51	45	38	46	-	-	1 032
Rectum	-	-	-	-	-	-	-	-	4	-	4	2	4	5	8	7	31	24	40	28	39	25	52	20	109	55	122	71	109	78	76	55	31	52	13	47	-	1	1 112
Bladder	-	-	-	-	-	-	1	-	-	-	2	-	1	1	5	1	7	4	13	5	13	7	39	9	51	10	74	20	92	32	63	17	58	33	19	34	1	-	612
Non-Hodgkin's Lymphoma	1	1	1	2	3	1	12	1	8	6	11	2	8	8	20	11	25	20	18	23	29	7	28	12	33	22	45	28	37	29	27	30	19	25	9	10	-	-	572
Prostate	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	2	-	4	-	14	-	33	-	83	-	103	-	96	-	62	-	45	-	-	-	443
Others	30	35	17	18	17	28	27	28	31	37	44	70	62	148	92	200	152	238	188	246	173	222	246	201	360	273	496	341	445	345	310	291	191	223	95	205	3	0	6 128
Total:	33	38	19	21	22	32	47	29	58	59	99	126	166	305	373	496	518	677	676	731	672	538	922	543	1 455	786	1 819	997	1 755	1 100	1 285	921	755	755	408	678	4	3	19 921

Source: Hong Kong Cancer Registry of the Hospital Authority

Number of New Cases of Various Types of Cancer by Age Profile and Gender in 1998

Type of Cancer	0-4		5-9		10-14		15-19		20-24		25-29		30-34		35-39		40-44		45-49		50-54		55-59		60-64		65-69		70-74		75-79		80-84		85+		Age	All ages	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	Unkn				
Lung	-	-	-	-	-	-	-	-	3	1	3	2	8	6	22	18	55	21	96	53	113	37	176	79	354	113	470	133	523	190	380	208	196	159	101	142	-	-	3 662
Colon	-	-	-	-	1	-	-	1	3	2	3	5	6	5	21	16	32	37	23	44	37	44	80	39	128	81	175	135	198	178	165	159	96	129	45	110	-	-	1 998
Breast	-	-	-	-	-	-	-	-	-	1	-	19	-	71	-	162	-	274	-	265	1	176	-	105	-	113	1	104	3	116	2	111	-	73	2	61	-	-	1 660
Liver	1	-	-	-	1	-	1	1	1	-	10	2	16	6	40	11	88	23	118	21	124	20	162	21	197	33	209	65	151	67	106	35	57	46	16	29	-	-	1 678
Nasopharynx	-	-	-	-	-	-	3	-	5	6	19	11	44	22	100	51	147	62	130	38	103	24	68	16	61	25	65	24	42	18	16	8	5	3	1	3	-	1	1 121
Stomach	-	-	-	-	-	-	-	-	-	-	2	3	5	11	11	13	18	24	18	30	42	18	53	14	94	31	104	37	112	50	95	45	63	34	30	44	-	-	1 001
Rectum	-	-	-	-	-	-	-	-	-	-	3	-	3	7	13	12	20	19	35	18	42	22	41	24	88	39	105	58	98	62	74	57	41	38	21	32	1	-	973
Bladder	-	-	-	-	-	-	-	-	-	3	-	1	2	2	4	4	5	2	7	4	16	5	27	4	53	13	79	15	94	18	70	31	60	24	31	24	1	-	599
Non-Hodgkin's Lymphoma	2	1	1	-	3	1	3	3	9	3	2	4	8	6	15	17	21	14	19	17	26	11	33	17	32	21	39	33	40	35	27	26	24	19	17	13	-	1	563
Prostate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	5	16	45	102	141	132	89	43	-	-	-	-	-	-	-	-	-	-	-	-	-	575
Others	30	24	24	11	18	20	26	29	30	51	47	93	63	138	80	195	137	238	200	261	186	229	262	202	376	260	443	328	413	375	314	332	218	238	110	238	11	11	6 261
Total:	33	25	25	11	23	21	33	34	51	67	89	140	155	274	306	499	524	714	647	751	695	586	918	521	1 428	729	1 792	932	1 815	1 109	1 381	1 012	849	763	417	696	13	13	20 091

Source: Hong Kong Cancer Registry of the Hospital Authority

Number of New Cases of Various Types of Cancer by Age Profile and Gender in 1999

Type of Cancer	0-4		5-9		10-14		15-19		20-24		25-29		30-34		35-39		40-44		45-49		50-54		55-59		60-64		65-69		70-74		75-79		80-84		85+		Age		All ages
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F			
Lung	1	2	-	-	-	-	1	-	1	1	2	3	5	9	12	9	59	32	84	51	141	53	187	48	347	91	467	149	477	196	388	221	220	175	121	153	-	1	3 707
Colon	-	-	-	-	-	-	2	-	3	3	4	3	9	7	23	18	34	29	54	63	55	44	59	52	137	74	188	140	210	146	165	176	104	124	62	107	-	-	2 095
Breast	-	-	-	-	-	-	-	1	-	5	-	28	-	78	-	169	-	277	-	281	1	199	-	135	2	116	2	144	1	124	-	81	2	87	1	62	-	-	1 796
Liver	2	3	-	-	-	-	1	1	5	-	5	3	8	3	38	5	85	13	132	24	117	18	138	16	173	35	198	56	144	59	99	55	44	25	28	39	-	-	1 572
Nasopharynx	-	-	-	-	-	-	2	-	7	4	20	10	35	29	91	47	138	55	116	49	109	33	71	17	77	27	66	22	32	14	23	7	9	5	2	1	-	-	1 118
Stomach	-	-	-	-	-	-	-	-	1	2	3	2	2	4	8	17	14	23	27	17	40	20	49	26	78	29	84	43	105	51	98	68	65	71	38	58	1	1	1 045
Rectum	-	-	-	-	-	-	-	-	1	-	2	3	10	6	13	13	29	15	20	21	36	20	41	22	70	48	113	53	79	72	63	54	37	37	11	37	2	1	929
Bladder	-	-	-	-	-	-	1	-	-	-	1	-	4	-	4	1	11	-	18	6	27	3	35	9	57	8	87	25	101	30	72	31	65	23	31	23	1	1	675
Non-Hodgkin's Lymphoma	3	2	1	1	3	-	3	3	4	2	5	3	4	10	9	10	24	16	19	22	27	20	30	12	46	25	38	33	47	35	47	28	27	17	12	24	1	-	613
Prostate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	6	-	15	-	54	-	102	-	122	-	144	-	93	-	60	-	-	-	597
Others	20	26	18	20	20	23	35	22	32	52	39	84	61	120	89	192	139	223	195	284	198	253	221	192	353	239	470	328	478	358	329	352	213	289	165	237	6	4	6 379
Total:	26	33	19	21	23	23	45	27	54	69	81	139	138	266	287	481	533	683	666	818	757	663	846	529	1 394	692	1 815	993	1 796	1 085	1 428	1 073	879	853	531	741	11	8	20 526

Source: Hong Kong Cancer Registry of the Hospital Authority

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

**PRESIDENT** (in Cantonese): Bill: Second Reading. The Second Reading debate on the Appropriation Bill 2002 resumes today and tomorrow. Members will be speaking on this debate. The question before Council is: That the Appropriation Bill 2002 be read the Second time.

I will try to maximize the number of Members speaking on the debate today, and will suspend the meeting at an appropriate time.

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

Members who wish to speak today ..... I need not remind Members as you have already pressed the "Request-to-speak" button to indicate your wish.

**APPROPRIATION BILL 2002****Resumption of debate on Second Reading which was moved on 6 March 2002**

**MR AMBROSE LAU** (in Cantonese): Madam President, in the present climate of economic recession and difficulties, this year's Budget does not propose to greatly increase taxation in order to cope with the deficit. Instead, the Government initially takes the step of cutting on expenditure and trimming, and also reducing the fees and charges which are related to people's livelihood and business operations, before it considers the option of broadening the tax base. In doing so, it may have dropped a hint foreshadowing future tax increase, nevertheless, it still reflects the Government's sincerity in helping the community out at this time of economic difficulty. This deserves our recognition and support. The Budget proposes to continue to adopt enhanced productivity measures, to reduce rates payments, as well as to freeze government fees and charges which may affect people's livelihood and business operations. It also

proposes to extend duty concession for ultra low sulphur diesel, to keep the revenue front mostly unchanged, and not to introduce the Goods and Sales Tax at the present stage. It is commendable that all these different aspects show that the Budget has accepted the views of the majority of the Hong Kong people, including the main suggestions made by the Hong Kong Progressive Alliance (HKPA).

For the Budget in general, the overall assessment from the HKPA can be summarized in four lines:

"The maiden measure emphasizes cutting on expenditure and trimming, to balance the five-year plan capping is still needed, the idea is new but sounds a bit hollow, while touches on stimulating the economy are scarce."

"The maiden measure emphasizes cutting on expenditure and trimming" refers to the efforts made in the maiden Budget prepared by the Financial Secretary Mr Antony LEUNG. In the Budget, the comparatively clear and attractive musical notes are, rather than the controversial proposal of giving up the policy of positive non-intervention, that the Government has finally sung the first tune of trimming by setting the civil service pay cut at 4.75%, which enables the Government to achieve an annual saving of \$6 billion. At the same time, there are different relieve measures, conferring a benefit of \$6.4 billion to citizens of all strata and the commercial and industrial sector. The two amounts are almost identical and this seems to have been achieved after careful calculation. However, this calculation is still not totally satisfactory, because the civil service pay cut will only take effect in October this year, hence achieving a saving of only \$3 billion. Nevertheless, by taking the action of "trimming and relieving", the Government has responded to the public criticism that the salary and benefits enjoyed by the civic servants are not in line with the market level, it also meets the expectations of the community by providing the chance to recuperate in the sluggish economic environment.

However, the HKPA hopes that this piece of music is not going to be "the swan song". In the next few years, the Government should work on "trimming and relieving". "Trimming" means that the Government should cut expenditure, trim expenses, block up loopholes of being extravagant, prevent imprudent expenditure; it should also continue to promote the Enhanced Productivity Programme, and control government expenditure so as to gradually reduce deficit. "Relieving" means that notwithstanding the unfavourable economic

conditions, the Government has to implement policies which will help the community to recuperate, recover and rebuild its strength as well as to stimulate the economy. "Trimming and relieving" should therefore be the guiding principle for the Government in reducing deficit and in promoting the recovery of the economy.

"To balance the five-year plan capping is still needed" refers to the control of government expenditure. From 2003-04 to 2006-07, the real growth in government expenditure should not be kept only at an average of 1.5% each year, instead there should be zero growth, implying that government expenditure must be "capped", for only by doing so can the huge deficit problem be solved.

The cumulative deficit of this and the coming year will be in the region of \$120 billion. The Budget proposes to restore balance in five years and solve the deficit problem. The different sectors of the community are generally skeptical about this, because the Budget has neither presented a clear explanation of the situation of the government revenue and expenditure in the next five years, nor has it fully assessed the impact of uncertain factors on the fiscal condition of the Government. Therefore, it is difficult for us to be 100% confident in the commitment of reversing the fiscal deficit situation in five years. In the Budget, the restoration of the balance in the medium term is made in the premise that the economy will have 3% growth in real terms every year, that the general price level will rise by 0.4%, and that the real growth in government expenditure will be at an average of 1.5% each year. The above-mentioned premise is also dependent on three factors: the first is the belief that economies in Europe and the United States will improve in the foreseeable future; the second is that the economy in the Mainland will maintain a rapid rate of growth; and the third is that the development of Hong Kong economy will be geared at high-value-added economic activities. However, among these three factors, Hong Kong does not have any control over the first two, whether there will be any changes is still unknown. The last factor, which is the development of high-value-added industries in Hong Kong, is not something unique to Hong Kong. In the Mainland and the other peripheral regions, who is not interested in developing high-value-added economic activities? Therefore, based on the fact that there are still a lot of uncertainties in the internal and external economic environment, the key to solving the deficit problem is to control the growth in government expenditure. If the Government "caps" its expenditure for four years, that is keeping expenditure at zero growth in the next four years, the target of restoring balance in the medium term can then be achieved. The target of keeping public expenditure within 20% of the economy is also likely to be achieved.

"The idea is new but sounds a bit hollow" refers to the fact that although the Budget proposes that the Government should have a new idea of the direction of the economic development, which is a breakthrough and moving away from the policy of "positive non-intervention" — characterized by passiveness and aloofness, there are still no concrete suggestions. The Budget focuses on fostering the development of the four main trades of financial services, logistics, tourism and producer and professional services, the Mainland is also actively fostering the development of these areas, and they are catching up. There is an obvious trend that the above industries are moving from Hong Kong towards the Mainland. The Budget has apparently overlooked such a trend, and is still focusing on "high-value-added services and products".

The HKPA believes that to focus on "high-value-added services and products" is reminiscent of the services and products of the bubble economy. This is not co-ordinated with the fact that Hong Kong has been experiencing a relatively long period of deflation and that the rapid development of mainland services and products have made them far more competitive. The "factor price equalization" as explained in the Budget is actually pointing at the fact that Hong Kong has to adjust itself to the trend of global economic downturn of price equalization. If Hong Kong takes a one-sided approach of focusing on "high-value-added services and products", it would result in a situation of being "too high sounding to be well received". That is, the services and products offered in Hong Kong are too expensive to attract customers. In recent years, Hong Kong citizens go to Shenzhen for shopping and spending, leading to the shifting of a lot of financial services, logistics and producer and professional services to the Mainland. Meanwhile, countries in Southeast Asia also manage to snatch away a lot of tourists because of their low prices. It is obvious that a pure and general focus on high-value-added activities is not going to save the Hong Kong economy.

The HKPA thinks that, a really new idea is not just an extension of the bubble economy, and what is more, we cannot stay being "expensive". Instead, we should break through the outdated idea of taking the Shenzhen River as the border, and of drawing geographical boundaries. If Hong Kong economy is to continue its development, it has to become more open. It should direct the flows of capital, people and goods from the Mainland into Hong Kong, whether they be high-value-added or medium-value-added or even low-value-added. It is only through enlarging the volume of Hong Kong economy could the problems of employment and revenue be solved. Of course, through import and export, transportation and warehousing, trade financing, insurance, accreditation and

testing, research and development, product design, market research and promotion, the development of high-valued-added economic activities can be maximized. However, at the same time, the development of a huge volume of medium and low-value-added economic activities should also be fostered. Only when we foster dual and even diverse economy can we reverse the situation that the Hong Kong economy is persistently shrinking. The Government should look at ways of allowing capitals from the Mainland to come to Hong Kong legally without delay, to trade in Hong Kong securities, to attract mainland talents to come to Hong Kong, and to help solve the problem of exporting Hong Kong professional services to the Mainland, instead of just vaguely remaining in the stage of simply focusing on the concept of high-value-added activities.

"Touches on stimulating the economy are scarce" means that we do not object to the introduction of a Boundary Facilities Improvement Tax. However, we think that there should be ways of lowering the comparatively high fare for the journey between Sheung Shui and Lo Wu as charged by the Kowloon-Canton Railway, in order to offset the unfair and negative side effects brought about by the introduction of a Boundary Facilities Improvement Tax. The HKPA is in the opinion that, when the Government introduces any tax reform measures, including the imposition of a Goods and Sales Tax "to cater for necessities that may arise from time to time", it should try not to cast too much impact on the economy, and should avoid disturbing the citizens as far as possible, as well as carefully consider the cost for the imposition. The Government should not introduce taxes which are of high administrative or social costs simply for the sake of broadening the tax base, lest that it would become penny wise and pounds foolish. The Government should also consider adopting measures to restore the vitality of Hong Kong economy, and to propose substantial measures and plans to stimulate the economy.

In this year's Budget, there will be a 1.8% increase in recurrent expenditure for security affairs, this includes increasing the number of front-line policemen, fire and ambulance staff, ICAC staff, Customs staff and Immigration staff. The HKPA thinks that it is appropriate to increase the expenditure on security measures, especially the increase of 93 Immigration staff members, as it is important to set up immigration control at the boundary control points. In recent years, the problem of congested boundary control points is getting more and more serious. The facilities at the control points are very backward. Increasing the number of controlling staff can enhance the throughput of the control point, maintain order and prevent the occurrence of incidences.

However, in the long run, the Government should improve the various facilities at the different boundary control points, and eradicate the hidden risk of security danger which can be caused by crowds. Besides, the capital expenditure of security policy section is expected to increase by \$625 million, the growth in real terms is 21.9%, this includes the reconstruction plan of the Police Headquarters, the implementation of HKSAR identity card programme, and the expenses required for the introduction of a new information technology system at the Immigration Department. According to public opinions, the Government should note that in reconstructing the Police Headquarters, it should not go for luxury, instead it should look for something which serves its purposes which could save on construction costs.

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

**MR TIMOTHY FOK** (in Cantonese): Madam President, in his maiden Budget since he assumed office, the Financial Secretary Mr Antony LEUNG has stated that the Government will take up the role of proactive market enabler, who will lead the way ahead for Hong Kong economic development. This is a responsible and commendable approach.

With the impact of the Asian financial crisis, the crash of the property market, the bursting of the technology and web bubble, the shrinking of the overseas markets, and the high exchange rate of the Hong Kong dollar, the Hong Kong economy has been plunged into an abyss of darkness in the short span of a few years. The news we hear about every day is depressing: the rate of economic growth falling persistently, the Government facing a structural problem in the finances, corporations going into liquidation, pay cuts and layoffs. The whole society is in low spirits, there are a lot of uncertainties and the morale is low. Therefore, the Government can no longer stand with folded arms and allow the economy to keep drifting, it is duty bound to propose some effective policy and measures, so that businessmen and workers alike can tide over the present hardships, and rebuild our confidence and hope in striving forward.

From the stance of "positive non-intervention" to that of "a proactive creator of market conditions", the Government is even willing to consider encouraging the private sector to invest in projects which are beneficial to our economy as a whole; this has fully illustrated that there is a fundamental change in the Government's philosophy in financial management. The Government is

going to adopt an active and positive attitude towards the market, to give full play to our strengths and to develop business opportunities, so as to provide the conditions conducive to the recovery of the Hong Kong economy.

Recently, a television series of the seventies, "Under the Lion Rock", is broadcast on television. Although the stories of the series have become outdated, the audience are deeply touched by the struggle of the characters to overcome difficulties and the courage they display. The series arouse the audience's sympathy, have been well received by the community and achieved exceptionally high rating. The success of the series has shown us that what we are now lacking, and what we need most, are hope and confidence. They also reflect the social effect and social meaning of the performing arts and cultural activities. In the past, we only pursued short-term effects and emphasized the importance of knowledge dissemination. We overlooked the social impact brought about by sports, performing arts and cultural activities. As a result, we, especially the younger generation, lack spiritual support, can hardly withstand pressure, and easily become lost when we suffer setbacks.

In the climate of a sluggish economy over last few years, the event which was most encouraging and which could serve as an embodiment of the solidarity of the citizens, was when the whole Hong Kong community wholeheartedly supported Beijing's bid for hosting the Olympic Game. In fact, sports are not only invigorating, there are also enormous economic potentials and endless business opportunities associated with sports activities. Have you ever noticed that, in the United States, the annual total profit of the sports and entertainment industries is up to US\$200 billion to US\$300 billion and has well surpassed that of the computer industry? They have become the most important industries in the United States. The Olympics and other big international sports events have enabled the organizing countries or organizations to gain in both wealth and fame. As for Beijing, the city which will be hosting the 2008 Olympic Game, although the Olympic Game is still six years from now, the business opportunities and vitality brought about by the Olympics are already permeating the city, as well as throughout China. These facts have already shown us that sports are not as simple as physical exercises!

The Financial Secretary proposes to promote local community economy. The sports industry is a *de facto* local community economy. Once when sports activities become industrialized, the industry can then develop its business potential, promoting the development of local community economy. As a result, employment opportunities will be created and it will become another locomotive

for economic development. The stories of success in Europe, the United States, Japan, Singapore and the Mainland have well illustrated that, as long as we plan well and in co-ordination with business operations, industrialization of sports can absolutely be implemented successfully. It is also a very lucrative business. Besides, when it becomes an industry, there will be funding available for the training of athletes, thereby raising sports standard. This will further enhance the development of the sports industry, resulting in a favourable interactive relationship beneficial to the development of both sports and the economy.

However, in order to industrialize sports, the Government must recognize and respect the professionalism and industrialism of sports activities. It should restructure the framework and principles for funding sports activities accordingly, adjust training programmes for the young people, and formulate a sports policy which is comprehensive and cost-effective. Also, the Government cannot remain indecisive about the construction of sports facilities to meet international standard. If we do not even have the sports venues, all talks are just meaningless.

In a recent survey on youth idols, the findings show that "pursuing stars" has become a popular trend. We do not agree that the Government should intervene or deliberately direct young people's orientation towards idol worship. Instead, we think that through funding the promotion of performing arts and cultural activities, will allow young people to develop a wholesome character and establish positive values when they are growing up. Furthermore, young people have comparatively strong consumption ability, the Government can make the best use of such a feature and combine government funding with business operations. It can encourage and promote the industrialized development of performing arts and cultural activities. This can meet the needs of the young people, enable a healthy and proper development of the industry, and improve the quality of performing arts and cultural services. Ultimately, this can serve the dual purposes of improving people's quality of life as well as promoting economic prosperity. It can even rectify the present situation that performing arts and cultural activities are moving more and more towards two extremes, "too highbrow to be popular" at the one end and "lowbrow and vulgar" at the other.

Another issue which requires innovation and support from the Government is the integration with the economy of the Mainland. The Chief Executive

suggested earlier that it was necessary to establish a close business and trading relationship with the Mainland, and the Financial Secretary also went northwards to hold discussions. However, the basic key issue is to change the former set up of "front store and back plant" partnership. In the past 20 years, this mode of co-operation has brought about mutual benefits to Hong Kong as well as the Mainland. But with the Chinese economy taking off, the "back plant" does not need the support of the "front store" any more. Instead, the "front store" is gradually lagging behind the "back plant". The changes in the situation do not allow us to indulge in our past success any more.

The co-operation between Hong Kong and the Mainland is not limited to the division of labour in the production process, neither is it just a question of relaxing the time restriction for customs clearance or the connection of infrastructure facilities. It is to fully utilize the strengths of both parties, so that they can complement each other and achieve mutual benefits. For Hong Kong, the challenge is whether it can make use of its experience in dealing with the international market, its marketing skills, its network of market connections, its dynamic creativity, and the brand status established by Hong Kong products in the international market; and to transform all these edges to become a driving force to promote quality in the mainland industries, and to build up the channel to the international market. As for the Mainland, the issue is whether it can transform its enormous market and superior manufacturing condition into a driving force, to support the recovery of the Hong Kong economy and its economic restructuring. These are goals and direction guiding the two lands in the course of strengthening their co-operation in the future.

Madam President, in order to restore our economy, the Government has to steer the direction of economic development, and to proactively create conditions for the market, meanwhile, it also needs to strengthen its co-operation with the business sector. It should avoid having the administration to lead the professionals, and random distribution of resources. This is particularly important for sports, performing arts and culture which are industries of higher professionalism. Leadership by the Government, director from the professionals, industrialization of operations, and the enhancement of creativity and dynamism will be culminated into a course which will enable the Government, the industry and the community to achieve a winning situation for all three parties.

With these remarks, I support the Bill.

**MR JASPER TSANG** (in Cantonese): Madam President, if the debate of these two days took place one month ago, I would not have too many queries and comments on the speech delivered by the Financial Secretary Mr Antony LEUNG. This is because in the Budget speech, the points which were delivered loud and clear were but good news. As we understand, the Government is facing a deficit of billions of dollars, we are worried that the Government would increase taxation, fees and charges. However, in the end, there were no such increases ( apart from the modest increase in the duty for red wine, which might somehow upset the Honourable James TIEN and the Honourable Tommy CHEUNG), in fact, there was quite a number of relief measures, such as reduction of rates payments, water and sewage charges, waiving of business registration fee for one year, extension of duty concession for ultra low sulphur diesel, and so on.

Apart from hearing all the good news, we also heard the Financial Secretary remind us of the days when people were "queuing up for water" and "assembling plastic flowers". We could not help but think about those simple and difficult days. Just as the Financial Secretary suggested, we had survived even those difficult days, why should we complain about the present? We then heard about the lyrics from "Under the Lion Rock", so should we not be "of one mind in pursuit of our dream, all discord set aside"?

After listening to the speech and on leaving the Chamber, I found that some of our colleagues were on the verge of tears. (*Laughter*) However, it was what happened one month ago. After all the excitements, when I closely examined the Budget, I gradually came to realize that there was actually a lot of bad news in store.

The Financial Secretary told us that the Government of the Special Administrative Region (SAR) hoped to achieve overall fiscal balance in the Consolidated and Operating Accounts in 2006-07, he put it very mildly, "I aim to achieve these targets step by step through reducing the growth of government expenditure and modestly raising revenue."

How does the Government reduce the growth of expenditure step by step? In the years 2003-04 to 2006-07, the actual annual government expenditure is set to be 1.5%, which is half of the cumulative real growth of 3% in the medium term as forecast by the Government. The estimate for 2002-03, as compared to the revised estimate of the previous year, the real growth is as much as 5%.

However, in the following years, the average growth per year is only 1.5%, and this growth of 1.5% is to not be evenly distributed among the various public services. For example, in the 2002-03 estimate, we were told by the Financial Secretary that the expenditure on education would be increased by 8% as compared to that of the previous year, social welfare by 9%, environment and food by 10%. If the overall growth is 1.5%, it is implied that for some public services, there will be no growth or even negative growth.

How will revenue be modestly raised? The Financial Secretary told us that from 2003-04 onwards, it would be necessary to increase recurrent revenue or reduce recurrent expenditure by \$2 billion, with another \$3.5 billion required for the following year and a further \$3.5 billion from 2005-06 onwards. In other words, by 2005-06, as compared to 2002-03, the cumulative increase or reduction will be a saving of \$9 billion per year.

As I said earlier, the Financial Secretary has limited the annual growth of the government expenditure to a very small percentage, could there still be room for reduction? This means that in the few years that follow, there will surely be increases in revenue every year. Hence, we have got the bad news, which is, after this year, we may have to face the situation of annual tax increase, and some public services will be cut.

In the past few weeks, although we heard the song "Under the Lion Rock" being played over and over again, I seemed to be hearing a different song. It was an English song sung by Julie ANDREWS, it was contemporary with "Under the Lion Rock" and in interlude song in the movie "Mary Poppins". The lyrics are "A spoonful of sugar helps the medicine go down". When adults try to coerce children to take their medicine, they will ask them to take a spoonful of sugar, and the bitter medicine will not taste that bad. However, the spoonful of sugar will only stay in the mouth for a very short period of time, how bitter the medicine is and how big the dosage will be are still unknown to us. I am afraid we have to understand the plan that the Financial Secretary has in mind, to know exactly which taxes will be increased, and the rate of increase, and exactly how many public services will be cut, before we know how bitter the medicine really is, and before we can give a comprehensive assessment of the Budget.

Madam President, in the debate in these two days, the colleagues of the Democratic Alliance for Betterment of Hong Kong (DAB) will present detailed

responses to the different aspects of the Budget, so as to explain the position of the DAB. Today, I would like to briefly talk about some of our responses to the issues which have already raised a lot of concerns.

On the issue of revising the target level of fiscal reserves, Mr LEUNG, the Financial Secretary has pointed out in the Budget speech that due to the measures implemented by the Hong Kong Monetary Authority and the large surplus of the Exchange Fund, we have the ability to maintain exchange rate stability. It will be adequate if we can maintain our fiscal reserve at an amount equivalent to 12 months of government expenditure. Therefore, there is no further need to link the level of fiscal reserves to money supply. The DAB supports this method of calculation, this is because the result of the revision is that the fiscal reserves can be used to relieve hardships in the society, and this is what we welcome.

However, when we look at the figures, we cannot help but marvel at the result obtained from the Financial Secretary's new method of calculation. There is an amazing coincidence between this result and the figure as required for the management of public finances. He expects that the Government will restore fiscal balance in 2006-07, and before fiscal balance is restored, the lowest level the fiscal reserves of the SAR will drop to is \$271.2 billion, equivalent to 12 months of government expenditure, and the figure is obtained from his new formula. This result from the calculation reminds us of the fiscal reserves of around \$400 billion in 1998 as calculated by the Financial Secretary of that time Mr Doanld TSANG, the amount was equivalent to the level which the Government held at the time, and the two figures are just like two different tunes rendered with equal skill.

As for the Government's role in the economy, the Financial Secretary stated that, "the Government should have a clear vision of the direction of economic development and be a proactive market enabler." The DAB supports this view. In fact, when we argue whether the Government should give up the principle of "positive non-intervention", we cannot help but ask, "what is positive non-intervention"? How was the Government being "positively non-intervening" in the past? Just as many analysts have pointed out, the Government has never been non-intervening. When the Government wants to intervene, it can go very far. For instance, in the past, the property market always had a very important position in the economy of Hong Kong, did the Government ever intervene? When setting the minimum wage level for foreign domestic helpers, did the Government take an intervening role? Regarding the linked-exchange-rate system, was the Government intervening a great deal?

However, when the Government does not want to do a certain thing, it will very often use "non-intervention" as a shield, as an excuse for not making attempts and not taking any action. Therefore, we think that in fact, there are benefits in removing this shield.

When the Financial Secretary explained this new principle, he mentioned one point. He pointed out that the Government would be "considering the need to take appropriate measures to secure projects beneficial to economy as a whole when the private sector is not ready to invest in them." This suggestion has given rise to quite some controversies. He gave the examples of the MTR and Disney Land. If he was referring to such projects, the Hong Kong Government has already done this in the past, so this is not really an innovative policy. If he was not referring to these kinds of projects, and has something new in mind, then what is the essence? How do we judge whether the projects are beneficial to the Hong Kong economy as a whole? To what extent should the Government be involved? I hope he can give us further details.

Regarding the introduction of a Boundary Facilities Improvement Tax, when we discussed this, many citizens pointed out, as also mentioned by the Honourable Ambrose LAU just now, that when going to Lo Wu, they can only take the Kowloon-Canton Railway (KCR). The fare charged by the KCR is not in proportion to the distance of the trip. The KCR once said that if they were to reduce the fare to Lo Wu, they would have to increase the fare to the various stations along the New Territories route. However, we think that this is only a threat, because there are other means of transport competing with the KCR along the route, and there is a limit to increase in fares. Lo Wu is a different case, because at present one can only go to Lo Wu by KCR, resulting in a situation that the KCR can make unlimited demands. Therefore, the DAB thinks that before considering the imposition of Boundary Facilities Improvement Tax, the Government should open up the frontier closed areas. In fact, there are other good reasons to support the opening up of the Frontier Closed Areas. But the closed area at Lo Wu should be opened up first, so that fares could not be irregularly charged as a result of monopoly.

The Financial Secretary has also mentioned another way of bringing additional revenue to the Treasury, which is to tackle illegal soccer betting more effectively. About this issue, we have a much shorter term, which is "legalizing soccer betting". The DAB has already illustrated our stand in this issue on several occasions and I do not intend to make any more repetitions.

Finally, I would like to talk about another issue which has sparked off a lot of discussions in the community, which is the assumption of a 4.75% civil service pay cut mentioned by the Financial Secretary in the Budget. He emphasized that this was an assumption made for financial planning purposes. However, before the existing civil service pay review mechanism has come up with any decision, a very precise assumption with a percentage of two figures after the decimal point was already made. Does this assumption intend to manoeuvre public opinion in the discussion on the pay cut? If this is so, we cannot help but admit that this has been a very smart move. The discussions about the issue in the past month seem to have produced effect. More and more people have found the civil service pay cut and the 4.75% cut agreeable. Today's newspaper has also published the newest figures.

Madam President, starting from this July, the Government will implement the system of accountability for principal officials. It has been said that the main task of principal officials under the accountability system is to "play with politics". I believe that the Financial Secretary is certainly an ideal candidate for such appointment. The DAB looks forward to the opportunity of learning from the Financial Secretary and to engage in a harmless competition with him.  
*(Laughter)*

**MR SIN CHUNG-KAI** (in Cantonese): Madam President, the Democratic Party welcomes the fact that the Financial Secretary has accepted quite a number of suggestions made by the Democratic Party and the eight parties in this year's Budget. In the past few years, the Democratic Party has been requesting the Government to lower the appropriate level of the fiscal reserves to nine to 12 months of government expenditure, the reason being to return the over \$100 billion excess reserve to the people. On one hand, this can tackle or solve the problem of economic recession, and on the other, this can improve government services. Before the publication of the Budget, the Government announced that there would be a fiscal deficit of \$66 billion this year, and estimated that in the next few years there would be an ongoing huge structural fiscal deficit. However, we hoped that the Government would not reduce expenditure or increase taxation in the 2002-03 Budget in order to solve the problem of fiscal deficit in a short period of time, as this would further affect the economy. The Budget proposed by the Government this year is a deficit budget, which includes an estimated deficit of \$45 billion. It means that in these two years, we will have to use around \$100 billion of the fiscal reserves. This will reduce the reserves level to 15 months of expenditure, which meets the needs of the general economic climate, and answers our demands.

In the face of economic recession, the Democratic Party and the other eight parties have put forth some suggestions to relieve the people's hardships, and they include *inter alia* reducing or waiving rates payment, water charges and business registration fee. The Government has adopted some of the suggestions. As for the introduction of a Goods and Services Tax and a reduction in personal allowances under salaries tax and other recommendations made by the Advisory Committee on New Broad-based Taxes, the Government has finally decided not to propose them in this year's Budget. Besides, in order to increase employment opportunities and enhance training so as to improve the domestic economy, the Democratic Party proposed a wage subsidy programme for young people and to provide training allowances, and these suggestions have been accepted by the Government. The Democratic Party welcomes this. However, in responding to the demands of the grassroots, the Democratic Party thinks that the Government has not done enough, for example, the Government has not made any response to the issues of reducing public housing rents and increasing the Old Age Allowance for the elderly.

In this year's Budget, what worries the Democratic Party and the community most, I believe is the budgeting strategy for the next four years. The Budget mentions that in order to restore a balanced budget and the public expenditure to under 20% of the overall GDP in the next four years, it is necessary to limit the growth of expenditure. It is also possible that there will be other tax increase proposals, so as to make up for the differences between revenue and expenditure. The major premise of these targets is that the Government is facing the problem of structural deficit. In fact, five-year Medium Range Forecast in the Budget is based on the findings published by the Task Force on Review of Public Finances (Task Force). Therefore, I deem it necessary to discuss this report as it carries all the assumptions on which the Budget is based.

Of course, we think that it is meaningless to criticize the Government of "crying wolf" again. I also agree that prudent financial management is very important. However, I would like to point out that the problem of structural deficit is still a forecast. The purpose of the fiscal deficit report prepared by the Task Force is to find out whether there exists a structural fiscal deficit problem in the local finances. After listing a series of figures and projections, in paragraph 94 of the Conclusion section, the Task Force explains that "Hong Kong is facing an ongoing and persistent fiscal problem. Some of the economic forces leading to this situation are believed to be structural in nature, although it is difficult, if not

possible, to discount the effects of all cyclical factors." In other words, the report cannot state categorically whether the problem of structural fiscal deficit already exists in Hong Kong even in its conclusion. The Task Force has not dismissed the fact that the fiscal problem is due to cyclical factors.

I believe that some of the difficulties are due to the fact that the short-term and long-term forecast in the deficit report have involved a wide range of areas and very indirect assumptions based on data. For example, on the effects of an ageing population and globalization, even if there is a small deviation in the assumptions, it can still lead to a significant difference and greatly change the severity and urgency of the deficit problem. It is very difficult to explain whether the deficit problem during an economic recession is due to structural or cyclical factors, and it is also difficult to work it out scientifically. If we are to further estimate the revenue and expenditure situation of the next 20 years on basis of the deficit position and various parameters amid the prevailing economic recession, it is more likely to have deviations. Therefore, it is acceptable to use the forecast as a directional reference. But to use the report as the basis in working out the expenditure of the next four years, the Democratic Party thinks that it will cause the Government's fiscal policy to lack in flexibility and become overly prudent, which is not really necessary. Therefore, the Democratic Party has some reservations about this. In my opinion, a more appropriate approach to use the fiscal deficit report as a benchmark for making forecasts, and the Government can use this benchmark for reference. Every year, when there are fresh data, the Government can adjust the benchmark accordingly, so as to assist in working out the forecasts and data of the following year.

If we look at the content of the deficit report and the parameters and assumptions employed more closely, we will find that during the forecast period, the cause of the drop in revenue is not the revenue from land premiums. The Government says that the drop in property prices has given rise to the serious fiscal deficit. In fact, there are also other factors which include profits tax and salaries tax. In the past few years, including 1998 to 2001, the revenue for the Government was at a low level during this period of recession. This level was lower than the normal revenue of the previous 10 years. In the report, the Government forecasts a decrease in revenue from profits tax and salaries tax due to the drop in land premiums and the structural effects caused by the development of electronic commerce, outflow of business caused by globalization, ageing population, and the movement of employment to the north.

The Government has assumed that these are structural factors without producing further evidence to support the relevant forecast. This is evidently just an assumption, for, in fact, the Task Force has also admitted in the conclusion that they cannot dismiss the possibility that the decrease in revenue during the period of 1998 to 2001 is due to the effects of cyclical factors.

The reason that I have said so much about the report is to point out that the key issue is, if we tighten the expenditure of the next four years because of the deficit report, then in the next four years, we will have to face what the Honourable Jasper TSANG just mentioned, either there is an increase in taxation, or there is a big slash in expenditure. We have to handle these issues very carefully. In any case, in order to solve the deficit problem, ultimately, the most important thing is to restore stable growth in the economy. But I am concerned that the present sluggish economic situation will not easily recover in the short term, and it may take quite a long period of time before it can pick up. Although the Government estimates that the domestic economy will restore growth at 3.5% after next year, in this year's Budget, the Government cannot, and does not propose specific measures which can help achieve such an optimistic growth figure of 3.5%.

I do agree to the importance of prudent financial management, and I also agree that in order to prepare for the possible deficit crisis, it is necessary to review the present tax regime and government expenditure. But I do not agree to the Government's exaggeration of the structural deficit crisis. As there are still many uncertainties in the forecast made by the deficit report — whether there exists the problem of structural deficit and how serious the problem is — which are still waiting to be clarified, at the present stage, I can hardly agree that the Financial Secretary should change the fiscal policy of the past, because of the forecasts and recommendations of the deficit report, to stipulate that the accumulative nominal growth in government expenditure must not be higher than the accumulative nominal GDP growth, and that the government expenditure cannot exceed more than 20% of the GDP. Later on, Dr the Honourable YEUNG Sum will explain in details our objection to the 20% stipulation. The Government has over-emphasized the gravity of the deficit, and prematurely restricted the room for employing the fiscal policy in the next few years. We do not support this approach.

As the deficit report has supplied a lot of data about the financial position of Government, the Democratic Party will not deny the value of the report. As long as the report states its purposes and the variability of all the assumptions, it

can still serve as a trend index for reference purposes. If the Government understands the trend variation in the financial situation, it can then make long-term public finance planning. From this point, the deficit report is valuable in some measure.

Finally, I would like to point out that in this year's Budget, the Government has adopted a new approach of mentioning government expenditure in the next few years in one budget. Other countries including the United Kingdom, have also started to include what is called expenditure forecast of the next three years in the budget. We feel that this is an acceptable approach and should also be welcomed. This will enable Honourable colleagues of this Council to have a better understanding of the forecast of future expenditure. However, I would like to emphasize that, in the past few years, the Democratic Party has expressed its wish that after the Chief Executive has delivered his policy address, the Government would release a consultative document on "Interim Budget", with reference to the presentation of the deficit report and its forecast simulations. Why do we wish the Government to do this? To put it simply, as there are a lot of variables for each year's economic forecast, so after the release of the Budget in March, there may be a lot of variations in the data by October. We believe that when Legislative Council colleagues have to make comments on the Budget of the following year, the more appropriate and better way is for the Government to release an interim forecast consultative document in November which contains the Government's latest financial forecast and data, so that when we and colleagues of the Council have to make our comments, we can at least reduce deviations to the minimum.

Madam President, overall speaking, the Democratic Party thinks that in the present Budget, the part about the deficit estimate is welcomed by the Democratic Party. But we still feel that the Government has not done enough in relieving the hardships of the people. I so submit.

**MR JAMES TIEN:** Madam President, the Financial Secretary delivered his maiden Budget more than a month ago. Since then, things have changed to give matters an extra urgency. I am not talking about Mr LEUNG's romance with Miss FU, but rather, the economy.

He assured us in early March that the recovery was around the corner, which should bring the budget to balance within five years. So far, signs of

gloom continue to overshadow those of recovery. Companies, mostly small and medium enterprises, are still going bankrupt at a record pace. For the first two months of 2002, some 2 200 went bankrupt versus 780 for the same period last year, which was already a bad year.

Few businesses are finding growth or optimism in their own sectors. Most are not expanding or hiring more workers. There is not a clear light at the end of the tunnel yet. Many large corporations are still sacking workers, adding to the record 6.8% unemployment rate. Most of those dismissed are not confident about finding new jobs anytime soon. Others are waiting for the axe to fall. A recent opinion poll shows rising job insecurity.

The Secretary for Education and Manpower asks people not to lose hope. The Commissioner for Labour asks companies not to fire people. Hope for the jobless is scarce. Companies, unfortunately, are going to lay off workers regardless of what officials say because they have to respond to free market forces, not impassioned pleas.

All the Government can do is to be wise in the ways that it taxes and spends, which is what the budget bottomline is all about. Seven months ago, eight political parties formed a coalition and offered a consensus package to help the Government get the budget right. We came together because we knew that the September 11 tragedy in the United States would worsen the recession that, at any rate, was well on its way. Never before were we so united and concerted about the budget. The result of our co-operation is a budget that we can recommend to people and endorse when this debate is done.

But we are not here today to congratulate Mr LEUNG and ourselves. Our job is to ensure that our proposals, which he has partly accepted and incorporated into his Budget, can be implemented and those we question can be improved, item by item, point by point.

The coalition feels that the Government's priority now is to live within its means by reducing expenditure rather than increasing revenue. Mr LEUNG has to cut spending but should not do that through cutting essential public services. Our people should not pay the price of government extravagance, especially in tough times when they need relief and compassion.

The coalition does not support the introduction of any new taxes this year, especially the Goods and Services Tax. A sales tax today can only further damage consumer confidence, frighten away tourists, hurt our reputation as a low tax haven and delay recovery. Legislators are not the only ones to object to this new tax. Our citizens and a recent forum of foreign experts also oppose it.

In view of the potential \$65 billion budget deficit this year, the coalition accepts Mr LEUNG's proposal of only freezing, but not reducing, by 10%, of most items of government fees and charges. Obviously, we wholeheartedly welcome the waiving of the \$800 water charge for each household and the reduction of up to 30% in trade effluent surcharge and sewerage charges for businesses.

What loss these concessions might cost the Treasury can be compensated for with a boost to consumer spending and to small and medium enterprises which hire most of our private sector workers and are the engine of our recovery. I am also certain that easing of trade effluent surcharge and sewerage charges will not reverse our commitment to a clean environment.

The coalition also supports Mr LEUNG in exempting property rates from \$2,000 to \$5,000. This act will exempt 85% or 2.3 million households and businesses from rates for one year. This will mean more money to buy essentials, educate children, invest, and keep workers on the job. Once again, the Treasury will not lose because the extra activities will generate revenue and give a boost to public confidence. This is already working as evidenced by a recent opinion survey showing more public optimism, despite the latest round of job cuts. People are at least feeling that the economy has gone through the worst and the future is bound to improve.

Sometimes what helps is not a major policy initiative but the cumulative effects of a series of concessions. The registration fee waiver of \$2,000 for each company benefits 600 000 businesses. The cut in trade effluent surcharge gives a break to 15 000 businesses which will pay \$4,000 less each year. Commercial transport operators are relieved with continual, reduced duty on ultra low sulphur diesel. The total sum of these measures could cost the Treasury \$6.4 billion but we believe that the money is well spent.

Madam President, I just spoke as convenor of the eight-party coalition, the contributions of which to this Budget may well be our finest deed in this Council in recent years.

I would now like to speak as Chairman of the Liberal Party, many of the suggestions of which have been adopted by the Government and accepted by other parties. Our party philosophy advocates not the division of people into classes but their unity for the common good. We believe that when businesses do well, everybody — workers, professionals, youths, and the elderly — also will. Many more of our citizens have come around to this view because, during the recession, they can see so clearly the interdependence of the sectors that constitute our society.

Madam President, managing Hong Kong's budget is not very different from that of managing a large corporation's finances. You have to spend within your means. You need to have sufficient but not unreasonably high, unproductive reserves.

It is in this context that the Liberal Party welcomes Mr LEUNG's goal of setting expenditure to less than 20% of our Gross Domestic Product (GDP) within five years. It is also in this context that the Liberal Party agrees that reserves should be set at 12 months of expenditure, which few countries, let alone cities, can afford. A decade ago, the government share of GDP was 16.7%, roughly in line with the present 15% to 17%, excepting defence costs, for Singapore and Taiwan. How has the Government inflated its expenditure in recent years and what is there to show for it? The Government has ended up in such a problem because it ceaselessly, and carelessly, narrowed the tax base throughout the 1990s while, at the same time, expanding health care, education, housing, and welfare programmes — and especially the size and pay level of the Civil Service and subvented organizations.

Mr LEUNG has proposed a cut of civil service pay by 4.75%, which public employees can easily live with because our survey shows that their salary level is between 30% and 50% higher than that of the private sector today. Civil service unions have repeatedly warned of labour action, court action, and members' injured morale. Frankly, labour action in a time like this would be offensive to many private sector workers facing wage freeze, wage cuts and threats of job loss. Frankly, court action will go nowhere because reducing their pay to the level they enjoyed in 1997 complies with the Basic Law. However, I am both glad and proud that many civil servants disagree with their union bosses. They say that they are willing and ready to stand shoulder to shoulder with the rest of the people. This is the spirit of Hong Kong, of a society that rallies to a common cause, a cause that has convinced legislators not to argue about but contribute to Hong Kong's economic recovery.

Madam President, the Liberal Party disagrees with Mr LEUNG about raising duty on red wine from an already hefty 60% to 80%. We think that it is not right to equate wine drinking with smoking, the former has health benefits while the latter poses health hazards. Many restaurants, pubs, clubs, bars and hotels will be hurt by the huge increase, affecting visitors just when our tourism is improving. I urge Mr LEUNG to reconsider the increase or consider alternatively capping the duty at a maximum of \$600 per bottle so as not to adversely affect one segment of the wine importing industry.

Madam President, some critics in the overseas media have been knocking the Financial Secretary for supposedly abandoning the "positive non-intervention policy", but the Liberal Party disagrees. Responsible governments everywhere always analyse their economies' strengths and weaknesses, and do their best to enhance the former and overcome the latter. Our Government should not be the exception.

We should also now direct our attention to the "accountability system" that the Government is considering to ensure that the reform not only makes the Administration more transparent and responsive, but also cost-effective.

Finally, we can look forward to next year's economy, confident that it will be as rosy as Mr LEUNG's life with Miss FU. If the Budget is any indicator of things to come, the future is bound to be brighter. With these words, Madam President, I support the Bill.

**DR DAVID LI:** Madam President, I would like to commend the Financial Secretary for his maiden Budget.

By stepping back and looking at the larger picture, the Financial Secretary has produced a budget very much suited to our current economic conditions. He proposed important relief measures to assist business and households during these difficult times. He revealed a practical approach to our fiscal deficit, more in line with the economic cycle.

But in many ways, the Budget is wanting. In particular, the lack of detail and precision is worrying.

I have received a large number of comments regarding the Budget. Many are critical of this Government. One overriding theme dominates: the Government has failed to match words with actions.

This Budget, like others before it, identified financial services as a key industry for the future development of Hong Kong. Financial services are high value-added activities, able to generate substantial benefits for our economy. The industry provides good jobs, skilled jobs well suited to a knowledge-based economy. The industry contributes to our overall prosperity, as it is willing to pay a premium for efficiency and first-rate services. The industry is international in focus, making us a strong player in the global economy. If supported with a long-range vision and clear policy goals, the industry will prosper in Hong Kong.

Yet I, and many in our industry, fear that opportunities are passing us by.

Now is the time to consolidate our position as the financial hub for the Mainland. Through our relationship with the Mainland, we will enhance our global position. Yet this Budget is silent on our relationship.

In recent months, hints have come from the Mainland of an ongoing dialogue between Hong Kong and the Central Government on financial services. Sadly, up to now, we have no public statement from our own Government on the way ahead.

What, then, is the Government's position? Are we boldly exploring a wide range of options? Or are we sitting on our hands, hoping that something will fall into our laps?

What is the government policy on Renminbi deposits in Hong Kong? There is, at present, no recognized outlet to put such deposits to work. Any agreement on Renminbi deposits must provide a channel — an attractive channel — to employ these funds productively. Money laundering issues must also be addressed.

What is the government policy on the proposed Qualified Domestic Institutional Investor (QDII) Scheme for mainland investors? Is the Government willing to offer the incentives necessary to establish Hong Kong as a fund management centre, and allow QDII funds to be packaged and managed in Hong Kong?

The Budget speaks of increasing liquidity in the domestic capital markets. Has the Government approached the Central Government to propose that it places part of its reserves in Hong Kong?

In short, there are many possible avenues to enhance Hong Kong's role as an international financial centre. Yet this Budget provides no evidence that the Government is fully and actively committed to such actions. The Finance Functional Constituency would welcome a fuller statement from the Financial Secretary on the way ahead.

A second point that members of the Finance Functional Constituency have raised with me concerns progress on reforms in our domestic financial services industry. There is concern about the slow progress in establishing a mechanism to share positive credit data on companies and on individuals.

The proposal to establish a Commercial Credit Reference Agency (CCRA), to allow sharing of data on companies, has languished for several years.

Hong Kong is renowned worldwide for the innovation and entrepreneurial spirit of its small business leaders. For decades, small business grew by pledging property assets to fund business expansion. But when local property prices plunged with the onset of the Asian financial crisis, small business lost its access to new funding. In many cases, banks were forced to call in loans backed with insufficient collateral. Business suffered, compounding our economic downturn.

The majority of banks and the business community at large have repeatedly called for the establishment of a CCRA to allow for the sharing of positive credit data on companies in Hong Kong. Sharing of such data would expand banks' ability to lend to companies on the basis of creditworthiness and business prospects.

The Government has recognized the difficulty that small and medium enterprises (SMEs) have in securing bank loans. Hence, the Government introduced the SME Loan Scheme. But let us not be mistaken: The SME Loan Scheme is a stop-gap measure. The banking sector is fully able to provide business loans without government assistance. The lack of a mechanism to allow banks to pool positive credit data on commercial firms prevents banks from playing their proper role. It is time for action to establish a CCRA, giving banks the tools that they need to lend effectively.

A related issue, the sharing of consumer credit data, was discussed at some length at the meeting of the Panel on Financial Affairs yesterday morning. I trust that the Government will now act with speed and determination to achieve real progress. A dedicated agency, operating under clear guidelines, would benefit borrowers and lenders alike.

Another area that has come in for scrutiny is the impact of tax policies on the financial services industry. Our industry has repeatedly made representation to the Government, urging fairer tax treatment of the mandatory general provision for bad and doubtful debt. The current policy penalizes prudence, and runs counter to prevailing international standards. The policy is at odds with our aim to enhance Hong Kong's role as an international financial centre.

A major theme of the Budget is the reform of the Civil Service. There is general support for this initiative. But there is also a strong feeling that the measures do not go far enough. There is concern at the lack of resolve shown by this Government to control its own spending.

Hong Kong's strength is, and always has been, its simple, low-tax business environment. Should we not strive to maintain that advantage?

I commend the Financial Secretary for raising the issue of civil service pay in his Budget. But, let us not forget: Hong Kong has suffered 14 consecutive quarters of deflation, from the last quarter of 1998 to the first quarter of this year. Every indication is that deflation will continue for the rest of this year.

Against that background, the Financial Secretary's announcement of a 4.75% reduction in civil service pay looks very meek indeed.

I find it ironic that, at a time when the Government roars like a lion about remaking the entire Hong Kong economy, it squeaks like a mouse regarding the reform of the Civil Service. Where are the reforms to match the Government's call to remake Hong Kong as a knowledge-based society? Where are the bold decisions to match the Government's push to make Hong Kong more competitive?

In contrast to the grand vision for Hong Kong as a whole, we hear only that the size of the Civil Service will be reduced to the same level it was in 1998.

This Administration spent two years studying whether or not Hong Kong has a structural deficit. It spent two years studying what new taxes would be appropriate for Hong Kong. These two years would have been better spent in a thorough review of the Government's own administration, seeking to streamline procedures and eliminate waste.

In closing, may I make an appeal to the Financial Secretary to re-examine current tax policies with regard to estate duty and charitable donations. In both cases, Hong Kong is out of step with current international practice. Careful study is likely to show that a more relaxed regime would lead to enhanced local economic activities and a greater role for private funding of local charities.

And lastly, on the issue of increase in the duty on wine, this is a sad example of the short-sightedness of our Government. Many have rightly pointed out the negative impact that this measure will have on our tourism industry. There is more.

Since the duty on wine was reduced in 1996 by the previous Financial Secretary, numerous small traders have entered this sector. These small wholesale and retail outlets offer a wide range of wine from all over the world, greatly expanding consumer choice. Many also trade with the region, enhancing Hong Kong's role as an entrepôt centre. In fact, this sector is one of the few to have grown under the present Government. May I ask why the Government is now intent on forcing many of these traders out of business?

Madam President, thank you.

**MR LAU CHIN-SHEK** (in Cantonese): Madam President, the Honourable LEE Cheuk-yan and I will express views on the Budget on behalf of the Hong Kong Confederation of Trade Unions (CTU). Mr LEE Cheuk-yan's speech, to be delivered tomorrow, will focus on the impact of capping government expenditure this year and in the next few years on the livelihood of the public, and my speech will deal with how the Government can tide over the present hardship together with the public, in particular, the importance of the Government and civil servants to stand by each other in times of difficulty.

Madam President, whenever the issue of the present relationship between the SAR Government and the Civil Service is raised, the first thing many people

will think of is the provision in Article 100 of the Basic Law. The Article explicitly guarantees that the original pay, allowances, benefits and conditions of service of the civil servants should be no less favourable than before. Why should a legal document of a constitutional nature stipulate the minimum standards of pay and benefits for the original civil servants? I think this indicates that the contract between the Government and civil servants is not just any ordinary employment contract, nor is the relationship between them just any ordinary employment relationship. Rather, their contract is a social contract which has to be clearly provided for in the constitution, so as to affirm and protect their contractual relationship and terms.

I believe that the reason for affirming the minimum standards of pay, allowances and benefits of civil servants by constitutional means has to do with the stability of society as a whole. The aim of doing so is to make the original civil servants willing to remain in the government framework and continue to serve loyally as public servants.

Today, we should refrain from reducing the public servants of the past to "public enemies". The same group of public servants should receive the same treatment before and after the reunification, in order for them to serve the public with their minds at ease. In the past few years, the civil service reform and the outsourcing of services introduced by the Government have already caused great anxieties among civil servants. If it goes further by putting civil servants under a public trial, this will certainly deal a further blow to the ranks of civil servants.

Madam President, I believe that by concluding his Budget speech with the lyrics of "Under the Lion Rock", the Financial Secretary hoped to evoke a sentiment in society to weather the present hardship together. However, if we look at the recent labour market in the private sector, we would find that salary cuts, cancellation of year-end bonus and layoffs were, all decided by employers unilaterally with hardly any prior dialogue and discussion between employers and employees. Is this what standing by each other is all about? Is this weathering the present hardship together? Or is it a society where the law of the jungle, in which the weak is prey to the strong, prevails?

What is equally of concern is that in dealing with the issue of civil service pay adjustment, has the Government done so with the notion of weathering the present hardship together in mind?

I believe the great majority of civil servants are willing to throw in their lot and also agree that society as a whole has to weather the present hardship together. However, what civil servants want to have is dialogue with the Administration, not a "legislation cudgel" the brunt of which civil servants have no choice but to take when it is swung against them. What civil servants do not wish to see is for some people to deliberately induce the opinion that civil servants are lazy, therefore their pay has to be cut; they also do not wish to see people shaping the opinion that the pay of civil servants is high, therefore it has to be cut. I believe that, when dealing with the pay cut issue, the key is to conduct open and sincere dialogues, so that the hearts and minds of civil servants can be won over instead of making them lose their dignity.

It is for this reason that the CTU has to make it clear to the Government here that we strongly object to the forced implementation of pay cuts through legislation before any consensus is reached with civil service unions.

I believe the Government will not deny that there is a contractual relationship between civil servants and the Government. However, does the existing contract allow the Government to reduce pay unilaterally? The Government said that it does, but some civil service unions are of a different view. In Hong Kong, which is a society claiming to uphold the rule of law, if the two parties to a contract have different understandings of their rights and duties and cannot reach a consensus despite negotiations, of course either party has the right to take the matter to court. If the Government legislates to deprive civil servants of the right to initiate legal proceedings, this is no doubt an instance of "take-the-winnings-and-sack-the-losses". Not only does this destroy the equitable spirit of contract, such bullying tactics will also surely fail to win over people's hearts.

In fact, at present civil servants in general are willing to weather the storm together. The Government should communicate, hold dialogues and negotiate with civil servants so as to reach a consensus instead of causing further complications.

Furthermore, the Government reached an agreement with several major civil service unions some years ago, guaranteeing that no major changes impacting on the majority of civil servants would be made to the terms and conditions of service without prior discussion with civil service unions. If the Government and civil service unions cannot reach an agreement through

discussions, the matter can be referred to an independent commission of inquiry for arbitration. Therefore, if the Government forcibly introduces legislation, this will amount to the destruction of the arbitration mechanism and a breach of the promise made under the agreement years ago. Therefore, the CTU strongly opposes a pay cut which is implemented unilaterally by the Government by means of legislation.

In addition, I have to reiterate the concerns of the CTU: not only will cutting the pay of civil servants affect the livelihood of hundreds of thousands of civil servants, staff members of public organizations and the livelihood of their families, it will also induce private companies to launch another wave of salary cuts. The Honourable James TIEN has just said that if civil servants took industrial action, employees in private organizations under the torments of salary cuts would oppose it. However, I believe that wage earners will unite to oppose to a society which is making them undercut each other.

Madam President, at the end of his Budget speech, the Financial Secretary quoted the lyrics of the song "Under the Lion Rock", probably in the hope that Hong Kong people, in the face of the present difficulties, will have the same sentiment and optimism when weathering the present storm as those prevailing in the era of "Under the Lion Rock".

I remember that when the "Under the Lion Rock" series was initially broadcast in 1973, the Cantonese melody "Po Po Ko" was adopted as the theme music. The song "Under the Lion Rock", composed by James WONG and sung by Roman LAW, was published in 1978 and replaced "Po Po Ko" as the theme song for the "Under the Lion Rock" series.

The economic and social backgrounds in 1978 were that the global economic depression had receded and Hong Kong was making a speedy recovery. The economy was taking off and the manufacturing industries were flourishing. All members of a family, young and old, could earn enough for their bread and butter as long as they were willing to labour for it; although public housing was rather crude, people still had a roof over their heads. That kind of life could be described as affluent, but people were getting better off. The days of making a living by stringing plastic beads and assembling plastic flowers was a thing of the past; the days of misery and daily water-rationing had also become history; the movement to oppose corruption and apprehend Peter GODBER also led to the establishment of the Independent Commission Against Corruption. In the late

seventies, Hong Kong was full of hope. The portrayals in the "Under the Lion Rock" series were attacks on the social ills of that time as well as reflections on the struggle of the general public in the not too distant past. The song "Under the Lion Rock" is not a deliberate attempt to create a sense of optimism, but an accurate expression of how Hong Kong people had traversed rugged terrain onto a thoroughfare, which had indeed brought "more laughter than laments".

However, Hong Kong people, on reflection today, will find that there are "more laments than laughter". Certainly, a minority of them are complaining for no good reason, but a lot more are out of breath under the heavy burden of life.

I believe that what a good leader has to consider and do under the present circumstances is how best to improve the livelihood of the people in the face of salary cuts, layoffs and long-term unemployment, so that they can have stable jobs and reasonable incomes, instead of behaving like a father, who, even though he has enough money to support a family, says to his son, who originally eats two bowls of rice, "You should eat one bowl of rice less", or even breaks his son's bowl.

Hong Kong people had the ability to pull through the hardships of the fifties and sixties, I believe nowadays they can also dig their toes and pull through. However, in those years everybody had to drudge, whereas nowadays, the disparity between the rich and the poor is great and the rich and the poor are increasingly polarized. Under the present circumstances, the Government has the duty not to show favour to consortia and genuinely embody the sentiment of weathering the storm together in various policies. I have to point out to the Government, in particular to the "big wigs" such as the Financial Secretary, the Chief Secretary for Administration and the Chief Executive, that they are duty-bound to show clearly to the public that bright prospects lie ahead, as in 1978, when the song "Under the Lion Rock" was composed, that Hong Kong can definitely see the rainbow.

Thank you, Madam President.

**MR ABRAHAM SHEK:** Madam President, in his maiden Budget in early March, the Financial Secretary highlighted the structural problems relating to public finance and our economy. He pointed out that the fiscal reserves

accumulated in the past few decades would be depleted if government expenditure continued to rise, and a large number of our workers with non-transferable skills would remain unemployed as the old industries that they worked in disappeared in a fast-changing economy.

Our Financial Secretary, although recognizing such problems, has not provided any longer-term strategic solution in this Budget of his to overcome these problems.

By giving away a series of tax concessions and fee freezes which gives immediate relief to both the middle class and the grass-roots sector, he has pleased the public and the political parties and made the Budget politically more acceptable. A gain in political popularity could lead to a bigger loss in the prudent management of public finances. To be politically correct is not necessary economically appropriate. In this, our Financial Secretary should strike an acceptable balance in his future budgets if he is to cut deficits and achieve a balanced budget. He has promised that he will lead us from the present economic doom to a balanced budget in a few years' time. I hope that he could do it and I wish him luck, because this could only be done by a miracle worker. The present Budget is far from innovative and forward looking, and does not provide fresh and pragmatic answers to the persistent economic problems in Hong Kong.

The four high value-added economic activities highlighted in the Budget — financial services, logistics, tourism and producer and professional services — have existed in Hong Kong for a long time. Hong Kong, as an externally-oriented economy, has always relied on the development of these activities as its economic engines. Enhancing service quality and sustaining growth have been the long-established goals, not new initiatives as suggested by the Financial Secretary.

Equally uninspiring is his proposal to promote the development of local economy. The Financial Secretary is right to point out that local economy covers a wide range of activities. What he did not mention is its dynamic quality. Without the rigidity of institutional planning, local economy adapts easily to economic ups and downs. In short, local economy is every individual's efforts to respond to the fast-changing economy. It is the individuals' flexibility and resilience, but not government promotion, that have most effectively fuelled the growth of this economy. Will it not be a bit

redundant to pour additional government resources into an economic sector which is self-dependent in nature, and which is at its best when left on its own?

While providing direct help to selected economic sectors, the Government should also deploy more resources to create a favourable environment for the growth of Hong Kong as a whole. Speeding up infrastructure projects is an important part in fostering economic growth.

The Government does not have to do it all by itself. It can outsource such projects. The construction industry has been urging the Administration to accelerate the move towards private sector participation in public facilities such as the building of schools, roads, prisons and hospitals. Yet, such plans are moving very slowly. The industry is extremely disappointed that private participation is not mentioned in the Budget. The Financial Secretary, with his vast experiences in the commercial sector, should know better than any bureaucrats the power of market force. Public-private sector partnership in infrastructure projects will bring benefits to both the Government and the public. On the one hand, the Government will be able to cut its massive budget deficits and the standards of the finished projects would be greatly improved. On the other hand, the ability to launch projects more speedily would create more jobs and boost the local economy as a whole. Are these not the stated objectives of our Chief Executive?

Another area which needs careful deployment of resources is education. This year, the education sector has secured the highest percentage increase in funding, and the largest piece of cake in total government expenditure.

Despite the Government's heavy investment in past years, the quality of education and training has not greatly improved. The education sector has expanded, but the improvement is insignificant when compared to the size of funding being put into the sector, like the health sector. No one doubts that Hong Kong needs the resources to nurture talents for future growth, but the resources should be used in the most effective way, bringing improvement not only in terms of quantity but also of quality. Again, the Budget highlights Hong Kong's problems in the education sector and the labour market, and provides abundant resources for the responsible government bureaux, but it fails to touch on how to spend the money effectively.

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

**MR LAU PING-CHEUNG** (in Cantonese): Madam President, the Financial Secretary delivered his maiden Budget speech last month. My personal impression of the Budget as a whole is that it was plain, but full of political wisdom. In the Budget, Secretary Antony LEUNG pointed out clearly that the Government was facing a structural deficit problem and must therefore explore new sources of income and cut expenditure. To give immediate benefit to the people, Secretary LEUNG proposed one-off reductions or waivers including reductions in rates, water charges, waiving business registration fees, extending the effective period for duty concession for ultra low sulphur diesel. Where he must make the people and the civil servants pay, he just made some notices, such as the introduction of a Boundary Facilities Improvement Tax and a pay cut for civil servants, and so on. In other words, there are only immediate increases in duty on wine and a reduction in the quantities of duty-free tobacco.

Since the Budget proposes few adjustments in tax, most people may get some immediate benefits but delayed costs. Thus, the public does not have any strong responses to the Budget.

Hence, on the day before yesterday, that is 8 April, at a public forum held for the constituency I represent, members in the constituency had exchanges of opinions about broader issues such as the ministerial system, legalization of gambling on football matches, and so on. Summarizing the opinions expressed by my constituents, I will be speaking on four areas: pay cut for civil servants, social welfare, policies on housing and policies on the population.

As Members may know, a rough estimate may show that nearly half of the voters in my constituency work in the Government or statutory bodies, while the other half work in private firms. I am therefore obliged to reflect the opinions of both groups.

Fellow workers in the industry working in the Government are most unhappy about the Financial Secretary's proposal to cut civil service salaries by 4.75%, though the Financial Secretary has repeatedly said this is just an assumption in government expenditure and the real adjustment will have to be determined by results of the survey done by the Pay Trend Survey Committee and that even if there is a reduction, it will take place only in October. However, these fellow workers remained dissatisfied because if the Government had any respect for the pay adjustment mechanism, it should not announce the

figure of 4.75% beforehand to make people think the adjustment was going to tie in with the assumption.

Fellow industry workers working in the private sector are worried that the pay trend survey may not necessarily reflect the true situation in the private sector. For instance, in some organizations, after a round of layoff, the salaries thus saved may be given to the remaining staff, thus distorting the overall pay cut situation. Another worry of my fellow workers is that as the Government continues to contract out its services, some government employees may be dismissed later and they will join the private sector. In this way, the supply and demand situation of professionals in the industry may be disturbed.

As regards housing policy, the Government announced a series of policy changes last year due to a deterioration of the property market. These changes include putting a moratorium on the sale of Home Ownership Scheme (HOS) flats for 10 months and reviewing the policy-making framework for housing policies, and so on. The construction industry used to be one of the three pillars of the Hong Kong economy. Despite the deterioration, housing policy remains an issue affecting the livelihood of the people and it attracts widespread attention because half of the households in Hong Kong dwell in public housing.

In Hong Kong, 640 000 households live in public rental housing (PRH) managed by the Housing Authority which has been operating at a loss. The HA has to rely on the sale of HOS flats to subsidize its operation. Thus, putting a moratorium on the sale of HOS flats will adversely affect the financial position of the HA. The Government has indicated clearly that even if the sale of HOS flats is resumed, the annual sale would not exceed 9 000 units before the year 2005-06.

Since the economic downturn, I have heard many people across the community grumble about housing problems. People with negative equity assets blame the "85 000" target of annual housing production, tenants living in PRH blame the Government for not having reduced their rent, some blame the Government for having lowered the income ceiling for applicants for PRH and for applicants for home purchase loan schemes. Therefore, I hope that after the ministerial system is implemented in July, the Government can complete as soon as possible the review of the policy-making framework on housing policies so that duplication of work is eliminated and the interests of different social strata balanced.

The rising expenditure on health and welfare is worrying too. Expenditure on these two areas accounts for almost 15% of total government expenditure, and they have become the next most expensive policy areas, following education. Medical expenditure rises due to the ageing of the population as well as an imbalance between medical care in the private and public sectors. I believe Dr the Honourable LO Wing-lok will focus on this topic, so for now, I will be speaking mainly on social welfare expenditure.

When I started my speech, I mentioned a public forum held by my constituency on the day before yesterday. At the forum, a member from the industry told me he met a family of five at one of the accident and emergency departments seeking medical consultation together. He was curious, and he later found out that they were a family on Comprehensive Social Security Assistance (CSSA) and they did not have to pay any fees for the visit. As one member of the family was sick and they took a taxi to the accident and emergency department for treatment, but other members, who had only minor ailments, took the opportunity to obtain treatment as well. This friend of mine certainly felt the CSSA was being abused.

I agree that, Madam President, Hong Kong as a cosmopolitan city must provide a safety net for its people. This is also a purpose of the CSSA scheme. The present method of calculation for payments under the Scheme is based on living expenses at the end of the '80s to arrive at a cost of living index used for determining CSSA payment, which is adjusted year on year in the light of inflation. Unfortunately, the index has now become detached from the economic reality. For example, a four-member family may obtain slightly over \$10,000 in CSSA payment on grounds of unemployment, together with rental allowance, and so on. However, the latest data from the Census and Statistics Department show that the median income for an individual is \$10,000. In other words, one gets more money more regularly from CSSA than from working.

This can explain why the unemployed find no incentive to rejoin the labour market. The problem worsens because since 1999 CSSA payment has not been lowered in tandem with deflation. So, CSSA payment has increased by 10.8% in real terms. Madam President, there is certainly a group of unfortunate people who need the help of others. However, as the CSSA system has moved away from the reality, more and more people are attracted to live on CSSA. People would not take up jobs which carry a monthly salary of \$5,000 or \$6,000. This is not going to do Hong Kong any good at all.

Lastly, I wish to talk about the government policy on population. In his policy address last year, the Chief Executive mentioned for the first time with some degree of clarity that the SAR must study its population policy, which is worthy of support. Though Hong Kong injects most of its public resources into education, Hong Kong needs more talents if it wishes to be the best in the Pearl River Delta Region. Talents must be superb in quality, quantity as well as broad in perspective. The universities in Hong Kong simply cannot provide talents that fits all of these descriptions. A quick and effective way is to import talents from outside Hong Kong, including the Mainland.

Take the stevia incident that broke out some time ago as an example. Some have criticized Hong Kong for lacking its own food safety standards, having to turn to European standards for reference. I am not an expert in this field; nor am I sure universities in Hong Kong provide courses on "food engineering". I only know that the Univeristy of Hong Kong, the Hong Kong University of Science and Technology and The Chinese University of Hong Kong all have a discipline called Biochemistry. Can this discipline of study produce sufficient talents to make and enforce a relevant food labelling policy?

Hong Kong owes its success in the past to its ability to continuously pool the best men and women from all over the world to make the fullest use of our strengths. Today, Hong Kong has the Mainland as its hinterland and it has extensive links to all corners of the globe. We need professionals who know our Motherland well. I expect the Government to consult the Central Government about the daily quota of 150 immigrants to Hong Kong so that more talents who may help develop our economic strengths may come to Hong Kong.

Madam President, because I am also a director of the Urban Renewal Authority (URA), I would like to take this opportunity to point out that the Government has not made any clear commitment to the URA in the Budget. As Members know, the URA has submitted a five-year corporate plan and an annual business plan for the next financial year, all of which have been approved. The URA is awaiting funds from the Government to implement its urban renewal programme. Unfortunately, I cannot find any relevant items in the entire Budget. However, in the expenditure section of the Capital Investment Fund, there is an extra commitment of \$2.18 billion under an unspecified head (receiving body). I guess it is meant for the use of the URA in its first year of operation. This year-on-year allocation of funds will only serve to

unnecessarily limit the activities of the URA and will not do any good for the rejuvenation of dilapidated areas in Hong Kong. I hope the Government can make more explicit financial commitments.

I so submit.

**MR CHAN KWOK-KEUNG** (in Cantonese): Madam President, the Government by and large has exaggerated the severity of the budget deficit in advance, however, in the entire Budget, the Government was not eager to find immediate solutions to the budget deficit. On the contrary, the Government proposed to draw on the fiscal reserves to reduce rates payments, water and sewage charges and trade effluent surcharge, to waive business registration fee and to extend concessionary duty on ultra low sulphur diesel for one more year. The Social Politics Committee (SPC) of the Hong Kong Federation of Trade Unions (FTU) welcomes these \$6.4 billion relief measures and the determination of the SAR Government to stand by the rest of the community to weather the difficult times together.

Facing next year's \$45.2 billion deficit, the Financial Secretary proposed a prioritized five-year plan to restore fiscal balance by giving impetus to economic development and implementing expenditure-control measures before implementing revenue-raising measures. The Government should take the leading role in tightening the purse strings. In this way, the people of Hong Kong will only be more willing to accept revenue measures proposed by the Government after no obvious success could be achieved.

We agree that the first and foremost task of the Government is to promote economic development, with a view to stabilizing employment. As early as in 1999, the FTU proposed that Hong Kong should adopt a strategy for economic development by giving priority to employment. The reason is very simple, for the more people being employed the better the economic condition will be, and the revenue of the SAR will increase accordingly.

We do appreciate the Financial Secretary that when he interpreted the meaning of market economy to mean that the Government's role should not be passive and it should not distance itself from everything, instead, it should be a proactive and rational market enabler. The SPC of the FTU expresses its maximum support for the promotion of development in the four important

economic sectors which may absorb a significant portion of the workforce, namely the financial services, logistics, tourism and producer and professional services sectors, as well as the establishment of an interdepartmental working group to promote the development of local community economy. Basically, it is impossible to accommodate a large number of low-skilled workers at grass-roots level and resolve the predicament of today's high unemployment rate by sole reliance on the knowledge-based economy of high-value-added activities and high technology.

If the Government wishes to promote the development of local community economy, it should learn how to delegate the power, it should also reduce unnecessary interference in the local community economy, and it should simplify administrative procedures. For example, it can speed up the vetting of business and restaurant licence applications, or make use of existing social resources, such as vacated sites, pitches and factory buildings, to provide venues for self-employed persons starting their own small businesses to boost the local community economy.

With regard to expenditure-control measures, since the Government is facing a structural budget deficit problem, this Budget has been compiled at the expense of the civil servants. The FTU opposes that civil service pay be cut by 4.75%, as the Government is not acting in accordance with the existing pay adjustment mechanism. The move has brought civil servants and the Government into a state of conflict. It is undeniable that the domestic economy is suffering from a severe internal injury, and all trades and industries are facing difficulties. Since the Government has to control expenditure, it will inevitably impact on the civil servants. However, even if there is a need to adjust the pay of civil servants, it should be carried out according to the pay trend survey, instead of making a pay-cut draft in one's mind merely on political considerations without the support of any consultation and survey. It will absolutely undermine the long-term interest of the Civil Service and create a precedent that puts civil servants on the chopping board, which should not serve as a model.

Just as the former Secretary for Home Affairs has said in his article recently published in the newspapers, that is, the prosperity of Hong Kong depends on the stability of the Civil Service, and the civil servants must uphold the principle of political neutrality, integrity and high efficiency, and their contribution has been affirmed by the community at large as well as our

neighbouring regions. The Government should not act rashly and make civil servants the scapegoat for the economic recession. The FTU reiterates that the existing mechanism should be adopted for any adjustment of civil service pay with reference to the results of the pay trend survey. Besides, the morale of the Civil Service as well as the financial burden of civil servants at the basic ranks should also be taken into account.

According to the forecast of the Financial Secretary, even if the economic development is boosted and expenditure is reduced successfully, the Government will still have a yearly deficit ranging from \$2 billion to \$10 billion for three consecutive years in the middle of the five-year programme of eliminating budget deficit, that is why he has proposed to introduce the Boundary Facilities Improvement tax. The SPC of the FTU has reservations about this proposal, because the introduction of this tax will inevitably add an artificial hurdle between the everyday intercourse of the people in Hong Kong and China, which defeats the Government's intention of developing the logistics industry. Actually, although the Budget predicted the outlook for Hong Kong would be bright in the medium and long term, it also pointed out that as local deflationary pressure would remain, the short-term unemployment rate would increase further. For this reason, the SPC of the FTU considers any new tax to be introduced in the next five years will increase the financial pressure on wage earners. If the Government has to increase revenue, the SPC of the FTU considers an option lies in the profits tax of Hong Kong which has always been on the low side, and it therefore has room for an increase. So we suggest that the profits tax regime changed into a three-tier progressive tax structure by raising one percentage point. Enterprises earning a profit below \$5 million shall maintain the present standard rate, enterprises earning a profit ranging from \$5 million to \$10 million should pay at a 16.5% rate and enterprises earning a net profit over \$10 million should pay at the maximum rate of 17%.

In conclusion, the FTU welcomes the relief measures proposed by the Financial Secretary, and we support the five-year programme to restore fiscal balance by giving impetus to economic development and implementing expenditure-control measures before implementing revenue-raising measures. The SPC of the FTU reiterates that the programme hinges on stabilizing employment. We hope that the Government will actively respond to the proposition of the FTU on the economic development strategy of giving priority to employment. We oppose the pay-cut level predetermined by the Budget and

we have reservations about the introduction of the Boundary Facilities Improvement tax, and we suggest that the Government should introduce a progressive three-tier regime profits tax.

Madam President, I so submit.

**DR YEUNG SUM** (in Cantonese): Madam President, in an attempt to restore fiscal balance five years later, the Financial Secretary has set down a number of stringent principles in the Budget that will severely restrain government expenditure over the next five years. The Democratic Party has reservations about these principles. The Honourable SIN Chung-kai has already explained the queries of the Democratic Party about the Government's forecasts on fiscal deficit, and we also have queries about the urgency of the Government's move to revise the expenditure principles this year. We do not think that such a move is appropriate, even from the perspective of fiscal policy.

Owing to the dollar peg, Hong Kong is deprived of the tools with which to adjust its currency policy. This means that the Government will have to rely more heavily on fiscal policy for micro economic adjustments when compared with other countries. Due to the need to cope with the frequently changing economic conditions, our principles of public financial management should not be too rigid, but should instead maintain a greater degree of flexibility. Even if the Government's financial forecasts are accurate, but if there is yet another recession in the coming five years, financial management principles that are overly stringent will still not do any good to the economy. Besides, the Democratic Party is also very concerned about the consequences that the Government's tightened expenditure may produce on the availability of resources for social services.

The four revised budgeting criteria of the Financial Secretary are as follows:

- (1) For the basis for comparing growth in government expenditure and the economy, to strive to control the growth in government expenditure in money terms, in addition to controlling it in real terms;
- (2) to reduce the share of public expenditure in GDP to less than 20%;

- (3) to achieve operating surplus, not only before but also after deducting investment income; and
- (4) to revise the level of fiscal reserves to around 12 months of government expenditure.

Of the four criteria above, the Democratic Party supports the fourth one only and has reservations about the remaining three. With these three budgeting criteria, the growth in government expenditure over the next four years, whether in money or real terms, will be far below the growth rate of the economy. In money terms, the growth in government expenditure will just be 1%, below the 4.4% growth rate of the economy. In real terms, the growth rate of government expenditure will just be a mere 1.5%, below the 3.5% growth rate of the economy. The objective of this is to restore fiscal balance five years later and to reduce public expenditure as a share of the GDP to less than 20%.

I have great reservations about this. First, the substantive services provided by the Government should never lag behind the needs imposed by economic and social development, so as to ensure that our expenditure on elderly and welfare services, health care and education will not be significantly affected amidst an ageing population and economic restructuring. It is precisely because of this reason that the Democratic Party has always been urging the Government to maintain its expenditure in real terms at roughly the same level as real term economic growth, and to apply more flexibility, in the light of actual needs, in respect of the share of public expenditure of the GDP.

I agree that it is very important to achieve a balanced budget, and I think we must be especially cautious in this respect following the lowering of the level of fiscal reserves to around 12 months of government expenditure over the next few years. But I also think that much exploration has still to be made before we can ascertain what means should be adopted to achieve fiscal balance — whether by creating revenue to meet expenditure or by spending within the existing means. I am of the view that many items of government expenditure are actually indispensable. For instance, sufficient resources must be reserved for the provision of education, social welfare, housing and health care, so that all these services can cope with demographic growth, disparity in wealth and other social changes. For these items of expenditure, it will be impossible to spend within the existing means. If government revenue is really unable to meet these

spendings, we should permit the Government to make certain taxation adjustments. For instance, the progressive profits tax regime we have been advocating will be a feasible means; this can increase revenue without adding significantly to the burden of the people, because only a very high level of profits will necessitate the payment of the progressive profits tax. Unfortunately, the Government has all along refused to consider and accept this proposal. As for those unnecessary items of government expenditure, such as the outdated and unnecessary allowances for civil servants and overlapping and unnecessary work procedures, the Government must of course do away with them all, so as to save resources.

For this reason, I oppose any rigid rule of the Government to reduce public expenditure as a share of the GDP to less than 20%, for this will deprive government expenditure of any flexibility and fail to cope with the needs of society. All indicators in respect of the share of government expenditure in the GDP should only be used as reference, never as any golden rule. Actually, the Government has never set down any specific rule in regard to this percentage of share. I hope that the Government will likewise refrain from treating this indicator as a budgeting rule or golden rule in the future. On the contrary, the Government should revise its level of expenditure from time to time in accordance with the actual development of society, so as to ensure that government services will not lag behind the conditions in society.

To make sure that government services will not lag behind the needs of the actual development of society, it is still very important to adhere to the criterion that growth in government expenditure in real terms should be roughly on a par with growth in the economy in real terms. Measuring government expenditure in real terms can truly reflect the quantity of services provided by the Government, because the effects of price movements on government expenditure is discounted in this method of measurement. If we switch to the proposal in question and measure the growth rate of government expenditure in money terms, it will be very hard for us to ascertain if the increased government expenditure is on civil servant salaries and allowances or on the actual provision of services. I therefore have reservations about the proposal to change the method of measurement. In fact, the Government's move to tighten the criterion, to adopt measurement in money terms as the basis of comparing growth in government expenditure and the economy, will only lead to the result of the real growth in government expenditure persistently lagging behind the needs of economic growth and development. I do not accept this. However, given the financial

pressure, I also think that it is not entirely unacceptable to keep the real growth in expenditure below the rate of economic growth by enhancing the efficiency of the Government — and, I stress, by enhancing the efficiency of the Government. But the Government must at the same time ensure that the rate of expenditure growth for education, social welfare, housing and health care will not be affected and will be able to meet the actual needs of society. It has recently been reported in the press that the Government may abolish the "fruit grant" and may even set a ceiling for CSSA payments. The Democratic Party is strongly against all this.

Finally, the third criterion, the criterion of achieving operating surplus after deducting investment income. The level of fiscal reserves will be drawn down to the level of roughly 12 months of government expenditure; this means that annual investment income will drop to about \$10 billion, and the significance of this criterion will diminish correspondingly. Therefore, in the long run, this criterion will not effect significant influence. However, I am concerned about the short-term effects of this criterion in the next few years. Currently, investment income still represents about 20% of the total recurrent revenue. As a result, if a balance is still required after deducting investment income, the Government will have to cut down its recurrent expenditure drastically; if not, tax increases will have to be introduced. I do not agree to this. If it is the intention of the Government to reduce the effects of fluctuations in investment income, should it really ask itself whether there are any other ways that can also reduce the effects? Many academics have recently put forward many ways to ensure stable investment income. One of these ways is to request the Hong Kong Monetary Authority to provide an investment returns guarantee every year. To sum up, I do not agree that the Government should break down the operating account and rigidly require it to achieve balance, because the most important thing should be to consider whether there is overall fiscal balance.

In conclusion, I must say that controlling government expenditure is not the only way to deal with the problem of fiscal deficits. Different policies will bring about different effects and affect the various strata of society and overall social development in varying degrees. The authorities should not rely on controlling the share of public expenditure in the GDP as the only means to deal with the problem of fiscal deficits. Instead, it should consider the matter from the perspective of its overall fiscal policy and the role of the Government. The Democratic Party agrees that in order to deal with the fiscal deficit crises that may arise, the Government must conduct comprehensive and sensible studies on

the tax regime and its expenditure principles. But the Democratic Party also has reservations about the expenditure principles and objectives it has put forward for the next five years. It is hoped that the Government can conduct more extensive consultations in the coming year, so as to identify a better scheme.

I so submit. Thank you, Madam President.

**MRS SELINA CHOW:** Madam President, when the *Asian Wall Street Journal* named this year's budget day "the dark day of Hong Kong", it triggered a chorus of objections in Hong Kong. This editorial, together with other editorials and articles that followed in the next few weeks, prompted the suspicion of conspiracy theory. After all, the cover of *Fortune Magazine* almost six years ago screaming "the Death of Hong Kong" is still fresh in our memory, and we are still chuckling from the pleasure of that publication having to eat its words by holding its global forum here last year. Many are sure that history is about to repeat itself with the *Asian Wall Street Journal*.

It is fair to say that the first budget of our Financial Secretary has been generally well received here by the business community as well as the population at large. At the very least, it demonstrates political sensitivity to the people who are still smarting from the economic recession that has hit us hard in the last four years, and it convincingly aligns the Government with the populace emotionally. It also offers a sense of direction, which has hitherto been sadly lacking. When times are bad, strong leadership is called for.

In the face of vast economic changes in China and growing competition emerging in many markets, Hong Kong is caught in forces pushing and pulling in all directions. The restructuring of our economy from manufacturing to service, the 10 years of constitutional and political change, the opening up of China to external investments, and the stronger support that some of our neighbouring governments are offering to business, all point towards the necessity for a more positive and proactive governmental role to facilitate business.

Thus, if the Financial Secretary's vision to act as a proactive market enabler is a statement of the unequivocal role of the Government as the facilitator of business, it should be welcome. Such a direction need not conflict with the non-intervention philosophy previously adopted.

However, one can easily understand the disquiet that might be raised by the gradual expansion of the Government's assumption of the investor's role, given that there is no established practice or procedure undertaken by the Government to ascertain whether any project deemed beneficial to our economy as a whole would be attractive to the private sector. Furthermore, previous infrastructure projects taken up by the private sector on the build-operate-transfer model have seldom been successful. Does this mean that the Government would need to take on more ventures, and the risks that accompany them, under this newly defined role as the market enabler?

In my view, this is going to be a major challenge facing our Government, that is, how to structure the partnership right between the public sector and the private sector? How can time and cost be saved in order that progress can be made without delay? Can we eliminate, or at least cut down the number of endless studies by consultants? How can good ideas be adopted to the benefit of the community as well as the investor?

This is a complex issue. We used to have a government, back in the '60s and '70s, which could proceed with almost any project without any hindrance. Nowadays, conflicting interests and regulatory requirements are such that unless something can be done to streamline processes to bring about a more efficient decision-making regime, initiatives necessary to bring us in line with the speedy developments in the region will not be realized.

The Government is now at the crossroads. Hong Kong has for many years suffered from the self-imposed straitjacket of the rule-book, to such an extent that values such as efficiency and aesthetics have given way to procedure and politics. The decision-making process is seriously threatened and compromised by factors other than merits and judgement. Good ideas are often frustrated rather than encouraged, and as yet the Government has to find a solution to facilitate the realization of such proposals whenever its assistance is sought. The obstacle could lie in the officials' fear for being accused of favouritism. Or it could lie in the conviction of the top echelon of the bureaucracy that they know better than the entrepreneur, even though it is usually the risk-bearing investor who knows the market much better.

So we need the Government to be the true enabler, not the intruder, and as such, it is the custodian of the level playing field, enforcing fair rules, encouraging integrity and ethics, recognizing quality and excellence, and most

important of all, it has to listen to the market and to respect the spirit of business and enterprise.

Much has been said about civil service pay, little about the simplification of civil service processes that is much needed. While I agree with the criticism that too much has been spent on consultancies where decisions could have been taken by the officials themselves, the process re-engineering exercise so crucial to identify fixes within the bureaucracy belongs not in the Civil Service but with professionals in the private sector, for it is totally unrealistic to expect bureaucrats to conclude that some of what they do is totally unnecessary and dispensable. The right measure and dosage to trim cumbersome processes and procedures have to be sought out by the objective eye of experts who are knowledgeable in public administration and corporate management. Once found, these ways have to be adopted with will and commitment.

The mere mention of Goods and Services Tax sends shivers down the spines of not only the service trades, but also consumers that make up the entire population. I regret that the Financial Secretary still refuses to remove this sword hanging over our head once and for all, although he gives the assurance that this tax will not be introduced while times are bad. I must reiterate the view of my constituency that it should not be considered, unless and until the Government itself has done all it can to economize as a first step, and then, even then the Government would still have to have exhausted all other avenues to revenue. The administration of Goods and Services Tax will change the whole fibre of our simple tax system. The opposition to such a tax is unanimous, so I implore the Financial Secretary to give the assurance not to resort to it unless the community changes its mind, as it has done with the introduction of betting duty for soccer. In fact, the green light has lit up for this, and for the Boundary Facilities Improvement Tax as well.

Madam President, I conducted a simple survey among my constituents, and 23% of respondents praised the Budget, 62% of them considered it so-so, while 15% found it lacking; 21% reported an increase in confidence, but 26% reported a decrease, and the rest were totally unaffected. As the majority of companies in my constituency are small and medium enterprises (SMEs), 55% polled saved all \$5,000 from rates exemption, while the other 45% would not have to pay a cent at all. They found this concession, together with the waiving of business registration fee and the reduction of water charges, helpful in mitigating some of the hardships that they are still weathering. However, they

are unanimously dissatisfied with the Government's lack-luster attempts at stimulating local consumption.

Just like promoting tourism to visitors living overseas, promoting local consumption requires marketing know-how not easily available within the Government. It is a selling job, which has to be professionally and effectively executed to entice a market of 6.8 million residents who presently prefer to spend outside Hong Kong. There are no short cuts, and no success will come about by accident.

Recently, there have been calls to open more flea markets as a means to remedy unemployment. This must be handled with caution, or it would create another form of unfairness. Retailers all over Hong Kong, whether in private developments or in housing estates, pay rent to be in business. Indiscriminate opening of new markets to street traders without charging them rent would create an inequitable situation. However, it is fair to acknowledge that there is a place for specialized or thematic markets offering special categories of products that are not easily available in existing shopping outlets. A recent success is the Arts and Crafts Fair staged outside the Cultural Centre in Tsim Sha Tsui. It has become an attraction to locals and tourists alike on weekends, and complements well the historical Clock Tower. It also brings pedestrian traffic to businesses in the area. It serves to demonstrate the point that any attempt to be creative should be carefully designed to add value to existing business operations rather than to create unfair competition to them.

Looking ahead, I agree with much of what the Financial Secretary has mapped out for our economic way forward. But in order for the position of Hong Kong to be clearly recognized by the world, our branding is key. To cement our identity as Asia's world city, we need to focus on the areas of our strength outlined in the Budget. Naturally, the one that concerns me most is tourism, not only because it is one that I am most interested in, as Chairman of the Hong Kong Tourism Board, but also because it is inseparable from the wholesale and retail trade, and there is much room for development in this area.

For visitors who are drawn to Hong Kong, whether they come from the Mainland, the Pacific Region, Europe or the United States, they expect world-class facilities and service. We have a lot of elements that we can use to entice. But as the world city in Asia offering enjoyment in lifestyle, we urgently need a cruise terminal, golf resorts, spa resorts and a signature purpose-built convention

venue. In short, we need facilities that would attract aspirations of high-yield market segments. We need quality service in the widest sense. We also need a concerted way to preserve, package and present our heritage. Time is of the essence, if tourism is to reach the height envisaged by both Mr LEUNG and Mr TUNG.

Incidentally, we cannot understand how the Financial Secretary could hold out Hong Kong as Asia's world city, and pledge his support for tourism, and in the same breath make Hong Kong the most expensive place on earth for wine consumption by singling out this commodity as the only item for an increase in duty. He could not have overlooked the undesirable effect of alienating the expatriates and the middle class with this move. In case the Financial Secretary cited the previous move by a former Financial Secretary to do the same thing, perhaps he should note that it was in very different times, when the economy was buoyant, and our prices then were much more competitive than they are now. In any case, we believe that the revenue from this source will be much less than estimated as rising prices will dampen consumption for sure. We, therefore, strongly oppose this measure.

Before I close, Madam President, I would like to raise a query regarding the various funds that have been set up, supposedly to demonstrate the Government's support of certain community initiatives. To name but a few, the Quality Education Fund, the Skills Upgrading Scheme and the SME Training Fund, which total \$5.8 billion, represent an investment in human resource upgrading; the Innovation and Technology Fund of \$5 billion and the Applied Research Fund of \$750 million aim to upgrade our industries and our technology; while another \$1.5 billion is earmarked to assist our SMEs in development, export marketing and other capital needs. All told, a sum of \$13 billion has been allocated for these funds. But are they benefitting those for whom these funds were established in the first place? What benefits is the community, or the trades and professions concerned, to derive from projects financed by these funds? How big a share of the grants is claimed by publicly funded bodies which are acting as professional agents for lay applicants who are frustrated by or lost in the myriad of bureaucratic paperwork required in applications? Are we sure that it is money worth spending, and will they be missed if we are to discontinue the less effective schemes? Faced with the answers, the Financial Secretary might just be glad that a few billion dollars could be saved without even so much as a whimper from any quarter.

**MR NG LEUNG-SING** (in Cantonese): Madam President, the various cuts and increases and the treatment of individual items in the Budget are all within people's general expectation, and it is generally welcomed by the public at large and the commercial and industrial sector. On the whole, one can say that relatively mild and flexible policies and measures are adopted in the Budget at this time of tight public finances and adverse economic conditions to give people and the commercial and industrial sector a chance to recuperate. Besides, the Budget also revises the guideline on the level of fiscal reserves. In a way, this will add more flexibility to our fiscal management and better enable us to cater for the needs of society. In addition, this can also set down clearer and more pragmatic directions and objectives for the work of improving public finances. The Budget also gives a clear and reasonable definition of the Government's role in the economy. I am of the view that these policies and measures are useful in fostering our economic recovery and sound public finances.

As Hong Kong is an open and externally-oriented economy, and also due to the linked exchange rate system, what the Government can do to influence the economy through its policies is indeed very limited. With such limited influence, what count most are the attitude, policies and measures adopted in the Budget for maintaining sound public finances. This is related to the stable operation of the linked exchange rate system and will also affect Hong Kong's sovereignty credit rating, the financing ability of the economy as a whole and the confidence of local and foreign investors in Hong Kong. Therefore, despite its limited influence in the economy, the Government must, as a prime task, take steps to ensure our public finances in a sound position in the long run. The Budget also explains the economic role of the Government; I think the explanation is basically reasonable, and there is also a need to spell out the Government's role clearly. Of the five aspects of this role, the first four are connected with maintaining an institutional framework, providing infrastructure investment, upgrading the quality of our human resources and the securing of more favourable market access overseas. These are no new policies. They are in fact the basic tasks that the Government must undertake, tasks that have already been undertaken by the Government of the Hong Kong Special Administrative Region (SAR). The fifth aspect concerns the taking of appropriate measures to secure projects beneficial to our economy as a whole when the private sector is not ready to invest in them. This is in fact a policy statement summing up the whole series of endeavours of the SAR Government to encourage and lead our economic restructuring. It also sets down a principle governing further attempts to foster economic restructuring and promote

industrial and commercial development in the future. As far as I can imagine, projects that need to be secured should refer to capital-intensive infrastructure projects. The Government's past investments in railway and airport projects fell this category, and so too do its future investments or joint investments in convention and exhibition facilities. The Government's participation in these projects will not lead to too many arguments in the community, and the only concern is whether its participation is active enough. As pointed out by some Members, some foreign media have made criticisms against the economic role of the Government as depicted by the Financial Secretary, and they even described the announcement day of the Budget as the darkest day ever for Hong Kong. Such responses are far too dogmatic and demagogic, and one cannot help questioning the underlying motives. All these criticisms are largely unnecessary indeed.

The Budget puts forward three five-year objectives to improve public finances, namely, the restoration of balance to operating accounts, the restoration of consolidated balance and reducing public expenditure as a share of the GDP to less than 20%, and lists a whole series of projection statistics about the next five years, in an attempt to provide a basis on which members of the public may think about the policy of restoring fiscal balance. But it should be noted that all these projection statistics are based on assumptions susceptible to rather big variations: an annual GDP growth of 3%, an investment income rate at 4% this year and at 5.5% for the remaining four years, an annual revenue from land sale proceeds at 2% of the GDP and a total revenue of \$25 billion from the sale of government assets. Since public finances are tight, and also since the prospects of economic recovery are still uncertain against continual deflation, the need for adequate and prudent assessment of these assumptions is especially obvious. On the other hand, while pinpointing our fiscal problems and the directions of seeking solutions, the Budget this year has not put forward any specific measures to create new sources of revenue and reduce expenditure. The only measure in this respect, as also mentioned by some Members, is the pay cut for civil servants by 4.75%, which is again an assumption based on the operation of the existing mechanism. If the economy fails to recover satisfactorily in the next five years, it will be rather difficult to achieve the three fiscal objectives mentioned above. As far as actual frugality is concerned, what the SAR Government is facing now is a situation quite beyond its own control, and this applies to the three policy areas of housing, health care and social welfare, which occupy as much as 34% of the total public expenditure. The issue of health care reform has been discussed for a very long time, but no progress has been made

so far, with the result that the Government still remains almost the sole provider of health care services for all in the community. What is more, the expenditure on social welfare also lacks the flexibility to adjust in tandem with the overall conditions of the economy and the income levels of the people, which means that there is still a need to conduct a more practical review. If we are to restore the structure of public finances to normal, a lot more long-term and targeted work has yet to be done in respect of these policy areas, which actually fall within the definition of social welfare in the broad sense. Civil service pay cut is a complex and difficult task. The reason why the Budget focuses on it as a means of restoring fiscal balance in the medium term may perhaps be that difficult though it is, it is still considered the most expedient way to achieve the desired purpose. But any way, the relevant proposal does pinpoint a rather conspicuous structural problem with the Government's management of public finances. I trust that as long as civil service pay cut is handled under a reasonable mechanism and through reasonable channels, the community will likely render its support. And, I believe the public would also expect to see further improvements to the mechanism for adjusting civil service salaries in the long run, improvements that can reduce complex and mechanical rules of the old, that can bring forth a streamlined mechanism with higher clarity and efficiency.

Amidst tight finances, the Budget proposes to lower the appropriate level of fiscal reserves to a level equivalent to 12 months of government expenditure, so as to make available an additional sum equivalent to six months of government expenditure. This can provide room for making up for the deficits in times of difficulties, reducing the pressure of tax increase under the existing tax regime and even providing certain tax relief. I am of the view that the Government may make use of the fiscal reserves in times of particularly severe economic and financial hardships — after all, this is precisely the function that fiscal reserves should and must perform. And, when the economy improves, the level of fiscal reserves should be raised again gradually. For the sake of long-term financial security, the accumulation of fiscal reserves to a level higher than that of 12 months of government expenditure should still be allowed. The maintenance of fiscal reserves equivalent to 12 months of government expenditure should not be regarded as a rigid indicator that determines the levels of public expenditure in the future, nor should we think that once the fiscal reserves grow bigger than 12 months of government expenditure, the Government should spend more. After all, the most important point about prudent fiscal management should be appropriate and reasonable public expenditure, and government expenditure on health care, housing, social welfare and other areas should be basically in line with the real and nominal growth of the economy.

The Budget also puts forward quite a wide range of measures to relieve the plight of the people at this time of economic difficulties. They will help both the common masses and the industrial and commercial sector in some measure. And, I am also pleased to learn of the Government's implementation of a Youth Work Experience and Training Scheme through the provision of training subsidy. Actually, the Scheme is very similar to a concept suggested by me out of a concern about the unemployment problem and for promoting the employment of local domestic helpers — the provision of wage subsidy to local domestic helpers, so as to encourage low-skilled workers becoming unemployed in the course of economic restructuring to take up this occupation, and also to encourage more employers to take on local domestic helpers. That way, this largest occupation in Hong Kong, an occupation that can accommodate the largest number of workers, will be able to offer more job opportunities to local workers. This is tantamount to providing a greater number of on-the-job training opportunities, something which can assist hundreds and thousands of retrainees in seeking new jobs, thereby improving the local employment situation. If the Government can make such a commitment in the Budget to assisting youngsters in securing employment, I believe that it can and should make a similar commitment to assisting local low-skilled workers in getting jobs in the domestic helper market. This is also entirely in line with the idea of the Financial Secretary to promote local community economy and boost local economic activities.

Madam President, I so submit.

**DR PHILIP WONG** (in Cantonese): Madam President, the Chinese General Chamber of Commerce, which I represent on the Legislative Council, thinks very highly of the Budget announced by the Financial Secretary a couple of days ago. It considers that this is a people-oriented Budget with the theme of saving expenditure, a Budget which can both reflect the aspirations of the various sectors and cater for the interests of all sides. Given the huge fiscal deficits, I think the Budget is worth supporting, as the Financial Secretary can still appreciate the hardship of the people and the industrial and commercial sector, make the most use of government resources to relieve the people's plight, offer relief in taxes and fees and charges and come up with a new mindset of restoring fiscal balance and promoting economic growth while seeking to control government expenditure.

I think we should note one point and that is, this Budget is different from past budgets in one respect: the problem of structural fiscal deficits was never admitted in the past, but in this Budget, the problem is admitted together with a clear and thorough depiction of the adverse financial situation to enable the Government and the people to offer their own views and play their own role in solving the problem. This is something that a responsible government should do, that should be welcomed by us.

Actually, the problem of fiscal deficits is not the result of a temporary imbalance between revenue and expenditure. Rather, it is a structural problem that has been in existence since many years ago. From the early 1990s onwards, the British Hong Kong Government started to make continuous efforts to narrow the already narrow tax base, to make more and more handouts in the form of social welfare, to inflate the establishments of the Civil Service and subvented organizations, and to blow up the bubble of the property market. All this was aggravated by the financial turmoil, and Hong Kong has thus become seriously sick, sustaining even some structural injuries. It will simply be impossible to cure all these sequels if we continue to turn a blind eye to them, thinking only of embellishment. Ailments must be given proper attention, and determined efforts must be made to cure them. It is indeed very good that the problem is now pragmatically and frankly admitted, because the right remedies can then be prescribed. But we cannot expect to solve the problem in a short span of just one or two years. It will already be a rare achievement if we can manage to reduce the share of public expenditure in the GDP to less than 20% and thus solve the problem over five years or a longer period of time.

We can see that the incumbent Financial Secretary has not blamed anybody for the structural deficits accumulated over so many years. His gentlemanly manner is really praiseworthy. It can be expected that in the course of economic restructuring and the self-perfection of the Government, there will still be more far-reaching reforms to implement, more challenges to face, more pains to endure and more conflicts to resolve. I hope that all Hong Kong people, including all civil servants and the industrial and commercial sector can seek to have a clear and proper understanding of the structural fiscal deficits and even the structural economic problems. It is also hoped that everyone can support the Financial Secretary's appeal and work with the Government to overcome our difficulties, because the effects of the Government's unilateral efforts are bound to be limited. To achieve the desired objective, we must rely on the teamwork and concerted efforts of all in the community.

The second point I wish to raise is that only self-confidence can make self-strengthening efforts successful. As Members know, the economy of Hong Kong is quite externally-oriented, and because of this, it is often susceptible to the influences of outside factors. In the past, the economy of Hong Kong sustained many blows, but every time, it managed to overcome all the dangers and difficulties. One important reason for this was its people's unswerving confidence that enabled them to work pragmatically, to turn challenges into opportunities, and to open up new horizons against all adversities. Despite the very poor conditions in Hong Kong now, many people still have the will to struggle and adapt for survival. It is very encouraging to see that what made the Hong Kong success in the past has manifested itself once again now.

I agree with the Financial Secretary that Hong Kong possesses strengths in terms of geographical location, institutional framework, talent and business base, which can enable us to foster the development of financial, logistics, tourism and industrial and commercial services. I also agree with him that we should promote local community economy and boost domestic consumption. Actually, the enhancement of Hong Kong's role as the intermediary of China's convergence with the world and the acceleration of the economic integration of Hong Kong and the Pearl River Delta are all beneficial to the 6 million or so people in Hong Kong. Following its accession to the World Trade Organization, the Mainland will further intensify its reforms, open up its market and take part in the competition of the world market; this will lead to changes in the functions of the Government. All this, together with the hosting of the Olympic Games, its application for organizing the World Expo and the massive development of its western provinces, will definitely bring forth more business opportunities for various trades and industries in Hong Kong and lead the Asia-Pacific Region in its economic recovery. I think this Budget is able to paint a clear picture of our peripheral environment, focus on our long-term development, take account of the current realities and rely on revitalizing the economy as the ultimate solution to defusing the fiscal deficit crisis. This is far more meaningful than simply juggling with a few statistics and projection data.

The third point I wish to raise is about the civil service reform. For a long time, our civil servants have been making significant contribution to our economic prosperity and social stability. But while we focus on the achievements already made, we must also note that many drastic socio-economic changes have occurred, and we must therefore increase our crisis awareness and

remain alert all the time. Despite the current economic difficulties and financial pressure, it is still very difficult for the Government to solve the problems by increasing taxes, issuing bonds or drawing on fiscal reserves. The only thing it can do is to control expenditure by rationalizing its own set-up, saving public money and minimizing wastage. In order to gradually remove the structural deficit over the next five years and eventually restore fiscal balance, we have no alternative but to conduct a review on the Civil Service and subvented organizations in respect of their structures, establishments, work procedures, salaries, fringe benefits and allowances, and measures on "slimming", "downsizing" and "value enhancement" must be implemented to improve quality, raise efficiency and keep abreast of developments and people's needs. I believe that the Government will be courageous and enterprising enough to work proactively and prudently to gain the initiative of structural adjustments, so as to create a new style of administration. I also believe that our civil servants, being a dedicated team with a high sense of mission, will stick to their duties with compassionate understanding, demonstrating to the community that they are prepared to uphold Hong Kong's interests, stand beside the people in times of difficulties and work with the Government with one heart.

Over the years, there has been a safety net that provides basic social security in Hong Kong. I think the Government should stick to the traditional Chinese wisdom of trying more to help people in difficulties stand on their own feet again instead of trying directly to eliminate the poverty they experience. Specifically, it should appreciate the plight of the vulnerable members of the community and provide assistance to the needy, with particular emphasis on intensifying the efforts to assist the poor in terms of education, knowledge acquisition and mental support. I very much support the allocation of \$ 400 million by the Budget for the purpose of implementing a Youth Work Experience and Training Scheme. At this time of high unemployment, the Government should, as quickly as possible, offer a helping hand to the "non-engaged" young people who are jobless and who have dropped out from school. These young people should be offered training and counselling and assisted in equipping themselves with the necessary knowledge to change their course of life. It is hoped that the various government departments, the education sector and the relevant industries can all work together to make this Scheme a success, so as to perfect the existing safety net and reduce the proportion of the vulnerable in the population of Hong Kong.

Thank you, Madam President.

**DR RAYMOND HO** (in Cantonese): Madam President, like many people in Hong Kong, I welcome the fact that despite the huge fiscal deficit, the Government can still take account of the sluggish economy and refrain from proposing too many new taxes or tax increases in the Budget. The Financial Secretary has reiterated that the Government will not introduce a Goods and Services Tax while there is a downswing in the economy, and I would say that this decision is entirely in line with the current economic conditions of Hong Kong. What is equally delighting is that the Financial Secretary has responded positively to many of the consensus proposals made by cross-party coalition of this Council on relieving the people's hardship, some examples being the reduction of rates payments, water and sewage charges as well as the trade effluent surcharge, the waiving of the business registration fee and the freezing of government fees and charges. All this can be described as the Government's attempts to ride out the storm together with the people.

In regard to government expenditure, there will be a real growth of 2% for 2002-03, amounting to \$259.8 billion. Of this, \$204.9 billion is recurrent expenditure, an increase of 5% when compared with that of last year; the amount of non-recurrent expenditure will be \$49.4 billion, representing a growth of 21% when compared with that of last year. There will also be a growth of 15% for infrastructure expenditure, amounting to \$28.5 billion. Since this figure does not cover the expenditure on works related to the already finalized \$200 billion railway construction projects, the relevant increase in expenditure can aptly reflect the Government's awareness of infrastructure construction as an important means of boosting the economy and increasing Hong Kong's competitiveness.

But if the desired effect is to be achieved, the Government must speed up the implementation of the infrastructure projects. The Financial Secretary has said that the Government will streamline its administrative procedures to shorten the time taken for these projects from 10 years as originally scheduled to six or seven years, but I am sure that as long as the Government can take serious steps to streamline its administrative and land resumption procedures, the construction time can in fact be further shortened to four or five years.

In addition, apart from splitting up these projects as far as possible, the Government should also launch a greater number of small-scale projects to benefit more local companies and in turn create more jobs. I also hope that the proportion of actual expenditure on works in the overall estimate of

infrastructure expenditure is not overestimated. According to a survey conducted by the Legislative Council Secretariat, in the past few years, the Government's estimates of works projects expenditure were often inaccurate, and its funding applications made to the Finance Committee of the Legislative Council were often much higher than the actual expenditure in the end, by as much as 30% sometimes. The problem is really very serious, and the Government must rectify the situation.

The authorities concerned should really make improvements and prepare their estimates on the basis of prices closer to the market levels, so as to avoid any repetition of overestimated works costs. In cases where new items have to be added to works projects already in progress, the Government should not award the relevant contracts to the existing successful bidders, so as to avoid doing injustice to other contractors, because such a practice is equivalent to barring them from taking part.

At the same time, the Government should consider the wider application of the "Build, Operate and Transfer" arrangement, so as to encourage more private companies to make investments and take part in the infrastructure projects of Hong Kong. This arrangement can reduce the Government's financial commitment to these projects on the one hand, and induce a more effective development of our infrastructure facilities on the other.

The Budget also proposes to increase the recurrent expenditure on a number of livelihood related areas — education by 8%; health care by 3.6% and social welfare by even 9%. Government finances are now so tight, but the Financial secretary is still willing to inject more resources into these livelihood related areas; it is indeed very wise of him. Moreover, the \$400 million allocated for the launching of the Youth Work Experience and Training Scheme is also very meaningful. Having said that, however, it must be added that while the Government injects such enormous resources into these areas, it should at the same time pay attention to the issue of effectiveness. In the case of education, for example, the Government has in fact been incurring huge expenditure, but the results have not been as satisfactory as desired, and the relevant policies are too loose and lacking in any definite direction. In 1998, the Government vigorously implemented mother-tongue education, but at the same time it permitted 110 schools to use English as the medium of instruction. Then, not too long ago, it launched a supplementary scheme allowing Chinese medium schools under the mother-tongue teaching scheme to offer a cross-discipline

curriculum taught mainly in the medium of English. The policy is so confusing that schools are at a loss as to what they should do.

Another example which warrants our concern is the training of information technology (IT) talents. Despite its ongoing efforts in this respect, the Government has failed to do well in the co-ordination work relating to the quality assurance and monitoring of IT courses offered by tertiary institutions. It is imperative that the authorities concerned step up their communication and co-ordination with recognized institutions responsible for assessing tertiary courses, such as the Hong Kong Institution of Engineers.

The Government must realize that in the field of education, as in other areas, the injection of huge resources in the absence of an integrated policy objective may well turn out to be just a waste. Besides, the lack of a clear policy direction will also weaken the effectiveness of monitoring.

To increase public expenditure while reducing the fiscal deficit, the Government must create new sources of revenue and cut its expenditure. However, I have some reservations about the Financial Secretary's assumption on reducing the civil service pay by 4.75%. Although he explains in the Budget that this assumption is based on the cumulative rates of pay increases for different ranks of civil servants since July 1997, the making of such an assumption before the release of the pay trend survey findings in May this year will easily give the public, especially those to be affected, the impression that the Government has reached a pre-determined decision, instead of making a decision only after considering all factors under the existing mechanism as claimed by it.

Viewed from a more practical perspective, a civil service pay cut will inevitably affect civil servants' morale, and the losses may well outweigh the gains. I am of the view that it is more desirable to continue to freeze the salaries of civil servants, and the Government can actually adopt other means of increasing revenue and cutting expenditure to solve the problem of fiscal deficit.

With respect to the creation of new sources of revenue, the Financial Secretary again raises the regulation of soccer betting in the Budget. This issue has actually been discussed for a very long time, and a consultation exercise has also been conducted. Therefore, the Government should really make a decision as soon as possible instead of being so indecisive and putting up further delay on the excuse of having to conduct careful studies.

I also think that the Government should seriously study the listing of the Kowloon-Canton Railway Corporation (KCRC). Apart from lessening the Government's financial commitment to the KCRC, this can also give the KCRC more flexibility in raising capital and thus benefit its development.

On the fiscal reserves, the proposed level of being equivalent to roughly 12 months of government expenditure is quite appropriate, and should be able to cope with contingency needs. Under the current economic downturn, people may not necessarily support the Government if it sets too high a level for the fiscal reserves. And, while explaining how the Government is going to solve the problem of fiscal deficit, the Budget also sets down a number of medium-range objectives which can serve as important indicators. Some critics say that the Budget has not explained how these objectives can be attained, but I hope that this is only an attempt to allow a certain degree of flexibility instead of the result of any lack of detailed plans.

On the economic role of the Government, the Financial Secretary advocates in the Budget that the Government should try actively to create the conditions necessary for market development; I think we should support such an idea. Although some critics think that this actually means that the Government has already abandoned the policy of positive non-intervention upheld in the past, I must still say that the Government has never exactly refrained entirely from intervening in the market. It did put in place some policies to assist the industrial development of Hong Kong, one example being the construction of industrial estates.

I hope that the new role of the Government can give it more flexibility in formulating economic policies in future, especially industrial policies. The fact is that the Government has not been doing enough to promote the development of local industries, and it must therefore inject more resources in this, particularly in respect of IT, biotechnology and nanotechnology. The authorities concerned can also offer appropriate tax concessions to encourage private-sector organizations to increase their investments in research and development and enhance their connections with local universities in these respects. Besides, the Government can offer appropriate preferential treatment to foreign investors to encourage them to make investments in Hong Kong.

In regard to promoting our professional services in the Mainland, including the promotion of professional engineering services, the Government

can in fact play a more active role. Although Hong Kong professionals do enjoy many competitive edges in the Mainland, such as those related to language, geographical proximity and familiarity with the conditions there, individual professional organizations or chambers of commerce have still failed to achieve any significant breakthrough due to the lack of systematic co-ordination. Therefore, the Government should assume such a co-ordinating role. It should set up offices in mainland cities to promote our professional services, and it should also hire mainland citizens with knowledge of the conditions and business opportunities there to assist in the promotion initiatives.

The Government should also persuade the Central Government and authorities at various levels to open the mainland market to Hong Kong professionals. Since Hong Kong professionals are quite rich in international experience and exposure, they are often capable of co-operating with mainland companies in a complementary partnership. Whenever there is any large-scale project or development in the Mainland, such as the hosting of the Olympics in Beijing in 2008, top government officials should be assigned to lead high-level delegations comprising representatives of local companies on visits to the Mainland for the purpose of securing contracts for local companies. In fact, when the leaders of many countries and places visit China, they will do similar lobbying work for companies in their respective countries and places.

Madam President, the revitalization of local industries and the outward promotion of local professional services will definitely help bring our economy back to the path of recovery, which will automatically solve the problem of fiscal deficit. With these remarks, I support the Appropriation Bill 2002.

**MISS CHAN YUEN-HAN** (in Cantonese): Madam President, I may perhaps say a few words on how I tentatively feel about the Budget announced by the new Financial Secretary.

Those of us who are involved in grass-roots labour affairs do have some doubts, as the Budget touches upon two issues which we have been talking about for years. During our discussions with the Government, especially with government officials responsible for financial matters, we have never heard anyone explain the role of the Government as clearly as this time around. In this Budget speech, for example, when it comes to the role of the Government in the economy, Financial Secretary Antony LEUNG says, "Some may have the

impression that, to maintain Hong Kong's economic freedom, the Government should be passive and distance itself from the economy." And, he goes on to say, "I disagree. I am of the view that the Government should have a clear vision of the direction of economic development and be a proactive market enabler." Furthermore, in the fifth point under this same paragraph, the Financial Secretary also says, "considering the need to take appropriate measures to secure projects beneficial to our economy as a whole when the private sector is not ready to invest in them." Madam President, we have been talking about all this for years, but the Government has invariably said "no" all the time. And, whenever we raised this point with the last Financial Secretary, sparks would be flying. But surprisingly, this point has now been raised by the new Financial Secretary, so we simply cannot help asking whether what he says is really true. Let me now talk about how we feel. We feel as if we were having a game of chess with the Financial Secretary. Is what he says really true? Is all this just a kind of pretence, or has the Government truly realized the realities of society?

In connection with the second question, the Financial Secretary touches upon a neologism which has recently become the subject of extensive debate in society: local community economy. I am sure that Members of this Council know very well that the Hong Kong Federation of Trade Unions (FTU) has always maintained that the unemployment problem confronting Hong Kong now is structural. The solution to this problem must be diversified developments, one of which is precisely the development of local community culture economy. The Financial Secretary does not quote that term in full and just refers to "local community economy". This is very good already, and he has even devoted a whole paragraph to it. We doubt whether the Government really admits that while developing high technology, Hong Kong still needs to develop another kind of labour-intensive industry. It seems that the Financial Secretary has not explained anything in this connection. We have observed for one month and discovered something very interesting, something that seems to be both real and unreal. That is why I say that we are having a game of chess with the Government, and this is the other doubt we have about the Budget.

Earlier on, I once talked to the Financial Secretary about our doubts about the Budget, because we wished to find out the "truth". I think that if the Government really accepts the views expressed by us in the past about the problems of Hong Kong, it must provide some theoretical back-up; if the Budget touches on the two issues of the Government's economic role and local community economy, a theoretical framework should be advanced as a kind of

support. How does such a theory compare with those advanced by local academics such as Mr TSANG Shu-ki and Mr TANG Shu-hung? With the current economic restructuring, do we need a binary economy or a dual economy? Well, it is not as simple as either we say "yes" or "no". Therefore, we are still observing and hope that the Government can continue to lead our development on the needs of society.

Madam President, as Members can see, both the Financial Secretary and the Secretary for the Treasury have revealed the full financial picture to us. This has produced a side-effect of causing panic in society. Recently, we have been holding residents' meetings every evening, and we find that the Secretary for the Treasury's allusions to future deficits, to Hong Kong having to borrow money to make ends meet and the difficulties mentioned by the Chairman of the Advisory Committee on New Broad-based Taxes have scared the people. This is in fact as it should be. In the past year (2001-02), our fiscal deficit was \$65.6 billion, and that of this year is some \$4.5 billion. If the situation continues ..... I mean, even the Government will run into the red. I think it is good for the Government to reveal its full financial picture to us. The Government has offered a pragmatic explanation that the deficit is mainly caused by the over-reliance on property development in the past. In addition to this, owing to the Government's belief in non-intervention and the consequent lack of any strategies to attract investments, our manufacturing industries have been continuously moving outward and we have also be unable to attract new investments. Therefore, although the Government has been crying out at the top of its voice that it intends to set up a traditional Chinese medicine port, an innovation and technology centre, a Cyberport, and so on, people simply feel that all this is nothing but empty talks. In other words, they doubt whether there can be any positive results. There has recently been news that the occupancy rate of the Cyberport is extremely low. This is really a big shock to us. We have sustained so much losses. What are we going to do?

All this can obviously boost neither the economy nor employment. We notice that the problem of unemployment is no longer confined to the grassroots; recently, even back-end clerical jobs are moved away from Hong Kong. Our middle management personnel and grass-roots workers are both faced with layoffs and wage reductions, and our industries simply keep on vanishing, and so do our jobs. This will directly affect government revenue. On the one hand, we notice that the property market, on which we used to rely, is plagued with problems, and this has affected the structure of our economy as a whole, leading

to economic restructuring. The Government, the Financial Secretary and the Secretary for the Treasury have all admitted that the revenue from both direct and indirect taxes have thus dropped drastically, leading to the present problem of huge fiscal deficit. We suppose we will be very delighted if the Government can really take pragmatic steps to address the problems squarely and readjust all of its strategies, that is, if all our doubts mentioned just now can be dispelled by concrete measures, because this will mean that the Government will readjust its role.

In the past, we enjoyed a unique, natural advantage. In the whole of Southeast Asia, Hong Kong offered the most secured environment for investments. We also benefitted from China's reliance on us as its main export centre and from its tense relationship with Taiwan. We had a unique, natural advantage because even without any efforts on our part, many people still came to Hong Kong to make investments. However, over the past decade or two, the people of Hong Kong have been carried away by the property market, with the result that others are by now able to compete with us following continuous development. Given such changes, if the Government still clings to the policy of positive non-intervention, Hong Kong is a dead duck.

Thank goodness, it appears the Government has now learnt from the bitter experience, saying that it intends to play a role in the economy. As for the development required, some in the community have been advocating a binary economy. But does the Government really think so? As early as 1998, the FTU already told the Government of the Special Administrative Region (SAR) that steps must be taken to deliver Hong Kong from its existing predicament. Such a predicament is not just about the unemployment of wage earners but also the prospects of Hong Kong in the future. That was why we put forward an economic development strategy based on the creation of jobs. We raised it one time, two times, 10 times and even 20 times, and we met with government officials at every level, including the Chief Executive, but we were turned down every time, failing to get any positive response. They just kept on assuring us things would be fine when the economy picked up.

However, the realities have proven them wrong. That is why the Budget seems to have incorporated our ideas, and there is now a role for the Government in the economy. Madam President, this makes us very delighted. But is all this really true? I also wish to ask whether the development of local community economy will constitute another component of the economy, because if that is the

case, it is no longer simply local community economy. Some may ask what I mean by local community culture economy. What is local community economy? Some people do not understand what I have put forward.

In fact, strictly speaking, the Government is obliged to show people the whole underlying concept. A sole reliance on high technology to boost employment — just to quote what Charles CHAPLIN said to describe the situation in the 1940s and 1950s — is unlikely to help. As we can all notice, the development of high technology will inevitably bring forth a drastic reduction of jobs. What the Government must tackle is the employment problem of some 3 million people in Hong Kong, in particular the employment problem of some 2 million people aged above 15 with an education level below Secondary Three. Discounting school children and the elderly, there are still some 1 million people in need of employment. What are we going to do? I am of the view that we need one more strand of economic development, and this must encompass a rich variety of activities that may cover, whether Members agree or not, labour-intensive tourism-related industries, the natural ecology, heritage and relics, and even tourism-related industries with local colours. In brief, the range can be very wide. But what is the underlying concept of all this? The Government has failed to tell us anything in this connection.

I also wish to say that it is not at all impossible to develop another realm of economic activities under our existing economic structure. In the existing economic structure, there are still many types of jobs at the mid- and low-streams of high-tech development. In January, two factories moved out of Hong Kong, and I thus debated with Mr TUNG and Mr CHAU Tak-hay, asking them whether the Government could formulate some taxation measures to encourage people to come to Hong Kong for investments in the mid- and low-stream processes of information technology. In January, Motorola and Citizen moved out of Hong Kong. Can we put in place some taxation measures to attract these investors? How should we treat the relevant industries?

Hong Kong possesses many cultural characteristics of the East and the West, but many community economic activities, such as cafeterias serving "stocking tea" and other activities with local colours, will simply vanish in the wake of urban renewal. I hope that the Government can give us a full picture of its concept, tell us whether it plans to develop another realm of economic activities while developing high technology. This is far better than making us guess its steps as if in a game of chess. Even the Honourable Mrs Selina

CHOW thought just now that the local community economy we talk about involves nothing but hawking activities. This is really a kind of misunderstanding which reflects people's superficial knowledge about the concept. I think the Government is duty-bound to give people a full picture of the concept. The Government can simply admit that it intends to develop a binary economy, but in that case, it must give us a full picture of the concept. We think this is far better than getting different interpretations from government officials at every level whom we approach. I think if the SAR Government really wishes to implement "Hong Kong people ruling Hong Kong", to implement the accountability system for senior government officials, it must demonstrate the enterprise required.

Madam President, what is said in the Budget is very vague, but we still wish to express our welcome, and I also hope that the Government can respond to our appeal and give us a full picture of the concept. If the Government thinks that it does not have any professional expert except Government Economist TANG Kwong-yiu, it may ask people like Mr TSANG Shu-ki and Mr TANG Shu-hung, who are interested in binary economy, to explore the matter with it, and it may also ask me and the FTU in the labour sector to take part. This is better than keeping us in the dark about the whole concept. Honestly, the present situation also makes things very difficult for government officials. This is my personal opinion.

Moreover, Madam President, I also wish to tell you that I have been holding residents' meetings for more than 10 evenings in a row. I have to hold one this evening, because the meeting yesterday evening was postponed to this evening because of the rain. I am sorry, Madam President, I will have to leave very soon. Following all these meetings, I wish to tell the Financial Secretary that he is really something, that he has done so very well in this game of chess. Mr Jasper TSANG said that he was not afraid of playing a game of chess with him. But I must say that he is really something. The residents of every housing estate have become the same in their attitude towards the legalization of soccer betting, the Boundary Facilities Improvement Tax (*de facto* land departure tax) and the imposition of casualty ward charges or other medical charges. This explains precisely why I think that the Financial Secretary is really something — he has succeeded in scaring all people in Hong Kong. In every housing estate, there are always 20% to 30% of the residents who will say, "Yuen-han, just let him increase the fees a little bit!" But I always reply, "Don't let him have his way." Every evening, the Honourable CHAN Kwok-keung and I will be doing the same thing, asking residents to vote by a show of

hands. So, Dr YEOH Eng-kiong should be very delighted, because even the imposition of casualty ward charges is now supported by 30% of the residents. I think that this is really something.

There is one thing I find very interesting, though. All residents oppose any government attempts to change the Old Age Allowance (commonly called the "fruit grant"). (Mr CHAN Kwok-keung have attended all these residents' meetings with me.) In every housing estate, practically all residents vote by a show of hands against any government actions in respect of the Old Age Allowance. They all say that the Old Age Allowance is some sort of a social rebate as recognition of the past contribution of the elderly. Secretary YEOH, please stop playing any tricks now. This will scare the elderly, many of whom actually had to walk to the meeting venues on crutches. Since rules are already set down to require old people aged between 60 and 70 to be means tested, and also since those aged above 70 are exempted, I see no reason why we should not adhere to the rules. Honestly, one aged 70 is already in his twilight years. These old people made a lot of contribution to Hong Kong in the past, so why should anyone try to scare them now? I wish to stress once again that the residents of 15 housing estates (actually, not only 15 housing estates, because a meeting held in one housing estate was often attended by many from other housing estates) all oppose any government attempts to impose restrictions whenever they talk about the Old Age Allowance. Madam President, I have promised the residents to take this message to the Legislative Council, which is why I have spent a bit more time on this issue.

Besides this issue, I also wish to say a few words on civil servants, whom I am very concerned about. Why should civil servants be required to accept a 4.75% reduction of their salaries? I must say that the Government has indeed exerted its very powerful influence here. In the past few years, perhaps because of poverty, housing estate residents would argue with me whenever we discussed this issue. This is not anything new and could already been noticed in the residents' meetings on the policy address last year. But I think that when faced with this, the Government should really look again at the situation from 1995 to 1997. It was the consensus of society at that time that it was most important to rely on civil servants to maintain the stability of Hong Kong as the reunification drew near. Why is it that the Civil Service was then considered so very important but is now claimed to be having so many problems? In particular, there is now a mechanism for pay adjustments within the Civil Service; so, why has it been said so early that the salaries of civil servants will

have to be cut by 4.75%? Why should the Legislative Council be asked to legislate on this? I very much agree with Mr CHAN Kwok-keung that we now already have a mechanism which can be described as a system of indirect collective bargaining. Why must we enact legislation to abolish this mechanism? We do not agree to such an action. Since there is a mechanism, we must adhere to it. The Government fears that without legislation, they may be lawsuits. Well, why does it not wait until there is really a lawsuit? And, well, I must say this is just the concern of the Government, not that of the Legislative Council anyway. Since there is a mechanism, it should be respected.

All housing estate residents say that they support a civil service pay cut, but when it comes to the problem of "fattening the top at the expense of the bottom", they will think differently. Many reporters asked me earlier today about the accountability system for senior government officials, about the "3 + 11" arrangement. I asked them in return, "What are we going to do with the existing Bureau Secretaries? What about the expenses required?" I also asked them, "Will this lead to the problem of "fattening the top at the expense of the bottom?" The residents are asking the same questions. If the civil service pay cut results in the problem of "fattening the top at the expense of the bottom", I am sure that the whole thing will change to another issue of a different nature. When we put forward the civil service reform several years ago, we noticed that civil servants were supported by the community. I must emphasize that in many residents' meetings, all residents in fact stood firmly on the side of civil servants whenever this issue was raised.

Thank you, Madam President.

**MR ALBERT HO** (in Cantonese): Madam President, the maiden Budget announced by the Financial Secretary is an indication of the fiscal objectives of the TUNG Chee-hwa administration in the next five years. Although the short-term relief measures proposed by the Financial Secretary have won the support of the community, I am nonetheless worried about and disappointed by his long-term fiscal objectives and strategies. Before the announcement of the Budget, the Government attempted to create a sense of fiscal deficit crisis in the community, saying that all our fiscal reserves might be depleted by 2008-09, and that 20 years later, Hong Kong might have to shoulder a debt of \$3,000 billion. Based on this projection, the Financial Secretary proposes various measures in the Budget to drastically reduce government expenditure, stating his intention of

restoring fiscal balance. I think what is more important is that he actually wishes to achieve the objective of small government by means of suppressing government expenditure. I opine that the Government's deficit projections are far too pessimistic, verging even on demagogue. In the following part of my speech, I shall raise my doubts about the projections and assumptions relating to the so-called structural deficit. The deficit this year is \$66 billion, with the revenue from land sale proceeds going down by almost \$20 billion, looking as if this was the main cause of the deficit. But we must note that although land prices cannot be expected to return to the levels in 1996-97, the revenue of \$8.5 billion is still obviously unusually small. This amount seems unable to reflect the effects of normal market operation and adjustments, and one may even sense that this is the result of the oligarchic control and concerted pressure of major property developers. A couple of days ago, the Chairman of the Real Estate Developers Association of Hong Kong even openly appealed to property developers, asking them not to "mark-out" any land. At the same time, the Government also put up only a very small quantity of land for auction. The combination of these two is already able to make land prices go down drastically. The collusion of the Government and property developers has become increasingly mature, and the suspension of sales of Home Ownership Scheme (HOS) flats can aptly show that their co-operation is almost perfect. The Government projects that the revenue from land sale proceeds will rise to \$25 billion next year. Some dismiss this projection as too optimistic. But I believe that since the property market will continue to be an important segment of the local economy, this projection is not at all pessimistic.

According to the Government's estimation, the drop in profits tax revenue from the property industry and the banking sector is mainly caused by the structural factor of falling land prices. The Government seems to have failed to seriously analyse the basis of this estimation; it has overlooked most cyclical factors causing the economic recession, and the projection is thus far too simplistic. With falling land prices, the land purchase costs of property developers will go down correspondingly, so I believe that once the economy recovers, the marginal profits of property development and other related industries will restore to normal.

The Government's projection of investment income also involves a tautological error. Investment income represents roughly 20% of tax revenue. Based on the assumption that there is going to be deficit every year, it can of course be deduced that the fiscal reserves will shrink, thus leading to the

conclusion that investment income will fall correspondingly. It can be further deduced that fiscal deficits will increase further. In the end, investment income will become a kind of debt expenditure. So even in the absence of other factors, the Government will be thrown to the edge of bankruptcy. What is more, the accession of China to the World Trade Organization, which has been hailed by the Government as a factor beneficial to our prospects, is now being depicted as a negative factor causing losses in tax revenue and structural deficits. In fact, the Chief Executive has repeatedly said that our economic prospects should be very optimistic, because we have the economically advancing Mainland as our hinterland. It is therefore very puzzling to hear of such a negative assessment now.

However, we must always deal prudently with the social costs of drastic suppression of government expenditure, whether there is really a deficit crisis, and no matter how huge the deficits are. Already, Hong Kong is deprived of any monetary policy to regulate the economy. That being the case, if further constraints are imposed on our fiscal policy, how can we possibly promote economic recovery and development? The Government stresses a fiscal deficit crisis, but I would think that the existing economic contraction and social imbalance are posing a far more pressing crisis. The Government's control of its expenditure, its enhanced productivity programme and the lump sum grant arrangement have all seemed to cause a decline in the quality of public services. Besides, there is also a shortage of resources required for various crucial social investments such as urban renewal, green industries, higher education, and so on. Similarly, the care for the unemployed and underemployed, the elderly in need and patients of chronic illness is also extremely inadequate. Society today is already on the verge of instability, and the problems of wealth gap and impoverishment of the grassroots are worsening. The expenses incurred by the rich on just a ball game, a bottle of wine or an extravagant feast may well be as much as the income of a poor family for a whole month, or even two or three months. This is possibly the modern version of "wine and meat smelling foul behind the doors of nobles", but we certainly do not wish to see any "frozen dead bones on the road".

Actually, the Government should not point only at the fiscal reserves of \$370 billion and then hasten to say that our reserves can cover public expenditure for only 19 months. Disregarding the sum of \$230 billion or so needed for backing up our currency, the Exchange Fund is still left with \$300 billion for investment. Can the income from such investment be treated as part of our

fiscal reserves? What is more, even the interest income gained by this sum can already provide significant relief to our fiscal deficit. Therefore, I think that financially, the room of manoeuvre for the Government is actually much larger than what it has depicted.

On the economic role of the Government, the Financial Secretary has failed to highlight some of the very significant functions of the Government, such as the promotion of fair competition, the prevention of oligarchy, environmental protection and conservation, the protection of consumer rights, and so on. Also, the Government should not forget that it is the largest employer in Hong Kong, it possesses huge investment funds, and it is one of the largest consumers. This shows that the Government's policies on management of public finance can produce an immense bearing on the economy. For instance, in times of recession, it may employ positive and anti-cyclical fiscal measures which may help arrest economic decline and stimulate economic recovery. Therefore, the Government must never try to evade this very significant role of its in the economy.

With respect to housing, the bureau director under the future system will be vested with all the powers of formulating housing policies. What is more, as we can see that the executive authorities are expanding their powers incessantly, so it is believed that on such significant housing issues as land supply and public housing provision, the director under the future system will probably be able to totally ignore the people's representatives on the Legislative Council. He or she may even continue to work behind closed doors and make pre-emptive decisions. The Housing Authority, even if it is retained, will inevitably enjoy drastically fewer powers. Therefore, I personally dare not to be too optimistic about the accountability system for senior government officials. I do not think that this system can correct our housing policies and make them more reflective of social needs and public opinions.

The Secretary for Housing has in fact repeatedly made it clear that the Government will withdraw gradually from the housing market, and that it hopes to replace its housing construction role by one of cash assistance. This shows that the Government intends to abandon its important task of constructing public housing units and providing accommodation to the grassroots. I must stress that the Government's commitment in respect of public housing is very significant to improving the living conditions of grass-roots people. Looking back at 1967, after the riots, we see that the British Hong Kong Government vigorously implemented its public housing policy and sought to maintain social stability

through improving people's living conditions. Even the people now generally agree that the housing policy of the Hong Kong Government has been one of its most successful public policies over the past 20 years or so. Even the Financial Secretary has quoted the lyrics of the song "Under the Lion Rock" to boost the morale of the Hong Kong people in this time of predicament. But why is it that while the Government so encourages us, it at the same time tries to abandon its time-tested public housing philosophy and reduce its commitment to it?

The Government promises to provide 50 000 opportunities of subsidized housing annually, and that would cover the provision of HOS units and public housing units and home purchase loans. For HOS units, the Government has said that for the time being, it does not intend to abolish the HOS policy, but at this time when the suspension of HOS flat sales is about to come to an end, we see that the future supply of HOS units is likely to decrease very significantly. This will reduce the home purchase opportunities of the people, especially the lower-middle strata. The recent withdrawal of several HOS lots seems to be a step to pave the way for the reduction of HOS construction, or even the total abolition of the relevant policy. Moreover, I am also worried that the Government may gradually withdraw the lands for public housing in the urban areas and convert them for private development instead; this may force the grassroots to move to remote areas, thus aggravating the wealth gap problem. I am even more worried that slums may emerge in remote areas. I must stress that the HOS is the most important means enabling grass-roots people to buy their own homes, and thus, it must never be abolished. Instead, sufficient lands must be reserved in the urban areas for constructing public housing and HOS units.

In respect of loans, the Government proposes to maintain the annual quota of home purchase loans at the level of 15 000. Assuming that the average loan amount for each applicant is \$600,000, the total amount of loans every year will amount to \$10 billion. On the one hand, the Government is worried about the huge fiscal deficits, but on the other, it has decided to spend huge amounts of public money on tempting people to buy housing units. The "frugal" government of ours has refused to increase the "fruit grant" and help those with negative equity, and it also intends to cut the expenditure on health and tertiary education. But then, it is so generously providing huge financial assistance to home-buyers. Actually, the SAR Government is not so generous to the people, in particular the grass-roots people; rather, it is just working for the interests of property developers. This is absolutely not the proper behaviour of any people-oriented government.

If we look again at the three major objectives of the Government's housing policy, we will see that the "85 000" housing construction target is already gone, and the achievement of a 70% home ownership before 2007 has become a target that exists in name only. Well, concerning the last target of shortening the waiting time for public housing to three years, there is some hope of success, but the means employed by the Government is not an increase in public housing supply. Instead, it has twice tightened the eligibility for public housing by adjusting the income ceiling. As a result of the latest downward adjustment of the income ceiling, 6 500 families have lost their eligibility. With the continuous decrease in the number of families on the Waiting List, the waiting time will naturally be shortened. But this does not mean that the policy is successful. It is downright self-deceptive to focus only on the apparent success suggested by statistics and ignore the suffering of those families who were deprived of their eligibility after waiting for several years.

Madam President, the Budget this year brings about a number of short-term relief measures and wisely refrains from proposing any tax increases, which is why there has not been too much opposition from the community. But with respect to the principles of financial management formulated by the Financial Secretary for the future, I would think that they are overly conservative and passive, and I also think that he lacks the enterprise and vision required for making long-term social investments. I am afraid that this cannot enable Hong Kong to regain its glamour in the global economy. Thank you, Madam President.

**MR TOMMY CHEUNG** (in Cantonese): Madam President, with regard to the budgets announced by the Administration over the years, many people from the catering industry share the same view of mine that the increases in government fees and charges would invariably affect the industry, but reductions in government fees and charges will never benefit the industry. So we would be very happy if the increases in government fees and charges will not be so great for a particular year. Although I no longer operate any catering business now, I am still very happy when I see that my constituents can benefit from every one of the concessions and relief measures announced by the Financial Secretary. However, in the beginning I was quite upset when the Financial Secretary announced the increase in the duty rate on wine. Fortunately, after giving us a bowl of bitter Chinese herbal tea as it were, the Secretary then gave us a few bowls of dessert.

First of all, I would like to talk about this bitter bowl of herbal tea. I just fail to see why, in the face of such a stringent financial situation with a huge deficit of scores of billion dollars, and when concessions are offered to companies and the public which will lead to a reduction in revenue to the tune of \$6.4 billion, should the Government wish to raise the duty rate on wine to recoup a mere sum of \$70 million. Frankly, I think the catering industry would prefer a reduction in concessions to the tune of \$70 million in other areas, instead of seeing the duty rate on wine raised from 60% before 6 March to the present 80%. It is because this move is a very negative message sent to the catering industry, the tourist industry and other related trades.

A report in the *South China Morning Post* on 7 March said that a bottle of Jacob's Creek shiraz cabernet from Australia was sold at HK\$29 at the place of origin, \$52 in Britain, \$53 in the United States. It was sold at \$89 in Hong Kong before the duty rate was raised and after the rise, it will be sold at \$100. How are we going to remain competitive? After the rise in wine duty was announced, many people from the catering industry aired their grievances to me. They said that under the present economic conditions and weak consumption sentiments, they might not be able to transfer the full duty burden onto the consumers, fearing that their business will be affected. I think even if part of the duty is reflected in retail prices, it will still scare off the consumers.

To be frank, the increase in duty on wine will not affect most of my constituents, but it will deal a heavy blow to the business of restaurants and hotels in Central, Tsim Sha Tsui and Causeway Bay and such like busy areas. Just imagine, most of the tourists are business travellers who come here to attend conferences and exhibitions and when they spend and visit restaurants, they would choose wine from the wines list. For wines, the place of origin, year and price are easy to compare. They will know that wines are sold in other countries so inexpensively, but not so in Hong Kong. They will thus deduce that everything is expensive here. Both the Chief Executive and the Financial Secretary have repeatedly pledged that the formulation of fiscal policies will take into account the long-term and macro aspects of our economic development. I urge the authorities to make drastic moves to abolish the duty on wine. The catering industry does not often make requests for tax cuts, for example, we do not have a strong demand to lower the duty on liquors, for such beverages are sold in glasses and when the price per glass is raised a few dollars, the consumers will not think that it is expensive. But wines are sold in bottles and the effect of an increase in wine duty can be seen easily.

Some time ago I said to the Financial Secretary that I wanted to place a lunch as a bet to prove that I was right in saying that one year later the Government would definitely not be able to collect the expected \$70 million increase in revenue as a result of the increase in wine duty. The increase of duty rate on wine will only lead to a drop in revenue instead. When the Chief Secretary for Administration Donald TSANG was still the Financial Secretary, he once said that Hong Kong had the potential to become a centre for wine. I urge the Government to make a full-scale study of the impact on Hong Kong when the duty on wine is abolished. Apart from a reduction of \$200 million in revenue, I think the economic benefits and employment opportunities that this move will bring to Hong Kong should be far more than \$200 million. I suggest that the focus of the study should not be confined to calculations on the amount of revenue but on the overall economic benefits that a zero wine duty will bring to Hong Kong. These include increased job opportunities, the promotion of Hong Kong as a tourist destination, the attraction to foreign businessmen to come here to hold large-scale conferences and exhibitions, the extent of consumer satisfaction, and the feasibility and plan to develop Hong Kong into a regional centre of wine trade and a distribution centre for wine. I hope the Financial Secretary can give serious thoughts to this proposal.

As a matter of fact, the catering industry has always demanded the waiving of the wine duty. This is meant to make the industry more competitive and to prevent the millions of tourists who visit Hong Kong every year from having a bad first impression of Hong Kong, thinking that things are very expensive here. This is something which I will continue to fight for the industry.

I now turn to the desserts which the Secretary gave us in his Budget. There is a series of concessions on government fees and charges. These include waiving water and sewage charges for one year subject to the maximum amount of \$3,200 and \$800 respectively; waiving the business registration fees for one year at \$2,000; and waiving the amount of rates payable by \$5,000 for each rateable tenement. All these concessions will make a food establishment save \$11,000, when this is added to the 30% saving in trade effluent surcharge (TES), that will be a great help to operators of food establishments who may have to pay tens of thousand dollars or even hundreds of thousand dollars monthly in TES. As for families of workers in the industry, they can get a waiving of water and sewage charges at a total amount of \$1,000, plus reductions in rates payment. I would like to thank the Financial Secretary on behalf of the 200 000 employees in the catering industry.

I would like to point out that the catering industry is the industry which bears the most of the TES. Out of the total amount of revenue collected under this item, close to 88% comes from the catering industry. The proportion is much greater than the remaining 12% of revenue from the other 29 specified industries. The TES is really a great financial burden for the catering industry. Now for every cubic metre of effluent with a chemical oxygen demand of 2 000 gm, the food establishment is required to pay the TES. This standard is absolutely unreasonable. If food establishments exceed this standard, then they will be fined according to the stipulations in the environmental permit. The catering industry has repeatedly lodged appeals with the Drainage Services Department on the calculation of the TES, and over 90% of the appeals have won. This shows that our demands are justified. With the coming into force of legislation on effluent control and the greater awareness in the industry of sewage treatment and environmental protection, the concentration of trade effluent in the catering industry is reducing. We will continue to request the Drainage Services Department to reduce the TES to an acceptable level.

Although the Secretary has made a one-off reduction of the TES by 30% for this year, I would like to point out that no response has been made by the authorities with regard to a fair appeal mechanism which the industry has been fighting for over the past seven years. The costs incurred under this mechanism are \$20,000 to \$40,000 for each food establishment. But for over 80% of the food establishments, the amount is more than the amount of TES each food establishment pays annually. So more than 80% of the food establishments are unable to seek justice regarding the TES. Even if the food establishments treat their own effluent, they will not get any economic benefits from this. So there is simply no incentive to raise the environmental protection awareness in the industry. On the one hand, the "user pays" principle is adopted to ensure fairness, and yet on the other, fairness is neglected in the appeal mechanism. A speedy review of this situation must be made by the Government with a view to setting up a cost-effective appeal mechanism which is affordable to all food establishments.

As for government rates, I moved a motion in early February to urge the Government to waive the rates for the four quarters of the year 2002 to 2003 in an attempt to tide over the difficulties together with the public and alleviate their burden. In the Budget, the Financial Secretary decided to raise the maximum amount of rates waived from \$2,000 as announced by the Chief Executive in his policy address last year to \$5,000. Though the amount to be waived is two and a half times that of last year, it is still a far cry from the motion passed by

Members of this Council unanimously. For those in great financial hardship, like the middle class property owners with negative equity assets and the small and medium enterprises, the amount of \$5,000 waived is admittedly of some help to them, but only minimal.

Another point I would like to discuss is the issue of sales tax. This is the Goods and Services Tax proposed by the Advisory Committee on New Broad-based Taxes at the end of February. The Government has decided not to introduce this new tax this year and the Advisory Committee has also pointed out that even if this new tax is to be introduced, it will take at least three or four years before it becomes a reality. However, the Financial Secretary did not rule out in his Budget speech the possibility of introducing this new tax, and said that he would continue to study the details of this new tax and other proposals to broaden the tax base. The orientation of the Government is worrying.

Other countries which have implemented a sales tax find that the tax has caused great damage to their tourist industry and domestic consumption. These countries have to wait for a long time before their economy can recover. Hong Kong has its unique economic features. It has been a duty-free zone for a long time, and its tax regime is simple and convenient. All these are of vital importance to our long-term development. These are also our leading edges as compared to other economies. The introduction of a sales tax will make those people overseas who have a good impression of Hong Kong lose their interest. So the tax will have no effect on drawing more visitors to Hong Kong and giving a boost to domestic consumption. Recently, I made a trip to Canada with a few colleagues from the Legislative Council. Though we could apply for a tax rebate for our purchases, it was really very annoying and the tax rebate procedures were troublesome. For not only did we have to fill in an application form, we also had to go to the airport to take the form back to Hong Kong and then post it back to Canada. With this kind of complicated rebate procedure, I think when the sales tax is introduced, even with a rebate to tourists, it would bring a lot of inconvenience and may dampen their desire to purchase things.

The introduction of a sales tax will add to the pressure of the people and further damage our reputation as a shoppers' paradise and our excellent business environment. It will make the work of the Government more complicated and lower its efficiency. As for the financial gain, can the Government assert that this will have any marked and positive impact? If no guarantee can be made

that this will not seriously affect consumer confidence, then why do we have to take such a great risk?

The Financial Secretary proposed to allocate a sum of \$400 million for the implementation of a scheme to provide on-the-job training for about 10 000 young people. The scheme will provide a monthly subsidy to employers to pay the trainees' wages. It is meant to offer assistance to those "non-engaged" young people who are unemployed or have just left school to enable them to acquire knowledge and skills relating to their chosen industry and to help them continue their studies or find employment. Both the catering sector and I think that the proposal is a good idea. We always welcome young people to join the catering industry and we will certainly give our full support to the scheme. We hope that the authorities concerned will announce the details of the scheme as soon as possible so that there will be matching actions from the sector.

After the Financial Secretary has delivered his Budget speech, he has on many occasions stressed that he is a proactive market enabler. Both the Chief Executive and the Financial Secretary have said that the long-term objective of the Government is to assist in the vibrant development of business activities in Hong Kong and to refrain from impeding market operations. I would also like to point out that the TES which has been in place for many years has made the catering industry to operate in great difficulties; the newly proposed increase in wine duty will scare off consumers; and the sales tax which is being actively considered will deal a great blow to the catering and retail industries. I therefore urge the Government to rethink all these measures, for they all run counter to the major policy direction of the Government.

Over the past month, the catering industry has been running through a rough time. From the papers today, we read that a restaurant chain with six branches has closed down. However, I can still see some sort of a smile squeezed on the face of the industry. People in the industry are sensible. They understand that it is difficult for the Government to meet all their demands, and despite the fact that some measures are still unfavourable to their operations, they appreciate the initiatives made by the Financial Secretary to ease their hardship. Operators of food establishments of all sizes have on many occasions reminded me to offer their thanks to the Financial Secretary. Let me now take this opportunity to express my heartfelt gratitude to the Financial Secretary for easing the hardship of the industry. As a matter of fact, I would like to say

"thank you" for the rest of the two minutes allowed for my speech, up to the end of the permitted time limit of 15 minutes. But I think I had better not waste everybody's time and I know that the Secretary will understand.

Madam President, I so submit.

**MISS EMILY LAU** (in Cantonese): Madam President, we are discussing the Budget here today, but I think the concern of the media and the people of Hong Kong is not for this matter. If you have the time, you may go out and see for yourself and you will find that the topic being discussed is the accountability system for senior officials. It is because the Chief Executive will make an announcement on it in the Legislative Council next week. What is more shocking to me is that Mrs Lily YAM will leave the Government in July. It will be a loss to Hong Kong when such a good Policy Secretary like her will leave.

Madam President, the Budget this year is supported by a lot of people. I think the most important reason is that the public supported the eight parties. Under the leadership of Mr James TIEN, the eight-party coalition put forward many proposals and though the Financial Secretary did not accept all of the proposals and some Honourable Members thought that the number of proposals accepted was too few, we understand that if it had not been for the eight parties making the proposals together, the objective might not be reached. So I believe that in the co-operation between the eight parties in these few months, Honourable colleagues should be able to see that the things which the coalition has done together are all recognized by the community. Some newspapers reported that the reputation of Mr TIEN and the Liberal Party have soared. This is something I am glad to see. I also think that the public are glad to see Members of the Council do something for the community. In this connection, the popularity rating of the Chief Executive is very low, hence I think he should know well what the matter is all about.

Apart from some proposals made with regard to the Budget, Madam President, you know that we from the coalition do not want to see any wastage. We will not give our support this year to the proposal to create new directorate posts. I think there is consensus about this in the community. However, I would like to point out here that many Honourable colleagues as well as I myself were very surprised to note the Financial Secretary having changed the arrangement for submitting the Budget to the Legislative Council. For that has

been done without any consultation. This is like the accountability system for senior officials which the Chief Executive will propose next week, which is devoid of any consultation at all. A reporter asked me earlier whether this was very irresponsible on the part of the Government. I think the answer is already in our hearts.

Madam President, the revised budget for public expenditure for the year just ended was \$273.1 billion, which was 21.6% of the Gross Domestic Product (GDP). The public expenditure next year as proposed by the Financial Secretary is \$287.1 billion, which is an increase from the previous year and it takes up 22.9% of the GDP. This I support. I think that when the situation calls for it, an increase in spending will help ease the people's hardship. I also support some measures done to give a boost to the economy and to induce the people to stay in Hong Kong for spending. This will encourage more investment from the business sector and create more employment. I support the idea that the Government should maintain a low tax regime and hope that Hong Kong will have a good environment to do business. However, the Secretary said that expenditure would have to be controlled in the next few years until 2006-07. He also hopes that public expenditure at that time will not exceed 20% of the GDP in the same year, or preferably even lower. He also hopes that the Government will restore balance in the Consolidated Account and attain a balanced Operating Account in 2006-07. Actually, I do not have any strong opinion on achieving balance in government revenue and expenditure, yet I do not consider this a golden rule to be followed strictly.

Since the Policy Secretaries are all sitting here, so let us look at the increases in government expenditure in each policy area. There is an increase of 3.6% in Health, 9% in Social Welfare, 9.6% in Environment and Food, and 8% in Education. How can all these be suddenly revised to 1.5% after next year? Madam President, I am very concerned about government expenditure and I do not want the Government to squander a single cent. Every time when the Government applies for funding, I would scrutinize every cent of it. But I think that when funding is needed, it should be approved. On the issue of deficits, the Honourable Albert HO was right and so I do not intend to repeat his points. There have been a lot of comments made in the public. Many people shook their heads when they read the report compiled by Secretary Denise YUE on structural deficits and questioned whether it was necessary to make such an assumption. For what she had done was exaggeration, and that is the worst scenario. Some people say that it does not matter so much if an assumption is

made on the worst scenario, but it is a common practice to list three scenarios: good, medium and the worst. She should not have only listed the worst scenario. What did Miss YUE say in the end? She said that the reserves would have been depleted by 2008-09. Such threats may have scared some people, but not all the people.

Therefore, I think that actions should be taken only after discussions are made. That is what I agree. So when the eight-party coalition said that even if it was proposed that taxes should be increased next year, we would be willing to discuss it. I do not think that Honourable colleagues should be so scared when they think that taxes are bound to increase next year and that expenditures will definitely be cut. Does the Government have the support of the Legislative Council? If we do not give it our support, then how can taxes be increased? No matter how the Chief Executive wants to reduce the powers of the Council, he has to act in accordance with the Basic Law. We are still vested with some powers. Madam President, if we can unite, then these powers can certainly come into full play, for that is what we call checks and balances.

Many Honourable Members said earlier that as at end March, we have more than \$369 billion in fiscal reserves, and the accumulated surplus in the Exchange Fund amounts to \$300 billion, that is, altogether we have more than \$600 billion. Are we going to be like Argentina? Many people from the business sector have told me that the Government should not compare the situation in Argentina with ours. There are times when the Government wants to convey a message, but should it resort to all sorts of means and cite all kinds of examples regardless? Has it ever occurred to the Government that when the examples cited by it are too exaggerated, will it lose its credibility and makes it sound unconvincing to the public?

I agree very much with the incumbent Financial Secretary when he abolished the level of reserves prescribed by the previous Financial Secretary. He said that there was no need at present to peg with money supply. However, some people think that the reserves level of 12 months' expenditure is too much. The practice of keeping reserves at a level equivalent to expenditure for 12 months is not a great problem, but when the public is in great hardship, why does the Government still insist that such a 12-month level be maintained rather than drawing on the reserves? I would not agree to such a practice. Our Secretariat is working better and better. It collects a lot of information for Members and I think Members and other parties are glad to see such a service

provided. The Secretariat has undertaken a collection of information on this Budget and the level of budgeted expenditure. I think the Financial Secretary may have read the information himself. From the information obtained, it can be seen that not one place or country in the world is so rich that it can compile a budget with this level of expenditure in reserve, that is, with reserves that can meet expenditure for one or two years. Not one place in the world can afford to do so. Some countries are even in debts and some have difficulties in making ends meet. So we are rich. However, I am not suggesting that we should spend all the money. But I would like to ask, has the Government based this figure when it compiled the Budget? In particular, for the many items of expenditure mentioned by me just now, such as welfare, health, environment and education, are their expenditure going to be increased by 1.5% every year? The Policy Secretaries will tell us next week this can be done and when this is done, there will be great repercussions in society. What are we going to do about it? Will the public be convinced when the accountability system for senior officials is put into practice? I think this is something we ought to consider with a calmness of the mind.

Madam President, according to the Financial Secretary's forecasts, the economic growth for this year will be 1%. As a matter of fact, he may have also noticed the forecast made by the HSBC earlier which put the economic growth at 1.8% and it has revised it recently to 2.7%. The Asian Development Bank made the forecast yesterday and put the growth rate at 2.1%. They were of the view that the growth rate for the following year would be 4.8%. According to forecasts made by the Financial Secretary, the growth rate for the next few years would be about 3%. Honestly, it is very difficult to predict about economic matters. The previous Financial Secretary was often wrong when he made predictions about the economy. He said that the economy would turn for the better, for people said that the economy of the United States would recover. But if Osama bin LADEN and the like would strike again, I think the situation would be very bad. Even as the economy turns for the better, and the growth rate can reach 2%, 3% or 4%, it would be difficult for us to limit growth in public expenditure at 1.5%. So I hope that the Secretary would think carefully about this. Many Honourable colleagues would make comments today and some other tomorrow. We may not have to oppose to the Budget, for there is no increase in taxes and no new taxes are introduced. So we will give it our support. But what about next year? I know, however, that there are certain things that cannot be done and in the process the Legislative Council will also play an important role. I hope the Financial Secretary would tell us more,

especially after he has listened to the views of so many Honourable Members, whether he still has to follow this golden rule.

Madam President, as we have to cut public expenditure, the Financial Secretary raises the proposal to reduce the pay of civil servants. Throughout the years, I have been feeling that the pay of our civil servants is one of the highest in the world. I am not saying that the pay of the civil servants should be reduced, I am only saying that the pay of the civil servants should be commensurate with their performance. I subscribe to the idea that there should be a mechanism whereby civil service pay should not be too detached from that of the private sector market. However, the Financial Secretary yet to complete the survey on this and he now says that civil service pay should be cut by 4.7%. That has caused a lot of resentment and I understand why there is so much resentment around. What we should do is to follow the system, that being an essential part of the rule of law, and to set up a mechanism or a system whereby we should follow sensibly and reasonably. I trust that more than 100 000 civil servants in Hong Kong and their families would accept it. If some people think that this is only an attempt on the part of the Government to cheat, then it would be difficult for the Council to lend it their support. However, I hope that in the next few weeks, things will be done reasonably and sensibly in adherence to the rules of the game. If it is possible, I think we should go in the market direction. I would give my support to it.

Madam President, in the process of our deliberations on the Budget, in a special meeting of the Finance Committee, there was something which aroused my great concern. So I wish to bring this up for discussion today, and that is our housing policy. During a meeting in the Finance Committee, I asked the Secretary for Housing, Mr Dominic WONG and the Secretary for Planning and Lands, Mr John TSANG. They said that they had the powers to use the lots of the Housing Authority (HA) for housing construction. But the Government has resumed the lots and gave them to the Secretary for Planning and Lands for reallocation, that is, the lots are then arranged for reallocation according to their nature as land for private individuals, the private sector or the public sector. That is to say, the Secretary will arrange for sale by auction or building public housing estates. After Mr TSANG has made the arrangements, then a committee chaired by the Chief Secretary for Administration will make the decisions. Mr TSANG said that he would follow the market direction. Madam President, the impression that the phrase "follow the market direction"

gives to many people is to leave all decisions to the developers. If this is the case, then the distribution of land is likely to become like this: those premium lots will be used to build luxury flats for the rich, and those of poor quality and location will be used to build public housing for the poor. Now that the gap between the rich and the poor is already very wide and the Gini Coefficient is rising all the time, I do not wish to see the housing policy cause a clear division in society in that certain areas are designated for the poor while other areas are for the billionaires. I asked the two Policy Secretaries whether they could discuss and explain how these two mechanisms operate, but they said that they could not do so and there were no papers available for circulation on this. When I approached the secretary of the said committee, the secretary said that it did not matter, for the Policy Secretaries would discuss it in this debate. So when the Budget debate was over, the Chief Secretary for Administration might give a reply the following week and consideration would be made as to whether the matter would be submitted to the committee for discussion. I think policies like these must be discussed and they should not be handled like the accountability system for senior officials, that after studies have been made for a number of years behind close doors, a proposal is made and then implemented.

Madam President, there is another thing which is related to land policy and that is the Town Planning Bill. The Government has now decided to amend the principal ordinance in phases. Originally, the amendment of the Bill should have been carried out in the previous Legislative Session, but it was not done and the amendment is to be made by phases. The impression that gives us is that there are many things which the public should have been allowed to take part, so that the accountability can be enhanced and the transparency increased, but these are not carried out. What the Government wants is to speed up the process and the land planning to facilitate the building of houses for the rich on prime sites. This I oppose. So, Madam President, I made my views known to the Bureau Secretaries at that time.

Madam President, at a time when Hong Kong is to face the most significant change in its political system, I do not wish to see this change aggravate the problem of the disparity between the rich and the poor and to see able civil servants driven out of the Government. I hope that the Legislative Council can play an active role in this process and to check the emergence of certain unknown forces in society. I so submit.

**DR TANG SIU-TONG** (in Cantonese): Madam President, just before the 2002-03 Budget was released, the Government's Task Force on Review of Public Finances stated that a structural financial problem had emerged in Hong Kong. Coupled with a projected budget deficit exceeding \$60 billion, the community and the business sector had been rather pessimistic about the new Budget, worried that the Government might increase tax, introduce new tax and cut government expenditure drastically. Quite unexpectedly, the Government did not propose a substantial tax increase or levy new tax that will affect the people's livelihood. On the contrary, the Government's spending portfolio was utterly generous, and this shows that the new Financial Secretary does have unusual courage.

Yet, the fact remains that Hong Kong is still facing a serious budget deficit. Members of the community have doubts about whether the Government is able to solve this problem in a few years' time. While the Financial Secretary has made some proposals to resolve the deficit problem, such as cutting the pay of civil servants, containing the growth of the Civil Service, capping public expenditure, and so on, it is still unknown whether these proposals can achieve the desired effects. Moreover, the Financial Secretary has made another important assumption, that Hong Kong economy will register growth of 3% on average yearly from 2003 to 2006. But how did he arrive at this figure? Is it reliable?

Taking an overview of the external economic environment, there are still many uncertainties, such as the war in the Middle East and the surge in oil prices, which may have a negative impact on the global economy. Furthermore, even if the external economic environment improves, the pace of economic recovery in Hong Kong has yet to be observed. Hong Kong is still undergoing a structural economic transformation. We have yet to see a new engine for economic development, and the unemployment rate stands high. Even if the Hong Kong economy has slightly improved, unemployment and other economic problems still cannot be resolved right away. Besides, while Hong Kong is geared to promoting financial services, logistics, tourism and support services for industries and businesses, the Mainland is also working hard in these areas, posing fierce competition, and showing a strong desire to catch up, we should have a good understanding of the difficulties faced by Hong Kong and be well-equipped to overcome them. All in all, the measures on which the Government relies to resolve the budget deficit and the assumptions made by the Government have too many uncertainties. Failure to meet the above objectives would eventually plunge Hong Kong into a severe financial crisis!

Madam President, the civil service pay and fringe benefits constitute a major factor affecting government expenditure. Now, the Government hopes to contain expenditure through a pay cut. But the more fundamental problems, such as the civil service establishment and the civil service pay and welfare structure, are not fully explored in the Budget. It is pointed out in the Budget that the target proposed by the Government last year to reduce the civil service establishment to around 181 000 may be achieved in 2003-04 as scheduled. However, will steps be taken continuously to further downsize the Civil Service afterwards? If 181 000 is the lower limit of the civil service establishment, is this number still too high compared to the population in Hong Kong? Moreover, the increments, allowances and fringe benefits for civil servants also form an important part of the expenditure on the Civil Service. For example, civil servants may apply for a total of 57 allowances and perks this year. The expenditure on these allowances and benefits this year amounted to as high as \$6.1 billion, which is equivalent to the savings that can be achieved by effecting a 4.75% pay cut for civil servants. Of this expenditure, the allowances for acting appointments and overtime work accounted for \$1.15 billion. If the SAR Government does not review the civil service establishment, its pay structure and the allowances for civil servants in a comprehensive manner, and make adjustments as appropriate, but solely relying on a pay cut, little results could be achieved ultimately despite the very great effort made.

Madam President, the serious imbalance between the public and private sector medical systems and the massive public sector medical expenditure have recently aroused grave concern among members of the public and the medical and health care sector. The Hospital Authority (HA) forecast a deficit of close to \$600 million in the coming year, whereas the Budget has already capped the growth of public expenditure in the next four years. In other words, the HA will face an extremely heavy financial deficit in the next couple of years and will need to take measures to increase income and cut expenditure.

Of the various proposals made, it now appears that charging fees for services at the Accident and Emergency (A&E) departments will surely go ahead. The Hong Kong Progressive Alliance, however, considers that the structural problem of massive public medical expenditure cannot be effectively reversed solely by fee charging. To tackle the problem at root, the HA must utilize its resources more effectively and endeavour to facilitate a more effective fusion between the public and private medical systems. In our view, as the majority of

the people are not medical professionals, they are incapable of judging how urgent their illness is and so, misuse of the A&E departments is unavoidable. Among the current A&E service users, some may go to the A&E departments for medical treatment because the service is free of charge, but many are forced to go there because they have no access to other medical services or they know little about illnesses. The peak of the misuse of A&E services usually happens when public or private out-patient clinics are closed, and this precisely corroborates the point that I have just made. In view of this, the authorities should redeploy resources and readjust the consultation hours of out-patient clinics, so as to screen out patients misusing or being forced to use the service of the A&E departments and refer them to out-patient services which cost less. Many years ago, I already suggested promoting the night clinic service in government out-patient clinics. Regrettably, the Government did not take on board this view. I noticed that some private out-patient clinics have been providing 24-hour out-patient service in Mong Kok on a trial basis, and they appear to be operating quite well.

I think a fundamental way to resolve the deficit of the HA is to start from addressing the imbalance between the public and private medical systems. The HA can, in fact, outsource to private medical practitioners part of its medical and health care services, such as the medical protection and out-patient services for civil servants, so as to turn its welfare commitment to economic activities that can be absorbed by the market. In 2001-02, the Department of Health (DH) launched a pilot scheme, under which five general out-patient clinics under the DH are transferred to the HA for management. The HA had spent \$115 million on taking over these out-patient services, but the DH could only save some \$30 million. Although it involved the same clinics with the same number of patients, the cost of each consultation was reduced by a mere \$5 after all the fuss! This amount of money is not even enough for a newspaper! In fact, private medical practitioners providing general out-patient service normally charge \$130 to \$200 per consultation. If the authorities are willing to outsource these out-patient services, private medical practitioners will definitely be interested in taking up the job. Outsourcing such services, which include both consultation and medicine dispensing, can at least save over 10% of the expenditure for the authorities. The authorities should think in this direction.

Finally, I would like to briefly discuss the Government's land policy. Revenue from land premium constitutes an important part of the income of the

Government. The shrinkage in the revenue from land sale is a major cause of the huge budget deficit. In the past, the Government had always wanted to take advantage of private land. It would acquire private land at a cheap price in the name of public purposes under the Lands Resumption Ordinance and then sell it at a high price after changing the land use and increasing the plot ratio, so as to boost its revenue. Recently, the Government and the Hong Kong Housing Authority tend to play a "public housing" version of the same old trick in respect of the sites for public housing estates. The Honourable Emily LAU also mentioned this point earlier, and this problem will have to be discussed in detail by the relevant panel sooner or later.

In general, this year's Budget has taken care of the actual circumstances of society nowadays. The Financial Secretary, who now has the companion of a fair lady, has naturally gained much public applause recently. But all things in this mortal world do change; and in three to five years' time, we can tell whether all these efforts will eventually come to fruition or become a fiasco. In an environment where constant changes are the norm, our attitude should be highly vigilant, as if we are standing on the verge of a deep abyss or walking on thin ice, and we should cautiously grope the way forward. It is absolutely not my wish to see our economic development in the next couple of years remain in the doldrums. In that eventuality, Hong Kong would not know what course to follow.

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

**MR YEUNG YIU-CHUNG** (in Cantonese): Madam President, as the saying goes, the smartest housewife cannot cook a meal without rice. At a time when the deficits amount to more than \$60 billion, it would certainly be a daunting task to prepare a budget that can please everyone. However, our Financial Secretary is really an excellent cook and the meal he prepares is acceptable to all the eight political parties. The Budget explicates the financial philosophy of the Government in plain language. Despite the huge deficits, there are no rises or cuts in taxes. It has been able to win the understanding of the international credit rating institutions and international investors, while using the fiscal reserves to attain a balanced budget gradually. In addition, many one-off tax concessions are given to ease the hardship of the people and answers made to the demands of the public. The Budget also stated the four major engines of growth of our economy and discarded the outdated active non-intervention policy.

Moreover, it is clearly stated for the first time that the Government should play the role of an active enabler in promoting growth in the economy. The Budget ends by citing lyrics from the song "Under the Lion Rock" and this has won a lot of acclaims for the Financial Secretary. On the whole, the Budget is practical and prudent and it merits welcome and support.

However, I think the measures proposed in the Budget to solve the deficit problem and restore fiscal balance are not active and concrete enough. Article 107 of the Basic Law provides that "The Hong Kong Special Administrative Region shall follow the principle of keeping expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product." Some people may think that the idea of avoiding deficits means a period of time, say, five years. However, since 1998-99, the SAR has recorded four years of deficit in a row. Over the past five years, the Consolidated Account saw deficits in three years, of which there were two consecutive years of deficits. The goal of the Government is to restore balance in the Consolidated Account and the Operating Account by 2006-07, but this is based on the assumption that there will be an average economic growth at a rate of 3% per year over the next five years and that government expenditure is effectively controlled. Would this forecast be overly optimistic? The public has a lot of worries about this. The Government must show the determination and effective measures to solve the deficits problem as soon as possible. In my opinion, the Government should first try to cut its expenditure while considering raising taxes and such like revenue measures as a last resort. It remains, however, that any tax increase proposals must be handled with care to avoid posing any further obstacles to economic recovery. If any tax is to be increased, the DAB proposes that a progressive mechanism be built into the profit tax regime, for it is reasonable to require companies which makes more profits to pay more tax.

THE PRESIDENT'S DEPUTY, Mr Fred LI, took the Chair.

Mr Deputy, the *Asian Wall Street Journal* described the day when the Budget was delivered as "a dark day of Hong Kong", criticizing the Financial Secretary for abandoning the active non-intervention policy and violating the principle of free market economy and moving towards planned economy. This

accusation is totally unfounded and is full of political bias. Non-intervention policy has always been a myth. Both the invisible hand and the visible hand do play a part in market economy. A free economy does not mean the government should do nothing and just sit back and let things happen in the market. When the market fails, the government will often have to bring the invisible hand into play. As a matter of fact, over the past 30 years, Hong Kong has never upheld a totally free non-intervention policy. There are lots of examples which show that the Government has intervened, such as the 10-year housing production plan, the construction of the Mass Transit Railway, the adoption of the linked exchange rate system, the suspension of trading in the stock market during the crash in 1987, and so on. As for examples in the United States, there are far more such examples of government intervention. These include the giving of subsidies to agriculture and hi-tech industries, adjustments in the exchange rate, investments in long-term capital and hedging funds, and so on. Recently, the United States announced a 30% tariff on imported steel and that is the latest example of intervention. As for Singapore, Taiwan and South Korea, their governments attach great importance to the development of hi-tech industries and efforts are made for their promotion. In contrast, Hong Kong lags far behind in this respect. Active non-intervention does not mean non-intervention, but that invariably became an excuse for the Government to do nothing. So it is wise to abandon such a conceptually vague policy, for appropriate intervention is necessary. This especially applies to the present circumstances of globalization and economic restructuring and so it is imperative for the Government to enhance its leadership role in economic activities, to steer the direction of economic development and to create favourable conditions for market development.

Now I would like to express views on behalf of the DAB on resources and policies in education and manpower.

Public expenditure on education for the new financial year is as much as \$61.4 billion, representing a growth of 18.5% in real terms. Despite the huge deficits, the Government is willing to make a great commitment to education and this is to be affirmed. However, the DAB thinks that while a great amount of resources is injected into education, controlling work must be carried out effectively and assessment must be made on the success or otherwise of the policies. Resources should be well spent and cost-effective, the education sector should be encouraged to build up the concept and culture of using public money discreetly and be accountable to the public. For example, a subsidy on

school development has been paid out to the schools. A primary school will get not more than \$550,000 and a secondary school will get not more than \$350,000 (raised to \$450,000 recently). The subsidies are given on an across-the-board basis, irrespective of whether the schools have five classes or 30 classes. The result of this is that some schools with a small number of classes will be flooded with resources and that is unfair. During the past year, public sector schools in Hong Kong spent a total of more than \$550 million from the school development subsidy to hire about 5 000 full-time and part-time teaching staff. We are concerned whether the workload of the teaching staff has been reduced. Do teachers have more time left to pay more efforts to develop the curricula? The Government says that it will conduct an opinion poll and gauge views from the parties concerned. I hope that when a review is made, teachers should be the main target of interview, for this will enable the authorities to understand whether this additional subsidy can help the teachers so that the students will benefit in the end.

Take the example of the development of information technology (IT) education. The policy on IT in schools which straddles five years spent a total of \$2.9 billion and when this is added to the funding from the Quality Education Fund, the total amount of investment in the education sector for IT will be as much as more than \$3.5 billion. During the 2002-03 school year, the authorities will provide an IT co-ordinator for each primary and secondary school in the public sector. The paper on the review of this policy is too brief and it is difficult for outsiders to gauge the effectiveness of IT education. Since such a great amount of resources has been put into IT education and when resources may keep on increasing, so subject to the principles of cost-effectiveness and accountability, the Government should give the public a clear account of how the resources are spent. Issues to be addressed to may include, for example, how learning can be improved with the aid of IT. What are the changes and improvements in learning observed among the students? All these are questions which taxpayers would want to ask. It is the hope of the DAB that controlling work can be undertaken effectively in this respect.

The Chief Executive has pledged that he would spare no efforts in investing in education. However, the Government's policy on funding for post-secondary education owes the public a clarification. In a bid to save money, the Government makes the post-secondary institutions develop a large number of associate degree programmes through the self-financing mode. But as to the change of the academic system in universities from three years to four

years, it seems that the Government is unwilling to commit additional resources to this. The recently released "Review Report on Higher Education" proposes a delinking of the pay and employment terms of university staff with those of the Civil Service. It is a good thing to allow greater freedom and flexibility on the part of the institutions to determine the pay and conditions of service of their teaching staff, but is the Government making use of this opportunity to reduce its commitment to higher education? That is a concern of the public. The universities should try their best to obtain donations from private sector institutions and make good use of resources in society, but that has to take a long process and it is quite a difficult thing. The development of higher education is of vital importance to the economy and society of Hong Kong. If Hong Kong is to develop world-class universities, it must attract first-rate scholars to come here to teach. If the Government is to reduce its financial commitment to higher education, it will fail to achieve the objective of developing world-class universities. Many top academics from British universities have been attracted by the offer of high salaries to teach in universities in the United States. That is a lesson we should learn. The DAB thinks that resources for higher education must not be cut. We hope that the Government will make a pledge not to do so in order to stabilize public confidence in its attempt to carry out reforms in higher education.

Now I would like to turn to manpower issues. In his policy address of 2001 and at the beginning of this year, the Chief Executive pointed out that a total of 32 700 newly created posts and 2 000 temporary posts would be created. But to date, only some 7 000 posts have been created and a further 17 000 posts will only be created during the rest of this year. For the 2 000 temporary posts, only less than 200 posts have been offered so far. The rest would become a reality only during the remaining part of this year or thereafter. As the recovery of the economy will take time, and the restructuring would need a long time to complete, so when these are added to deflation, it is afraid that the number of jobless people will continue to climb. The DAB hopes that the Administration will speed up the process of creating new jobs as it has pledged, thereby improving the employment situation early.

At the same time, we hope that the Government will expeditiously review and relax its immigration policy regarding the admission of investment immigrants from the Mainland. It should also study and implement the recently proposed population policy, for the policy will help the territory complete its economic restructuring and boost employment.

Mr Deputy, among the unemployed people, young persons are our major concern. Given their relative lack of working experience, it is especially hard for these young people to find jobs at this time of an economic downturn. To help them better equip themselves and to provide them with on-the-job training, the Government plans to allocate \$400 million for the implementation of a two-year Youth Work Experience and Training Scheme in this July. Despite the existence of an apprentice/trainees scheme of a similar nature offered by the Office of the Director of Apprenticeship of the Vocational Training Council (VTC), we believe that with the funding given by the Government, the Youth Work Experience and Training Scheme can produce a complementary effect with the apprenticeship schemes and these will give an incentive to various trades and industries to hire more young persons. At least these will give opportunities to employers to hire young persons as well as equipping young persons who are unable to continue with their studies or pursue further education. As this training scheme is a one-off initiative, it is believed that it will not clash with the training schemes offered by the VTC. The DAB supports this scheme and we will support efforts made by the SAR Government to put in more resources to provide all kinds of continuing studies, training and retraining programmes to all those in need. Such programmes include the Project Springboard, the IT Assistant Training Programme and the Skills Upgrading Scheme. All these efforts will hopefully improve the quality of our human resources and provide impetus to economic recovery and restructuring.

I so submit. Thank you, Mr Deputy.

**MS MIRIAM LAU** (in Cantonese): Mr Deputy, it is an indisputable fact that when faced with competition from nearby places, Hong Kong is characterized by high operating costs, low technology and a lack of competitive edge in its labour-intensive industries. That is why the Financial Secretary points out that four economic sectors are of particular importance to Hong Kong, as they can give impetus to our economy and promote employment. It is right and proper that the existing strengths should be given focused attention, but while these strengths are recognized, it seems that the Financial Secretary has overlooked an area which has long been our strength — the shipping industry.

Maybe the Financial Secretary thinks that he has paid special attention to the shipping industry, for the four major economic sectors mentioned by him include the logistics industry. I must clarify, however, that the logistics

industry is not equivalent to the shipping industry. The fact that Hong Kong is called an international shipping centre is not simply due to its status as the world's busiest container port. By the same token, if Hong Kong is to develop into an international logistics hub, we cannot simply develop the shipping industry alone. Truly, the shipping industry is an important link in logistics and there are quite a lot of similarities between them. But in fact the scope of both is different and so are their needs of development and they are not mutually replace. Both are of vital importance to Hong Kong economy.

How important is the shipping industry to the Hong Kong economy? Freight handled in our port accounts for 80% of the total throughput. The shipping industry is the third largest service we export, accounting for 11.3% of the total services exported, with a value of \$33 billion. The number of people employed in the shipping industry and the related and supporting industries is over 70 000. The amount of loans advanced to the industry is as much as \$97 billion, or 16% of all the loans of that kind in the world. These are only direct economic value, while the indirect economic benefits have not been counted. According to unofficial figures, the shipping industry and the related industries take up about 20% of the total domestic product of Hong Kong.

On consolidating our position as an international shipping hub, the Government may think that a lot of work has already been done. For example, after a series of improvement measures were launched in 1999, within such a short span as three years, the tonnage of vessels registered in Hong Kong has been doubled to exceed 13.9 million tonnes. In addition, publicity efforts are made by the Government to promote our attractiveness as an international shipping hub. Having said that, the tonnage of vessels registered and how busy our container port is does not mean that Hong Kong is a real international shipping hub.

A real international shipping hub no longer simply depends on how excellent the port facilities are, but also whether "one-stop" and comprehensive shipping services can be provided to vessel owners and shipping lines. Such a successful international shipping hub should be able to draw a strong maritime cluster, including service providers and services such as vessel owners, shipping financing, classification societies of vessels, maritime insurance, shipping managers, maritime law, loss adjusting, maritime arbitration, nautical engineering, vessel supplies, shipping management, vessel leasing, vessel maintenance, vessel facilities supplies, and so on. This is the case with

international shipping hubs like London, Amsterdam and New York. In fact, Hong Kong has a maritime cluster already, but if we want to further consolidate our position as an international shipping hub, we need to strengthen such a maritime cluster that we have.

How are we to draw more shipping-related trades to come to Hong Kong? How to make Hong Kong an attractive shipping base? If we look at other international shipping hubs, we will find that the governments there use measures like preferential taxation arrangements, tax concessions, subsidies in training, and so on, to attract shipping companies to come to their countries and register the vessels and form companies to manage their vessels. In addition, foreign countries also attach great importance to co-operation with the shipping industry. The SAR Government should consider adopting such incentives to make Hong Kong more competitive and to co-operate with the shipping industry to build a large and unified maritime cluster here.

I must stress, and as I have said before, that in building a large and unified maritime cluster, research and development (R&D) efforts are very important. International shipping hubs like Japan, the Netherlands, Singapore, and so on, all attach great importance to R&D. In Singapore, for example, its Maritime and Port Authority formed an institute with a Singaporean university last year which is devoted to R&D in this respect. The Authority plans to spend more than HK\$200 million on R&D efforts in respect of shipping. Each year Singapore spends a total of 1.84% of its GNP on R&D in shipping.

As a similar international shipping hub, how much does Hong Kong put into R&D in shipping? The answer is nothing. Our Government is only standing still and is not willing to invest in R&D work in shipping. It is leaving the shipping industry to chart its own course. As other international shipping hubs are making constant efforts to upgrade and strive to become all-round international shipping hubs, we cannot afford to waste the time waiting for things to come about. Besides, with the accession of China to the World Trade Organization, the Government should make good use of this golden opportunity to consolidate our position as an international shipping hub.

The importance which the Government attaches to the shipping industry can be seen in its stand on the proposal to build a museum of maritime history proposed by the shipping industry. Even as the industry is very enthusiastic about the idea and is willing to provide the manpower and funds for the project,

the Government is not interested. The building of a museum of maritime history is significant in two aspects. First, the museum will be attractive to tourists. Many people would be interested to know how Hong Kong developed from a small fishing village into an international shipping hub in a matter of a few decades. They would like to see this episode in the history of Hong Kong. The museum of maritime history is not just a tourist spot, it can produce a cohesive effect to unite various groups in the shipping industry and enhance public awareness of the industry. On an external front, it can demonstrate to the world that our industry is united.

Mr Deputy, the Government always talks about maintaining our competitive advantages. However, we can see that in many areas, the Government has undermined the competitiveness of our logistics industry with its own hands.

The Financial Secretary points out that several challenges confront our economy. The first is our high costs and so we have to develop high-value-added activities. It seems that the Financial Secretary is saying that the costs of doing business here are high and there is nothing we can do about it and so we have to develop high-value-added activities. Insofar as the logistics industry is concerned, I agree to this direction of development, but that does not mean we should do nothing about the problem of high costs. Business is business, if we can only provide expensive high-value-added services, but when other neighbouring ports provide services with a lower value-added content but charge far less, it is easy to imagine that buyers or consignors will switch to the less expensive shipment option. Then the high-value-added services that we have will just be left idle and this will not help improve our economy.

Operating costs for our transport industry are not cheap at all. That especially applies to fuel costs. There is no effort done on the part of the Government to reduce operating costs of the transport sector, but on the contrary, efforts are constantly made to increase the fuel duty and this only adds to the operating costs of the industry. If we take a look at the Mainland and our neighbours, we will know that operating costs for the transport industry in Hong Kong are not cheap at all. Now a litre of ultra low sulphur diesel (ULSD) sells at \$5.8 in Hong Kong, but diesel sells at \$2.6 on the Mainland, \$3 in Taiwan, \$3.8 in South Korea and \$4.9 in Japan. The Financial Secretary proposes to extend the effective period of the duty concession for ULSD for another year.

The transport industry is grateful for this and people from the industry have asked me to say "Thank you" to the Financial Secretary on their behalf. If the duty concession is cancelled in the coming year, and even if the oil companies do not increase fuel prices at that time, the price of diesel will rise sharply to \$7.58 per litre. With such an expensive fuel price, then the industry will find it possible to continue with their operations and that will only serve to make the industry less competitive and hence hamper the growth of the logistics industry. I hope the Financial Secretary will give serious thoughts to it.

Although our Gross Domestic Product is not the highest in the world, we have to pay for the most expensive unleaded petrol in the world at \$11.45 per litre, the price includes over \$6 of fuel duty per litre. Are the people of Hong Kong really that generous and rich? It must be remembered that some people use vehicles for commercial purposes and some others need to drive. Exorbitant petrol prices will greatly add to their operating costs and financial burden.

If the Government intends to reduce people's financial burden, stimulate the recovery of our economy and make our logistics industry stay competitive, there is really a need to review its policy on fuel duty. In Japan, for example, there is a specific use for the fuel duty collected, and that is on road construction. In 2000, 83.9% of the fuel duty collected was used for this purpose. As there is a clear-cut policy on fuel duty in Japan, the duty rate there has been adjusted only seven times ever since the duty was introduced some 40 years ago. In contrast, revenue from fuel duty collected in Hong Kong all goes to the government coffers. When the economy is booming, government expenditure will rise and fuel duty will be adjusted upwards in line with inflation as a matter of course. When the economy is sluggish, other kinds of public revenue will fall and fuel duty will be raised to collect more money from the drivers' pockets.

If fuel duty can be controlled at a reasonably low level, it is society as a whole that will reap the benefits ultimately. The people can pay less in their transport fares, passenger transport operators can benefit from lower costs and indirectly the people's burden can be eased. The freight forwarding sector can also operate at lower costs and hence become more competitive.

The second factor leading to high costs in the transport industry is the lack of cross-boundary access facilities. Drivers of cross-boundary goods vehicles

often have to queue up a long time for clearance and that takes up a lot of their time. They are thus prevented from making more trips. And since time is money, the costs of the consignor and transportation companies are greatly increased. Efforts are being made to speed up the second phase expansion of the Lok Ma Chau Control Point and the introduction of "one-stop" cross-boundary arrangements for trucks on a trial basis in order to shorten the time of clearance. In addition, both Hong Kong and the Mainland have plans to place immigration and customs clearance under one roof and when this is put into practice, two lanes of access can be spared for use by trucks. Though this measure can help make clearance faster, it cannot remove the bottleneck in cross-boundary facilities. Owing to space limitations, even if all the check points are open, there are only 24 pairs of them on the Hong Kong side, while there are 48 pairs of them on the other side of the boundary. That is how a bottleneck is formed. To address this problem, Hong Kong should explore the possibility of combined immigration and customs clearance for trucks and how cross-boundary facilities can be fully used. This will make the clearance of trucks more efficient and hence promote logistics development.

Mr Deputy, irrespective of whether the shipping or the logistics industry, or the other three major economic sectors as mentioned by the Financial Secretary, if these competitive advantages are to be enhanced, the Government should have the boldness to put forward new thinking and measures, and it should also be prepared to make new investments. For if not, the initiatives to be taken will only be old wine in new bottles and will not help the restructuring of our economy and in steering the territory out of the economic doldrums.

Mr Deputy, I so submit.

**MR CHAN KAM-LAM** (in Cantonese): Mr Deputy, ever since the first Budget drawn up by Mr Antony LEUNG, the Financial Secretary, was delivered, it has received overwhelming support from the public. Such enthusiastic response is rarely seen in recent years. It has received wide acclaim because it has shown that the Government has used the fiscal reserves in a most appropriate way and at a time of economic downturn and high unemployment rate, positive efforts are made to ease the hardship of the people. Despite the fact that with the sluggish external economic environment, there is little that the Government can do, but with the abandonment of the previous active non-intervention policy, it is certain that our economy will be boosted with teeming vitality and growth.

The DAB agrees fully with the Financial Secretary, that Hong Kong should seek to widen the scope of its economic activities, forge closer ties with the Mainland in trade and commerce, give full play to our advantages, and develop tourism, financial services, logistics and producer and professional services. At the same time, efforts should be made to promote economic activities in the local community to enable small businesses to flourish in the community. This will help solve the unemployment problem faced by some people and bring the creativity of the public into full play, thus revitalizing the local community economy.

In the area of tourism, the DAB thinks that Hong Kong is endowed with rich resources in tourism. We have the breathtaking beauty of the Victoria Harbour, the cultural heritage bearing testimony to the blending of the East and the West, the world-famous culinary arts, and scenes of natural beauty like rugged cliffs and rocky islands. These are certainly attractions for tourists from all over the world. When added to our position as the gateway to south China, Hong Kong is a natural transit point for many tourists travelling to the Mainland. As such, investments in the hardware and ancillary facilities for tourism are critical. Recently, we have urged the Government to make a full-scale inspection of the various tourist spots in the territory, for some of these are quite dilapidated and out of repair. Some do not have car parks or other public amenities. Repairs and maintenance work should be carried out in these places with a view to upgrading their conditions, making them more attractive and sustainable. Mr Deputy, yesterday I went to the Yan Tian area in Shenzhen to attend an investment promotion seminar and there the government of the Yan Tian briefed us on their blueprint for tourism. I was very impressed by their ambitious plans. I think very soon when we go to Da Mei Sha and Xiao Mei Sha again, we will be amazed to find that the places are so full of life and beauty. Looking back at Hong Kong, though we have many plans to improve our environment, they are invariably very disappointing. A project will take at least eight or 10 years of study before it can be finalized. Take a highway on the western coast which runs from Tseung Kwan O to the urban areas as an example. The alignment was discussed and agreed in the Kwun Tong District Board as early as 10 years ago. But recently two new proposals came up and a decision will only be made after the middle of this year. Work can only commence at the earliest by 2006 and expected to complete by 2011. We can see that the construction of a highway takes almost 20 years. The development plan for Lei Yue Mun which we know very well has suffered repeated delays as a result of this highway and the project has yet to be put on the agenda. The DAB

sincerely hopes that the SAR Government will remove all its bureaucratic red tape and the lack of co-ordination among departments, so that delay can be avoided. On the other hand, we hope that the Government can give a boost to ecotourism and make good use of the natural beauty of Hong Kong to promote green efforts. Last month, the Honourable WONG Yung-kan and I went with the Commissioner for Tourism to Grass Island and Crooked Island in the northeastern part of the New Territories and make a study of the tourist industry there. We found that there are great potentials for the development of marine tours in Hong Kong. Waters in the eastern part of the New Territories are not polluted by urban development and there are not just green mountains and blue waters, but there are also many cultural relics. Such places should receive greater publicity. It remains of course that matching facilities must be developed. When we were on Crooked Island, a District Council member complained to us that though Sha Tau Kok is the nearest jumping point to the northeastern part of the New Territories, people have to apply for closed area permits before they can go to Sha Tau Kok and there are also quotas for such permits.

Mr Deputy, it has been almost five years since Hong Kong is reunited with the Mainland and there has always been calls for closer ties with the Mainland and persistent calls for opening up the Closed Area. It is time we abolished the practice of requiring members of the public to apply for permits before they can go to Sha Tau Kok.

The few boundary control points at present are of a semi-closed nature and the DAB thinks that all these control points should be fully opened to facilitate cross-boundary travel by residents on both sides, and for the benefit of our economic growth. Residents on both sides of the boundary should be allowed to travel by all means of transport to the control points. The existing traffic arrangements are extremely unreasonable. The evening before last I attended a meeting of the Maxicab Operators General Association and I asked them, given the train fare for a ride from Sheung Shui to Lo Wu was \$20, whether a fare of \$7.5 could be charged for the same trip on a minibus. The minibus operators told me that a fare of \$5 would do. The Financial Secretary said that he was a positive market enabler, I think when he hears such a reply, he should support our proposal. We urge the Financial Secretary to set up a working group to study the issues related to the opening of the boundary control points and to put our proposal into practice as soon as possible. The DAB also suggests that consumer zones and duty-free shops should be set up in the control points to

facilitate business activities in the boundary areas. As for the 24-hour operation of the control points, the DAB hopes that the Lok Ma Chau control point extension and the Shenzhen Western Corridor, targeted for completion in 2005, should be completed as soon as possible. The logistics industry, which has been the focus of much promotion by the Government recently, will find no impetus for growth if the clearance procedures are not simplified, the accesses at the boundary and the matching traffic facilities at the boundary are not increased, and the 24-hour operation of the boundary control points not implemented. At present, when a container goes from Kwai Chung to Shenzhen, almost a day is used in going through the congested traffic and waiting for clearance and inspection. If the accesses are increased, the roads widened and the passenger and goods vehicles streamed, the present situation can be greatly improved. If we use the 4.4 million containers crossing the boundary yearly as the base for calculation, a saving of half of the waiting time should be able to reduce transportation costs by 20% or more, and that will mean an annual saving of \$200 million, hence the competitiveness of the logistics industry can be greatly enhanced.

The Financial Secretary, Mr Antony LEUNG, stated in the Budget speech that the expected income from land sales this year would be \$25 billion, we are worried that he is overly optimistic. The latest figures show that 32 000 flats in the private sector and 35 000 flats in the public sector will be completed this year. When this is added to the 60 000 unoccupied units, we think that at most the property market will be stable this year. Developers will not rashly submit tenders for a lot of land and hence push the property prices downwards. On the other hand, the Urban Renewal Authority (URA) will launch its redevelopment plans this year and a lot of land will enter the market through these redevelopment plans. The DAB thinks that the Government has the obligation to maintain steady development of the property market and a serious imbalance of demand and supply must not be allowed to emerge. Otherwise, there will be great fluctuations in property prices again, in which event there will not be any positive impact on the economy or on people's lives. Therefore, it may be unrealistic to predict that there will be enormous income from land sales.

In the past, the DAB often criticized the Government for selling land and other assets in order to make up for the deficits, for this would give people the wrong impression that structural operating deficits could be solved by selling the assets and waiting for an upswing in the economic cycle. This will make the cardinal principles of keeping expenditure within the limits of revenues and prudent fiscal management meaningless.

Another issue of concern to the public is urban renewal. The Budget has not mentioned any arrangements on the part of the Government. From the three advanced redevelopment plans announced recently, the URA may have to spend more than \$1 billion on compensation and rehousing alone. If the Government is unable to inject huge funds into the URA to meet the needs of the redevelopment programme, the URA may have to borrow a lot of capital from the market and the interest incurred would be very great. This is certainly not conducive to helping the Government fulfil its undertaking of redeveloping the old urban areas.

The Financial Secretary has set five years as a target to restore fiscal balance. We are indeed worried about this and we think that five years are too long and that structural deficits should be gradually resolved to attain fiscal balance in three years. The Government should ensure that high efficiency is attained in the public sector and that public resources are used in a rational manner. These will enable society to stay vibrant in the face of fierce competition in globalization.

With these remarks, Mr Deputy, I support the Bill.

**MR BERNARD CHAN:** Mr Deputy, we all know that our Financial Secretary faced some extremely difficult choices in drawing up this Budget. And I do not blame him for putting off those choices until later.

How lucky we are in Hong Kong, having an enormous pile of reserves, so the Government can carry on spending as if nothing has happened. But, of course, something has happened, and the Financial Secretary will have to make difficult choices in the future.

What has happened is that the Asian crisis and the global downturn have forced some of us to make severe cost-cutting adjustments. The Government, meanwhile, has significantly increased its expenditure as a share of Gross Domestic Product.

In the last five years, we have seen the private sector and the public sector take off in opposite directions. They are now living in different worlds.

In the real world of the private sector, prices have fallen by 12% since 1997. This has not only been reflected in asset prices, rents and salaries, but also in the prices of the goods and services that we buy. In the dream world of the public sector, prices have increased by 11% since 1997.

In other words, during a five-year period, the Government has found a way to pay around a fifth more than the private sector for its staff, and for the goods and services it buys. The private-sector world has had crisis and deflation, while the public-sector world has had continued inflation.

As a member of the Joint Task Force on Civil Service Salaries and Conditions, I am fully aware of the sensitivities and the difficulties that the Government faces in bringing itself back into this so-called real world.

There are important issues here, apart from the reduction of the cost of the Government, we have to look at productivity, flexibility and the development of a service culture.

But there can be no escaping the fact that we need a cheaper and smaller government. We have to work on the assumption that the budget deficit is not the result of taxes being too low. It is the result of government spending being too high.

This means that we have to accept that the Government can no longer accommodate the ever-rising demand for heavily subsidized services. People who can afford to pay more for health care or public housing will have to start paying more.

It means that the private sector should be brought in to provide competition and to ensure that we are not dependent on inefficient state monopolies. This is definitely the case in such areas as health care and public housing.

It also means that the Government should transfer activities to the private sector wherever possible. And it should transfer private-sector budgeting and other practices into government departments.

And it means that the Government should look hard at its infrastructure plans, and ask if we really need all these very large projects. If we do need them, the Government must work harder at driving hard bargains with suppliers, and minimizing waste, like we do in the private sector.

In short, the Government needs to spend less.

Although I believe that solving the budget deficit requires less spending, rather than more taxes, I do believe that we need a broader-based tax system. And I would urge the Financial Secretary to consider such a system regardless of the budget deficit.

The current revenue streams are volatile and unpredictable. The Government is far too reliant on income from investments, which fluctuate with the economic cycle. And it draws too much revenue through one particular part of the economy — land sales and development. The Government needs a steadier flow of revenue from across the economy.

The current system is also simply unfair. Barely half of the work force pays salaries tax. And many people in the sandwich class are complaining that they are doing all the giving, and everyone else is doing all the taking.

And ultimately, the current system is unhealthy for our political and democratic development because so many voters are not taxpayers. We need to make sure that voters have a direct interest in efficient government.

Some sort of sales tax, with an appropriate adjustment in welfare levels to protect the needy, would meet these ends. Maybe there are other ways of doing it. The point is that a broader tax base is desirable as an end in itself, not purely as a means of raising additional revenue.

Both these tasks, smaller government and tax reform, will involve some pain. The thing is that we have to go through that pain. And when I say "we", I mean all of us.

Other countries in Asia took their pain through currency devaluation. Everyone suffered an immediate, one-off reduction in wealth — whether civil service or private sector; rich or poor. No one escaped the pain.

Here in Hong Kong, we kid ourselves by saying that we have come through the Asian crisis. We have not. Our Asian crisis is still in progress. Our private-sector prices are still coming down. Private-sector workers have lost jobs or taken pay cuts. Our smaller companies are squeezing their margins.

And some of us have not even started to have their Asian crisis. Some of our blue chip companies and utilities have barely started to adjust their prices. And, of course, our Government has always been in its dream world, awarding itself pay rises while others are losing their jobs.

This is causing divisiveness and resentment, and it has to change. The Government must trim itself. It needs to tackle an "iron rice bowl" mentality among its own staff. And it has to tackle the entitlement culture that has developed among the rest of the population.

That will take firmness and leadership. The Government must stop trying to please everybody. It has to do things that some people do not want. It has to do things that hurt vocal interests groups but are good for the silent majority.

Mr Deputy, as I said at the beginning, I do not blame our Financial Secretary for ducking the tough issues this time around. But the time is coming. It is essential that our leaders start to prepare now.

The Government has spent several years telling the rest of us that we should be united, we must change our way of thinking, and we must adjust. It is time for the Government to practise what it preaches.

Thank you.

**MRS SOPHIE LEUNG** (in Cantonese): Mr Deputy, the subject we are dealing with today is the 2002-03 Budget. Even though we are supposed to be commenting on the figures contained therein or the quantitative aspects, I would like to speak on the qualitative part of the Budget. Given that we are now faced with economic competition from markets across the world, we just cannot afford to overlook the importance of quality.

Recently, a veteran politician, a friend of mine, who cares very much about Hong Kong asked these questions: What kind of path does Hong Kong wish to take? Will Hong Kong become a model for the many large and small cities on the Mainland or a small place lagging far behind other Chinese cities? I guess Honourable Members sitting in this Chamber have all thought about these questions before. I believe we all perceive the future of Hong Kong positively;

however, whether or not we can make our dreams come true will depend very much on the attitude we adopt.

First of all, we must understand our strengths and that of our competitors. We have to understand our strong points and, more importantly, square up to our weak points at the same time. We must revamp our attitudes completely and stop bemoaning our fate; instead, we should adopt an active and progressive attitude to strive for self-enhancement. If such kind of culture could be developed across our society, so that everybody would be making continuous efforts to seek self-enhancement while helping and supporting each other, the future of Hong Kong could then be a bright one! Who cares about figures? They just mean nothing! Certainly, we still have to guard against those people who are concerned about only their personal interests or even aiming at reaping political capital, as they will pass off the sham as the genuine and hinder the progress of Hong Kong.

In recent years, many members of the public are somewhat sceptical about the various government policies. We have to square up to this fact as well. On the other hand, the accountability system for senior government officials put forward by the Government recently has aroused the public's rare attention. From this we can see that the public really expect the Government to shake up. I consider it a courageous step of the Government to lay emphasis on reducing recurrent expenditure in the Budget. Nevertheless, I believe it is of greater importance to do something quality-wise. With regard to the trend of seeking changes mentioned by me just now, I hope every civil servant will participate in this trend, and I really mean each and every member of the Civil Service should participate in it. I just hope the civil servants will not disappoint the public by trying to muddle along but will take actions to change their "yes-man" image, sincerely find out the real needs of the public and earnestly upgrade the effectiveness and quality of their services. The various funds amounting to \$13 billion mentioned by Mrs Selina CHOW in her speech earlier on can serve as a very good milestone. We should take a look at these funds, which have been in place for quite a number of years, and assess the results they have achieved over the years. I certainly believe that many of the government officials concerned have indeed work very hard to perform their duties; but then, it may not be enough just to work hard, and working hard may not necessarily produce quality work. The Civil Service as a whole must have a consistent working attitude, so that different government officials can complement the work of each other and put in concerted efforts to make the best job of it.

It is mentioned in the Budget that the Government will abandon "active non-interventionism" for the role of a "proactive market enabler". During the Motion of Thanks debate held in October last year, I reiterated that the Government must give up "active non-interventionism". Nevertheless, I wish to stress that if civil servants were not of one mind in making their best effort to bring about such a change, the Government just could hardly become any "proactive market enabler". In the end, this would just be reduced to another empty slogan.

Certainly, the Government or the Civil Service is not the only party in need of improvement. Every member of society should strive for changes and improvement, and I just hope the Government and all civil servants can take the lead in setting this self-enhancement trend in motion. Over the past decade or two, the attitude of "it would be better to make quick money faster" has killed many people's vision, so much so that they only indulged in making quick money and forgot all about self-enhancement. As a result, these people just cannot compete with other people within or outside Hong Kong, and their problem would become even more acute in times of economic hardships.

So, the increasingly grave unemployment problem is indeed not untraceable. Unemployment is a tough social problem, and I hope the Government will look into the root of the problem and apply specific cures, rather than resorting to piecemeal measures that are targeted at only some individual issues. Just how effective are those so-called training programmes? Have the standard of the trainees been upgraded after taking the courses? I believe Members know very well in their heart the answers to these questions, and that an enormous amount of money has indeed been spent on such programmes.

In addition to the fact that the world economy is still in the doldrums and that the businesses and industries in Hong Kong are caught in dire straits, the unemployment problem facing us today is also closely related to the quality of our manpower resources. The commitment of workers and the quality of business management services are two very important factors in this connection and are both crying out for improvement. We must abandon the view that I have worked from 9.00 am to 6.00 pm and should therefore be paid a certain amount of wage. For those workers whose performance is of poor quality, they are but the burden of the enterprises hiring them. Well, I did not make up this statement; this is the view held by many contemporary entrepreneurs.

The Administration has put forward in the Budget a number of tax concessions and fee exemptions to help alleviate the burden on businesses and industries. This is commendable. I just hope the Administration will expeditiously implement the pledges made in the Budget and create an environment that is conducive to the development of the various markets, thereby facilitating the development of value-added sectors by businesses and industries. At the same time, the Government should take care not to overlook the importance of industries to economic development and formulate effective industrial policies for Hong Kong. These industrial policies must never be rigid or unchangeable; instead, they should be in line with the market operation pattern, adaptive to changes and capable of creating foreign exchange earnings. It is our hope that the local industries can help to revitalize the economy, create more employment opportunities and lead Hong Kong out of the present economic downturn.

Here, I should like to speak a few words about our sector. Our sector has been making contribution to the local economy since the '50s and earned numerous foreign currencies for Hong Kong from overseas. We have done many miracles and led many international developments. The quota system, for example, was actually first introduced by our sector. During the '70s, we ranked the first in the world in the use of letter of credit (L/C) and many L/C experts have also emerged in our banking sector. These experts know very well the changes in the various credit markets across the world and are capable of initiating trends in this respect.

As I can recall, during the latter part of the '70s I went to New York to look for a banker who could really take care of my L/C needs. Even though I could not find such a bank but still picked one there. Then, in the '80s, our leaders in the financial market went to the United States to acquire a bank; yet when they tried to develop L/C services or other market economy services, they still had to deploy the Hong Kong L/C experts to the United States to handle the relevant business. Although the English proficiency of those experts was not top-notch, their knowledge in L/C business could still be applied efficiently there.

I wish to point out here that our sector has made much valuable contribution to the development of financial services in Hong Kong. Since 1997-98, we have been urging for the establishment of a so-called fashion design centre in Hong Kong to serve as a landmark for our sector. Our proposed

fashion design centre is not simply a kind of hardware or a building; rather, it should be a package of all the services involved. We should look into ways to combine the various relevant services together and incorporate a design element into the combined package. Regrettably, however, the Government just turned a deaf ear to our repeated pleads. Has the Government ever played its role in enabling market development? I can tell Members that so far the Government has only offered us an utterly irrelevant location, the Western Market, which could hardly be linked with the textiles and garment industry. If the Government is to develop the service package proposed by us, it should offer us a location in the vicinity of Cheung Sha Wan and Yu Chau Street. The area has already become a weekend tourist attraction, as many people will go there to find out what is in. But then, does the Government know about that? If the Government really wants to be a market enabler, it must have a keen acumen for changes in the market environment. As a market enabler of the sector, I really can do nothing to help. Seeing that the Government could only offer such a location and there did not seem to be any other alternative available, the members of the sector had unwillingly accepted the offer. As the Government will only make such an offer and the sector is willing to compromise, there is really nothing I can do.

The Budget has also put forward a proposal to provide on-the-job training for young people to help them develop a more flexible way of thinking and enhance their competitiveness. I support this proposal very much. In addition to sharpening their skills required to adapt to the restructured economy, it is most important that we must also help them to strengthen their ability to withstand adversity. The young people of this generation are all brought up in a well-protected environment and know nothing about hardships or the ways to adapt to changes. That being the case, just could they rise up to challenges? I therefore hope that our sector and all employers in Hong Kong can demonstrate their sincerity by devoting more efforts to nurturing young people's ability to withstand adversity. I just hope society will not be blaming employers for being demanding of the young people concerned, as their ability to withstand adversity will not be trained up if they are not put subject to harsh demands.

Actually, every member of society has to enhance his or her ability to withstand adversity. In the face of the present economic hardships, we should keep cool and pull together. By giving play to the spirit of mutual support and meeting the adversities calmly, we could certainly turn the adversities into opportunities.

Mr Deputy, so long as we have the determination, we could certainly overcome all difficulties. Why must Members highlight the various problems; does that mean we cannot face up to adversities?

With these remarks, Mr Deputy, I support the Budget.

**MR WONG YUNG-KAN** (in Cantonese): Mr Deputy, despite the huge deficit, Financial Secretary Antony LEUNG has not put forward any proposal to impose significant tax increases in his maiden Budget presented in his term of office. On the contrary, he has proposed \$6.4 billion concessions to waive rates payments as well as water and sewage charges to benefit over 80% of the people in Hong Kong. Nevertheless, regarding the question of how to get the economy of Hong Kong out of the present downturn, I believe it would depend very much on the co-operation and concerted efforts of the SAR Government and the public.

THE PRESIDENT resumed the Chair.

Madam President, as mentioned by the Financial Secretary in the introduction of his Budget speech, the people of Hong Kong are currently most concerned about how we are going to revive the economy and improve employment prospects. Article 119 of the Basic Law specifies that the SAR Government shall formulate appropriate policies to promote and co-ordinate the development of various trades, and the agriculture and fisheries industry is one of such trades. For this reason, I believe the Financial Secretary should not forget the industry when pointing out the direction in which the economy of Hong Kong should develop. But then, after reading through his speech, I can see not even one word about the agriculture and fisheries industry. What is more, he even did not bother to mention the industry as one of the examples of the economic activities listed in the paragraph entitled *Local Community Economy*, thus giving people the impression that the agriculture and fisheries industry is of no economic value to Hong Kong. However, I wonder whether the Financial Secretary is aware that if Hong Kong should have no agriculture and fisheries industry, the wonton noodle he mentioned in his Budget speech would be so delicious, as nobody would be supplying us with fresh shrimp and fresh pork required to make the wonton fillings.

Madam President, because of the continual increase in environmental protection cost, rising morbidity rate of infectious diseases, pollution problems arising from marine works, impact of the falling prices of imported agricultural and fishery by-products, as well as the influx of illegal imports, the operations of the agriculture and fisheries industry in Hong Kong have become increasingly difficult in recent years. The industry hopes the Government can borrow the example of other countries to formulate policies on sustainable development and inject resources into the same in order to lead the industry open up new horizons.

Let us look at agriculture first. In recent years, the local pig raising trade has been suffering continuously from the heavy blow dealt by the chilled pork imported from Thailand. Apart from the cut-throat price competition, there are also illegal business operators passing chilled pork off as fresh pork in large quantities. Worse still, the Ministry of Foreign Trade and Economic Co-operation in the Mainland has lifted all restrictions on the supply of meat to Hong Kong since January this year, thereby impacting on not only the pig raising trade but also chicken breeders. On the eve of the Chinese Lunar New Year, the chicken breeding trade was attacked by a third round of avian flu and the problem still has yet to be resolved. I will expound my views on this issue in greater detail when I come to the part on food safety later on.

In order to strive for fair competition, members of the livestock industry in Hong Kong have repeatedly urged the Environment and Food Bureau (EFB) and the Food and Environmental Hygiene Department to formulate a sound labelling and quarantine system, with a view to helping consumers to differentiate between fresh meat and chilled meat and enabling law enforcement agencies to trace the origin of the food products. It is regrettable that the Administration has always refused the industry's request on the grounds that the existing system is effective enough. The industry really feels helpless in the face of the Administration's attitude of indifference. In fact, the existing fresh meat labelling and quarantine system is very fragile and can hardly stand even an outsider's query. The Government should put the interest of the public in the first place and take on board the suggestions of the industry to review the existing labelling and quarantine system.

Madam President, at present, the agricultural areas in Hong Kong are mainly concentrated in the northwestern part of the New Territories. As Northwestern New Territories continues to develop, the sewage and odour emitted from farms are not tolerated by the residents nearby, while farmers are

complaining that housing estates are building closer and closer to their farmlands and thus causing their livestock to be exposed to a higher risk of contracting diseases. For this reason, the Government should expeditiously implement the Agricultural Priority Area Scheme to concentrate farm operations in one area, so that facilities for sewage disposal, collection of livestock wastes, and so on, can be centrally provided and handled. That way, while operating and monitoring costs can be reduced on the one hand, the conflicts between residents and farmers will also be resolved on the other. The Government must bear in mind that livestock rearing is part of the countryside, and so the authorities responsible for the management of country parks should adopt a tolerant attitude towards farms and *vice versa*, rather than rejecting them as inconsistent with the interests of the countryside.

Flowers are necessities to urban dwelling, and so the horticultural industry should have a bright future. But since the Administration has all along refused to give the industry any support, a major share of the market is taken away by imported fresh flowers. The first and foremost issue that florists in Hong Kong have to resolve is the absence of a permanent wholesaling marketplace for flower trading. Although the Leisure and Cultural Services Department agreed a number of years ago to allocate a piece of land in the vicinity of Fa Hui Park as the wholesaling marketplace, so far the proposal has yet to be implemented. As the representative of the agriculture and fisheries sector, I hope the Government will expeditiously accede to this small wish of our florists.

Madam President, now I should like to switch to the fisheries industry. At present, as offshore fishery resources across the world are decreasing continuously, there is a trend for the capture operations to shift to distant-water fishing. It is learnt that some 200-odd fishing boats from Taiwan are catching Tunas in the India Ocean and South Pacific Ocean and earning handsome profits amounting to US\$1 billion annually. Even though the SAR Government commissioned a consultancy in 1999 to study the feasibility of Hong Kong developing a distant-water fishing industry, so far the study results have yet to be released. I just hope the Government can get hold of the opportunities available and expeditiously formulate support policies in this respect. If that can be done, the number of job opportunities thus created is estimated to be around 2 000. Otherwise, the fishery industry of Hong Kong just can hardly get out of its downturn once the countries near the Indian Ocean implement any control measures there.

Madam President, I should like to speak on a policy implemented by the Central Authorities to further develop the country's distant-water fishing industry as a measure to protect the offshore fishery resources. On 23 May last year, the Ministry of Agriculture voted \$5 billion for policies on developing distant-water fishing. In this connection, a "May 23rd" Loan Fund has been set up to offer interest-free or low-interest loans to encourage interested fishermen across the country to develop distant-water fishing.

To help develop the fishing industry in Hong Kong, the Government should allocate funds to provide training for fishery professionals; for example, the Government may set up a fishing moratorium fund to encourage fishermen to receive restructuring training. Moreover, since the interest calculation mechanism of the various fisheries and agricultural loan funds managed by the Government has become obsolete, members of the agriculture and fisheries industry just cannot find any capital to realize their ideas. For instance, in order to implement the plans to enter the aforementioned distant-water fishing trade, fishermen are in dire need of low-interest government loans to buy large steel fishing vessel and to receive relevant skills training. I suggest the Government follow the example of the Mainland and take bold actions to revise the interest calculation mechanism of the various fisheries and agricultural loan funds, so as to make the funds conducive to the development of the agriculture and fisheries industry. I have spent so much time speaking on agricultural and fishery matters just because I want the Government to understand that it is worthwhile to develop the agriculture and fisheries industry.

Apart from that, I should also like to say a few words about the former fishermen who have shifted to other industries on land. Due to the present economic hardships and the rising unemployment rate, many of these former fishermen have picked up the trade again. According to our survey results, just in last year and this year alone, a total of some 30-odd former fishermen who had shifted to the construction have bought fishing vessels and re-entered the trade as fishermen again.

This year, an additional sum of \$400 million has been voted for the policy brief of the EFB; however, only 10% of this additional vote, which is about \$40 million, will be used on safety issues concerning the agriculture and fisheries industry. With regard to the expenditure of the food and drugs monitoring agencies in other countries for 2002, the people of Hong Kong have to spend an

average of \$120 per capita on food monitoring matters, compared to \$38 used in some other countries. From this we can see that Hong Kong has indeed spent much more money on this front. Even though the monitoring details of the other countries are not the same as that in Hong Kong, it is still obvious that the food and drugs monitoring agencies in other countries are more efficient in terms of their authority, functions and level of expenditure. Certainly, we are willing to spend a little bit more for the health of the 6 million-odd people of Hong Kong, but the problem remains that Hong Kong's food monitoring work is indeed far from satisfactory.

Due to the repeated avian flu outbreaks, Hong Kong has to spend tens of million public money on food monitoring and compensation annually. After the first two avian flu outbreaks, the Administration has introduced a number of improvement and follow-up measures. Regrettably, however, it has overlooked the need to enhance the surveillance over the local chicken farms. As a result, a new round of avian flu broke out in the chicken farms in Kam Tin and, recently, in Pak Sha. If members of the trade should exercise self-discipline, the risk of avian flu would certainly be reduced effectively. But then, given that the so-called "monitoring system" of the Government is so insensitive, it can hardly educate members of the trade to make improvements to provide against the outbreak of avian flu, nor can it impose harsh punishment on those black sheep in the trade. Yet when things go wrong, the Government just throws out plenty of figures to scare the public, thereby shaping the public opinion into supporting the proposal to centralize the slaughtering of poultry. Is this not unfair to the trade? Actually, for the sake of the livelihood of tens of thousands of people, the trade is certainly willing to co-operate with the Government to improve the environmental hygiene of the chicken farms.

Madam President, the withdrawal of food products containing Stevioside has aroused our concern over the possible loopholes in Hong Kong's monitoring system for imported foodstuffs. Due to resource constraints, the Hong Kong Government has all along been using a "risk assessment" mechanism to categorize food products into different class for monitoring purposes. But since some 90% of the foodstuffs available in Hong Kong are imported, health certificate is an essential tool for Hong Kong to monitor imported foodstuffs. But then, the Government has been relying excessively on this health certificate system to the neglect of the divergent food safety standards enforced in different countries. As regards the case mentioned, it is mainly attributable to the

absence of a mechanism requiring declaration on the ingredients of foodstuffs. The Democratic Alliance for Betterment of Hong Kong (DAB) hereby urges the Government to address squarely the loopholes in the present health certificate system and amend the legislation on food labelling to include the requirement for declaration of foodstuff ingredients, so as to grasp better the information on imported foodstuffs.

Madam President, the United Nations Organization has designated this year as the International Year of Eco-tourism, so as to enable the governments of member countries, international organizations and regional bodies to gain a better understanding of this newly developed subject, and to enhance co-operation in maintaining the sustainable development of the tourism industry. This unique kind of tour is very popular across the world. On the one hand, tourists can enjoy fully the beauty of the nature; and on the other, the economy of the country or region concerned will also be benefited, thereby safeguarding fundamentally the sustainable development of the tourism industry. In my view, this kind of tour is very suitable for development in Hong Kong. Taking the northeastern part of the New Territories as an example, the vast undeveloped areas filled with exotic scenes of fishing villages, spectacular rocks and mountains, and other kinds of natural scenery have attracted innumerable local and overseas tourists every year. At present, although there are many one-day tours to Northeast New Territories, many of them are focused on places like Kat O, Ap Chau, Tung Ping Chau, Tap Mun, and so on, while the activities organized are mainly sightseeing and shopping. In short, the itinerary and activities of these tours are too plain to attract more tourists. Actually, Hong Kong has many beautiful scenes of nature, only that they have not been put to good use.

The DAB suggests the SAR Government make good use of the plentiful natural resources available in Hong Kong and put in great efforts to develop eco-tourism under the major premise of protecting and conserving the various existing environmental resources. We propose that the Government should consider providing such eco-tourism attractions and activities as holiday resorts, and allowing tourists to swim and dive in the waters of the holiday resorts or marine parks, view the different kinds of coral there, enjoy the delicious seafood, and so on. Hence, the Administration should construct large-scale facilities for aquatic activities and holiday resorts, designate leisure and conservation areas to

be filled with large amounts of fish fry to help speed up the development of fish population, and set up environmental information centres to enable the public and foreign visitors to know better the natural environment of Hong Kong, thereby enhancing their environmental awareness. Besides, different types of local tours may also be conducted to attract both local and foreign visitors with our multifarious recreational facilities and natural eco-environment.

Madam President, I so submit.

**MR FRED LI** (in Cantonese): Madam President, my speech will be divided into four parts. First of all, I will expound my views on the work of the Food and Environmental Hygiene Department (FEHD).

In this year's Budget, an additional vote of \$400 billion is allocated to the Environment and Food Bureau (EFB) and the FEHD, and 90% of this additional vote is earmarked for food safety and environmental hygiene matters. On the one hand, it is certainly appropriate for the Government to attach greater importance to food safety and environmental hygiene matters; yet on the other, as we can tell from past experiences that the Government's performance in this respect is worrying, the additional vote just may not be able to achieve the intended policy objectives. I am all the more concerned about the situation after Mrs YAM has retired.

One of the major points mentioned in this year's Budget is to enhance the public health standards relating to livestock. While we fully subscribe to this objective, we still hope that the problem of avian flu can enlighten us in some ways. There have been several outbreaks of avian flu. In the first outbreak, the Government found that quarantine work at the boundary was not good enough and therefore made an effort to strengthen the quarantine facilities there and to improve the quarantine work at the Cheung Sha Wan Wholesale Market. When the disease broke out for a second time, the Government was of the opinion that the virus was dispersed through the retailing markets and thus introduced measures to improve the conditions there, including implementing a close market day and improving the size of chicken cages. In the third outbreak, it was found that our local chicken farms also had many management and quality control problems, such as exaggeration, overcrowding, and so on.

In my view, the avian flu outbreaks are like magnifying glasses, each of which have enlarged and displayed to us some of the problems overlooked by the Government. I just hope we can have a thorough review of the various hygiene and safety standards. The relevant expert review group will publish its report towards the end of April, by then the Legislative Council will discuss the issue in greater detail again. I just hope we can completely resolve the avian flu problem with the Government, rather than resorting to the proposal of centralized poultry slaughtering. That way, we can cater for the people's habit of consuming fresh chicken meat on the one hand, and prevent any future large-scale outbreaks of avian flu on the other.

At the special meeting held by the Finance Committee to examine the Budget, the Secretary informed Members that 58 000 samples or eight samples per 1 000 residents were taken by the FEHD annually, which was higher than the other developed countries' ratio of three samples to 1 000 residents.

Nevertheless, the investment of more resources does not necessarily lead to enhancement in quality. The recent Stevioside incident is a good example. Even though 950 food samples were taken in the past two years for tests of artificial sweeteners, the purpose of the tests was to find out whether there were proper labels on the package of the lawful sugar substitutes, but no sampling or examinations were conducted to find out whether the foodstuffs concerned contained any banned artificial sweeteners other than the 10 approved ones. Actually, the recent incident could have been avoided if only the Government had taken one more step to find out whether the foodstuffs concerned contained any artificial sweeteners and whether such sweeteners were listed under the Food Adulteration (Artificial Sweeteners) Regulations.

With regard to the mechanism for food inspection, the Government has failed to discharge fully its responsibilities conferred on it by the law. In addition to requiring suppliers of prepackaged foodstuffs sold in or imported to Hong Kong for the first time to submit documentation certifying that the foodstuffs concerned are in compliance with the provisions under Hong Kong's food safety legislation, the Government should also examine the foodstuffs to find out whether the ingredients set out in the labels are true and correct before granting them approval for sale in the market. I repeat, the foodstuffs mentioned by me just now refer to those imported into Hong Kong for the first time.

If the Government wishes to monitor food safety and environmental hygiene matters in an effective manner and to enhance the quality of the work concerned, it should do the job in a more meticulous manner, so as to convince the public that both the FEHD and the EFB are capable enough to formulate and enforce food safety policies. As Chairman of the Legislative Council Panel on Food Safety and Environmental Hygiene, I should like to express our heartfelt gratitude to Mrs YAM for the close co-operation she has maintained with the Panel all along.

That is it for food safety. The second part of my speech is a pet subject of mine, which is the issue of fair competition that I will revisit every year.

In his Budget speech, the Financial Secretary has mentioned the role of the Government in the economy. The Secretary mentions that he is a firm believer in market economy, believing firmly that the market can allocate and utilize resources more effectively. Yet he also mentions that rather than being passive and distancing itself from the economy, the Government will have a clear vision of the direction of economic development and maintain an institutional framework conducive to market development, including a level playing field.

The Government has all along been emphasizing that since the business environment in Hong Kong is a level playing field, it is unnecessary to formulate any fair competition legislation. Instead, the Government has only established a Competition Policy Advisory Group (COMPAG) under the leadership of the Financial Secretary to review and deliberate on the various competition-related matters. However, this COMPAG does not have any resources to conduct independent investigations; it can only refer complaints to the authorities concerned. According to the reply given by the Government to a question raised by me in this respect, the COMPAG has made no achievement in the past year, did not act actively enough and was given hardly any publicity. As for the part of the Government, it has failed to educate the public ideas of fair competition.

Do we have fair competition in Hong Kong? Let us ponder on the following questions. Do we have the right to choose the power company to provide us with electricity supply? The people living on Hong Kong Island are already paying 10% higher electricity tariffs than those living in Kowloon and the New Territories, and they will continue to have to pay exorbitantly high tariffs in the future. Do these people have any choice? The answer is no.

Do we have more than one gas supplier to choose from? Can we buy our daily necessities from a range of shops or are we forced to do grocery shopping at the two major supermarkets? As regards businesses, do business operators have any alternatives other than the EPS if they conduct transactions via electronic means? I am sure Members know the answers to these questions very well. It appears that the business environment in Hong Kong is fair, as there seems to be competition and plenty of choices. But then, taking the prices of fuels as an example, even though the Secretary for Economic Services has already appealed to certain oil companies to urge them not to increase fuel prices, the efforts made by the Secretary only serves to reflect the impotence of the Government.

In February last year, the Economist Intelligence Unit downgraded Hong Kong's business environment from the third place to 12th and one of the reasons given was that Hong Kong lacked fair competition legislation. Many members of the World Trade Organization have expressed grave concern over the fact that so far Hong Kong has not formulated any legislation on fair competition. Given that many countries — 80 countries and regions — have formulated fair competition legislation, why must Hong Kong lag far behind others in this respect?

Madam President, I believe the people of Hong Kong are not afraid of hard times; after all, we have endured those days when we had to assemble plastic flowers or put stickers on toys to make ends meet. As I can recall, I used to live in Diamond Hill when I was a child and had experienced those days of assembling plastic flowers to help make ends meet. We are not afraid of such hard times. The most important point is that we have equal opportunities of development. The dream should be pursued by all and fought for by all, rather than being monopolized by certain people.

If the Government is really sincere in reviving the economy, I would urge it to expeditiously formulate legislation on fair competition to boost the confidence of foreign companies and local businessmen in Hong Kong, with a view to convincing them that there are plenty of business opportunities here, and that such business opportunities are not confined to certain large families or organizations. Besides, the interests of the public as consumers will also be safeguarded as well.

I will now come to the third part, which is about urban renewal.

As I was appointed as a member of the Board of the Urban Renewal Authority (URA) in May last year, I should like to speak on urban renewal. The objective of urban renewal programmes is to directly improve the quality of life of residents living in the old urban areas and to strike a balance between the different interests and needs of the various sectors of society. Since renewal programmes involve enormous capital, so in addition to improving the urban environment, they will also benefit the public and stimulate the economy. They will give the sluggish economy a booster and thereby give rise to series of chained economic effects.

In implementing its corporate plan, the URA is in fact helping the Government to discharge its social responsibilities. For this reason, the programmes implemented by the URA should have the co-operation and support of both the Government and society. Besides, the Government should also provide the URA with sufficient assistance and resources in full support of the implementation of its set renewal programmes. These include:

#### *Capital injection*

I understand that the draft five-year corporate plan of the URA requires injection of enormous capital by the Government. I also know that for the year 2002-03, the Government has earmarked over \$2 billion for the URA under the item of "additional commitment" of the Capital Investment Fund. While the URA has assumed responsibility for the outstanding debts left over by the former Land Development Corporation, the compensation payments involved in three advanced projects have far exceeded \$1 billion. What is more, the URA still has five more projects to implement in this financial year. Thus it can be seen that the \$2 billion additional commitment is indeed far from enough.

In my view, the government funding voted for the URA should be increased substantially this year to enable the URA to have a sound financial position as a start. I just hope the Financial Secretary is not aiming at making the first year of the URA to record deficits as a means to support the Government's plan to get the necessary financing from the capital investment market for the 225 projects under its ambitious 20-year plan. Hence, the Government should consider injecting into the URA a huge "one-off" sum to demonstrate to the public its determination to implement the urban renewal programmes.

*Premium exemption for land lots earmarked for redevelopment and rehousing purposes*

The Government has made a pledge in the Urban Renewal Strategy to exempt the URA from payment of premiums for land lots earmarked for redevelopment and rehousing purposes. I hope the Government can expeditiously honour this pledge to help reduce the costs of the redevelopment projects and to speed up the progress of the renewal programmes.

*Support from government departments*

I am pleased to learn that in this financial year the Government has voted funds for the expenditure of the Urban Renewal Divisions of the Planning, Environment and Lands Bureau and the Planning Department. Actually, during the process of implementing the various urban renewal projects, the support of the relevant Policy Bureaux as well as that of the Buildings Department, Lands Department, and Planning Department is of the utmost importance. For this reason, I hope that the Government will correspondingly allocate adequate resources to these relevant departments to enable them to co-ordinate with the work of the URA and simplify as far as possible the various policy formalities and procedures involved.

Since urban renewal brings significant benefits to the people of Hong Kong in terms of economy and their livelihood, I urge the Government to take my aforementioned suggestions into careful consideration.

Madam President, I will now come to the last part of my speech. In this part, I will sum up the public opinions collected by me during the residents' meetings held in a number of districts. I think the Financial Secretary may as well lend me an ear.

Over the past month, I have visited the different housing estates in Kwun Tong and Wong Tai Sin, including Home Ownership Scheme (HOS) estates and public housing estates, and held a total of 16 residents' meetings. I believe I have most probably outnumbered the Anita MUI concerts. On top of that, I have also organized two meetings with the elderly. I did a head count on each occasion and a total of 1 800 members of the public have attended those meetings. At each of the meetings, I asked the kaifongs to vote on three issues as follows: first, civil service pay reduction; second, the proposed Boundary Facilities

Improvement Tax; and third, charges for the use of accident and emergency service. I will explain the reasons why I included the charges for the use of accident and emergency service in the meetings for discussion.

The following are the summarized results. About 80% of the residents support reducing the civil service pay; however they have stressed that the reduction rate for senior government officials should be higher while that of junior civil servants should be lower, and this is the general view shared by the residents attending the meetings. As regards the proposed Boundary Facilities Improvement Tax, about 70% of the residents indicated their support for the proposal. Nevertheless, they have also added a footnote that the fare of \$33 for train services to Lo Wu is exorbitant (much higher than the fare for Sheung Shui, Sha Tin, Tai Po, and so on). In their view, if the proposed tax should be implemented, it would only be reasonable for the Government to require the Kowloon-Canton Railway Corporation to reduce the fare for train services to Lo Wu.

Even though the Budget has not touched upon the issue of whether or not there should be charges for accident and emergency service, I considered the residents' meetings a golden opportunity for us to solicit the public's views on the issue, bearing in mind that tenants of public rental housing and HOS flat owners come from the grass-roots sectors. To my surprise, 80% of the residents supported the proposal to levy charges for the use of accident and emergency service. Nevertheless, Secretary for Health and Welfare, they could not accept the proposed fees of \$150 to \$200 on the grounds that charges at such levels are too high for them. If such exorbitant fees should be charged, they are afraid that they would rather wait until the next day than to seek accident and emergency service if they should feel sick in the middle of the night. This may give rise to safety problems. The residents agree that charges should be paid for the use of all kinds of accident and emergency service; however, they hold that the rates of the charges should be linked with the \$37 payable for general out-patient service. The opinion I solicited is that they are willing to pay for the accident and emergency service they use, but they can never agree to setting the relevant fee at \$150. As they sat in the meetings listening to our explanation on the contents of the Budget, pamphlets on the Budget prepared by the Government were also distributed to these 1 800 residents. I did not "pocket" anything — the 2 000 pamphlets we got from the Government were all distributed to the residents. Every time, we listened very earnestly to the views expressed by the residents. This was how I complete the district consultation work. I just hope

the Financial Secretary and the Secretary for Health and Welfare will listen to the views of the public. Rather than opposing any fees indiscriminately, the people are very reasonable and understand that the Government is faced with deficits. In this connection, I believe the propaganda work done by the Secretary for the Treasury has been very effective. The public understand that the government is faced with a budget deficit and are, therefore, willing to pay some fees. On the other hand, the people also hope the Government can understand that their financial capability is very limited.

I so submit.

**MR KENNETH TING** (in Cantonese): Madam President, the Financial Secretary should indeed command our praises for he has successfully drafted a Budget acceptable to all sectors of the community in face of a deficit as high as \$65.6 billion.

Madam President, the Federation of Hong Kong Industries (FHKI) generally shares the relief measures cited in the Budget. Nevertheless, we see that there is still room for further improvement with respect to a number of policies.

To start with, we are pleased to see that the Budget has proposed some measures to relieve the hardship facing the industrial and commercial sectors. To illustrate, more than 30 industries can benefit from water and sewage charge reductions. The freeze on government charges, waiver of business registration fee, and further reduction of rates payments can benefit all enterprises, particularly small enterprises in less favourable situation. Insofar as the industrial and commercial sectors are concerned, the significance of these measures means much more to them than the actual benefit. More importantly, they feel that the SAR Government has finally realized the hardship confronting them and is willing to listen to their voices.

Before the publication of the Budget, the industrial and commercial sectors made it clear that if the Government could strictly control expenditure, they would not mind the Government slightly raising the profits tax rates, and sharing the financial burden with the Government and the public. The Financial Secretary is determined to confine public expenditure to an annual growth rate of 1.5% and take strict measures to curb expenditure incurred by the public sector.

While the industrial and commercial sectors really appreciate the efforts made by the Financial Secretary in this area, the crux of the problem remains it is still uncertain as to whether the Government's expenditure-cutting measures can bear fruit.

Most public expenditure in Hong Kong has a legal base. For instance, the endorsement of this Council has to be sought before Comprehensive Social Security Assistance (CSSA) payments can be slashed. It will still be necessary for public bodies to pay pensions even if manpower is cut. Even if the Government is determined to move towards the goal of "small government", outsourcing work previously done by the public sector, and trimming the size of the Civil Service, the Government will still need to pay for the pensions incurred by redundant civil servants, in addition to bearing the expenses incurred as a result of outsourcing government work. Furthermore, there is a sizable portion of the population aged between 35 and 55 in Hong Kong at the moment. A large number of them will turn 60 in five years' time too. A number of Hong Kong people will lose their economic vitality as the population grows older. As a result, more and more people will rely on public welfare and medical care. How can expenditure be reduced in these areas? On the other hand, a number of young people who have succeeded in claiming the right of abode, whether they come here for primary schooling or CSSA, will impose pressure on public expenditure.

These problems have made it even harder for the Government to cut expenditure. The FHKI is of the view that the Government must constantly monitor and curb expenditure of the public sector in the next few years and, depending on the progress, adjust its policy of broadening sources of income and cutting expenditure.

Since the effectiveness of the expenditure-cutting measures remains unclear, there is a greater need for the Government to do more in promoting commercial and industrial development. Most importantly, the Government must improve the business environment and give incentives to investments that will bring more wealth in the future.

The prerequisite for achieving a balanced budget in the medium term is to maintain an actual economic growth of 3% annually. The Government must endeavour to create an environment conducive to doing business and encourage

more enterprises to start operations in Hong Kong. Otherwise, it will be impossible for us to achieve the objective of maintaining a 3% economic growth. Even if this objective is met, it will not sustain. Regrettably, the Budget has not given much attention to measures that can improve the business environment. In the opinion of the FHKI, given that the high exchange rate of Hong Kong dollar has greatly undermined Hong Kong's competitiveness, the SAR Government must endeavour to reduce the costs of business in Hong Kong before the growth target of 3% can be achieved in the next few years.

At present, Hong Kong electricity tariff ranks second highest in Asia, with fuel prices and container terminal handling charges being almost the highest in the world. These exorbitant charges have all along posed obstacles to our commercial and industrial development. Even if wages have seen downward adjustments in recent years, the costs of business in Hong Kong still remain high unless the SAR Government can look for means to lower these charges with determination and resolve. The Financial Secretary has stated clearly that the Government should be a "proactive market enabler". The FHKI is absolutely in support of this. Helping local manufacturers and shippers to fight for reasonable container terminal handling charges, electricity tariffs and fuel prices is precisely what the Government must do in order to be a "market enabler". In the opinion of the FHKI, the SAR Government must try every possible means to prescribe the right medicine to lower the basic operating costs to a reasonable level in order to help commercial and industrial enterprises lower their costs of business. Only in doing so will there be a chance for the local economy to record positive growth persistently and the deficit problem be ameliorated.

We are convinced that the Financial Secretary also realizes this clearly. The biggest difference between this Budget and previous ones is that the SAR Government now understands that it can no longer hold onto its previous "active non-interventionist" role. It must assume an active and positive role if Hong Kong is to maintain its competitiveness. As the Financial Secretary said, the Government should have a clear vision of the direction of economic development and secure projects when the private sector is not ready to invest in them. Nevertheless, what should the Government do to secure investment projects beneficial to our economy as whole? For instance, will tax concessions be proposed? Will long-term economic development strategies, including an in-depth study of the strategic objectives, implementation details and relevant timetables, be proposed? The industrial and commercial sectors are still awaiting a response from the Government.

Our neighbours have been constantly revising their economic policies in order to provide better conditions for their own economic development. For instance, Macao, just separated from Hong Kong by a stretch of water, has started promoting its betting industry, which can hardly be challenged by its neighbours, in full swing. The Shenzhen Government has also announced that people aged over 18 are allowed to operate business in the Shenzhen commercial area so long as they are willing to lease a shop for one year. On the contrary, Hong Kong has yet to find its direction of development. The Budget has proposed to make use of the financial services, logistics, tourism and producer and professional services to give impetus to our economy. Nevertheless, there is a lack of innovative measures to achieve this goal. The Government must come up with more specific and proactive policies to give impetus to these four core sectors of development before our economy can be driven forward.

The industrial and commercial sectors also support the Youth Work Experience and Training Scheme. It has actually been a persistent view of the FHKI that more government resources should be devoted to on-the-job training programmes to enable employees to apply what they have learned upon the completion of the training programmes and make more effective use of the training resources.

The Youth Work Experience and Training Scheme provides timely assistance to those youngsters facing a particularly high unemployment rate. It is learnt that the Scheme has received support from a number of commercial organizations initially. We will also encourage more members of the FHKI to give support to this Scheme so as to open up more on-the-job training opportunities for young people and alleviate the unemployment problem facing them.

Furthermore, we hope the Government can actively review the effectiveness of the various training courses organized by the Vocational Training Council and other training providers to enable the training programmes to better cope with our economic needs and boost the employment prospects of trainees. We also hope the Government can examine the feasibility of cutting less effective retraining programmes and instead subsidize more on-the-job training programmes with greater effectiveness to enable the economy to benefit more from the retraining programmes.

Madam President, the Financial Secretary's optimistic view on Hong Kong's medium range economic prospects is based on three key assumptions. First, it is believed that the economies of Europe and the United States will recover in the foreseeable future; second, the Mainland will maintain its high economic growth; and third, our sustained efforts to move up the value chain. Of these three assumptions, only the last one is within our grips. The first two are beyond our grips. In order to achieve the objective of achieving fiscal balance in 2005, the Government must double its efforts in steering our economy towards high value-added development. Through expediting the industrial and commercial development and improving the local economy, the FHKI will continue to work closely with the Government to expedite our industrial and commercial development.

In conclusion, Madam President, the FHKI shares the direction of economic development outlined in the Budget.

With these remarks, I support the Appropriation Bill 2002.

**MS AUDREY EU** (in Cantonese): Madam President, according to an opinion survey conducted by the Hong Kong Institute of Asia-Pacific Studies of The Chinese University of Hong Kong, the popularity rating of the Financial Secretary after the publication of the Budget last month has soared 5% to 62 points. So, it appears that the maiden Budget presented by Secretary Antony LEUNG has indeed been widely accepted by the public.

Seeing that the economy has yet to revive fully, Secretary Antony LEUNG proposes to gradually restore to a balanced budget by 2006-07 and to contain public expenditure as a share of Gross Domestic Product at below 20%. While this is an approach in the right direction, the proposals put forward to increase recurrent revenue or reduce recurrent expenditure have failed to inspire confidence among the public that the Government is capable of resolving the budget deficit problem.

I read in the newspaper only today that in a latest opinion survey conducted by the University of Hong Kong, 51% of the interviewees said they did not believe the budget deficit problem could be resolved by 2006-07 as claimed in the Budget. Madam President, I should like to first speak on the Government's economic philosophies. This time, Secretary Antony LEUNG

did not announce that the Government would abandon the active non-intervention policy as reported by the media earlier on. On the contrary, he has given some hints for the Government's possible intervention in economic activities. In paragraph 42 of the Budget, he mentions that the Government may "consider the need to take appropriate measures to secure projects beneficial to our economy as a whole when the private sector is not ready to invest in them".

In fact, the people of Hong Kong have suffered a lot as a result of the "excessively aggressive" approach of governance adopted by Mr TUNG Chee-hwa since he assumed the office of Chief Executive. I believe I do not have to say much about the painful experience of the "target of 85 000", which is wholly attributable to the Government's intervention. Further still, the Cyberport Project, which is considered as Hong Kong's base for developing high technology industries, so far has only succeeded in signing tenancy agreements with three companies only. This has once again highlighted the "grandiose aims but puny abilities" of the SAR Government.

Secretary Antony LEUNG stresses that the Government should have a clear vision of the direction of economic development and be a proactive market enabler. But the problem remains that the public have much doubts about the Government's ability to have a clear vision of the direction of economic development. What is more, they do not wish to see the Government breaking the standing rules of the game just to facilitate an individual activity or economic project, just like the way it broke the existing open tender arrangement in the Cyberport Project.

Madam President, just now I heard the speech made by the Honourable Kenneth TING and was a little bit worried because he seemed to be speaking on behalf of his colleagues in the industrial and commercial sectors to invite the Government to intervene in and steer the market. I thought the industrial and commercial sectors, being at the front line of the market, should be more sensitive to changes in market demands and the direction of economic development and thus wish not to see the Government intervene in the market to compete with the people. The Government should have the wisdom to know its own limitations and that, rather than intervening in the market when the private sector is unwilling to make investments, all it has to do in promoting the development of the economy is to hold fast to its supporting role, such as providing manpower training, perfecting laws and regulations, providing

infrastructural facilities, negotiating on behalf of Hong Kong with other countries and places, and so on.

Concerning the measures to reduce recurrent expenditure, the most specific proposal put forward in the Budget is but to reduce civil service pay. However, what puzzles people is that while proposing to reduce civil service pay by 4.75%, Secretary Antony LEUNG mentioned at the same time that this was only an assumption and no final decision would be made before the completion of the pay trend survey. Apart from pay cut, the Government may in fact seek to reduce recurrent expenditure by streamlining its structure.

Looking back on the past few years, the SAR Government has achieved very little on the front of civil service reform; so far it has only introduced the Voluntary Retirement Scheme and successfully lowered the entry points of newly recruited civil servants. As regards structure streamlining, since it has not conducted any overall structural review of the Civil Service, the Government has even been criticized for expanding the upper levels at the expense of the lower levels.

According to government figures, even though the establishment of the Civil Service has reduced gradually from over 191 000-strong to 184 000-strong since the reunification, the number of directorate officers has risen from 1 490 to 1 581, representing an increase of 6%. Similar situations can also be found in the subvented organizations. Recently, I received a complaint from some staff members of the Immigration Department, claiming that the Department had cut 10 lower-rank posts in order to create a Chief Immigration Officer post.

Madam President, I dare not arbitrarily make any conclusion as to whether or not there are "more bosses than subordinates" in government departments before conducting reviews. However, if the Government should continue to streamline its manpower structure by cutting lower-rank posts on the one hand and creating senior posts on the other, it could hardly reduce expenditure in an effective manner but would only deal a heavy blow to the morale of civil servants.

In addition to carrying out a comprehensive review of its manpower structure, actually the Government may also consider briefing out more of its work or services. Taking the Department of Justice (DJ) as an example, the briefing out ratio of its public prosecution work has been maintained at around

16% over the past few years. This is very much different from the situation of the Legal Aid Department (LAD), which briefs out all its cases to legal practitioners in the private sector. I certainly agree that the work and responsibilities of the two departments are not identical, but since there are many cases in which the two parties involved are represented by the DJ and the LAD respectively, direct comparisons can still be made. At a special meeting of the Finance Committee, I asked the Government to compare the expenditure of the two departments on a same case, as the Government is duty-bound to ensure the proper use of public money. If it is more cost-effective to brief out the cases than to have them handled by Government Counsels, the DJ should raise the briefing out ratio gradually rather than adopting an evasive attitude.

As far as reducing recurrent expenditure is concerned, the Government may in fact consider reviewing its expenditure on infrastructure projects as well. All along, the Government is of the view that expediting the commencement of infrastructure projects is a panacea for an economy in dire need of revival. On the eve of his successful re-election, Mr TUNG also announced a \$600 billion infrastructure construction programme, albeit many of its contents were projects planned long ago or even nearing completion. While Mr TUNG's new rose garden proposal has certainly failed to give people some sort of encouragement, there have also been views pointing out that infrastructure projects have just very limited effects in stimulating the economy or creating employment opportunities. In particular, the Government should avoid being over-ambitious and unrealistic in the face of a grave budget deficit problem; instead, it should review the timetable for the various infrastructure projects and focus on developing the cost-effective ones.

With regard to increasing recurrent revenue, judging from the Government's decision to release the two reports on broadening the tax base and the structural fiscal problem facing Hong Kong on the eve of the publication of the Budget, it seems that the Government is trying to pave the way for introducing new taxes in future. Even though the Budget only proposes to increase the duty on tobacco and wine and to introduce a Boundary Facilities Improvement Tax in the coming year, the public opinion predicts that in order to restore a balanced budget, the Government will have to introduce the sales tax or implement other revenue measures sooner or later.

I hope that when the Government considers introducing new taxes, it will take into account not only the need to broaden the tax base but also the fairness or otherwise and the social effects of the taxes concerned. From the point of view

of enhancing the fairness of the tax regime, the Government should consider introducing a progressive profits tax regime to impose higher tax rates on enterprises earning more profits. That way, the Government can increase the income of the Treasury without adding to the burden on the small and medium enterprises faced with operating hardships. Moreover, given that our profits tax rates are still far lower than that of our competitors, an increase of 1% to 2% in profits tax rates should not be as heavy as to undermine the competitiveness of Hong Kong.

Another new tax worth looking into is green tax. The last Financial Secretary, Mr Donald TSANG, proposed in last year's Budget to study the possibility of levying green taxes and the implementation of the "polluter pays" principle. He also stressed that "if our environmental sores are left to fester, inaction will, over time, result in far worse pain and far greater costs than will an early cure". However, it seems that the Government's interest in this respect only lasts for a few minutes, as green tax is not included as a study item in the recently published report on broadening the tax base, nor is it mentioned in Secretary Antony LEUNG's Budget. What is more, he has even put forward such concession proposals as reducing sewage charges and trade effluent surcharge, which are running counter to the principle of polluter pays.

Madam President, I agree that measures should be introduced to alleviate the burden on businesses and industries, but I feel most dissatisfied with the fact that the Government has completely neglected the environmental protection principles in its reviews of taxes and fees. Worse still, when I asked the government officials whether they would look into the green taxes, they even told Members to conduct such studies themselves. From this we can see that the Government really lacks sincerity in promoting environmental protection.

Despite the \$6.8 billion relief measures proposed in the Budget to help people ride out the storm, the lower-income families will at most benefit from the proposed water and sewage charges waiver, which cannot help them to save much on their expenses. Hence, the effect of such concessions on them is more psychological than practical. Actually, the Government can do more to provide support to the lower-income groups and the unemployed. As Hong Kong is gradually developing into a knowledge-based economy, the problem of structural unemployment will become increasingly grave. Hence, the Government should review its retraining policies and put in more resources to help these people to adapt to the need requirements of the labour market. It is worrying that the

Budget has not proposed any effective strategies to tackle the structural unemployment problem.

Last but not least, Madam President, I should like to speak on the issue of education which is of the utmost concern to me. In the coming financial year, recurrent expenditure for Education is estimated to be \$49.3 billion, representing an increase of 8% in real terms. I have never doubted the Government's commitment to basic education; however, the problem remains whether the resources are put to the best use. As a matter of fact, many long-standing problems, such as the exceedingly large class size in primary and secondary schools, disproportionate teacher/student ratio, excessive administrative workload on teachers, and so on, have so far remained unresolved.

In addition to allocating resources to implement the various education reforms, the Government should also review the effects of the reforms from time to time. For example, it should review whether the subsidy provided for schools to employ additional manpower could really help to alleviate teachers' workload; whether the professional training provided for school principals and managers could help to improve school administration and management; and so on. Otherwise, the resources allocated will just be washed down the drains.

With regard to university education, Madam President, the Government has frozen the annual intake of students enrolled in bachelor's degree courses at 14 500 over the past few years, and thus forced the ratio of university-age youths enrolled in universities to drop from 18% to 16%. If this trend should be allowed to continue, the rate would further drop to 15.5% in five years' time, thereby causing Hong Kong to further lag behind our major competitors like South Korea, Singapore, and so on. It is worrying that neither the Education and Manpower Bureau, the University Grants Committee, nor the recently published Review Report on Higher Education has set out any clear objective for increasing university places. During the last meeting of the Finance Committee, we raised the issue with the Secretary for Education and Manpower, but she said she could not promise us any increase in places.

Madam President, the academic structure of universities will shift from the three-year system to a four-year one in the coming few years. At the same time, the Government will also be increasing tremendously the number of places for associate degree courses and implementing the various recommendations made in

the Review Report on Higher Education. As such, the tertiary institutions in Hong Kong will undergo fundamental changes in different aspects, including academic structure, financing, school administration and management, and so on. During this rapid process of change, the Government must implement the reforms very prudently, make appropriate adjustments and put in the necessary and suitable resources. The reforms would not be successful if the Government should rely solely on reforms in the market.

Madam President, I so submit.

**MR LAU WONG-FAT** (in Cantonese): Madam President, the economy of Hong Kong is still running on a mixed downward trend since Mr Antony LEUNG assumed office as Financial Secretary. The revival of the economy, though seems to be just around the corner, is actually quite far away. With the various unfavourable news breaking out in recent years, things have indeed turned critical on all fronts. While the consolidated deficit has risen tremendously to \$65 billion over the past year, the economy only recorded 0.1% growth, far below the originally estimated 4% growth. As more employees are being laid off by enterprises and the rate of unemployment continues to rise, consumer spending remains weak even though deflation persists, and more people are being made owners of negative assets.

Although Hong Kong was not at a moment of life and death when Mr LEUNG was appointed as Financial Secretary, the people of Hong Kong were living in an abyss of suffering and yearning eagerly for someone to lead them out of their misery. So, the task assigned to Secretary Antony LEUNG is indeed tough and arduous. However, having heard the shocking prelude unveiled by government officials from the Treasury that Hong Kong would soon exhaust the fiscal reserves and thereafter go into debts amounting to hundreds of billion dollars, the Budget presented by Secretary Antony LEUNG last week came like a tranquilizer to the stressed out Hong Kong people, for at least their anxiety could be eased a bit temporarily.

Obviously, the spirit of the Budget is to let the people take some rest in the midst of the difficult time these days. Despite the huge budget deficit and financial constraints facing Hong Kong, the Budget has not put forward any radical measures like increasing tax rates and fees and charges, which will impact on the people's livelihood. On the contrary, concessions totalling \$6.4

billion are offered to help alleviate people's hardships. This is indeed commendable. Certainly, this is all because Hong Kong has a remarkably handsome amount of fiscal reserves that the Budget can make such offers.

Nevertheless, drawing on the fiscal reserves to make up for the deficits is by no means a long-term solution. Without any effective strategy to tackle the problem, our fiscal reserves will sooner or later be depleted. If the Government is to tackle the problem, increasing recurrent revenue and reducing recurrent expenditure will be indispensable. In view of the present economic environment, it is by no means easy to increase recurrent revenue or reduce recurrent expenditure. The exposure, capability and determination of the one vested with this responsibility would be put to a harsh test.

The Financial Secretary stresses that we must contain public expenditure as a share of the GDP and has therefore made it his target to reduce the share of public expenditure in the economy to 20% of GDP or below by 2006-07. Such a practical, prudent and responsible fiscal decision is consistent with the wishes of the public.

At present, while government expenditure accounts for 88% of public expenditure, 70% of the Government's operating expenditure is expended on the Civil Service. Hence, if the Government is to reduce recurrent expenditure and to limit the share of public expenditure in the economy, it must start with streamlining the government structure, reducing the establishment of the Civil Service and cutting civil service pay. These are the unavoidable and indispensable measures. Life is tough in the reality, for private enterprises have been cutting employees' salaries and substantially laying off staff since a long time ago. Now that the Government is faced with a huge budget deficit and cannot make its ends meet, just how can the civil servants find any excuse for being so indifferent to the problem of the Government which they are a part of? Given the over 4% pay increase they enjoyed last year, the Financial Secretary's assumption that the civil service pay be reduced by 4.75% should be considered as a mild proposal. Under the present critical circumstances, no leading officials in the Government can win the acceptance and support of the public if they do not put forward any measures to reduce the government expenditure. I just hope the civil servants at large can take into due account the present situation, adopt a co-operative attitude and put the interest of society in the first place.

Certainly, there should be larger scale as well as smaller scale measures to reduce government expenditure. For example, the Administration should consider closing the civil servants' canteens in government office buildings and use the vacated areas for office purposes. As regards government vehicles, limousines for senior government officials and the other government supplies, the Government should seek reasonable pricing and practicality, so as to avoid spending money lavishly. That way, the Government could reduce its recurrent expenditure to ride out the storm together with the people on the one hand, and set a good example for the community on the other.

With regard to increasing government revenue, I believe legalizing or regularizing football betting should be one feasible way. Actually, all the arguments for and against football betting have already been discussed during debates on horse betting. Given that betting on horse races can be allowed as a kind of taxable and charitable activity, I just do not see any reason why football betting cannot be legalized on the same grounds.

Activities of this kind have already become very popular in the West. As regards our neighbours, I do not think I need to talk much about Macao, seeing that even Singapore and the Mainland, our Motherland, have also legalized football betting. Even if we dare not take the lead in this respect, does that mean we do not even have the courage to follow the steps of others? In my view, the Government should also adopt a similar attitude towards the issue of levying a tax on the employment of foreign domestic helpers. If the Government should remain over-cautious and strive to please all sectors in seeking to increase revenue, it would only end up achieving nothing.

Madam President, another major goal of the Financial Secretary is to restore fiscal balance in five years' time, and the basis for achieving this goal is that the local economy will see an annual growth of 3% in the next five years. Many have expressed reservations about this assumption, and some even consider that Antony has made such an optimistic assumption simply because he has been in such a merry mood.

With the structural problems and huge deficit facing our public finances, it just remains unknown when the economic restructuring Hong Kong currently undergoing will complete successfully and whether a new economic engine can be identified. As regards the macro environment, in the Financial Secretary's

view, "the global economy will experience low inflation and low growth for some time to come". Since Hong Kong is faced with both internal and external problems, it is by no means easy to restore fiscal balance in a few years' time.

If the Government is to improve Hong Kong's account balance, revive the economy and to facilitate employment, it must implement other relevant policies to work with the various measures of increasing recurrent revenue and reducing recurrent expenditure. In this connection, I should like to suggest several points for discussion as follows.

Firstly, the Administration must put in every effort to stabilize the property market. One of the main reasons why the Government is faced with huge deficits is that income from land sales has dropped significantly. As indicated in relevant figures, while income from land sales had amounted to over \$60 billion in 1997, only \$8 billion-odd was recorded last year. If the property market could be stabilized, the confidence of the public in home ownership would be revived gradually, thereby pushing up also the income from land sales.

Secondly, the Administration should expeditiously formulate a set of population policies that can cater to the economic conditions and practical needs of Hong Kong. At present, whether there is an upturn or a downturn in the economy, Hong Kong must accept the arrival of tens of thousand immigrants from the Mainland annually. This arrangement is very much against the interest of Hong Kong. Currently, as the economy of Hong Kong is still in the doldrums, the rate of unemployment just keeps standing high while the Government is faced with a huge budget deficit. Under the circumstances, the arrival of a large number of immigrants will certainly add to the pressure on the already tight financial position. The Administration must therefore expeditiously discuss with the Central Authorities to formulate a set of flexible arrangements.

Thirdly, the Frontier Closed Area should be opened to facilitate joint development and co-operation with the adjoining areas of Shenzhen. That way, not only the precious land resources of Hong Kong could be put to better use, the development of the tourism industry and the local economy would also be given a boost.

Last but not least, Madam President, I should like to say a few words on the Mandatory Provident Fund (MPF) Scheme. The original objective of the MPF is to save up and prepare well for one's retired years, and the prerequisite is that one must have excess money to save up. As the economy of Hong Kong has been experiencing a downturn for several consecutive years, the public can barely make their ends meet while businesses are having difficult remaining in operation. Hence, many people either do not have any money to save or do not have any money left after making the savings. For these reasons, I hold that there is a need for the MPF arrangements to be adjusted with the times.

I suggest the Government consider allowing employers and employees to suspend their contributions for the time being or reduce the contribution rate from 5% to 1%, so as to help alleviate the financial burden on employers and employees, thereby benefiting the economy as a whole.

If the MPF contributions could be suspended or the contribution rate reduced, the operating costs of employers would be lowered and thus alleviate the pressure on employers to resort to wage cuts or layoffs. Besides, if operating costs are reduced, the profits earned by employers will then increase, which may in turn enable the Government to recoup more revenue. At the same time, if employees could suspend making MPF contributions or make contributions at a lower rate, they would have more disposable income to spend every month. That way, local consumer spending will be given a boost, thereby facilitating the recovery of the economy.

Madam President, I believe the relevant suggestions will do more good than harm to Hong Kong. I hope the Government will take them into consideration at this extraordinary time. I so submit.

**MR MARTIN LEE** (in Cantonese): Madam President, the Financial Secretary has mentioned in the Budget two important policy positions, namely, the Government's role in the economy and its fiscal principles for the coming five years. I will express on behalf of the Democratic Party our views on the Government's role in the economy.

What kind of role should the Government play in the economy? While "active non-intervention" used to be the policy often mentioned by the

Government in the past, the newly appointed Financial Secretary has introduced a new term, "proactive market enabler", in his maiden Budget, thus inducing much speculation and triggering off heated debates among Members of the Council. After finish writing up this speech, I suddenly realized that the Financial Secretary is really something. He uses this new term to draw us into heated debate, so that we will be too busy to bother him with other issues. That way, the chances of the Budget being approved by the Council will increase significantly. But then, does that mean the Government is going to abandon its "active non-intervention" policy? The Financial Secretary later on mentioned he would like to use a more accurate description to reflect the role played by the Government over the past few decades. However, this explanation given by the Financial Secretary had added to rather than dispelling people's doubts.

To begin with, even if we do not look at the history, just from the term "proactive market enabler" introduced by him we could see that the Financial Secretary is visibly trying to use the term as the banner under which he will guide the economic policies of the Government. Yet the problem here remains that the Financial Secretary has not defined in detail what a "proactive market enabler" is. How proactive should the Government be? Would the Government be too proactive and thus turn Hong Kong into another Singapore? Being "proactive" is the opposite of being "reactive", so how is the Government going to strike a balance between its role as a proactive market enabler and a market-led economy? In what way and within what parameters should the Government play its role as a proactive market enabler, would another version of Cyberport case arise? Given that the Financial Secretary's explanation is so unclear, we cannot help but worry that this new term would be used by the Government as an excuse for its arbitrary intervention in the market in future.

Moreover, if the Financial Secretary considers that the role play by the Government over the past few decades is more accurately described by the term "proactive market enabler" than "active non-intervention", is he trying to say that while the Government has all along be "crying up wine and selling vinegar" in the past, he has now chosen to reflect the real picture and intervene in the market openly?

The Democratic Party agrees that the Government should review its role in the development of the economy. While the Government was always making boast of its "active non-intervention" policy in the past, we had all along held that the role of the Government in the development of the economy should never

be taken as simple as an issue of intervention versus non-intervention, bearing in mind the ample room between these two ends.

In fact, Hong Kong has never implemented any *laissez-faire* or non-intervention policy over the past years. The 10-year housing construction programme and the linked exchange rate are only two examples of government intervention in the relevant markets. In our view, since markets may fail occasionally, it is just unavoidable to have government intervention sometimes.

Our worry is that the Government's excessive or inappropriate intervention may distort the financial decisions of private enterprises as well as their directions for reform or investment, thereby affecting the entire industrial structure. Moreover, as the Government's economic participation and influence continue to grow, there will be greater chances for it to collude with individual enterprises or businessmen to have underhand secret dealings for political or other non-economic considerations, thereby damaging a very important cornerstone of Hong Kong — fair competition. Given that the Hong Kong Government has been lacking a macro view on the economy over a long time and cares only about appeasing individual consortia, it is indeed worrying that there are not enough mechanisms under the present executive-led system to safeguard fair competition.

The Government should review its active non-intervention policy and introduce effective fair competition legislation to limit monopolizing activities that lead to market failures, so as to ensure the effective operation of the market economy mechanism. The Democratic Party has been advocating this policy all along, only that the Government just keeps rejecting it. We are concerned that because of its excessive intervention in markets the Government will turn a blind eye to the increasingly grave trend of monopolization in our economy. I am very much disappointed to see that the Financial Secretary has not reviewed this aspect in the Budget.

Regarding the Government's role in the economy, the Democratic Party supports market-led economy; besides, we also agree that the Government should intervene appropriately when the market fails. Specifically, we hold that the major areas and extent of government intervention should be as follows:

- (a) formulating fair competition legislation to control monopolizing activities and thereby ensure the effective operation of the market economy mechanism;

- (b) safeguarding the interests of consumers and preventing enterprises from engaging in fraudulent activities;
- (c) regulating the prices of necessities (such as public utilities) to prevent enterprises from abusing their market position;
- (d) providing the necessary social security systems to take care of the disadvantaged groups in society; and
- (e) providing general support for industries that the private sector does not wish to support due to market failure but are favourable to the development of society, such as environmental protection-related industries. The process in which such support is rendered should be consistent with the principles of fairness and high transparency, and no partiality should be shown to any individual enterprises.

In addition, the Financial Secretary has also mentioned clearly the changes in foreign trade policies. The Government will change from participating mainly in multilateral trade activities it used to advocate in the past to participating more actively in selective bilateral economic and trade negotiations. In view of the development trend of bilateral trade agreements and the opportunities available upon the country's accession to the World Trade Organization (WTO), the Democratic Party agrees that the Government should adjust the relevant policies. Yet at the same time, the role of the Government should also be adjusted correspondingly. Instead of adopting a neutral role, the Government should act as the representative of Hong Kong's interests and perform such functions as:

- (a) selecting markets that are favourable to Hong Kong and initiating negotiations proactively;
- (b) helping local businessmen to strive for the most favourable conditions of entry into the relevant markets;
- (c) assisting local businessmen in resolving the conflicts they encounter in doing business overseas; and
- (d) protecting actively the legitimate rights and interests of local businessmen outside Hong Kong.

In the past, the Government was quite hesitant about dealing with conflicts involving overseas Hong Kong businessmen. This policy should be reviewed. As it makes more active efforts to promote the signing of bilateral trade agreements, the Government will need a set of long-term economic development policies to cater to and cope with the regional economic development trends.

Even the late Sir Philip HADDON-CAVE, who introduced the active non-interventionism, also believed that the Government should not refrain from any act of interventionism completely. If there are monopolizing activities arising from imperfections in the market, the Government should regulate the market concerned in public interest. In addition, the Government may also intervene in the market when market participants are seeking personal benefits at the expense of the interests of the community as a whole. Regardless of the meaning of the past active non-intervention policy or the new term "proactive market enabler", the Government should re-define more precisely its role in the development of the economy to cater for the future development needs.

Last but not least, I should like to speak on legal education in Hong Kong. It is already a consensus among different sectors of society that the legal education and training for practitioners of law in Hong Kong are in dire need of reform. Subsequent to the establishment of the Steering Committee on the Review of Legal Education and Training in Hong Kong in November 1999, the report prepared by two consultants was published in August last year. Many relevant bodies have also made many suggestions regarding the reform of legal education and training, and the University of Hong Kong was the first one to respond by stating that it would reform the professional diploma courses in legal studies. Nevertheless, I still have a few points of concern which I hope the Secretary for Justice will follow up.

Firstly, regarding the originally-planned second stage reform, the Director of Administration and Development of the Department of Justice remarked that there was no plan to implement the relevant work for the time being. Madam President, how long would the "time being" last? Most importantly, rather than adopting a wait-and-see attitude and keep the public waiting endlessly, the Government should implement the legal education reforms with good planning. I hope the Secretary for Justice can give us an initial timetable in this connection.

Secondly, the public are concerned about the falling English standard of lawyers. The legal system in force in Hong Kong originated from the British common law system, and good English language ability is a prerequisite for mastering common law. The relationship between Hong Kong and the Mainland has become increasingly close since the reunification while the use of Chinese in legal documents has become more common every day. Both the Secretary for Justice and the legal profession are actively promoting the legal system and services of Hong Kong among mainland authorities, hoping that Hong Kong may become the country's "legal services centre". As such, the Chinese language ability of lawyers has become increasingly important. Besides, the Chinese language has gradually become the mainstream language for legal proceedings in lower level courts. But then, discussions about the language ability of lawyers are mainly focused on how to enhance the English standard of lawyers without putting forward any specific proposals on enhancing the Chinese language ability of lawyers. I hope the Steering Committee will take note of this situation and identify measures to train up the proficiency of lawyers in both English and Chinese, so as to enable them to grasp the business opportunities arising from China's accession to the WTO.

At present, discussions about the reform of legal education are mainly focused on the professional training for lawyers; however, legal knowledge is in fact not the monopoly of lawyers. Laws are closely related to our daily lives. Even activities as trivial as buying a newspaper or riding a bus are carried out in accordance with the rules of the relevant games set out in law. As I can recall, Dr Carol JONES from the City University of Hong Kong has once criticized that the consultants had consulted only the affected parties without soliciting opinions from the general public on the unsatisfied needs for legal services in society. I agree very much with this view. Legal education is closely related to the interests of the general public and we should not, therefore, overlook their opinions. We must understand that legal education is not just a kind of professional training but will contribute actively to the promotion of the rule of law. I just hope the Secretary for Justice and the Steering Committee will not restrict the scope of legal education reforms to just the professional training aspect.

I so submit. Thank You, Madam President.

**MISS LI FUNG-YING** (in Cantonese): Madam President, with the Task Force on Review of Public Finances releasing the shocking data that the fiscal reserves would be exhausted in seven years and the Government's debts would amount to \$2,600 billion in 20 years' time, the Advisory Committee on New Broad-based Taxes putting forward a number of proposed new taxes, and sources within the Government continuously giving the mass media in Hong Kong (which the Financial Secretary refers to as "very sweet") news about possible tax increases, an atmosphere of imminent tax increases has been created in society. Apart from dealing a blow to the morale of civil servants, the Budget presented by the Financial Secretary has nevertheless won mass support from society; it has won the loudest applause and acclaim with the least cost.

In his maiden Budget, the Financial Secretary has included many very appealing figures: about 85% ratepayers will pay no rates for one year, 80% of households and business consumers will pay no water and sewage charges for one year, each of the 15 000 businesses currently required to pay the trade effluent surcharge will on average pay \$4,000 less, over 600 000 business operators will be exempted from the business registration fee for one year, the transportation industry will continue to benefit from the duty concession for ultra low sulphur diesel, and so on. However, behind the loud applause won by these appealing figures, the disparity between the rich and the poor just continues to aggravate, wage earners are still faced with the threat of losing their jobs while the helplessness of the unemployed remains unresolved. How many employers would resort less to layoffs and wage cuts just because they can pay less trade effluent surcharge and will be exempted from the business registration fee? What is the meaning of a budget that gives only petty concessions benefitting different sectors of society? Under the circumstances that the distribution of social wealth is gravely out of balance, the unemployed and the disadvantaged are in dire need of more support and the SAR Government is faced with financial constraints, can a so-called trans-sector budget help to resolve all those problems?

The Financial Secretary said the following in the Budget, "In this time of high unemployment, the lack of jobs for young people aged between 15 and 24 is of particular concern to us." He has also decided to allocate a sum of \$400 million for the implementation of an on-the-job training scheme to provide training programmes lasting six months to a year. I support this scheme very much, as it is the only initiative proposed in the Budget to deal with the

unemployment problem. Nevertheless, I cannot help but wonder why the Financial Secretary is particularly concerned about the unemployment problem of young people only. Shortly after the Budget was published, two enterprises making huge profits in Hong Kong, namely, Television Broadcasts Limited and Pacific Century CyberWorks, implemented large scale layoffs to dismiss 40 and 858 employees respectively. As regards other enterprises, layoffs are just commonplace. The majority of the affected employees in these layoffs are the middle-aged breadwinners of their families, but why are the financial problems facing the families of these unemployed persons not of concern to the Financial Secretary?

The Federation of Hong Kong and Kowloon Labour Unions (FLU), to which I belong, has suggested the Government set up an unemployment loan fund to provide assistance for the unemployed in helping them meet their most urgent needs. The reply from the Secretary for Education and Manpower earlier on has formally rejected our suggestion on the grounds that "loans must be repaid and would therefore add to the financial burden on the unemployed". Such kind of reason is indeed anti-intellectual. In the Budget, the Financial Secretary cited as example a family the income of which is insufficient to cover its expenses and remarked that the family "will have to survive on debt once the deposit is depleted". The Education and Manpower Bureau most probably will not agree with the above conclusion of the Financial Secretary, because, according to the logic of its reply letter to the FLU, debt would cause the family to incur additional financial burden. Given that even individual enterprises have set up funds to help their dismissed employees alleviate their burden, why can the Government still remain so indifferent? How could it command the people's trust?

The Financial Secretary said in the Budget, "While economic activities are the lifeline of society, a caring community based on mutual concern and support is equally important." Why can the unemployed not receive any support until they have fallen into the safety net after selling up all their properties? Is our society not being too unsympathetic, too mean with our caring and support for others?

The Budget for the coming financial year is now a *fait accompli*, and so the helpless unemployed workers can only rely on themselves for their own well-being, hoping that before they sell up their belongings the economy of Hong

Kong will really revive in the second half of the year as the Financial Secretary predicts. But then, while life is full of changes, we just do not have a crystal ball that tells us the future. Since the Financial Secretary has repeatedly emphasized that government expenditure would be reduced, I cannot help but worry very much about the future livelihood of the lower strata of society and the unemployed.

With regard to the issue of pay cut for civil servants, the Financial Secretary emphasized in the Budget that "he is a firm believer in market economy". However, in a market economy, so long as the employer has made the assumption that the wages of his employees have to be cut, people would expect him to implement a wage cut. When being asked why he proposes in the Budget to cut the civil service pay by 4.75%, the Financial Secretary explains that the civil service pay reduction is just an assumption, and that in a budgeting exercise it is necessary to make certain assumptions or no budget can be formulated. I agree that it is necessary to make certain assumptions in a budgeting exercise, but the question remains what assumptions are indispensable to the drafting of budgets, what are dispensable or even based on ulterior motives.

I admit that there have been many voices from society asking for a reduction in the civil service pay. By mentioning reducing the civil service pay in the Budget, the Government has added strength to such voices; besides, it can also rely on such opinions of the public to facilitate the making of its decision. Government decisions are no doubt very important, yet the process of decision making is equally important or even more important than the decisions made. With regard to civil service pay adjustments, all along, an independent committee is responsible for making recommendations to the Government in the light of the results of the private sector pay trend survey. But now the Financial Secretary has announced the Government's pay reduction stance before the results of the pay trend survey are published and thus upset the existing pay review procedure, thereby damaging not only the impartiality of the results of the pay trend survey, but also the morale of the Civil Service and the relationship between the public and civil servants. Actually, such damages could have been avoided.

Concerning the revenue of the Government, I oppose to the Government introducing a Boundary Facilities Improvement Tax. The Financial Secretary considers that introducing the proposed Boundary Facilities Improvement Tax at

the \$18 level should not form any obstacle to the flows of people and trade between Hong Kong and the Mainland. According to the Financial Secretary's explanation, there are two reasons justifying the proposed Boundary Facilities Improvement Tax. Firstly, passengers departing through the airport or by sea are required to pay a tax and; secondly, the Government has injected substantial resources into improving our land crossing facilities. I agree that these are the facts, but are these facts not true to Shenzhen, which is right opposite Lo Wu on the other side of the boundary? I am really concerned about the consequences of the Government introducing the proposed new tax. I doubt it very much whether the people can only pay a tax of \$18 for travelling to and fro Lo Wu in future.

There is yet one more reason why I oppose the Boundary Facilities Improvement Tax. At present, passengers have to pay \$33 for a train journey from Hung Hom to Lo Wu, and this train fare is more than three times higher than the fare for the train service between Hung Hom and Sheung Shui. Lo Wu is just one stop away from Sheung Shui, but passengers have to pay \$24 for the relevant train service that takes less than five minutes. The Financial Secretary's view is that "we must not confuse subsidy with the proposed Boundary Facilities Improvement Tax. Even though the public consider they have paid the tax, they actually have not." My view is exactly the opposite of that held by the Financial Secretary. I hold that the public have actually paid the tax, only that the Government considers they have not. Those members of the public who have to cross the boundary at Lo Wu have no choice but to ride the Kowloon-Canton Railway, which is wholly owned by the Government, and pay an excessive fare. The problem is that the Government considers the excess paid by the public is not put into the right pocket.

Last but not least, Madam President, I should like to speak on the enthusiasm about the lyrics of the theme song of "Under the Lion Rock" triggered off by the Budget. Since the Financial Secretary who is now leading a rather fruitful life, it should be fine for him to use the lyrics to express his feelings about the tough days he had endured in the past. However, if he is to share the lyrics with the public, with a view to encouraging them to, in the face of the current challenges, be "of one mind in pursuit of our dream" and to have "all discord set aside" as described in the lyrics, then the Government must first adopt a new stance and a new perspective. Hong Kong has now been reunited with our Motherland, our economy has taken off and democracy has taken root

in society; hence, things have changed with the times even though the Lion Rock is still there. Given that the rate of unemployment remains high, the disparity between the rich and the poor continues to expand while social injustices and conflicts keep on intensifying, just what kind of dream are we pursuing of one mind?

I so submit. Thank You.

**DR LUI MING-WAH** (in Cantonese): Madam President, as Hong Kong is still cast under in the dark clouds of economic depression, high unemployment rate, sluggish spending sentiment and an all-time high structural budget deficit, the maiden Budget delivered by the Financial Secretary, Mr Antony LEUNG, naturally becomes the focus of debate in the community. The Financial Secretary has not, as predicted by the public, substantially raised rates or started levying a Boundary Facilities Improvement Tax, sales tax or soccer betting duty. On the contrary, he has resorted to curbing public expenditure as his key initiative for relieving the deficit problem and helping the public and enterprises to reduce expenditure in various aspects. As the public worries triggered by the Task Force on Review of Public Finances had suddenly been removed, the Budget was accepted with pleasure.

In the Budget, the Financial Secretary has chosen reducing expenditure as his key fiscal measure, with raising revenue playing the second fiddle. He forecast that should Hong Kong economy be able to maintain an annual growth of 3.5% or above for the next five years, fiscal balance would be achieved in five years. There are three points we should note here. First, given that the global economic prospects are still uncertain and the local economy has yet to map out a clear direction and way forward, the forecast of maintaining an annual growth rate of 3.5% for five consecutive years seems somewhat over optimistic. Second, prudence must be exercised since there is a lower threshold to suppression of government expenditure or else morale and social stability will be jeopardized. Third, Hong Kong is facing a structural deficit problem. We have been told clearly by economists that economic revival cannot remove structural deficit.

Since Hong Kong is now facing a structural deficit problem, the Government must start by examining the whole economic structure to identify

the right solution. I would like to suggest the Government to first examine the economic development of Hong Kong over the past five decades to see why Hong Kong has changed from an affluent city to an economic entity perplexed by a serious fiscal deficit problem in just a few years. In brief, Hong Kong economy started to be driven by the export-oriented manufacturing industry from the '50s onward. Export of local products have earned Hong Kong huge foreign exchange and boosted social wealth, thereby promoting such industries as transport, banking, insurance, import and export, real estate, retailing and catering. The prosperity enjoyed by our community has drawn admiration from people in other parts of the world.

As a result of sustained economic growth, production costs in Hong Kong have gradually lost their competitive edge. The beginning of the outward shift of the manufacturing industry in the early '80s sounded an alarm on the structural changes to Hong Kong economy. Subsequent to the accelerated outward shift of the manufacturing industry in the early '90s, there was an aggravating hollowing out of our industries. Accounting for less than 6% of the GDP now, the share of the local manufacturing sector has dropped significantly from 24% in the '70s. The number of people employed by the manufacturing industry has also dropped from more than 900 000 to fewer than 200 000. Hong Kong economy is now relying entirely on the service sector, which represents approximately 85% of the GDP. Without the input of substantial external wealth, Hong Kong economy is losing its vitality. The disappearance of the local manufacturing sector has ultimately led to structural deficits.

It is believed the Financial Secretary has recognized the actual economic situation of Hong Kong and realized that the Government should have a clear vision of the direction of economic development and be a proactive market enabler. From the remark made by him that the Government may consider "the need to take appropriate measures to secure projects beneficial to our economy as a whole when the private sector is not ready to invest in them", we can see that the Financial Secretary is hoping that the SAR Government can become a proactive government and rid itself of the shadow cast by the "active non-intervention" policy that has long become outdated. Moreover, the remark shows his determination to lead Hong Kong out of the trouble caused by the unbalanced economic structure and help the economy to get back on to the right track of economic growth. These measures are in line with the reality and carry historical significance. They therefore merit commendation.

To prevent Hong Kong economy from further deteriorating, the Financial Secretary sees the need to develop high value-added industries and give impetus to our overall economic development through promoting financial services, logistics, tourism and producer and professional services. After in-depth consideration, we can see that the room for future expansion for financial services is limited since it already accounts for approximately 10% of the GDP at the moment. Accounting for approximately 6% of the GDP, tourism has been able to generate annual revenue of approximately \$64 billion. Nevertheless, Hong Kong cannot receive an indefinite number of tourists because of its limited public facilities. Judging from the angle of infrastructural support, the logistics industry seems to be enjoying an edge. However, with the constant improvement in its ports and airports, the Mainland has emerged as a strong rival of Hong Kong, not to mention the fact that charges in Hong Kong are several times higher than those levied in Shenzhen and Shekou. Consequently, more and more goods will be exported from the Mainland direct. As for the producer and professional services, they are merely managerial activities. They cannot achieve substantial cost-effectiveness and create job vacancies. Summing up, I am really doubtful of the capability of these four industries to spearhead the overall economic development. Furthermore, these industries are not new in the sense that they have been in existence alongside other economic activities. How can they help eliminate the structural deficit problem?

We can actually see from the history of economic development that in order to resolve the structural deficit problem, we must come up with a new economic ideology, as well as developing the local manufacturing sector to spearhead economic development. If we take a look at various governments in the world, we can see that they resort to promoting or sustaining their local manufacturing sectors in terms of policy. In particular, economic entities or countries where there is a lack of natural resources, such as Singapore, Taiwan and Japan, have been actively promoting the development of their manufacturing sectors and upgrading of technology in order to sustain a fixed portion of manufacturing industries as their lifeblood of economic development. It is said that the big wheel of economic development can move only forward. As production costs have risen dramatically in Hong Kong, industrial development can hardly expand further. Some people have even described industries in Hong Kong as sunset industries. I would like to point out that this viewpoint is one-sided and shortsighted. If we analyse it from Hong Kong's finances and manpower provision, we do have the objective conditions for rebuilding the local manufacturing sector. As long as the Government is willing to formulate

competitive industrial policies, such as introducing tax concessions, importation of semi-skilled labour and personnel, concessionary land grants, and so on, Hong Kong can still attract new investment to the manufacturing sector, particularly high technology and high value-added manufacturing industries. I hope the Financial Secretary can share this view and take active measures to revive the local manufacturing sector, re-engineer the economic structure, and give impetus to reviving the economy, in order to benefit the people of Hong Kong.

Lastly, Madam President, I would like to tell the Financial Secretary that the industrial and commercial sectors appreciate his courage to break away from the "active non-intervention" policy that has been in existence for more than three decades in support of his idea of actively reviving the economy. I would like to appeal to the Financial Secretary to keep up with his efforts and hit another success after a successful Budget. Thank you.

**MR LAW CHI-KWONG** (in Cantonese): Madam President, I will speak mainly on medical and health services and social welfare. The deficit problem facing the Hospital Authority (HA) has become a much-debated issue lately. What I am going to say may not carry much market value. This is because the deficit of the HA now stands at 1.9%. While the Government has deducted 2% from its funding to the HA after taking into account the factor of enhanced productivity, this factor has not been taken into consideration by the HA in calculating expenditure. In brief, the HA will be able to yield a 0.1% surplus in this fiscal year if it can achieve its target of enhancing productivity by 2%. As I said, the deficit facing the HA was not really a problem, there will naturally be no point for us to discuss it further here. I believe Honourable Members will hold more discussions should a deficit arise in future.

Of course, it is still necessary for the HA to address certain operational issues including financing, proper demand-side management, and so on, in the long run. I very much hope the Government can advance specific proposals for discussion during this fiscal year. Before the publication of the Budget, I originally planned to raise the issue concerning the gap in the charges currently levied by private wards and second-class wards of the HA. The policy adopted by the Government at the time when these charges were determined was to recover costs. The existence of such a gap therefore justifies cost recovery. Since the Financial Secretary has indicated that there will be no charge increases

this year, I am afraid there will be no chance for me to raise the issue for discussion here. However, I believe the issue will have to be dealt with in the next fiscal year.

Starting from this year, the budget of the HA will mainly rely on a formula based on the population, in addition to the enhanced productivity factor mentioned earlier. The Democratic Party supports this direction because the incentive that can lead to constant staff promotion and expansion in the event of a constant rise in the utilization rates of hospitals can thus be obviated. Although government funding for the HA is now calculated on the basis of the population, the HA can still not adopt this method to calculate the allocation of funding to different groups of hospitals. For the time being, funding requests from different hospitals or hospitals from different districts are still based on demand. In order to neutralize the incentive, the best means is to calculate the allocation of funds for hospitals and the HA on the basis of the population. Technically speaking, these problems can be handled easily and they are not insurmountable.

Therefore, the entire problem facing the HA today may not be as serious as we have thought, though problems pertaining to the appropriation of funds and financing still have to be resolved in the long run. Of course, we note that there have been some discussions surrounding the overtime work performed by doctors lately. Some people hold the view that when doctors are required to work overtime, it implies that more doctors are needed. I have some reservations about this. This is because increasing the number of doctors will only lead to more demands, and consequently doctors will still be required to work overtime. Therefore, the problem might still remain unresolved. Exploring effective ways to manage demands remains a long-term and key issue. I hope further discussions in this area can be held in future.

The second part of my speech is about social welfare. It is actually not bad for social welfare expenditure to be given a 9% increase in this Budget. So, there is not much we need to discuss. Nevertheless, Members should note that the social welfare sector considers the 9% increase still inadequate. Its response is entirely natural indeed. Members should understand that the economic recession is precisely the moment for social welfare expenditure to give full play to its effectiveness. It is therefore not surprising at all for social welfare to be given a 9% increase. Nevertheless, the Government has been constantly milling rumours lately (I believe the Government was responsible for the rumours. Of course, I cannot prove it. Neither do I know where the

rumours came from.) by alluding to a number of proposals to slash Comprehensive Social Security Assistance (CSSA). Attention was particularly drawn to the negative inflation experienced in recent years and the fact that there is a gap of 10% between the current level of CSSA payments and the CSSA index. The Government has therefore constantly hinted that there is room for CSSA payments to be slashed.

When the economy is performing badly, the Government should consider how best it can help the unemployed to find employment again, rather than examining ways to reduce expenditure from the fiscal angle. It has been mentioned by a number of people that the current CSSA levels are higher than the income levels of low income earners. This phenomenon is true to a certain extent. However, the crux of the problem lies not in the amount of CSSA payments. It is rather attributed to the extremely low incomes of low income earners. Narrowing the gap between the rich and the poor is therefore vital to sustaining stable social development. This is also an internationally recognized government obligation. It can be said that the Government has actually done nothing to narrow the gap between the rich and the poor. The CSSA system can actually be described as a rare creature bred by the Government. CSSA is meant to be a form of financial assistance for low income earners and the needy. To assist the poor and tide them over their difficulties is an integral duty of a civilized society. Even if we speak from a utilitarian angle, it is an important means to stabilize a community where there is a huge gap between the rich and the poor.

Another controversial issue surrounds whether the granting of CSSA to the unemployed should be subject to a time limit. I understand that in some places, particularly the United States, constant changes have been made in the past decade, with most CSSA having been slashed. One of the most prominent phenomena is that childless unemployed CSSA recipients are subject to a time limit. Actually, Members can see the crux of the problem very easily. Those who like to go to beaches will find that most of the people frequenting the beaches in the United States are not holidaymakers. Very often, they are homeless people who go to the beaches early in the morning. What do they do there in the afternoon? They are waiting there for food to be distributed by Salvation Army organizations. This is because in parts of the United States, the so-called food stamps are subject to a time limit too. Do we want Hong Kong society to follow the footsteps of the United States so that we will end up having that slight sense of insecurity and frustration when we walk down the streets? I believe this is not what we want.

Some people might want to rely on CSSA and refuse to work though they are capable of working. In our opinion, the Social Welfare Department (SWD) should consider discontinuing their CSSA payments after failing to urge them to work. However, it is really another kind of consideration when it comes to the question of whether or not a limit should be imposed on the granting of CSSA. Is it the case that we want to see unemployed people, particularly those who still have the responsibility of maintaining their children, starve to death on the streets after failing to find work even though they have tried very hard to do so?

Insofar as negative inflation is concerned, I wish to remind the Government of a very important principle of administration. The Finance Committee of this Council passed a policy in 1999 and it was decided that, in times of inflation, CSSA payments would be raised one year after and, in times of negative inflation, CSSA would be frozen instead. In other words, the outstanding impact of negative inflation would be absorbed in times of inflation. Of course, it did not occur to us that the negative inflation problem would last that long. Today, we are still facing negative inflation. The Democratic Party will definitely be willing to discuss it should the Government wish to reconsider the policy of making inflationary adjustments to CSSA payments. Nevertheless, we must ensure that all policy changes must not be retrospective or carry an effect of squaring accounts afterwards. Negative inflation accrued previously will not be absorbed unless Hong Kong is hit by inflation again. The Government must not make any attempt to settle accounts afterwards simply because it is going to change its policy today.

We can see in this Budget that salaries and departmental expenditure incurred by the SWD is estimated to rise by 2.8%, and the amount of subsidy by approximately 11.5%. This direction is in general correct. In other words, welfare services will be taken forward mainly by non-governmental organizations (NGOs), not by the SWD. Nevertheless, the SWD will still record a slight increase, mainly because of its involvement in the provision of CSSA. What I wish to point out is that the accounting method currently adopted by the Government has posed a great obstacle. It has indeed become a habit for me to raise this issue almost every two or three years in the Budget debate. For instance, if the SWD is to hand over one of its service units to a NGO, there will be an increase in expenditure under the SWD's account. This is because the so-called staff on-cost was previously not included in the SWD's

account. When the relevant unit is handed over to a NGO, however, the SWD will have to pay for its miscellaneous expenses such as rent, rates, and even Mandatory Provident Fund contribution, which will become additional expenditure for the SWD. Therefore, the transfer of its service units to NGOs will mean losses to the SWD because more money will have to be spent. A huge obstacle will thus be created and the incentive will turn into a negative one. The SWD will naturally find it better to operate its service units itself for it will cost less in doing so, rather than handing them over to NGOs. Nevertheless, Members should be well aware that it actually costs less for the service units to operate under NGOs rather than under the SWD. In order to give the SWD more economic impetus to hand over its non-core services to NGOs, the Government must alter its method of making financial calculation, expedite the implementation of accrual basis accounting, and use full cost accounting instead. Of course, from the angle of long-term strategy, the SWD should confine itself to certain core services and hand over the rest of its services to NGOs.

In discussing the increase in social welfare expenditure, we usually adopt a short-term approach in considering ways to save money in the course of service delivery or inviting tenders. However, we should note that the long-term needs for social welfare are ongoing. This is because social changes, social diversification and rising social problems will only lead to increasing demands. Therefore, reinforcing welfare providers, enhancing co-operation between welfare providers, communities and the industrial and commercial sectors and strengthening their mutual support in terms of manpower, resources and even finance should remain a major long-term strategy. Through giving welfare providers more funding, the Government can achieve leverage, which can in turn relieve the pressure of increasing expenditure, enhance public participation in welfare services, and expand the overall availability of resources and social networks. These are also key indicators of the development of civil society. Therefore, from the angle of financial policies and direction, we should always focus our attention on ways to strengthen promotion work and community relations, rather than considering item by item in a "meticulous" manner to identify areas where more money can be saved.

Madam President, in considering the overall welfare policy, the Government must not focus its attention on systems that will achieve short-term savings, to the neglect of public demand for social services because of the need to

compress government expenditure to cope with the anticipated economic slowdown, and consider ways to compress spending on existing services from a short-term angle.

Madam President, I believe I have to stop here. Thank you, Madam President.

**MR LEUNG FU-WAH** (in Cantonese): Madam President, the Financial Secretary has defined the economic role of the Government even more specifically by pointing out in the Budget that "it should have a clear vision of the direction of economic development and be a proactive market enabler." In addition to improving the existing institutions and environment, investing in infrastructure, training manpower and conducting external negotiations to facilitate overseas market expansion, the Government will consider taking the initiative to secure projects beneficial to society when the private sector is not interested in investing in them. Although no specific details have been given with respect to the latter proposal, it is generally believed that the Government will play a more active role in promoting the economy. Some commentators have expressed dissatisfaction with the Government for failing to uphold its former "active non-intervention" principle and running counter to the market economy and its role of keeping government small. Nevertheless, it is generally believed by wage earners that a responsible government should provide conditions conducive to investment and industrial development, vitalize the economy and create job opportunities, so as to enable the public to live and work with contentment.

We are no economists. We will not entangle ourselves in such disputes as whether or not we should intervene, or dwell on the free economy theory. We are only concerned whether the general economic development can tie in with the labour market, and when the structural unemployment problem can be mitigated. It is proposed in the Budget that financial services, logistics, tourism and producer and professional services be the engine to foster the development of other sectors, give impetus to the economy, and fill the gap in the mainstream economy arising as a result of the bursting of the real estate bubble. Of course, it takes time to prove whether the abovementioned four sectors can really provide the best solution. Nevertheless, the four sectors do undoubtedly combine the

strengths of Hong Kong and the current trend of globalization. Strategic development of these four sectors is consistent with the economic trend. From the employment angle, these sectors will create a large demand for labour, thus vigorously developing these sectors can create more job opportunities. Of course, we are still faced with a number of uncertainties. Let me quote the logistics industry as an example. Faced with the Mainland's shift from reliance on Hong Kong as an entrepot towards offshore trading following its accession to the World Trade Organizations, we must tackle such problems as how we can maintain Hong Kong's competitive edge, and turn competition from ports and airports in such places as the Pearl River Delta Region into a complement, so as to achieve division of labour and co-operation, and avoid vicious competition. For the sake of co-ordination, enhanced communication is required too.

Another example is tourism. The industry has not only brought \$170 million to Hong Kong every day, but also created more than 300 000 job vacancies, or 10% of the total workforce of the territory. Last year, a record number of 137 million tourists visited Hong Kong. In recent years, mainland tourists have become new prime targets for both Hong Kong and Southeast Asian countries. Last year, mainland visitors accounted for 32% of the total number of visitors to Hong Kong. With a per capita spending of over \$4,800, mainland visitors are second only to American tourists in terms of spending power. Since end 2001, the relevant authority in Mainland has further facilitated the travel of mainland visitors to Hong Kong through taking such measures as abolishing the quota under the "Group Tour" Scheme, liberalizing franchise to arrange package tours to Hong Kong, and extending the validity period of business visas, to further encourage mainland tourists to visit Hong Kong. In response to the Mainland's vigorous co-ordinating effort, Hong Kong should do even better to receive our guests. While it is important for the Government to explore new tourism resources and provide training to upgrade its standard of service, a lot of tourists have complained of the tedious and time-consuming immigration procedures they go through at the boundary. During a morning visit paid by a few colleagues in this Council and me to the Lo Wu Control Point two days ago, a mainland tourist complained to me on the spot that she had been waiting at the Shenzhen check point and the Lo Wu control points for nearly four hours, and immigration clearance on both sides had been extremely slow. She obviously lost all her enthusiasm though it was the first time she visited Hong Kong. While this might only be an isolated incident, the Lo Wu Control Point is literally the busiest boundary crossing point in the world. Although the workload of the Immigration Department and the Customs and Excise Department is extremely heavy, the relevant authorities are obliged to improve

their services, including training their staff to be polite and bear with these mainland visitors, who will be spending their money in Hong Kong. I complained to a Chief Immigration Officer accompanying us at that time after noticing a sign of displeasure on the faces of nearly 10 immigration officers. I am not suggesting that they must wear a smile, but they should at least display a more tolerant attitude. Their attitude apparently showed that they did not take these tourists seriously. Neither did they welcome these tourists who were going to spend their money here.

Madam President, on the eve of the publication of the Budget, the Secretary for the Treasury warned that should the deficit problem remain unresolved, our mega-dollar reserves would be exhausted by 2008-09. We were all of a sudden given the impression that our savings would be eaten up very easily and little would be left. Whether the Government is crying wolf again or it has gone too far, the public is generally aware of the Government's worry over its lack of money. The Budget is indeed worth commendation since it has decided not to raise any taxes and instead proposed a number of concessions to alleviate the people's hardship, even though it is facing pressure because of the budget deficit.

The Budget proposes to restore fiscal balance within the next five years through curbing the growth in government expenditure and broadening sources of income. At the same time, the Financial Secretary will reduce the real growth in government expenditure to an average of 1.5% annually. Though suppression of expenditure is inevitable, the Budget seems to be quite biased since it resorts to slashing the remuneration and benefits of civil servants as a major means to resolve its deficit problem! While the economy continues to remain uncertain, public demand for government services will only continue to grow. In order to enhance co-ordination and prevent conflicts to further intensify, the Government must collect more views, appreciate the public's aspirations, think in their position, conduct more consultation and studies, enhance the transparency of administration, provide the public with more accurate information for the holding of discussion, prevent the civil servants from feeling aggrieved on groundless charges, and refrain from holding discussions without making decisions.

The objective of trimming the civil service establishment back to 181 000 was proposed by the Government a few years ago. The Administration has all along been stressing that no civil servants will be made redundant in a compulsory manner, and its target will be achieved through natural wastage and

internal deployment. Against the background that outsourcing has now become a major government policy, the SAR Government has unknowingly become an unscrupulous employer following the disclosure of numerous cases concerning serious exploitation of employees by contractors. The Administration must deal with these cases expeditiously, plug the loopholes, and specify the establishment in more detail and set reasonable pay levels, including establishing a stable and reasonable labour relationship, in the tendering contracts, with a view to perfecting the tendering system in the face of endless means of exploitation.

Outsourcing of government services will unavoidably affect the employment protection rendered to departmental staff. The outsourcing of street cleansing work by the Food and Environmental Hygiene Department, for instance, has triggered off disputes among staff complaining of being posted to remote areas. This year, the Architectural Services Department has launched a resource redeployment programme under which 90% of its work will be outsourced in seven years or within a shorter period. Although the Government has repeatedly stressed that not a single staff member will be made redundant in a compulsory manner, it is entirely reasonable to predict that there will be a surplus of manpower after a 1 900-strong department has outsourced 90% of its work. It has been reflected that departmental staff are now under intense pressure because of the uncertain employment prospects and their morale is extremely low.

In our opinion, these negative factors can be avoided. The Government must cherish the partnership relations between the staff side and the management side. In the face of operational changes, the management side must provide full support and sufficient opportunities of communication to its employees. Furthermore, consultation between the two sides must be conducted in a fair and reciprocal manner.

Madam President, the people of the SAR need to pool their strengths. At the same time, the Financial Secretary must be able to map out economic strategies that can resolve the unemployment problem. Given the fact that the Budget is lack of short-term measures to tackle this problem, we can only look forward to a solution in the future.

Madam President, I so submit.

**MR HUI CHEUNG-CHING** (in Cantonese): Madam President, the Financial Secretary's announcement in the Budget that there will be no tax increases or introduction of new taxes precisely answers the aspirations of the public and the industrial and commercial sectors for they are desperately in need of rest and recuperation. I particularly welcome the introduction of a package of \$6.4 billion tax and charges concessionary measures, including freezing government charges, waiving water and sewage charges and trade effluent surcharge, and so on. These measures will not only look after the people's livelihood, but also reduce temporarily the operating costs of the industrial and commercial sectors to prevent further retrenchment and pay cuts.

Nevertheless, whether the deficit problem will further worsen as a result of these tax and charges concessions is very much dependent upon whether the proposal of cutting civil service pay by 4.75% can eventually materialize. I hope civil servants can, in the interest of the wider community, comply with the aspirations of the people and make a small sacrifice to help the public and taxpayers tide over their difficulties! Given the fact that remuneration and allowances for civil servants and employees of public and subverted organizations account for approximately \$154 billion, or nearly 70% of the estimated recurrent expenditure of \$210.4 billion for the year 2002-03, it will be simply impossible for the deficit to be reduced unless expenditure on remuneration and allowances is restrained appropriately.

As we all know, the Civil Service has all along been a stable, clean and efficient team. As in the case of a company, there must be a sales department responsible for securing businesses and a stable and smart team of administrative staff to provide back-up services. Doubtless a stable civil service structure is indispensable to a stable community. However, after undergoing constant expansion over the past few decades and with the passage of time, some posts may have become obsolete and there may be some overlap. It is now time to review and streamline the civil service structure. In addition, deflation has made it necessary for most business enterprises to freeze wages and even resort to wage cuts and retrenchment over the past five years. On the contrary, civil servants and employees of public and subsidized bodies were given pay rises ranging from 4.99% to 11.32%, not inclusive of automatic increments. All salaries and allowances payable to public officers and every expenditure item are actually met by taxes paid by the business sector and the general public. The former and the latter are literally mutually dependent upon each other. All civil

servants and employees of public and subsidized bodies must therefore join hands with the Government to prevent the situation from further worsening and the gap with the public from further widening, which will otherwise lead to unfathomable adverse consequences.

The long-term direction of the Budget is in general correct. Faced with the current stringent financial situation and the poor prospects of substantial growth in revenue, the Government must conduct a pragmatic review of the scale of government and all civil service remuneration, and expenses incurred in such areas as social welfare, education, medical care, Comprehensive Social Security Assistance, and so on, and exercise stringent control. Furthermore, actual implementation of work should be outsourced as far as possible. To realize the notion of "small government", the Government should only play a supervisory role in order to cut down substantially on its recurrent operating cost.

From the angle of the business sector, I believe Hong Kong must lower its operating costs and upgrade its competitive edge in various areas before development can be sustained. Let us take a look at trade. The high living cost in Hong Kong has rendered our wages much higher than those in our neighbouring regions. Handling charges of container terminals and the airport are also several times higher. As the boundary control points are often congested, the Government is now trying to tackle the problem by studying with the mainland authorities the feasibility of computerizing cross boundary operations on both sides. I think this approach is correct. Furthermore, 24-hour boundary clearance should be implemented immediately to facilitate freight transport between Hong Kong and the Mainland and more immigration counters should be provided. Insofar as infrastructure is concerned, we should align with mainland infrastructures, set up more immigration control points and, for instance, provide impetus to construct a bridge linking Zhuhai and Hong Kong to facilitate the shipment of cargoes via Hong Kong to and from such places as Guangxi, Yunnan and Guizhou. Although the industry has complained repeatedly of the high charges of the airport and terminals, no viable solution has been proposed yet. While the Shenzhen port recorded a growth of nearly 40% in cargo freight in January and February 2002, the Kwai Chung terminals recorded a drop of 4% during the same period. The Government must examine this phenomenon in an in-depth manner to explore means to bridge the gap between the port facilities in Hong Kong and the Mainland in terms of operating costs and convenience.

Furthermore, we must make extra efforts to attract investments, particularly for high technology industries or industries that can provide numerous job opportunities, by breaking the rules to give these industries exceptionally inexpensive land and tax concessions. While industry and trade are supplementary to each other, industry provides the foundation for trade. In addition, the Government should formulate its immigration policies in a way to align with the needs of those intending to come to Hong Kong to do business, particularly those intending to set up factories here, through such means as providing exceptionally speedy service to grant residence to these people, their family members, and even their principal staff.

As the import and export trade is a major pillar for Hong Kong economy, the Government must pay special attention to commerce and trade departments, such as the Trade Development Council, Commerce and Industry Bureau, Trade and Industry Department, Invest Hong Kong, Overseas Economic and Trade Offices, and so on, since these organs are responsible for "broadening sources of income" to generate foreign exchange earnings. It is therefore essential for us to recruit local and overseas talents, build up closer commercial and trade ties with various mainland provinces, and establish a more favourable trading status internationally.

Madam President, the Budget predicts that the fiscal reserves of the Government will drop to \$270 billion from the present \$370 billion in five years' time. If that really happens, the Government will be unable to use the reserves to help the community to ride out the storm or defend the local currency should Hong Kong be struck by another economic recession or financial turmoil. To prevent Hong Kong from losing its strategic advantage, the Government must provide against a rainy day. Notwithstanding tremendous difficulties, it must endeavour to reduce expenditure and broaden its sources of income for the sustainable development of Hong Kong.

I deeply share with the Financial Secretary, who has shared with us the lyrics of the theme song of "Under the Lion Rock". I would like to appeal to all government employees not to look on coldly from the summit of the Lion Rock or merely echo the views of others reluctantly. They should instead adopt a positive attitude by running down the hill and lending them a helping hand!

**MR WONG SING-CHI** (in Cantonese): Madam President, as a youth worker and a provider of youth training and employment service, I will speak on the youth unemployment problem today. The Government proposes in the Budget that \$400 million will be allocated for the implementation of a two-year Youth Work Experience and Training Scheme to provide training posts lasting from six months to one year for 10 000 unemployed youth aged between 15 and 24. During the training period, the Government will provide training subsidy for employers. The Democratic Party welcomes this measure as an attempt to ameliorate the youth unemployment problem. Actually, in a green paper on youth employment formulated last year and a budget proposal made in November 2001, the Democratic Party raised a similar proposal and suggested that a wage subsidy be provided to this group of people and sponsoring organizations. According to the proposals, for instance, an employer employing a young person having completed the Youth Pre-employment Training (YPT) Programme or Project Springboard for a continuous period of one year will be eligible to receive a subsidy equivalent to one fourth of the trainee's wages.

The fact that the overall unemployment rate has reached 6.7% has brought added misery to the entire community. However, young people aged between 15 and 24 are twice as miserable since their unemployment rate has reached as high as 12.7%. Young people, especially those not having received tertiary education, will easily be trapped in a "non-engaged" situation, that is, non-engaged either in schooling or employment. Actually, young people aged below 20 face even more discrimination than the middle-aged in the job market. This is because it is generally believed that young people lack patience, and fresh graduates are often regarded as having no knowledge and no experience. This is what employers usually believe. Insofar as this group of young people is concerned, unemployment will turn into a crisis as they might easily become accustomed to having no work to do and thus go astray. Resources spent on them will then be completely wasted. We can see from many forecasts that one young person is expected to support four elderly people in the next two decades. Young people who fail to gain a foothold in society are likely to aggravate the burden of the community in future.

Nevertheless, if we look back at the attempts made by the Government to tackle the youth unemployment problem, we will find that we can hardly expect the Government to come up with any specific or substantial proposals. This is because many of the programmes launched by the Government were far from satisfactory. Certainly, the Government does not want to see this.

Nevertheless, it is evident that the Government has failed to take specific measures to overcome many obstacles. The YPT Programme, for instance, seeks to provide pre-employment training to school leavers aged between 15 and 19, to be followed by one-month practical training. Later, the On-the-Job Training Scheme was launched to provide a three-month training subsidy for employers employing trainees of the YPT Programme. A total of \$162 million has been allocated by this Council for the purpose of launching two YPT Programmes in future and another \$84 million to organize three On-the-Job Training Schemes. This year, \$400 million is allocated yet again to fund the Youth Work Experience and Training Scheme. Therefore, the Government has in fact made a lot of efforts. However, it has been reported that this latter scheme is intended to replace the previous On-the-Job Training Scheme. We fear that if the result is still not satisfactory despite having spent such a huge sum of public money, we can hardly ask the community to support further funding to provide young people with more training opportunities. We also note that the certificates issued upon the completion of the YPT Programme are usually not recognized by employers. Information has shown that only 37% of the trainees have succeeded in securing a job.

At the same time, Project Springboard was launched in 2000, targeting Secondary Five school leavers. However, it was only after the programme had been launched that the Government started to lobby the business sector to recognize the qualification of the programme. Although it is said that Project Springboard, charging a yearly tuition fee of \$30,000, is equivalent to Secondary Five qualification, trainees completing the programme cannot advance to Secondary Six by virtue of their qualification. Moreover, only 61% of the trainees have successfully completed the programme, and 18% of them secured a job. When it comes to associate degree courses, their tuition fees are even higher. Moreover, it is still uncertain as to whether associate degree holders can advance to university education. It will be even worse if they cannot find a job after completing the training course since they have been forced to borrow a huge sum of money to pay for their tuition fees. It is indeed horrible to imagine what will happen to them.

To tackle the youth employment problem, the Government must provide young people with training opportunities. More importantly, the Government must examine closely how qualifications obtainable upon the completion of training can dovetail with employment, and see what it can do to provide young job seekers with more choices. The Government has actually done a lot during the past several years. Nevertheless, apart from leaving us an impression that it

is only trying hard to water down the youth unemployment rate, the Government has apparently failed to consider the youth employment problem in a holistic perspective. In this respect, we hope the Government can give longer-term and more in-depth consideration to this matter to provide young people with a real opportunity to secure long-term employment and develop their potentials in society.

The \$400 million Youth Work Experience and Training Scheme will be launched hastily in July. Of course, we do not want the Government to postpone the Scheme. Though time is running out fast, it is hoped that the Government can carry out more consultation and examine more closely the youth unemployment problem and the difficulties facing young job seekers before formulating the Scheme in a specific and detailed manner.

I would like to raise a few points for the Government's consideration in the hope that the Youth Work Experience and Training Scheme can be implemented more smoothly.

To start with, the target must be clear. According to media reports, trainees who have completed the YPT Programme, aged between 15 and 19, are intended to be the prime target of the Youth Work Experience and Training Scheme. However, the latter is, according to the Financial Secretary, targeted at people aged between 15 and 24. In other words, the Youth Work Experience and Training Scheme will accept other trainees in addition to those who have completed the YPT Programme. Will trainees of Project Springboard qualify then? While the YPT Programme is free, trainees of Project Springboard are required to pay tens of thousands of dollars. I guess no one will be interested in signing up for Project Springboard if one cannot join the Youth Work Experience and Training Scheme after completing Project Springboard. Instead, people will opt for the YPT Programme because it is free and training opportunities are provided as well. Although the YPT Programme seeks to provide its trainees with training and employment opportunities, those who have completed the programme seem to have no avenues of to further development or training since they are simply not recognized for access to higher qualifications, and here is where the conflicts lie. The Government must examine the issue carefully to see what it can do to help this group of young people or youngsters of the appropriate age group through the Youth Work Experience and Training Scheme and to identify the youngsters who are eligible for assistance. The Youth Work Experience and Training Scheme should benefit all unemployed young people.

Second, the Administration should determine what posts should be eligible for allowances or participation in the Scheme. Many people in the community have expressed worries that this group of young people might replace middle-aged workers or those who are holding a job at the moment as a result of the introduction of such youth employment schemes and thus deal further blows to the unemployment rate of people not falling into the young people category. It is therefore essential for us to consider and examine the issue carefully to see what we can do to help create new posts, and avoid causing any impact on the existing employment situation while encouraging young people to take part in the Youth Work Experience and Training Scheme. I hope the Government can learn more of the actual situation through consulting some of the organizations to enable this group of young people to receive employment training. At the same time, efforts should be made to prevent the existing workforce from being affected and the unemployment problem from further worsening.

Third, the Government should carefully study the appropriate rate of subsidy to be determined. Actually, subsidy should not come solely from the Government. This is because the Youth Work Experience and Training Scheme will actually help relieve the work of business operators and even boost their incomes. The Scheme may even help these operators to secure more business. In our opinion, business operators taking part in the Scheme should shoulder part of the wages to help these young people genuinely secure a job.

We hope the Government can conduct in-depth consultations on these issues. The Democratic Party is planning to collect views from different organizations or youngsters in mid-April. We will then make specific proposals in the hope that we can solicit more views and suggestions to improve the Youth Work Experience and Training Scheme and make it more promising.

In order to resolve the youth employment problem on a long-term basis, the Government should, in addition to taking some concrete measures, conduct more in-depth studies, such as finding out the reasons why young people refuse to work, rather than merely probing into the factors leading to their unemployment. The Government should examine in an in-depth manner why young people refuse to work, why they find it impossible to work, difficulties encountered by them in seeking employment, and so on, to help identify solutions. Furthermore, the Government should predict and position the job market for these young people on a long-term basis. It should formulate plans in the light of the problems with a view to improving the future development prospects of those young people who have secured a job.

In addition to the youth employment issue, I would also like to voice dissatisfaction over another issue pertaining to elderly welfare, a matter raised by us a long time ago. The Democratic Party is disappointed because the Budget has failed to actively respond to the demands of the poor or the vulnerable. Failing to honour its promise, the Government has been "holding discussions without making decisions", particularly in reviewing and raising the amount of Old Age Allowance, commonly known as the "fruit grant". Not a single word has been mentioned in the Budget about improving the livelihood of the impoverished elderly people.

Over 40% of the 1.03 million elderly people in Hong Kong do not have children to support them. They generally have little savings. Some of them may have just exceeded the upper assets limit of \$37,000, thus rendering them ineligible for Comprehensive Social Security Assistance (CSSA). Some are stripped of their eligibility for CSSA, which has been tightened up in recent years, just because they are living with their family members. As a result, these elderly people can only live on the monthly fruit grant of \$600 to \$700.

Following the Government's proposal to review the Old Age Allowance Scheme in 1998, the Chief Executive, Mr TUNG Chee-hwa, also admitted that some elderly people were living a very meagre existence in the 2000 policy address. Mr TUNG even promised to complete the review of the Old Age Allowance Scheme in one year to improve the livelihood of the impoverished elderly people. However, the relevant study has been delayed repeatedly and nothing has been achieved so far. The Chief Executive did not mention even a word on this item in last year's policy address. The elderly people's hope for improving their livelihood has been completely dashed.

The Financial Secretary referred to the lyrics of the theme song of "Under the Lion Rock" in his Budget. While numerous elderly people are still relying on the collection of scrap paper to support their living under the Lion Rock, the disparity between the rich and the poor in the community continues to widen. If the Government really wants people in the community to help each other and overcome rough terrain hand in hand, it should sympathize with the impoverished and the elderly who have no one to lean on by improving the livelihood of the elderly expeditiously. Unfortunately, the terrible news that the Government is considering abolishing the fruit grant and slashing the amount of CSSA payments has been spreading through the community recently. This has added further misery to the impoverished elderly people and the poor. We hope

the Government can stop putting its emphasis on making the life of the rich and the businessmen who are living on the Peak even better. What is more, we hope the Government can smooth the rough terrain faced by the people who are living a meagre existence under the Lion Rock. I so submit. Thank you, Madam President.

### **SUSPENSION OF MEETING**

**PRESIDENT** (in Cantonese): A total of 37 Members have spoken today. I now suspend the meeting until 2.30 pm tomorrow.

*Suspended accordingly at twenty-seven minutes past Nine o'clock.*