

# OFFICIAL RECORD OF PROCEEDINGS

**Thursday, 11 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.

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

THE HONOURABLE CYD HO SAU-LAN

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 JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN YUEN-HAN, J.P.

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.

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 FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

THE HONOURABLE MA FUNG-KWOK

**MEMBERS ABSENT:**

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

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE BERNARD CHAN

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE WONG SING-CHI

**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 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

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

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

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

MR RAYMOND YOUNG LAP-MOON, J.P.  
SECRETARY FOR COMMERCE AND INDUSTRY

### **CLERKS IN ATTENDANCE:**

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

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

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

**PRESIDENT** (in Cantonese): Council will now continue with the debate on the Second Reading of the Appropriation Bill 2002.

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

**MR ANDREW WONG** (in Cantonese): Madam President, this is the maiden Budget of the new Financial Secretary, Mr Antony LEUNG, and I must say that has been very wise with his approach. First, the Government intimated beforehand a budget deficit as high as over \$60 billion in 2001-02, making people expect the Budget to come up with proposals to boost revenue and cut expenditure, increase tax, and cut spending. But it turned out that the Budget did not propose any tax increase (except for an increase in the duty on wine) and instead, a whole range of tax relief measures was nevertheless proposed. With regard to expenditure, other than the forecast of a pay cut for the Civil Service, public expenditure will be increased instead; and the pay cut will not affect the provisions for implementing policies. This has brought pleasant surprises to the general public. Second, both the Budget and the policy address have largely answered the seven-point consensus reached among the eight political parties of the Legislative Council before the release of the policy address last year, making the eight parties become somewhat "carried away". I believe the Budget will certainly be approved apart from some resistance against an increase in the duty rate on wine.

Madam President, being a person who has the habit of drinking red wine, I can accept the increase in the duty rate on wine. At the worst, I can go for less expensive wine. Having said that, however, I very much agree with the views expressed by the Honourable James TIEN and the Honourable Tommy CHEUNG yesterday, that wine in Hong Kong already costs higher than in other countries and territories. An increase in duty is set to deal a blow to consumer

spending, to the relevant industries, to bars and restaurants, and also to tourism. I hope that the Financial Secretary will take on board good advice and withdraw this measure. This is not for my personal interest, though.

Madam President, in the debate on the policy address in October last year, I said that I had reservations about two of the seven points in the consensus reached among the eight political parties. The first is about deferring salaries tax payment. I thank the Financial Secretary for heeding my advice, as he did not give in to the eight parties in the Budget. Deferring salaries tax payment would only result in expenditure outgrowing revenue. While it would be a temporary relief to taxpayers, taxpayers might be even more seriously in debt a year later, which is totally not conducive to stimulating the economy. The second point is rates waiver. While the Financial Secretary did not accept the consensus on a total waiver of the rates payment, the Chief Executive already proposed a rates concession last October, which means a loss of \$5 billion in revenue to the Government. In this Budget, the Financial Secretary further increased the amount of rates payment to be waived, which means that the Government will lose another \$2.6 billion in revenue. In that case, the loss in revenue will total \$7.6 billion. The eight parties may consider this a victory, but I have great reservations about this.

Madam President, in the policy address debate last October, I said that while tax reduction is also a measure that digs into the public purse, its cost-effectiveness is far lower than increasing expenditure, which also draws on public coffers. I suggested the Government to distribute \$5,000 to each adult resident in the form of "cash coupons" for them to spend locally, and this will cost a total of some \$20 billion. I hoped at the time that the Financial Secretary would seriously consider this and give effect to this in the Budget. Unfortunately, I must say that I am disappointed.

Madam President, before I present my arguments again for distributing to residents "cash coupons for local spending", please bear with me in briefly discussing other tax relief measures proposed by the Financial Secretary. The first is extending the effective period of the duty concession for ultra low sulphur diesel at \$1.11 per litre to the end of March 2003. Although the Government will lose \$1.2 billion in revenue, I support this relief measure given the difficulties of the transportation industry and more importantly, for environmental reasons. Furthermore, this is just an extension of an existing concession and so, no additional administrative cost will be incurred. The second is waiving water and sewage charges and reducing the Trade Effluent

Surcharge (TES) for one year. This will mean a loss of \$1.3 billion to the Government; and I consider this unnecessary. Moreover, the formula for calculating the reduction is very complex. If the TES is considered exceedingly high, we should adjust it downwards, instead of reducing it for only one year. We should not give out "candies" to the people for one year only. The third is waiving the business registration fee for one year, which is again unnecessary. The business registration certificate does not cost much, but the Government will lose \$1.3 billion in revenue.

Madam President, these relief measures will mean a loss of \$11.4 billion in total to the Government, not \$6.4 billion as stated by the Financial Secretary, because the Chief Executive's policy address has already incurred a loss of \$5 billion in revenue to the Government. If we do not factor in the loss of \$1.2 billion in revenue as a result of the duty concession for ultra low sulphur diesel which I support, the Government will lose \$10.2 billion in total. If this amount of tax is levied as usual, the Government could have \$10.2 billion for distributing "cash coupons for local spending" to the people; all adult residents, be they rich or poor, could be given about \$2,500 across the board.

Madam President, the Financial Secretary did not appear to be aggressive in tapping new sources of revenue. All that he had proposed was a land departure tax under the name of Boundary Facilities Improvement Tax and yet, it will not come into effect immediately. Setting this tax at \$18 would generate an additional revenue of approximately \$1 billion. With regard to the betting duty, the Financial Secretary has only stated that some options to tackle illegal soccer betting may bring additional revenue to the Treasury. However, as the World Cup Finals are drawing near, why can we not promptly make up our mind? Why do we still have to be so indecisive?

Madam President, if the land departure tax can come into effect immediately, the additional revenue generated by initiatives to increase income will provide the Government with at least \$1 billion more for giving out concessions to the public, and this will in turn enhance the cost-effectiveness of measures that dig into the public purse.

Madam President, I think the first and foremost task is to stimulate the economy. Given that the forecast of this year's economic growth of Hong Kong lags far behind that of other countries or territories in the region, it is imperative that Hong Kong be geared up in the year of the Horse, and galloping ahead like a flying steed, so that we can hope for success to come soon.



Madam President, anyone who knows something about economics will understand that the cost-effectiveness of an additional \$1 in circulation in the market is greater than \$1, and this is the so-called multiplier effect. It depends on the people's marginal propensity to consume or MPC in short. The higher the MPC, the greater the multiplier or "m" in short. The formula is:  $m = \frac{1}{1 - \text{MPC}}$ . Assuming the MPC is spending \$0.6 out of every \$1, the multiplier or "m" is  $\frac{1}{1 - 0.6}$ , which makes 250%. That is, the multiplier effect of every \$1 is \$2.5, which means that every additional dollar spent can increase the Gross Domestic Product (GDP) by \$2.5. If the MPC is spending \$0.8 out of \$1, the multiplier will be greatly increased to  $\frac{1}{1 - 0.8}$ , which makes 500%. That is to say, the multiplier effect of each \$1 should be \$5. If it is \$0.9, then the multiplier will be  $\frac{1}{1 - 0.9}$ , which means 1 000%. That is, every \$1 dollar spent will add \$10 in value for the economy.

Madam President, the above formula also applies to the Government increasing expenditure. But if the Government effects tax reduction, the multiplier will be the multiplier of increasing expenditure minus one. The formula is  $m = \frac{1}{1 - \text{MPC}} - 1$ . In other words, if the multiplier is 250%, it will drop to 150% in times of tax reduction; 500% will drop to 400%; 1 000% will drop to 900%. While these reduced multipliers are still on the high side, the MPC in case of tax reduction normally tends to be lower and therefore, the multiplier effect will become smaller accordingly. Assuming \$0.2 is spent out of \$1, which is very likely the case, this \$0.2 may either be spent locally or in Shenzhen. This will not be helpful to us. Whether the other \$0.8 is saved up or spent elsewhere, the multiplier will only be 25%.

Madam President, I suggest that the Government distributes to every adult resident, say, \$2,500, which will cost a total of \$10 billion (but in the policy address debate I suggested giving out \$5,000 to every adult resident at a cost of \$20 billion). This \$10 billion is not distributed in cash, but in the form of "cash coupons for local spending". So, the money cannot be saved up; it cannot be spent in Shenzhen or elsewhere; it cannot be used to pay tax. It can only be used for local spending. Assuming the MPC is spending \$0.8 out of \$1 — I am not so optimistic as to assume it as \$0.9 — then the multiplier will be 500%. In that case, with \$10 billion allocated by the Government, the GDP will increase by an additional \$50 billion. As the Hong Kong economy is in the doldrums, no doubt this will give a strong boost to the economy.

Madam President, the Budget will certainly be approved by the Legislative Council. But my proposal of "cash coupons for local spending" is not supported by the eight political parties of this Council. In spite of this, I still feel that it is my responsibility to put forth this proposal again. Even if it is not accepted, I still hope that the Financial Secretary and colleagues of this Council will consider and discuss this idea thoroughly.

With these remarks, Madam President, I support the Second Reading of the Appropriation Bill 2002.

**MR ERIC LI** (in Cantonese): Madam President, to a certain extent, all trades and industries in Hong Kong, and even every member of the community, are affected by the Budget. Between February and March every year, public discussions will inevitably focus on the people's concerns over the Budget, though the focus and angle of their arguments are no longer confined to principles of financial management. Instead, there is a mixture of opinions on macro-economic adjustment. The Government has reached such a stage that it has to explore every possible means in levying government charges and taxes.

For commentators who look at the Budget merely from the angle of financial management, economic adjustment or political consideration, they will surely get different impressions and come to different conclusions. I will try to make an analysis from these three angles before summarizing major political constraints and appraising the Budget in a fair and unbiased manner.

We will be disappointed if we merely look at the Budget from the financial angle. This is because not a single key indicator laid down in the Basic Law, such as keeping expenditure within the limits of revenues, achieving fiscal balance, and keeping increases in public expenditure commensurate with economic growth, can be achieved in this year and the next. We can even describe the Budget as "a far from expectations". A more positive side of the Budget is that it has laid down some future goals. However, the lack of immediate actions and specific measures in the Budget can easily impress the public that "its spirit is willing but the flesh is weak".

I have tried to warn the Government in this Council over the past few years not to rely excessively on the unstable incomes from real estate and stock and bond investments. I have also urged the Administration to make early preparations, dial up the potency of the Enhanced Productivity Programme, and

consider widening the tax base. Though the public might not welcome such recommendations, those who are responsible for managing public finance are duty bound to consider such measures. Even before the publication of this Budget, there was unusual public support for such proposals following the Government's vigorous campaign to warn the public of an impending huge budget deficit problem. However, the Financial Secretary has failed to grasp this golden opportunity and take immediate actions to propose specific measures to broaden sources of revenue and reduce expenditure. If action is taken after the enthusiasm has faded, the Government must double its efforts and eventually "bear hardships after enjoying comforts".

The way in which revenue and expenditure is handled by the Government is intricately associated, and yet in contradiction, with Hong Kong's overall economy. Despite holding huge reserves of \$400 billion, the Government's share of our overall social resources has risen to 22% in 2002. Any big movement will directly and indirectly affect the overall economic growth, inflation rate, spending power, employment figures, and the stability of the linked exchange rate.

Given the prevailing inflation and high unemployment rates, the Government will definitely become the target of criticisms and a major culprit for aggravating deflation and unemployment if expenditure is substantially reduced and new taxes are levied in order to restore fiscal balance. I agree that the Financial Secretary should adopt a milder approach to resolve the deficit problem over a period of five years, and progressively return a large portion of reserves surplus to society through the formulation of a deficit budget, rather than using it to cover public expenditure.

My greatest disappointment with the entire Budget is the serious discrepancy between the consumer price movement indice used by the Government for many years and the price movement indice of the overall economy. Although the Government has adopted this practice for a long time and it has taken the initiative to disclose such an important piece of information this time around, our confidence in the Government's past disclosure of public finance information has been shaken since its admission came at a time when government expenditure has deviated sharply from the guiding principle of the Basic Law.

I strongly request the Government to clarify the matter when responding. Has the Government failed to report the facts and has it tried to deliberately

conceal the matter over the years? If this is really the case, how can this Council and the public, without the benefit of crucial information, be expected to monitor government expenditure effectively? It is indeed imperative for the Government to give a reasonable explanation to this Council and the community or else it should be reprimanded.

In addition to "returning wealth to the people and maintaining a fiscal deficit", the Government should still have much room for making adjustment and be able to manage its finance properly through such means as widening the tax base, levying the Boundary Facilities Improvement Tax, which is a relatively stable source of tax income, and the soccer betting tax, adjusting the allowance for salaries tax, and so on. Surplus money can then be spent on new tax concessions, short-term or one-off investment items, such as increasing the amount of subsidy under the Home Purchase Scheme, so as to meet the long-term demand of the community more speedily and stimulate investment. Owing to constraints imposed by political consideration, the Financial Secretary cannot but to face the reality, thus reducing the room for the Budget to make adjustments.

Public confidence in the economic prospects was instantly shaken in the wake of the "September 11 incident" in the United States last year. There was a more pressing demand for Members of this Council to put aside their factional differences and work in concert to propose immediate relief measures to help the public restore their confidence in the economy. In a gesture demonstrating that major political parties and factions in this Council were willing to conform to the wishes of the public, an eight-party coalition was formed to enhance co-operation between various political parties.

Unfortunately, the Government has reacted slowly to the sincere demands of the political sector. It has not only failed to take decisive and immediate actions to co-operate, but also failed to demonstrate that it is willing to hold discussions on the basis of mutual understanding and resolve the problem quickly. As a result, the consensus proposals advanced by the coalition are still pending. At the end of the day, it is likely to impose a heavy burden on the Budget.

The new Financial Secretary was obviously put to a severe political test when preparing his maiden Budget. This Council has taken an absolutely clear position in opposing new taxes and creation of new directorate posts, and demanding that rates be reduced to prevent unemployment from further

worsening. It is indeed wise for the Financial Secretary to comply with the wishes of the public and avoid direct confrontation. It will be even better if these relief measures can be implemented earlier to address the urgent need and sentiment of society and the people, rather than being postponed until today.

Summarizing the consideration given to financial management, economic adjustment, and the political reality, I understand and accept that the Budget can only "set its goals" and "take action later". This is a reasonable consequence and is compatible with the political reality. Nevertheless, I must point out the fact that major fiscal indicators, including investment returns, land proceeds, civil service pay cut, economic growth, and so on, are still "strategically" risky over the medium term. I believe the Financial Secretary definitely knew a long time ago how difficult it would be to achieve these indicators. It is unnecessary for other Honourable Members or me to remind him here. I also believe the Financial Secretary has mapped out a well-thought-out plan and a couple of devices up his sleeves. I guess this is one of the major reasons why these indicators lack specific measures and data.

Shortly before the publication of the Budget, the Government changed the argument it has all along been upholding as well as its style. The two research reports published by the Government at the same time also confirmed the conclusion made by me as early as in 1999, that the deficit is structural in nature, that there is a lack of stable revenue, and that the tax base is too narrow. All these can be seen as a curtain raiser for triggering vigorous political debates to pave the way for the financial operations to be performed by the Financial Secretary in future. It can be said that everything is ready, waiting for the good wind. For the stable, cumbersome and rigid Civil Service, a storm is brewing. What is more, a gust of strong wind from the northeast might be on its way too.

Legend has it that ZHUGE Kongming tried to borrow the monsoons. Will Antony borrow the opportunity availed by the imminent accountability system? It has been rumoured that the Financial Secretary might consider adopting a zero budget so that only a fixed amount of funding will be allocated for the purpose of capping the resources to be utilized by bureau directors appointed under the accountability system. The ministers will then be responsible for streamlining the government structure to keep expenditure within the limits of revenue through outsourcing government services. At the same time, the central government will take a two-pronged approach by adjusting civil service pay and encouraging redundant staff to resign voluntarily. For the time

being, the Financial Secretary has confined himself to "downsizing" the Government as his prime target. He might as well have a clear idea of how such strategies should be mapped out.

As for the argument made by individual media critics that the Financial Secretary is trying to advocate the intervention policy, I have put forward my counter-argument in a newspaper article that the critics have been worrying too much and their worries are unfounded. Therefore, I will not repeat my argument here.

A good management concept is after all just a concept. We can see from the actual action of individual government officials that they are still ambitious for great achievements through such means as providing government departments or public bodies with political convenience and directly intervening in commercial operations. From such examples as the Airport Authority's investment in an exhibition centre, the Post Office's participation in the electronic certification market, and the construction of Route 10, we can see that the Government has come close to competing with the public for benefit.

The Government should have a clearer ideology. In providing commercial activities, it should give prime consideration to the items proposed by the business sector, rather than achieving this through planning by the central government. I agree that the Government of Hong Kong, an economy-oriented city, should be able to lead Hong Kong Incorporated, rather than Hong Kong Government Limited, to give impetus to the economy. In other words, the Government must formulate its policies, big or small, in the interest of the community. It must not make its own financial gain its prime consideration.

Looking back at history, we will find that numerous successful infrastructure projects were not led by the Government, and supported by the business sector. On the contrary, they were initiated by the business sector, and supported by the Government. It will become even more important for these principles and convictions to be adhered to, particularly after the introduction of ministers, who are likely to have business background. When the executive-led government finds its operation smoother, the ministers will be able to do whatever they like in launching their planned and politically motivated economic activities. It is highly probable for such changes to lead to resource wastage and innumerable political consequences.

At a time when the economy is in deep trouble, and being hypnotized by the theme song of "Under the Lion Rock", it is natural for this Council and members of the public to deeply sympathize with the serious deficit problem facing the Government. However, such a sympathetic and understanding mentality will disappear easily once the economy recovers. For instance, community support will weaken in one or two years if the Government insists on reducing pay and cutting staff when the private market has already started employing more staff and raising wages. It is therefore essential for the Government to make up its mind to make early preparations and stand up to political resistance in order to turn around the deficit position radically.

In the long run, the Government can definitely not resolve the structural deficit problem by merely reducing expenditure. It is indeed imperative for the Government to make early preparations, map out strategies, and take actions. The fact that the duty rate on red wine is slightly raised as a political embellishment this year is really laughable. It really makes no difference to the matter.

I think time is ripe for the levying of the soccer betting duty, the Boundary Facilities Improvement Tax, and so on. The Financial Secretary must not miss this golden opportunity. After taking office, the ministers appointed under the accountability system can then initiate specific legislative procedures at the start of the next Legislative Session to pave the way for the 2003 Budget. This will help the Hong Kong Government to improve its finance in the long run.

I would like to commend the Financial Secretary for his proposal to adjust the level of fiscal reserves. It has been proved that delinking the level of fiscal reserves to money supply has no impact at all on the linked exchange rate. On the contrary, it will give the Government additional room since more than a hundred billion dollars will then be made available to relieve its deficit problem. The Government has indeed made an appropriate and orderly arrangement by exploring every possible means to "trim" the government structure before considering raising tax. The proposal of keeping the level of fiscal reserves equivalent to 12 months of government expenditure happens to coincide with the proposal made by me in 1999. The Financial Secretary should be commended for there is apparently no strong objection in the community.

On behalf of the accountancy sector, I would like to welcome the Financial Secretary's determination to promote professional services and his efforts to

achieve this. During a meeting held with the Secretary for Financial Services, Mr Stephen IP, on 3 April 2002, a number of representatives from the accountancy sector made a number of suggestions on promoting Hong Kong as an international financial centre, attracting overseas investments and exploring mainland markets. They suggested, for instance, abolishing the levy of estate duty, which is considered not effective since it has merely served the purpose of deterring small and medium enterprises and middle-income families. It has also greatly undermined the desire of high net worth people to invest in Hong Kong.

The culture and mode of public expenditure management are another important subject that warrants reform. Since 1997, I have appealed to the Government almost every year in the Budget debate to strictly control costs. Civil servants must continue to make self-improvement and upgrade their efficiency expeditiously. In particular, I issued a warning in the 2000 Budget debate that "as a result of the lagging of the efficiency of the Civil Service behind that of the business sector, the community will be incessantly making request for outsourcing government services, and their dissatisfaction with the Civil Service will also linger on incessantly." I hope civil service bodies can keep calm when negotiating with the Government, understand the reasonable demands of the public, and put forward proposals on ways to enhance productivity in a constructive manner.

There is really not much difference between the existing expenditure mode of the Government and the one adopted half a century ago. Neither have there been any significant changes. The Government is still trying to preserve a model adopted by developing societies in helping the poor through such means as using abundant resources to subsidize such areas as housing, education, social welfare, and so on. The adjustment made by the Government in its housing policy to keep pace with social progress has rekindled my hope again. I hope the Financial Secretary and my colleagues in the political sector can keep pace with the times and stop upholding doctrines followed by a welfare community, which are indeed identical to the political doctrines followed by semi-developed countries.

I greatly admire Antony for he has given up his former high salary and position, and volunteered to move down from the "peak" of his career to the foot of the hill, where the people live. He has broken away from the bureaucratic culture and shown boldness of commitment. For all this he has won my deep appreciation. Although I do not entirely concur with his maiden Budget and I



have a few points to criticize, it is on the whole substantial and praiseworthy. Yet I will definitely not adopt a relaxed or biased attitude in vetting his work just because I appreciate Antony's spirit of serving the community or I know him personally. I will, as usual, put forward my honest views to the Government with a constructive attitude.

With these remarks, I support the Bill.

**MR CHEUNG MAN-KWONG** (in Cantonese): Madam President, the greatest challenges to the first Budget of the Financial Secretary, Mr Antony LEUNG, are the deficit and unemployment problems. While there is little mention of education, for there is only one short paragraph on this front, the Budget has unveiled the direction of education financing in the future, and this has far-reaching impact on the mode of subvention for education.

The Financial Secretary said, "The Government will continue to invest heavily in education and training and help those in financial difficulties to pursue further studies through subsidies and loans. Nevertheless, it is also reasonable for those who can afford it to pay their own expenses in the pursuit of lifelong learning."

The Financial Secretary's subvention policy for education tends to develop in the direction of self-financing, so that the Government can withdraw its role and cut subvention. Basic education is a human right. It is also an unshirkable responsibility of the Government of the Hong Kong Special Administrative Region (SAR). Therefore, the SAR Government still has to make basic commitments. But in respect of kindergarten and tertiary education, the Government's commitment is going to fade out. Parents would then be subject to the "user pays" principle and have to pay for the high fees of kindergarten and tertiary education. We can expect that expenses on education will become a heavy burden to families. The social class division in education is bound to worsen and parents in Hong Kong will suffer more.

The Report on the Higher Education Review published recently is a manifestation of the Financial Secretary's subvention policy for education. Apart from subsidizing degree programmes in universities, all the associate degree programmes will develop in the direction of self-financing. The Government will not provide any form of subsidies except scholarships and loans.

Young people taking associate degree programmes generally do not come from well-off families. Their examination results are not good enough for them to enroll at local universities and they do not have the means to study abroad. So, they can only take associate degree programmes, paying about \$50,000 in tuition fees annually in exchange for qualifications of which the future is uncertain. They are students deserted by tertiary education and they become inferior tertiary students.

The self-financing policy has also affected the Vocational Training Council (VTC), schools of postgraduate education and basic education. The Education and Manpower Bureau has recently reviewed vocational training, and this is an omen for changes in the mode of subvention and for reduction in funding. The review report of the Bureau expressly stated the need to exert pressure for a downward adjustment on the mechanism for the provision of funding for the VTC. At present, the unit cost of VTC programmes is between \$50,000 and \$80,000 yearly, and the cost would eventually be borne by students in full. Similarly, master programmes with market value in universities would also run on a self-financing basis. The Financial Secretary's commercial principle of running education as a business has eaten into the entire tertiary education, making tertiary education an expensive "Project Hope" for young people.

Hong Kong is developing towards a knowledge-based economy, and the academic qualifications of young people have become increasingly important. Is it that our young people are now divided into two classes based on their results in the Advanced Level Examination, with the elite being substantially subsidized whereas the others have to foot their own bill? Is it reasonable for young people to be deprived of equal opportunities to subvention just because of their failure in one attempt? The problem here is not scarcity of resources, but uneven distribution of resources. I oppose this polarized subvention policy. It will continuously impact on young people and deprive them of the opportunity to education.

However, an even more serious case of inequality befalls. Basic education. Basic education was originally provided for free, but it is becoming more and more like education for which fees are charged, and the fees are exorbitant. The Government now encourages renowned schools to become noble schools under the Direct Subsidy Scheme (DSS), and this has changed the nature of basic education. At present, noble schools under the DSS are

charging increasingly high fees. The latest level of fees is \$60,000 yearly. Given the prevailing economic downturn, how many families can afford paying school fees at \$60,000, and paying this amount of school fees for 13 years? It is most horrible that the Government even has plans to turn renowned public schools into DSS schools too. This will narrow the choice of quality schools for poor families. How can education be so utilitarian and materialistic, in that a line is drawn based on wealth and an explicit class division being created? Is the Government providing education or is it actually doing business?

Madam President, this year's Budget has not proposed tax increases in response to the budget deficit, and this merits our commendation. To resolve the deficit, the Financial Secretary still focuses on ways to cut expenditure in the short term, wielding the axe at civil servants. Mr Antony LEUNG has even departed from the convention, foreboding in a high profile a possible 4.75% pay cut for the Civil Service and subvented bodies. Moreover, the Secretary for the Treasury, Miss Denise YUE, has violated the established mechanism for pay rise for civil servants, alleging that civil servants have been given an extra pay rise of 12% as a result of deflation. Mr Antony LEUNG and Miss Denise YUE have acted in defiance of the normal rules and procedures, making civil servants the scapegoat of the budget deficit. Civil servants are heavily criticized by the community, and have turned from public servants to public enemies. The Government is absolutely doing them injustice.

The economic recession that Hong Kong has experienced after the reunification is the principal cause of the budget deficit. However, poor administration on the part of the Government, its policy blunders and wastes associated with bureaucracy have also caused government revenue to drop substantially and expenditure to unduly rise. All this has added to the pressure of the budget deficit, and the Government cannot shirk its responsibility entirely. Come to think about this. The Chief Executive's policy of "building 85 000 flats" had been wavering and changing constantly, and this has further burdened the finances of Hong Kong. Moreover, bureaucracy and fossilization on the part of the SAR Government have resulted in a colossal amount of taxpayers' money having been wasted. I have made some calculations. During the three years from October 1998 to October 2001, cases revealed and criticized by the Audit Commission about waste of public money by government departments alone involved \$15 billion. Certainly, while the criticisms of the Audit Commission may not be entirely correct, but even if half of these cases are true, the waste of public money is still extremely serious, for such wastes even exceed the \$6 billion that can be saved from cutting the pay of civil servants.

I have collated 10 major cases about serious wastes on the part of the Government due to bureaucratic blunders as revealed by the Audit Commission and the public. I hope the Financial Secretary will bear them in mind and take steps to ensure that these cases will not recur in future.

In October 1999, the Audit Commission criticized the Water Supplies Department for miscalculating the water demand in Hong Kong, resulting in draining Dongjiang water into the sea and hence wasting \$1.7 billion.

In October 1999, the Audit Commission criticized that some categories of allowances for civil servants were outdated, which brought a loss of \$3 billion to the Government.

In March 2000, the Audit Commission criticized the Official Receiver's Office for the low recovery rate of debts, which led to a loss of \$300 million.

In October 2000, Friends of the Earth criticized the 117 environmental studies conducted by the Government for failing to make improvements to the environment, and the costs involved totalled \$1.1 billion.

In March 2001, the Audit Commission criticized that 17 of the Government's contractors had wound up in default of contracts, owing \$700 million to the Government.

In March 2001, the Audit Commission criticized the former Urban Services Department for delaying the privatization of the Cheung Sha Wan Abattoir, resulting in a loss of \$900 million.

In March 2001, the Audit Commission criticized that loopholes in the sewage disposal scheme of the Government had undermined the effectiveness of the scheme to the tune of \$750 million.

In October 2001, the Audit Commission criticized the low utilization rate of some medical facilities of the Hospital Authority, thus wasting \$540 million.

In October 2001, the Audit Commission criticized that loopholes in the Conditions of Sale of a site in Siu Sai Wan might lead to a loss of \$1 billion in government revenue.

At the end of 2001 when recovering the Cheoy Lee Shipyard at Penny's Bay, the Government underestimated the level of pollution of the shipyard and had to pay an extra \$450 million for clean up.

Madam President, these 10 cases of waste associated with bureaucracy alone involved over \$10 billion. Today, as we are still faced with a serious budget deficit, how can we turn a blind eye to successive cases of considerable waste? How can we remain indifferent to continuing waste associated with bureaucracy on the part of the Government? In times of an economic downturn, the most important task of the Financial Secretary is not to drive a wedge between civil servants and the people and make civil servants the scapegoat of the deficit. If there is a need to cut the pay of civil servants, there is, after all, a mechanism for this to be done. Everything must proceed in accordance with the rules and procedures. The Government must be fair to the taxpayers and civil servants before the public can be convinced. Mr Antony LEUNG must address squarely the waste caused by red tape. He cannot allow public money to go down the drain wantonly. He must not allow the Government to shift its focus and evade its responsibility in respect of the budget deficit, by crying out loudly that the Government is poor, finding the "whipping boy" and then increasing tax.

Madam President, we now see another new source of waste, that is, the ministerial system freshly proposed by Mr TUNG Chee-hwa. The ministerial system is still locked in the "black box" and has not yet come to light. But it is said that there will be three major Policy Secretaries and 11 Ministers leading 16 Bureau Secretaries plus dozens of directors of departments. That is a large structure indeed. However, it was said before that a Minister would lead a number of Bureau Secretaries or Secretary Generals, with a view to reducing the number of tiers of bureaucracy, avoiding feet dragging and preventing officials from shirking responsibilities. So, it was said before that there would not be too many Ministers whose salaries could not be too low. But the latest news is that there will be as many as 11 Ministers, who are almost enough to make up a table in banquets. Everyone of them will be remunerated generously and everyone of them will certainly be happy.

Nevertheless, the appointment of an additional 11 Ministers on top of the existing Bureau Secretaries and directors of departments will cost some \$40 million to \$50 million each year for their remuneration. But the three-tier

structure to be made up of Ministers, Bureau Secretaries and directors of departments will only perform the duties of the current two-tier structure consisting of Bureau Secretaries and directors of departments. This is precisely redundancy and waste of resources. The contradiction of the ministerial system is that since there are Ministers formulating policies, why do we still need Bureau Secretaries? Since there are Bureau Secretaries implementing policies, why do we need directors of departments? Of the three major Policy Secretaries, if their duties remain unchanged, one of them will definitely become redundant and will surely be a redundant official who is on the highest rank and who costs most expensively. While the SAR Government has downsized the establishment of junior civil servants, the ranks of senior civil servants are however expanding; while junior civil servants are given pay cuts, Ministers are nonetheless given a pay rise. The SAR Government is self-contradicting on this issue. How will the taxpayers be possibly convinced?

Madam President, Mr TUNG Chee-hwa has stated recently that he will not tolerate three things: First, tolerate no waste of public money; second, tolerate no lax administration; and third, tolerate no lazy staff. I entirely agree with Mr TUNG Chee-hwa's words, but I wish to add one more point. That is, tolerate no incompetent leader. As long as the leader remains incompetent, the three things that he cannot tolerate will only recur continuously. While he had said that he would not tolerate these problems, it does not mean that these problems do not exist. The people of Hong Kong cannot choose their own leader. They can only tolerate the continued existence of an incompetent leader.

Madam President, I so submit.

**MISS CYD HO** (in Cantonese): Madam President, new people invariably bring new style of work. Apart from singing a song to express his views on the economy, the new Financial Secretary, without any prior consultation, unilaterally informed the Legislative Council of a procedural change to the effect that the revenue and expenditure parts of the Budget would be published at the same time. The objective outcome is that the order of the agenda was changed to shift the focus of social discussion to the budget deficit, thus sidestepping public criticisms on the inadequacy of the expenditure part to ease the plights of the people. Now that the executive-led government has developed to such a state as to arbitrarily make changes to the established rules, I must put on record my dissatisfaction over this in the Official Record of Proceedings of this Council.

Having said that, new style of work still has its merits. In this Budget, the past practice of producing estimates on a year-by-year basis is changed to a forecast into the next five years, and the outlook of public revenue and expenditure in the next five years is presented in data and statistics. We just have to look at the charts and tables to have a clear picture of it. This is better than descriptions by words.

Madam President, it is most unfortunate that this five-year forecast is based on three principles on which the community has yet to reach a consensus. There has been no public consultation, and I believe there is also no adequate consensus among civil servants on these three principles. First, have all departments made prior assessments of work plans within their ambit in the next five years? Even if no new service will be introduced and no improvement made to service quality, is a real growth of 1.5% sufficient to cope with the demographic changes as well as changes in age distribution? If we further consider the factors that the economy may continue to be at the low ebbs, the need for manpower and education investment, the additional social services required by increasing pressure of living, together with the environmental measures to be taken to remedy damages done to the environment by technology and infrastructure, is a real growth of 1.5% in public expenditure sufficient to cope with them all?

In fact, since the release of the Budget, a number of Policy Secretaries and directors of departments have not been able to answer this question. They are not yet adequately prepared to go by this principle. But some civil servants have said in private that this principle will definitely work and that it is unlikely to fail, for the ministerial system is going to be implemented. If they do not accept this principle of a 1.5% growth in real terms, they might stand no chance of remaining in office. So, this very figure set by the top echelon shall require strict compliance; the result will not be too wide of the target and it is surely going to work. However, the people's livelihood is set to be greatly affected. The biggest problem is that this figure primarily aims to achieve fiscal balance. This conclusion is drawn without detailed consideration beforehand, and without any assessment conducted as to how resources should be redeployed from the perspectives of public interest and efficiency enhancement. This is a cap imposed by the Financial Secretary for compliance by everyone.

The second principle is that public expenditure must not exceed 20% of the Gross Domestic Product. Madam President, the figure is merely a tool. Where there is a need in society, we might have to make it 25%. If the people are rich and self-sufficient, what harm would it do even if we make it 16%? Similar to the linked exchange rate, we have missed the right time for delinking and for cutting public expenditure. It is not the right time now. Over the past few years, the community has used up most of its damping capacity. If the Government, being the biggest employer, continues to ignore the realities and outsource its services, more and more comparatively well-off families would also be plunged into poverty.

The third principle highlighted by the Financial Secretary is to achieve a balance between recurrent revenue and expenditure. To this end, public revenue must increase from \$150.8 billion to \$208.9 billion in 2006-07, which means an increase of 38%. Apart from ongoing revenue-raising and expenditure-control efforts, plus the reduction of other services, in order to achieve the objectives of cutting expenditure by \$20 billion plus \$35 billion plus another \$35 billion, the economy is estimated to register a growth of 3.5% each year. Moreover, there is still a great shortfall and I have no idea how this shortfall could possibly be made up for, so as to increase government revenue by \$58.1 billion. A tax hike appears to be unavoidable.

However, the direction proposed by the review committee on the tax base is entirely targeting at the grassroots. People with the means should have the responsibility to make commitments for public expenditure and the competitiveness of the Hong Kong economy. But over the past few years, layoffs and pay cuts have spread from the grassroots to the middle class. The salaries of many citizens have dwindled by 40% to 50%. The people have already paid a dear price. How much farther could they shoulder new taxes? On the contrary, the profits tax does have room for upward adjustment. Even the business sector agrees that the rate can be increased by 0.5 or one percentage point. Besides, it is generally considered that even after an increase in profits tax, our tax rate will still compare favourably with our competitors. So, I urge the Government to seriously consider this direction in attempting to attain fiscal balance.

In the past, budgets were meant to implement the policy address delivered by the Chief Executive six months ago. For example, the Chief Executive put emphasis on welfare for the elderly and the budget in the coming year would then



announce the corresponding measures. But this year is very special. The Budget has not quite echoed the policy address this year, and seemed to be rather detached. The Chief Executive's last policy address in his first term of office did not draw any conclusion or made any review. Nor did it incorporate any concrete mid-term initiatives for implementation. Perhaps it was because the situation then was full of uncertainties or wisdom had it social sentiments not be incited, for this would be counter-productive to the creation of an atmosphere for re-election. Therefore, no conclusion was drawn and no future plans were mapped out, elements which are supposed to be included therein.

Nevertheless, I do remember that in his policy address in 1999, the Chief Executive had repeatedly stressed the "people-oriented" principle in his policies. Why do I remember this? It is because I very much agree with this concept. In fact, the Frontier already suggested in 1998 that this be made a principle of the policy address. Since then, we have been adhering to this principle in our work in this Council. We have adopted the same standard when monitoring the Government in its formulation of policy, laws, and fiscal measures, in order to ascertain if the Government has taken adequate measures to improve the living conditions of the disadvantaged groups, say, whether adequate measures are taken to address the poverty problem faced by women and children, and whether such disadvantaged groups as the disabled and ethnic groups can enjoy equal opportunities to develop their potentials.

To protect the disadvantaged groups and enhance their competitiveness, we must adopt a host of active measures, particularly in respect of public expenditure. We must provide them with more support, so that they can be put in a better position and make a start at the same point. However, other than setting up a \$400-million fund to provide induction training for young people, I cannot see any semblance of "people-oriented" in the Budget.

I wonder if the Financial Secretary intends to bind the idea of "people-oriented" with three hard metal clamps in small, medium and large sizes. Or is it that as the Chief Executive has not mentioned "people-oriented" anymore since 1999, this idea has simply vanished in one sneeze of the nose, like the policy of "building 85 000 flats"? But the political environment now is like a stormy sea with roaring waves, and is ever changing. People who sit firmly in a fishing boat today may fall overboard tomorrow when the boat capsizes at a hidden ditch. On the question of whether the "people-oriented" concept still exists, I do not know who I should ask to get an answer.

This year's Budget has indeed given us "a handful of candies", for it did not propose tax increases at this very difficult time. On the contrary, there were increases in public expenditure and the Budget even went further to violate the environmental principle by waiving sewage and water charges, making many people feel that they will greatly benefit from these initiatives psychologically. But Madam President, after giving us these candies, the Government will then increase its revenue by \$58.1 billion. I urge the Financial Secretary to consider making up this shortfall on the "user pays" principle, and consider increasing the profits tax, rather than increasing the burden of the grassroots. Meanwhile, as the Secretary for Health and Welfare is here, I would like to call on him to waive medical fees for the elderly, families receiving the Comprehensive Social Security Assistance, the chronically ill and the low income group in the review of medical fees.

Madam President, it is a loving and caring world that we live in. I believe the Financial Secretary can feel this deep in his heart recently. But he must also go by the "people-oriented" principle and serve in the interest of the 6.7 million people of Hong Kong. Both the policy address and the budget should be formulated and implemented in this direction.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, with the ever-rising unemployment rate and a sluggish economy, a restaurant group which closed its business yesterday, forcing more than 400 people out of work. The public are expecting the first Budget drawn up by the new Financial Secretary can bring new thinking, propose new policies and resolve the problem of unemployment which is threatening so many people today. At the present moment, what the people need is a job which will give them a steady source of income and help them tide over. It is sad that the new Financial Secretary has failed to offer any hope to the people. He only makes high-profile calls in the Budget on the public to tide over the difficult times together with the Government. He also asks the people to recall the hard times in the past and place hopes on a better future. When the Government is asking the people to do this, has it occurred to it that in the past the people actually would like very much to tide over the difficult times together with the Government, but was the Government sincere about it?

When Mr TUNG was running for his second term, he said that he would sense the urgency of the people and think in the way they think. In the present

economic circumstances, what the people need the most is a stable job. They hope that the Government can put in more resources to get them out of the present plight. However, apart from proposing to set aside \$400 million in the Budget to launch an on-the-job training programme for the young people in a bid to address the problem of youth unemployment, assistance to the other unemployed people is given in a half-hearted, if not minimal manner. When Secretary Antony LEUNG was asked about the creation of jobs, the cold answer given was the matter should be left to the market. If all things are left to the market, the people will ask, "Then what is the use of having a government? What is our government doing?"

In fact, the public do not have very tall demands. They do not want to court a girlfriend on the Mainland, play golf, and so on. All they want is a job which will enable them to make a living so that they will not have to rely on the Comprehensive Social Security Assistance (CSSA) Scheme. This is a basic desire and right of human beings. This is also something which the Government is obliged to help and protect.

Now with as many as 230 000 people jobless and when the people are expecting the Government to put in more resources and create more job opportunities, what we see is only the mentioning in last year's policy address that 30 000 temporary posts will be created, and this has to be implemented in three years. At the beginning of this year, Mr TUNG undertook to increase more job opportunities and in the end only 1 800 jobs were created. Unfortunately, we see that the Pacific Century Cyberworks laid off 858 staff in one go and when this number is added to the more than 400 people forced out of their jobs yesterday, the total number is more than 1 000. What good will these 1 800 jobs help in solving the problem? How is the ever worsening unemployment problem going to be resolved?

The Government may think that it has done its best in solving the unemployment problem. There are a total of 13 schemes in place to help the unemployed to find a job. Despite this, if we look at the papers submitted by the Government to the special meeting of the Finance Committee, we will know that some of the schemes are not very effective. For example, 10 024 people joined the Re-employment Pilot Programme for the Middle-aged, but only 2 588 people could find a job. The placement rate is only 25.8%. I am not accusing the Labour Department of not doing enough work, but that the crux of the problem lies in the failure to prescribe the right remedy to the problem when the

relevant policy was formulated. For the problem of unemployment, the Government emphasized in the past that the problem was only that of a manpower mismatch in the course of economic restructuring. It was of the view that with more retraining efforts and assistance in helping people switch to other jobs, the problem of unemployment can be solved. Undoubtedly, an increase in retraining efforts can solve part of the problem, but it cannot solve the problem at root. The root cause of unemployment is a lack of demand for labour in the manpower market. Even when there is more high-quality labour, it cannot be absorbed by the market. Hence, the emphasis should be placed on the creation of more demand for manpower. In the long run, the Government should play a more active role, take the lead to push an economic recovery and create demand. But the fact is that the people are facing the problem of unemployment and they cannot afford to wait for an economic recovery. That is why the Government cannot shirk its responsibility of creating more job opportunities right away and put in more resources. We have suggested the Government to use \$4 billion to develop the environmental protection industry to improve the community environment and provide more social services. Such a plan can create a total of 40 000 jobs a year, thereby reducing the jobless population which now reaches more than 200 000. However, the Government only sets its eyes on the existing fiscal deficits and that restricts the creation of job opportunities.

On the issue of creating employment, maybe government officials only see the increase in costs instead of the benefits that this will bring later. If we can increase more community mutual aid services, provide more home help services to the old and disabled, and organize for young people activities specific to their interests, then quite a significant portion of the cost of providing remedial work for social problems can be obviated.

Without the provision of jobs, retraining is not effective at all. For example, the placement rate for tailor-made retraining programmes is as high as 90%. The major reason is that there are matching posts provided and therefore the placement rate is so high. Since the Government can provide on-the-job training for young persons, why can similar training opportunities not be offered to the middle-age retrainees? We will not object to injecting more resources to help young people without working experience make the first step in their career. It is with the same argument that we should view the issue from the prospective of the middle-aged workers because these people will also have to start from

scratch. Therefore, we think that apart from providing a lot of on-the-job training for the middle-age unemployed, the Government should also provide them with employment opportunities. For example, in respect of domestic helpers, we hope that the Government can give subsidies to families which really need such a service and in order to boost demand. This is again a problem of money.

Madam President, Mr TUNG said that he would like to sense the urgency of the people and think in the way they think. But the Budget has shown the exact opposite of Mr TUNG's remark, for the Budget is only sensing the urgency of the Government and thinking from its perspective. The Budget is meant to resolve the deficits problem and so for the next five years, even as the economy takes a further dive and the life of the people goes from bad to worse, what the people can do is only to tighten their belts even harder.

The unique thing about the Budget this year is that apart from being the Financial Secretary's maiden Budget, it stands out among the previous budgets by having a dress rehearsal before the Appropriation Bill 2002 was read on 6 March. After the dress rehearsal, there were also some other follow-up actions. It may be said that the performance was flawless. The whole show started with a prologue in the form of the fiscal deficit report and the report on new taxes, which were meant to create a background of public opinion on slashing government expenditure and introducing new taxes. Then a seemingly harmless proposal was raised by Secretary Antony LEUNG, but it is full of hidden plots and intrigues. Before the people could have a chance to rejoice at the concessions in rates and water tariff, all those measures which were detrimental to the grassroots started to come on stage. First came the Hospital Authority with its fanfare of publicity on its huge deficits. This is only posing an excuse to collect charges in the accident and emergency departments and this was done in blatant disregard of the Budget which does not impose any fee hike. Recently, there have been rumours that the Government is to cap welfare spending. So even when the economy sinks further and when there are more people who need public assistance, the funding for welfare will only be cut. All this makes people wonder whether the Government wants to join hands with the people to ride out the storm.

The unity and cohesion which Secretary Antony LEUNG talks about can only be fostered in a spirit of community-wide mutual understanding and

accommodation. However, with the host of policies and measures launched and to be launched, the people are only asked to be sympathetic to the Government who finds itself in financial straits. No consideration has been given to the real difficulties which the people are facing. The Government admits that the dependant population such as the elderly will keep on increasing. But why has it sought to confine growth in public expenditure in real terms to only 1.5%? In money terms, there can only be a 1% average growth each year. This implies that there will be further enhancement of productivity and later on, a person will have to take up the work of two or three persons. When a new service is introduced, that will mean that other services will have to attain their targets at much cheaper costs. Such a contraction of expenditure can never be expected to meet the increasingly sophisticated needs of society.

Now the Government is resorting to all ways and means to suppress expenditure, such as by cutting the pay of the civil servants and contracting out more of its services. But is it aware of the harms that these measures will do? When we handled labour disputes in the past, we often stressed that employers should observe the contractual spirit in that any downward revision of pay and welfare should be discussed with the employees. However, the Government is setting a bad example itself in trying to effect a pay cut by way of legislation in a unilateral manner. Thus it has damaged the established consultation and discussion between employers and employees. In order to safeguard the legitimate labour rights of the civil servants and put a stop to this undesirable attempt to disrupt consultation, we will strongly oppose all such legislative proposals. Furthermore, confrontation between the public and the civil servants has been aroused as the Government tries to attain its objective of cutting expenditure. The mask of social unity is thus torn and the morale of civil servants hits rock bottom. Social instability is bound to surface.

With more outsourcing of government work, workers will lose a steady income and job and the impact on their families is far more serious than those senior officials sitting in their high seats can ever imagine. For example, when the husband is out of work, he idles in the house and the family will be never the same. Conflicts and clashes between family members will increase, and so quarrels and even tragedies will happen. The cost to be paid eventually is the social cost, which can never be compensated by the one or two percentage points saved as a result of enhanced productivity. It is sad to see the Government think nothing about it and bend on having its own way.

Madam President, if the television series "Under the Lion Rock" is to be shot again, the story line should be a male character being out of work for a year, another person gets the dole but is looked down upon by others, an old woman waits till her dying day but still fails to get her old age allowance increased by \$300, and another person goes to the casualty ward but only to be accused of misusing and abusing public resources. All these are no fabricated stories but daily happenings in Hong Kong. But the Government only knows to set its eyes on money and is blind to the suffering of the people. Even as the Financial Secretary calls to the last pitch of his voice for unity, the people will ask, "What for? "

Despite calls made by the Government for unity, it is ironic to see that government policies are running in the opposite direction. The key reason is that the Government only looks at the situation from financial perspectives, without considering the actual needs of the people. I recall a much quoted remark made by Mr LEUNG when he was new in office of the Financial Secretary. He said, "Only the money you spend is your money." With this principle in mind, what are the worth and the meaning of it all when the Government hoards up so much money in reserves but refuses to spend it?

The public agree that they should tide over the present difficulties together with the Government, but if it is only the public who make the efforts, that is only obedience and it can never be considered unity. We hope that the Government would show more understanding of the needs of the people. Mr LEUNG can pass his time happily with his new love, but he cannot expect the people of Hong Kong can lead a similarly happy life, without ever thinking of the harsh realities of life.

What the people are asking for is a job, one which brings enough income to feed the family. If at this peak of unemployment the Government still does nothing, and if Mr LEUNG does not create more jobs, then I may cast my vote against this Budget.

Madam President, I so submit.

**DR DAVID CHU** (in Cantonese): Madam President, a major expectation of the community for the Budget is that it may serve to give the failing economy a shot in the arm and to find a solution to the huge budget deficit. The Hong Kong

Progressive Alliance (HKPA) thinks that the Budget should propose more specific measures to boost the economy. After all, to revive the Hong Kong economy is the most effective way to increase revenue and improve the people's livelihood.

The Financial Secretary proposes developing high value-added economic activities. Among them are four domains, namely, financial services, logistics, tourism and producer and professional services. I believe no one will dispute these policy objectives. However, what the community and we expect is that the SAR Government puts forward specific measures to transform these objectives into action. For example, though the Budget proposes some measures to develop logistics, it does not say in detail or explain clearly how to help Hong Kong secure more sources of goods. As another example, the Budget should have put forward more specific proposals about ways to attract more mainland capital to Hong Kong to carry out trading of securities, and to attract mainland talent to Hong Kong. The HKPA thinks the Administration should attract more quality enterprises to list on the Main Board or the Growth Enterprises Market to make Hong Kong a major channel of financing for mainland growth enterprises. Moreover, the Administration should assist the financial services sector to explore services with potential, including the online trading of stocks with their mainland counterparts.

On the other hand, promoting logistics and tourism, improving cross-boundary infrastructure and easing the bottleneck at checkpoints are also a priority for the Government. With the accession of China to the World Trade Organization, Hong Kong must establish economic co-operation with the Pearl River Delta before it can strengthen its position. To improve employment opportunities for our workers, the Budget advocates the concept of promoting local community economy. We welcome this and hope the Government can put forward specific measures to improve the livelihood of the people as soon as possible. Indeed, one of the reasons for small businesses being driven out of the scene is the Government imposing excessive regulation. We hope the Government can note this.

Madam President, the HKPA has three points to make regarding public expenditure:

First of all, 24% of the government recurrent expenditure goes to education which gets the largest share of the expenditure. Despite the heavy



financial pressure prevailing, the expenditure on education will be increased by 8%. This shows the determination of the SAR Government to come to grips with education and to improve the quality of our human resources. This we endorse. However, funds alone will not do. We must pool in efforts made by the Education Department (ED) and schools so that funds will be put to the best use. Otherwise, policies will not generate the effects desired and squandering and abuse will appear. For example, the Quality Education Fund was criticized by the Audit Commission last year as lacking in comprehensive strategic planning. Thus, the Fund degenerated into an auxiliary source of funding for implementing school education by the ED. This is not consistent with the original objective of the Fund. Another example is whole-day primary schooling, which is what the education sector and the people in Hong Kong in general have been striving for over the years. However, educationalists have pointed out that some primary schools which have changed to the new system have failed to make the best use of it. They just add lunchtime or extend the duration of each period. These arrangements cannot improve teaching or learning. Moreover, the Native-speaking English Teachers Scheme and education on information technology have room for improvement. In summary, the Government should pay attention to how resources of education are deployed to achieve results.

The second point I would like to make in addition to education is about the budget proposal for an increase of 8.3% in the recurrent expenditure on matters about the economy this year, mainly for the promotion of job training. The HKPA does not think the increase under this head is sufficient because with a rising unemployment rate, the Government must allocate more resources to job training to help the unemployed find work again after training. The Employees Retraining Board has an average of 15 000 course applicants each month in its training courses. The existing 105 000 places cannot satisfy the demands of the market. Furthermore, training methods and courses have to be revised to meet the needs of the labour market. If course participants can master multiple skills, their competitiveness will be greatly enhanced. They may join the trade in which they are trained for and become more flexible in switching to other trades.

The third point I would like to talk about is the steep increase in expenditure on Comprehensive Social Security Assistance (CSSA), which has attracted widespread attention in the community. In 1997, \$7 billion-odd was spent on CSSA. This year, the figure has risen to \$22 billion-odd. The HKPA agrees that the Government has the obligation to provide a safety net for the

underprivileged groups in our community. However, it must also ensure that resources are used on the most needy and the CSSA is not abused.

With these remarks, Madam President, I support the Second Reading of the 2002-03 Budget.

**MR ANDREW CHENG** (in Cantonese): Madam President, in respect of this year's Budget, I will first express the views of the Democratic Party on the legalization of soccer betting. Then I will discuss the transport and labour policies.

The Secretary for the Treasury and the Financial Secretary have announced one after another that the Hong Kong Government is faced with a huge budget deficit. They even forecast pessimistically that if this situation is not reversed, the fiscal reserves of Hong Kong would be used up and by then, we might run into a financial crisis similar to that confronting Argentina. Since this news was made public, members of the community have continuously given their views as to how the Government can tap new sources of income or cut spending, in order to increase revenue or reduce expenditure. Even the proposal to legalize soccer betting, which had been shelved due to strong opposition from the community, has been revived and appears to be gathering momentum. Madam President, from what the Honourable Eric LI, Chairman of the Commission on Youth, had said earlier on, it appeared that he has not considered the many evils that legalized soccer betting would do to our young people, for he suggested that the time now seems to be ripe for soccer betting to be legalized and requested the Government to consider this. In our view, whether soccer betting should be legalized is not a question of timing. Instead, we should look into whether broadening the existing forms of gambling is suitable for Hong Kong.

Before the financial turmoil, Hong Kong was a society in which people aspire for materialistic lifestyles and speculative activities were rampant. From the television series "Under the Lion Rock" so highly recommended by the Financial Secretary, we can see the hardworking and down-to-earth attitude of the people back in the '60s and '70s. But it appears that this attitude belongs to the historical past and is an archaic culture of society. The community used to overly indulge in the mentality to get rich, thus seeing many opportunities of development slip by. After the financial turmoil, Hong Kong society has

gradually come to realize that the past culture of speculation cannot sustain the development of Hong Kong. Therefore, efforts have been made to find a way out, hoping to open up new horizons. The legalization of soccer betting, however, runs counter to our aspiration for development through hard work. All in all, the proposal to legalize soccer betting is shortsighted indeed. We are worried that once this proposal is implemented, the adverse impact on Hong Kong society cannot be neutralized in a few years' time. Worse still, it may even be detrimental to our future generations. No doubt the budget deficit is a problem that must be resolved. But we must first find the right solution. We must not take remedial measures indiscriminately, for the legalization of soccer betting would bring an even heavier burden to Hong Kong society.

The newest argument for legalizing soccer betting is that illegal soccer betting activities are already very serious and the relevant proceeds will only benefit such illegal elements as triad societies. So, this will not only add to the financial strength of illegal syndicates and what is more, the Hong Kong Government, which already faces the problem of expenditure outgrowing revenue, will stand to lose a source of considerable revenue and thus losing the opportunity to narrow the budget deficit.

We absolutely should not allow our rationality be blinded by the existence of a budget deficit. It is because once soccer betting is legalized, Hong Kong society would be seriously affected in the long term. Members of the community have pointed out time and again the possible harms that legalizing soccer betting will do to society. Legalization of soccer betting will increase the number of pathological gamblers, which will in turn substantially increase public expenditure. It will attract people who have never participated in illegal soccer betting before to bet on soccer matches, thus giving a boost to the trend of gambling. It will also aggravate family problems, which will affect society at large. More importantly, under the influence of an increasingly pervasive trend of gambling in society, our young people would develop an incorrect mindset of hoping to get rich quick by sheer luck and refraining from labour to attain their goals.

All these sequelae of legalizing soccer betting cannot be clearer. But so far, I have not heard anyone in support of its legalization give the community a satisfactory answer in respect of the above problems. Do they think that these problems cannot possibly be addressed anyway and so, they simply play ostrich

and turn a blind eye to them? Or do they still think that the gains to be brought by the legalization would outweigh the resultant problems and therefore continue to support the legalization of soccer betting on a utilitarian motive?

Furthermore, if it is thought that soccer betting should be legalized since it is impossible to monitor such activities, so that the Government can vie with the illegal elements for benefits, then should other illegal activities, such as drug trafficking, be legalized as well? By the same logic, this could, first, enable the Government to curb the source of income of drug traffickers; second, increase tax revenue for the Government; and third, help drug addicts more effectively in that they would be saved from manipulation by drug traffickers which would do even greater harms to society. Madam President, where should the bottomline be drawn? How does the Government position its betting policy?

Next, I would like to discuss the transport policies mentioned in the Budget. Insofar as resolving the budget deficit problem is concerned, it appears that selling government assets in transport services plays a very important role. At the press conference on the Budget on 6 March, the Financial Secretary also stated that if the Government wanted to sell its assets, he believed there would be plenty of time for this to be done before 2006-07, for the capital market conditions would be suitable for selling assets and so, he was very confident about this.

Indeed, the Government's transport-related assets are all of a good quality. Given a suitable market environment, the sale of these assets would definitely yield considerable proceeds. I believe the Cross-Harbour Tunnel at Hung Hom would be coveted in the market. But before a decision is made as to whether or not to sell these assets, I, on behalf of the Democratic Party, would like to urge the Government to consider the following four principles:

- (1) more reasonable distribution of transport resources;
- (2) better services for users;
- (3) higher efficiency will be attained compared to the present management; and
- (4) selling the asset is the best option at the time.

On the first and second principles, we consider that if the Government cannot give justifications to ensure more reasonable distribution of transport resources and better services for users, selling government assets will only be a synonym for the Government giving up its responsibility of road and traffic management. Insofar as the tunnels currently owned by the Government are concerned, our greatest concern is that the more the proceeds yielded by the Government's sale of these assets, the higher the rate of return determined by the buyers. As a result, tunnel tolls would be substantially increased and users would inevitably have to bear higher costs or use alternate roads, thus denying the best utilization of these tunnels.

On the third and fourth principles, we do not agree that ownership and management by the private sector will be more efficient than the existing *modus operandi*, that is, ownership by the Government and management by private companies. I have never heard of any problem with the existing *modus operandi*. On the contrary, tunnels owned by the Government have served as a stable source of income. The Cross-Harbour Tunnel at Hung Hom aside, the four tunnels of the Government generated a net profit of \$250 million in the financial year 2001-02, representing a 10% increase over the year 2000-01. While some \$200 million may appear to be insignificant, it is a very stable source of income in the long term. If the Government sold the tunnels, even though a considerable amount of revenue could be generated in the short term, and it might even resolve the deficit problem of the Government immediately, selling a government asset would mean one less asset in the Government's possession and one less source of long-term income. The Government must convince Members that this is the best option of management of public finance before the Democratic Party and I could consider throwing weight behind such action of the Government. On behalf of the Democratic Party, I have proposed to the Transport Bureau earlier on the setting up of a Tunnels and Bridges Authority. In the proposal, it is also suggested that the Government, after retrieving the right of management of tunnels operating in the "Build-Operate-Transfer" mode, can consider securing financing through listing or issuing bonds for the construction of other tunnels and bridges. So, the Democratic Party does not consider selling government assets the only option, and whether the timing is the best is also open to question.

Another area involving transport services in the Budget concerns the problems arising from the introduction of the Boundary Facilities Improvement

Tax (BFIT) by the Government. As soon as the Government announced the levying of this tax next year, the Chairman of the Kowloon-Canton Railway Corporation (KCRC), Mr Michael TIEN, sprang to state that the KCRC might face pressure for a fare increase following a drop in cross-boundary ridership as a result of the BFIT. I hope that the KCRC will carefully assess the consequences of its fare increase policy, for this would exert great pressure on passengers travelling on the domestic or cross-boundary line. It is absolutely unfair to subject passengers of the domestic line to any fare increase necessitated by the BFIT. If passengers of the cross-boundary line are required to pay more, it would only push the fares of cross-boundary trips, which are already on a high level, to an even more unreasonably high level. Therefore, if the KCRC fares would have to increase as a result of the BFIT, it would be absolutely unfair to passengers travelling on the KCR.

Finally, I would like to discuss the labour policy. According to the report by the Secretary for Education and Manpower, Mrs Fanny LAW, the Government will spend a total of \$2.6 billion on employment and vocational training in the coming year, representing a real growth of close to one third. Apart from a one-off grant of \$400 million for upgrading the employability of young people, other expenditures mostly relate to funding for ongoing programmes or initiatives.

Given the present economic downturn and an oversupply of labour, it is understandable that wage earners are most worried about losing their jobs suddenly. The Democratic Party greatly regrets the dismissal of more than 800 employees by the Pacific Century CyberWorks (PCCW) on 25 March and sympathizes with those who were made redundant. Indeed, this incident precisely reflected that the Government's policy and attitude towards large-scale layoffs remain so very conservative and unresponsive. It also showed that the Government did not have a good grasp of the situation and failed to provide mediation well in advance, for there was already news about the layoff by the PCCW in the press the day before the layoff was announced. Moreover, the Government knows only too well that the existing Employment Ordinance fails to catch up with the new tug-of-war in employer-employee relations as a result of economic restructuring, but it has not acted responsively. We consider that the Government should review this. As we all know, staff who are laid off and hence lost their jobs will be reflected immediately in the unemployment figures. Therefore, in our view, as there is no significant improvement in the economy,

what the Government can do is to proactively liaise with employers who have retrenchment plans and mediate between the employers and employees as far as possible, refocusing the work of the Labour Department from follow-up work to proactively arranging for training, job referrals, and so on.

Since the '70s, after rounds and rounds of tug-of-war between employers and employees, the rights and benefits that the labour sector has successfully fought for workers after so much hard work only represent the recovery of dignity and status to which workers are entitled. The existing Employment Ordinance in Hong Kong cannot in the least catch up with the alternative exploitation brought by changes in development towards knowledge-based economy. Employees who are sacked even when their companies have made profits are vivid examples of this sort of exploitation. Disregarding how hard employees have worked for their companies and how strong they have developed a sense of belonging towards their companies, employers are considered to have fulfilled their responsibilities as long as they made compensation to their employees in accordance with the labour laws, totally neglecting the contribution made by their staff. Undeniably, Hong Kong is a business-oriented metropolis. All labour relationships are driven by economic benefits. But all of us seem to have forgotten the fact that the most valuable resource of Hong Kong is its human capital. That the Government does not address squarely the massive layoffs derived from the knowledge-based economy today is in itself an ostrich policy. I believe this will ultimately encourage companies not facing operational difficulties to follow suit and announce layoffs too, which would only aggravate the problem of an ever growing unemployed population.

Madam President, I so submit.

**MR MA FUNG-KWOK** (in Cantonese): Madam President, with regard to this year's Budget, people are most impressed not by the budget deficit, but by the song "Under the Lion Rock" with which Hong Kong people grow up. But I believe the Financial Secretary did not just aim at touching a chord in the people, but rather to point out what policies the Government has in place to address such problems as a structural deficit in public finances, the economy being continually weak, worsening unemployment among old workers with low skills and also among young people, and so on.

The Budget suggested a moderate pay adjustment proposal to reduce expenditure, and set out a range of objectives in the medium term. They include achieving fiscal balance within a period of five years, reducing public expenditure to 20% of the Gross Domestic Product, narrowing the difference between the price of government expenditure and the market price, and pitching the lower limit of fiscal reserves at a level equivalent to 12 months of public expenditure. The direction and the objectives do merit our support. They represent a correct first step taken to face and resolve the budget deficit.

That said, I wish to highlight a few problems:

First, while it is obviously important to address the deficit problem, resolving the deficit problem does not mean resolving the economic problems. Nor does it mean that the worsening problem of structural unemployment can be solved.

Second, when the community is generally concerned about possible tax increases or imposition of new taxes by the Government, the Budget has nevertheless maintained the *status quo*, and proposed no significant adjustments to major taxes. Better still, it has acceded to the requests of political parties and provided a range of relief measures for the people. This can indeed win a round of public applause for the Budget.

However, Hong Kong is currently faced with a diversity of problems, ranging from a narrow tax base which has led to a deficit in our public finances to unclear direction of economic development, structural unemployment, and so on.

Even if the Government does not resolutely implement concrete measures to address these problems today, it still cannot evade them in future. Even if the overall economic performance of Hong Kong in the next couple of years can achieve growth of 3% on average each year as estimated, it still does not mean that the problems could all be readily solved. The measures being taken now can only defer the financial problem. The spectre of the budget deficit is still looming over us.

Third, while the Financial Secretary will chair an interdepartmental working group to promote the development of local community economy, with a



view to improving the employment situation, we have yet seen any concrete and effective measures proposed. I am worried that the local community economy mentioned in the Budget is nothing more than a sham and a mere slogan. We still cannot see hope for the structural unemployment problem.

With regard to the three problems mentioned above, I wish to give some views on them.

First, on economic development, the Government has focused on financial services, logistics, tourism as well as producer and professional services. While these four industries still enjoy some advantages, they at the same time face many challenges.

No doubt the financial services industry is critical to Hong Kong economy, and it is a high value-added industry. But following the globalization of the world economy and the development of communication technology, the back-up operations of financial institutions have been gradually relocated out of the territory. Recently, news about layoffs resulted from the downsizing of financial institutions has abounded.

On the logistics front, Hong Kong enjoys, for the time being, a small advantage only in the area of transport logistics, including the transport and container industries, which require high investment with a low content of value enhancement. The Pearl River Delta is forging ahead with its development in these areas. Their local governments have taken a very active attitude, and many new facilities are designed to facilitate the development of logistics. So, their services may become more advanced, more expedient and less expensive than those in Hong Kong in future. The logistics industry will definitely face even fiercer competition in future.

Tourism is also of paramount importance to the economy. At present, over 300 000 people are employed in tourism-related trades and industries. But the profile of tourists is undergoing structural changes. Unfortunately, the Government has not attached due importance to cultural foundation work, not recognizing that this can in turn promote tourism. Instead, its cultural endeavours are purely premised on shortsighted promotion of tourism. This is virtually putting the cart before the horse. How to consolidate the foundation of an industry so as to enable the industry to cope with new changes is in itself a challenge.

As for producer and professional services, these are the strengths of Hong Kong too. But if the trend of local industries and businesses relocating northwards cannot be reversed, there would be little room left for the development of these support industries.

In pinpointing these problems, I do not mean to deny the contribution of these industries to the Hong Kong economy and their importance to the development of the economy. What I wish to point out is that Hong Kong must make great efforts to maintain and strengthen our competitive edges in these areas. Given that these industries have their own limitations, it is unlikely that they can resolve the problem of structural unemployment haunting us now.

The Financial Secretary also reckons that Hong Kong will face structural unemployment in pursuit of high value-added economic development, and there are views in the community suggesting the development of a "binary economy". I think this is indeed worthy of serious consideration by the Government. The Budget proposed the development of the local community economy. This concept is correct but it must be backed up by concrete measures.

In fact, the worsening unemployment problem will not only increase government expenditure on welfare, but also affect social stability. Instead of shouldering the expenditure for the Comprehensive Social Security Assistance (CSSA) passively, why does the Government not duly redeploy part of its resources to support the development of industries which are not necessarily highly cost-effective but can create abundant jobs for low-skilled workers? For instance, can the Government conduct studies and encourage local manufacturers who have set up factories in the Mainland to move back to Hong Kong part of their production work or processes under a well-planned scheme steered by a clear policy with the provision of government support, so as to increase job opportunities? How will the Government help local workers take over jobs currently filled by foreign domestic helpers?

To achieve the objective of creating jobs by developing the local community economy, the Government should, in the light of the actual circumstances in Hong Kong, formulate a comprehensive economic policy, which will involve co-ordination among such areas as land planning, taxation policies and even the policy on unemployment assistance.

For example, the New Century Forum has all along advocated that the Government can impose a tax on employers of foreign domestic helpers and at the same time reduce the minimum wage of foreign domestic helpers, so as not to increase the burden of employers. This can not only generate revenue in billions of dollars for the Government annually. It will also indirectly encourage employers to consider hiring local domestic helpers.

The New Century Forum has always considered that the Government should sever the unemployment assistance scheme from the existing CSSA Scheme. In that case, the Government can provide the unemployed with unemployment allowance in a greater amount for a specified period of time, and enhance counselling for the unemployed through the provision of "one-stop" services to help them rejoin the labour market as soon as possible.

Certainly, local community economy does not necessarily comprise low value-added businesses only. Cultural industries are creative and high value-added, with a very high value for export. The room for their development is still readily available. They include film-making, television, stage performance, publication, design, media advertising, cultural relics and the arts and crafts market, digital entertainment, and so on. Hong Kong still has many advantages in such areas as Chinese-speaking films and television productions, pop music, and so on. But the question remains whether the Government can promote them more vigorously. For instance, can it formulate a comprehensive cultural policy to upgrade the quality of the people and formulate measures as specific as manpower training, introduction of new technologies, provision of assistance in financing and market expansion, and so on, with a view to facilitating development in these areas?

Take Korea as an example. Spurred by the vigorous promotional efforts of the Korean Government, Korea has come a long way in the development of digital entertainment software in just five to six years' time. During the Great Depression in the United States in the '30s, enormous efforts were made to promote community arts and cultural activities and education through a new cultural development campaign. This not only eased the unemployment problem at the time, but also relieved the pessimistic sentiments of society. More importantly, it laid a foundation for the future development of creative industries, such as the music and film industries. The Government should draw reference from all these experiences.

In respect of public finances, the Budget has assumed that the economy will grow by 3% on average in each of the next five years, which means an increase in revenue. But if we fail to achieve the target growth, we would face an even greater deficit crisis.

Even if the estimated economic growth can be achieved, government revenue may not necessarily increase substantially as in the past owing to the economic transformation of Hong Kong. Take the year 2000 as an example. The Gross Domestic Product recorded a real growth of over 10% at that time. But the growth, which was mainly generated by the re-export trade, was of little help to tax revenue and was not particularly useful to the domestic economy either.

If we do not take active measures to reform the tax regime and broaden the source of income expeditiously, in the event of unsatisfactory economic growth and when tax revenue failed to meet the target, the budget deficit would further aggravate. By then, even if remedial measures are taken, the entire society might have to pay a greater price.

It is stated in the Budget that the lower limit of fiscal reserves will be reduced to a level equivalent to 12 months of public expenditure. This, I think, is acceptable. However, the huge return from investments made with the fiscal reserves will shrink accordingly. For this reason, the Government must establish stable sources of income. Otherwise, if the tax revenue falls to an unsatisfactory level as a result of an economic downturn, the room for the deficit to be filled by the fiscal reserves would become smaller and smaller.

Friends from the New Century Forum and I have time and again proposed that the Government should, on the principle of fair taxation, actively study the broadening of the tax base by, among other things, adjusting the personal allowances downwards by 5% to 10%, so that people with the means will pay a little bit more tax, thereby stabilizing the tax base and promoting civic awareness among the public. In addition, the Government should consider introducing a two-tier regime for profits tax, under which the profits tax payable by companies for the first \$10 million of their profits will remain at the present level, but the rate can be slightly increased for profits exceeding \$10 million.

On the Boundary Facilities Improvement Tax, I must say that I do not support it. It is because there has not been any change in the subsidies currently

enjoyed by the KCRC which operates virtually as a monopoly. Besides, the revenue to be generated from this tax is limited, but the tax would increase the expenditure of some lower-class people and might impede the increasingly closer commercial and social exchanges between China and Hong Kong. Instead of levying this tax, why does the Government not seriously consider developing land along the boundary? The Government can make reference to the shopping malls in Lo Wu, and make use of the massive flow of people crossing the boundary to integrate public services with commercial development. This can increase government revenue and better cope with the needs of economic and social development.

With regard to government expenditure, it is proposed in the Budget that the overall expenditure on remuneration for civil servants and employees of subvented organizations be adjusted downwards by 4.75%. This has aroused some feedback from civil service organizations. I personally think that as we are going to face a budget deficit for successive years and as it is impossible to substantially raise tax given the need to take care of the people's livelihood, it is necessary to reduce expenditure appropriately. But most importantly, the Government should fully consult the general civil service organizations throughout the process of pay adjustment and civil service reform. As long as communication between the two sides is fostered, I believe civil servants will look at this matter rationally. Despite the fact that the existing pay adjustment mechanism still leaves much to be desired, the Government should adhere to the existing mechanism before the completion of the review and must not introduce a pay cut for the Civil Service across the board. So long as both sides can have regard for the interest of society as a whole, it is likely that unnecessary confrontations can be defused.

In fact, I would accept this Budget as a transitional arrangement, so that at a time when the Hong Kong economy has not yet revived, we can borrow some time for the people and society to prepare for measures that might be introduced in future, such as measures to broaden the tax base and suppress the budget deficit. After cherishing the memory of our past success under the Lion Rock, the Government should let the community know that disregarding whether the future measures are meant to increase revenue or cut expenditure, they would definitely bring a little bit of pain, and that each and every sector of the community will have to endure a bit of pressure and assume a bit of responsibility. It is most important that in this process, the business sector, the general public, civil servants, the Government and political parties will have

regard for the long-term interest of society as a whole and deal with the problems in a sensible and rational manner, and work in concert to ride out the storm together.

I so submit.

**MR LEE CHEUK-YAN** (in Cantonese): Madam President, "Honing Our Strengths" was used on the front cover of the last Budget speech delivered by Mr Donald TSANG last year, but he was widely criticized after delivering his speech. Since the Financial Secretary may have learnt a lesson from the mistake, he has not quoted the classics on the front cover of the Budget. To avoid excessive criticisms on his first effort, he gave away candies and he was eager to do what the public was itching to do.

I wish to praise Antony for he is an excellent and typical senior official under the accountability system. He was eager to do what the public was itching to do. What is the public most concerned about? The public is actually most concerned about solving the unemployment problem and finding a job. However, Antony said that they had to wait for the market to rescue them and the Government could not do much, and it seemed that he was not at all anxious to do so. In fact, he is eager to do what the Chief Executive is itching to do, which may be the political path to be followed if he wishes to become a senior official under the accountability system. When the Chief Executive ran for re-election, he promised to reduce the fiscal deficit within five years. Antony successfully showed his eagerness by showing people the details of government revenues and expenditures.

I wish to ask Antony and the Chief Executive which task is more urgent — solving the unemployment problem, inducing economic recovery or solving the fiscal deficit? What would they do if there are contradictions between solving the unemployment problem, inducing economic recovery and solving the fiscal deficit and we cannot achieve all these objectives? Will he sacrifice the urgent concern of the public? To address the fiscal deficit, it is expected that the public has to suffer for a fairly long time after eating the candies. The Honourable Jasper TSANG mentioned a song yesterday and he said that we had to give a child candies to coax him to take medicine. This is a brilliant analogy and he is criticizing publicly and supporting privately because medicine is actually meant for the good of patients. He is another talent candidate selection as a senior official under the accountability system.

But if we really wish to dedicate a song, I think we should sing the lyric "putting arsenic into wine in tears" from the theme song of "Dinuhua". After taking the drug, a person would still twist in pain for a long time. Antony had chosen "Under the Lion Rock" and called upon the public to tolerate longer. As Mr Jasper TSANG said yesterday, some middle-aged Members in the Chamber listened with tears in their eyes to the lyrics from "Under the Lion Rock" read out by Antony. When men of middle age listen to the song, I believe they would have three states of mind. Firstly, "Under the Lion Rock" can be described as the collective memory of many middle-age people. But as Mr CHAN Chong-kan commented in the *Ming Pao*, we should never change this sorrowful romantic feeling into instilling, teaching or publicity. We should not appear as though we have endured all sufferings and tell our children it is time we taught them how to conduct themselves. With their collective memory, middle-age people may wish to show off in front of their children.

Secondly, some successful people or some who think they are successful often show off that their success today has been achieved through enormous suffering in the past. They do not rely on DNA or paternal protection and they are not born with a silver spoon in their mouth. They are entirely different from the profligate sons of the rich that people often talk about. This is the second state of mind.

Thirdly, Dr C.H. NG of the Faculty of Sociology of the University of Hong Kong has hit the nail on its head with the remark that Antony has boldly confirmed a fact that many economists have declined to admit, that is, all economic activities have a socio-cultural base beyond economic considerations. Antony has sung "Under the Lion Rock" again with the clear objective that we have to do two things if we wish to address the economic difficulties of Hong Kong. First, we should have a proposal for overcoming difficulties; and second, people should have a desire to overcome difficulties collectively. The proposal for overcoming difficulties made by Antony includes relying on the free and effective operation of the market, reducing government expenditure, downsizing the public sector, reorganizing private enterprises, the poor making unceasing efforts of self-enhancement and the lazy blaming themselves. We should have the heart to do so because the proposal is harsh and it will definitely cause pains and sacrifices. All Hong Kong people have to be firm in the course of development of Hong Kong from having nothing to enduring for long and then to victory.

This proposal is actually consistent with the theme of the story *Who Moved My Cheese* that Antony mentioned earlier on. However, the Financial Secretary did not mention one point, that he did not tell us not to ask who snatched the cheese or who is qualified to snatch the cheese because he is usually the one who snatched your cheese. The person will tell you that it is painful to find the snatched cheese. We have to experience pain before finding the first cheese in life, therefore, we should not be full of remorse and we might as well put on our trainers and look for new cheese. Antony gladly promoted the story and made the sufferings reasonable and normal so that we would look forward to a bright future. He wished to tell us that those who refuse to suffer are weak and those who ask the Government for money would be teased as lacking the initiative. No wonder the Government can do not much. Is Antony the one who moved our cheese? Let us wait and see.

Actually, Antony's Budget has intends to forge the market thinking on Shouson Hill Road and the morals under the Lion Rock together. Antony, I beg your pardon, for I think you are suffering from severe schizophrenia. When you look to the left, you tell the public that they have to help one another and tide over the difficulties together, but when you look to the right, you say that it is not pitiful for the weak to be the prey of the strong. He may set a ceiling for the number of years that a person can receive CSSA payments and be very reluctant to increase the Old Age Allowance. In other words, when Antony embraces you in his left arm, he may tell you that people in the same boat must help one another, but his right leg may kick you out of the lifeboat into the sea and counsel you to cut off all means of retreat. Rambo said, "No pains, no gains."

Antony often expresses disappointment publicly or privately with the fact that life was harder in the past but the people then could endure optimistically. Why is there social division now and why are people often criticizing one another? We can use a popular jargon — the social capital of Hong Kong is on the verge of bankruptcy after successive years of running into red. Unfortunately, Antony only expressed disappointment, but he has not considered in depth if we have a periodic or structural social capital deficit. He has also not made any proposal to address the social capital deficit, other than singing "Under the Lion Rock" to give people spiritual inspiration.

Perhaps Antony is concerned more about the fiscal deficit of the Government than the social capital deficit. One of the ways of resolving the fiscal deficit problem has been stated in the Budget, that is, reverting to the state



of small government and big market. An objective standard can hardly be set for the scale of government. Maybe Antony thinks that public expenditure should take up 20% of the Gross Domestic Product at the most, but many people still think that the resources allocated to housing, education, training, medical care and welfare are seriously insufficient and a lot of services still have room for improvement. Especially after globalization of the world economy, the market has become bigger and many a man urgently need the Government's help to resist the ruthless force of the market. However, the Government has advocated a reduction in scale, putting more things at the mercy of the invisible hand. Apart from singing "leave me just when I need you most", people can only accept longer and longer working hours, lower and lower wages and more and more unstable jobs. Putting excessive emphasis on small government and big market will ultimately wear down normal human feelings and cause further depletion of our valuable social capital.

How can a big government become small again and how can we change from over \$2,600 billion in debt 20 years later to a break-even within five years? Let us take a look at the Budget. Since the deficit report of the Government has ascertained that the culprit of the structural deficit is that the inflation rate of the Government is higher than the inflation rate of the economy, as a result, the rate of increase in government expenditure in cash terms far exceeds the rate of economic growth. So, we know in advance that Antony would strictly control the nominal growth in government expenditure. But we have not reckoned that the Medium Range Forecast of the Budget is much harsher than we imagined. Besides restricting the real growth in government expenditure to only 1.5% in order to fill the well-known shark's mouth, Antony also has to further reduce the inflation rate of the Government from 80 basis points higher than the inflation rate of the economy as assumed in the deficit report to around 40 basis points as estimated in the Medium Range Forecast. In other words, in the coming four years, the real growth in government services will lag behind the real economic growth and the Government needs another enhanced productivity initiative. As I have said time and again, it is actually further exploitation.

To achieve the above fiscal objectives, Antony has made a three-R proposal, namely, Re-prioritizing (of precedence), Re-engineering (of processes) and Reorganizing (of structure). I believe the first R means that with limited resources, if people want a new service, they have to exchange another thing for the new service. If we wish to provide cancer patients with inexpensive medical services, patients suffering from constipation and stomachache have to

fend for themselves. If we wish to look after the infirm and disabled, unemployed workers will have to step aside. If we wish to attain have full employment, we have to be ruthless to our poor relatives in the Mainland. Is that Antony's idea of re-prioritizing? The Government is most adept at taking advantage of people's way of thinking, roping in one group to hit another. Thus, the poor will fight against the poor, resulting in division. In other words, the Government will give out resources and the poor, the public and different classes will fight among themselves for the resources. Is this in line with Antony's idea of re-prioritizing?

Frankly speaking, re-engineering and reorganizing mean corporatization and outsourcing. In regard to the outsourcing of government services, people may become insensitive to the exploitation of workers by contractors if I should expound on it once again. To put it bluntly, outsourcing is actually a conveyor belt for interests, conveying outwards the interests of civil servants or non-civil servants on agreement terms such as stable jobs and reasonable wages. Major toilet and street cleansing companies are thus benefitted. With re-engineering and reorganizing, interests are ultimately conveyed. I would like to add one point. Nobody would object to making changes in the light of the times. In Europe, employees, employers and officials have been engaging in intense discussions about socially intelligent restructuring. In Hong Kong, there is only politically correct restructuring and the whole process is conducted in the dark, without partnership. For the public, three Rs mean Retreat (government commitment to society), Regressive (in social justice) and Reactionary (counter-social).

The Budget has announced in advance that it is inevitable to levy new taxes, broaden the tax base and increase charges to resolve the fiscal deficit. However, Antony has not dealt with the problem of disparity between the rich and the poor. We need not wait until the distant future before the sequelae of this problem surfaces. Firstly, the tax base can hardly be broadened because the number of people capable of paying taxes has not increased but has conversely decreased. Secondly, an increase in charges can hardly be implemented. For instance, an increase in the accident and emergency service charges will put a heavier burden on the public. If everybody is poor, how can the Government increase charges? If the Government is able to resolve the problem of disparity between the rich and the poor, to allow low-income people to have a more reasonable standard of living, it will not be easy for us to object to an increase in charges. Yet, the Government wishes to increase charges while everybody is complaining about lack of means, how can we not raise objections?

Madam President, the belief and stance of the Hong Kong Confederation of Trade Unions has always been different from that of the Government and the divergence cannot be narrowed all of a sudden. I have heard from a reporter that there is a private cinema in Antony's official residence. I suggest he should watch two movies (he may have already watched them). The first movie is the "Gladiator", and I remember a line in the movie: "What is your name? My name is Gladiator." We will go on fighting until the market logic can co-exist with the social capital and until we can really see places under the Lion Rock from Shouson Hill Road where Antony lives. Another movie is the very new "A Beautiful Mind", a movie about addressing schizophrenia. Not long ago, I said that Antony had schizophrenia, I hope that his schizophrenia would be cured by nourishing love and he would ultimately manage to overcome the market logic with social capital. Thank you, Madam President.

**MISS CHOY SO-YUK** (in Cantonese): Madam President, our economy has not yet recovered, layoffs and wage reductions continue and the closing down of companies is common. Against this background, the first Budget by the Financial Secretary is a rather difficult task because he has to help the community ride out the storm and keep expenditures within the limits of revenues. Besides, the Government cannot make enormous spendings to put a heavier burden on the Treasury. The Financial Secretary has performed very well. For instance, he has proposed such measures as reducing water and sewage charges for one year and raising the maximum amount of rates payable to be waived. These will benefit all classes direct and answer some aspirations of the general public. Since these are one-off concessions, they will not aggravate the structural fiscal deficit in the long term. As compared with increasing the salaries tax allowance or tax rebate, the relevant measures are more desirable and commendable.

Taking an overview of the Budget, besides these relief measures, little is mentioned about other policy areas and there are many general paragraphs without concrete suggestions. Today, I would mainly focus on environmental protection, a subject that the Budget has little to write home about. I still recall that in the Budget last year, the former Financial Secretary at least elaborated the views of the Government on green tax. However, though I have gone through the Budget this year for several times, I still find that the Financial Secretary has not mentioned anything about the environmental protection issue that has aroused much concern. In a word, it can be said that the Budget has mentioned nothing about environmental protection.

Madam President, I heard that Mrs Lily YAM is going to leave her post and it is such a pity that the Government will lose a competent and practical Bureau Secretary. In fact, I have always been learning from the style of work of Mrs YAM. While I respect the personal decision of Mrs YAM, I hope that the Chief Executive would be able to find a minister who is equally willing to work himself to the bone for environmental protection, otherwise, environmental protection projects that have just started will inevitably be impeded.

Turning back to the Budget, since the Financial Secretary has intentionally or innocently omitted the environmental protection issue, I would try to add something and focus on the essential expenditures on environmental protection that have not been made as well as the essential revenues that have not been collected.

Let me first discuss the essential expenditures on environmental protection that have not been made. It is most disappointing that the Financial Secretary has not proposed protecting by fiscal means privately owned land with important ecological value. It is puzzling that the Budget states at the outset that four high value-added economic activities have to be developed to pull the development of other industries and promote overall economic development. Eco-tourism and other tourist activities of different themes are precisely one of the high value-added economic activities that the Financial Secretary would focus on promoting, and it should be taken very seriously. Yet, the Budget has not made a very important step for the protection of the natural ecology.

Members would agree that the natural ecology is the precious wealth of all Hong Kong people, however, urban development has run counter to the protection of the ecological environment in recent years. Private ownership of land and the interests of people are often caught in conflict with the concerns of people who cherish nature. If the Government still fails to look squarely at the problem and assume its responsibility as a mediator, and recover private land with important ecological value by financial means such as making compensations or exchange of land, it will not be able to protect our precious natural environment or untie the fast knot of the problem. Then, similar conflicts will go on forever. If we lack an effective mechanism to protect our ecological environment, will it be impractical for us to develop eco-tourism on this basis?

Madam President, before a baby learns how to walk, perhaps it really should not learn how to run. Now that the Government has not paid proper attention to the greatest threat to our ecological environment, it is really a fruitless attempt by us to ask the Government to make another step and allocate more resources for the protection of old, valuable and rare trees in the hope that the trees would not continue to live in a precarious state or fend their very survival. From this perspective, it is not at all strange, or it is only natural that we cannot find any relevant response in the Budget.

The Government may think that, even without a pleasant natural ecology, towering old trees, exotic flowers and rare trees, it can still develop thematic tourism in Hong Kong. For instance, family, cultural or commercial tourism can similarly generate huge proceeds and promote overall economic development. However, the Government should not forget that we could not ask tourists in Hong Kong to stop breathing for a few days. Air pollution continues to affect every person, but the Budget has not brought us any good news in this respect.

One example is that there are over 70 000 pre-Euro diesel vehicles in Hong Kong. Although the Government has promised to subsidize the installation of exhaust devices in diesel vehicles, even after conversion, these pre-Euro diesel vehicles would largely fail to meet the existing standard. In other words, the air pollution problem in Hong Kong will continue to deteriorate. To thoroughly solve the problem, we have been requesting the Government not to pay attention to stopgap measures only and it should actively follow up the proposal for subsidizing the replacement of pre-Euro diesel vehicles, which will effect a permanent cure. By means of such financial incentives as reducing motor vehicle first registration tax or license fee, the Government can induce vehicle owners to replace their vehicles within a short period. Unfortunately, the Budget has not mentioned anything about this.

It is equally disappointing that the Budget has not specially allocated more funds for promoting people's knowledge of and improving indoor air quality. Concerning indoor air pollution, after the Government's introduction of a consultation paper on controlling indoor air quality in 1999, we have never heard about any follow-up regulation. In fact, people stay indoors much longer than they do outdoors and the indoor air quality is definitely not less important than the outdoor air quality. We hope that the Government will not overlook the problem and that it will expeditiously follow up the relevant regulation as well as allocate resources to enhance people's knowledge of the matter.

Madam President, since the Government has not made the essential expenditures on the above matters, we have lost quite a few opportunities of improving our environment. The Government has not collected the essential revenues on other matters and such unfair distribution forces the general public to bear some responsibilities that they should not have been made to bear. In the following, I would discuss the deficiencies of the Budget.

The most obvious example is the proposal to collect recycling deposits from producers in the interest of waste reduction. Recently, the Government has strongly advocated the reduction of waste production by all sectors and has given warnings in a high profile that the three strategic landfills would soon be full, so, waste reduction is a pressing task. Yet at the same time, the Government has shelved the fiscal measures that would most effectively reduce waste. The community has adequately discussed the topic of green tax. Everything is ready and all that we need is the Government's determination to implement such a scheme. Once the Government has worked out the particulars of implementation, it can implement the scheme as soon as possible. We understand that the green tax would generally not be used to make up for the fiscal deficit. Provided that the tax is used to support the recovery and recycling industry, for example, offering low-interest or interest-free loans to encourage the sector to develop environmental protection industries that meet local needs, the environmental hygiene in Hong Kong would certainly be improved. If people could live in a healthier environment, it would indirectly relieve the enormous burden of expenditure on public health care.

Another example of the Government's failure to collect essential revenues is the landfill charges. Similarly, the idea has actually been mooted for quite some time and we are all familiar with it. We also agree that landfill charges would effectively reduce waste and promote waste separation. It is a pity that the Government still remains at the stage of consultation and the concrete implementation will not happen in the foreseeable future. Certainly, we understand that there are different views in the sector on the charging scheme, but the Government cannot sit back and do nothing. It should expeditiously try to seek a consensus with the sector, find a solution that is acceptable to everybody and actively promote the charging scheme in line with the waste reduction initiatives of the Government.

Madam President, we find from the attitudes of government officials and the response of the public recently that they have misunderstandings about environmental protection efforts. It seems as though environmental protection efforts are impeding the rotation of the earth and is the biggest obstacle to social development. Recently, many environmental protection groups have made appointments with me and told me their worries in this respect. Madam President, if the Chief Executive and the Secretary do not make a more significant breakthrough and change in respect of environmental protection policies, continuing to take remedial measures like before, I believe this Pearl of the Orient would soon turn into a tarred pearl.

Madam President, apart from the above environmental protection problems that have not yet been solved, I would finally discuss another proposal in the Budget that involves the collection of revenues that should not be collected. The Financial Secretary proposes levying a land departure tax or the so-called Boundary Facilities Improvement Tax from the year 2003-04 onwards. In fact, the collection of this tax would only generate government revenue of around \$1 billion a year, which is of little help to mitigating the structural deficit. On the contrary, it creates a cause for criticism and puts a heavier burden on low-income families, especially the elderly and the weak. It will virtually create an obstacle for the flow and interaction of people between China and Hong Kong and it runs counter to the objective of promoting a smooth flow in both directions as emphasized in the Budget. It will more easily give people an impression that there are contradictions between the Hong Kong Government and the Shenzhen Government, so the loss will outweigh the gain. I hope the Financial Secretary would think twice.

Madam President, I so submit.

**MR SZETO WAH** (in Cantonese): Madam President, with money one can make even a ghost push a grinder. If anyone thinks that this common saying is absolutely true, I would like to tell him that he could only make a ghost but not a man do so. With money, the ghost is only made to push a grinder, but it may not do anything else because a lot of things cannot be done without resources. Yet, we may not be able to do everything nor does everything well with resources alone.

As stated in the Budget 2002-03, the expenditure on education will be \$61.4 billion, representing 24.1% of the total expenditure and a real growth of 18.5% as compared with last year. In the past few years, though there was an economic downturn and the Government had a huge deficit, the expenditure on education had continuously increased. We cannot deny that the Government attaches importance to and is generous in respect of education. However, we cannot merely consider the expenditure and we still have to consider the actual improvements in education. With money, has actual improvements been made in education?

Before Mr Antony LEUNG took up the post of Financial Secretary, he was Chairman of the Education Commission. He was the policy maker, initiator and promoter of the education reform throughout the past few years. How did he make the policies, and initiate and promote the reform? He told the media that he followed the supreme instruction of the *Quotations from Chairman Mao* and adopted the strategies and methods of the mass line.

It takes 10 years to grow a tree and 100 years to educate a man. We have only heard about tree planting programmes, but never have we heard about the so-called "non-educating programme". Education is a cause about man and a major project affecting future generations. Can we also make this a mass movement?

Concerning the mass line, what are the masses in the eyes of Mr Antony LEUNG? In respect of the education reform, are teachers and students the masses? Are there more important masses other than teachers and students? In the past, I did not know how Mr Antony LEUNG walked out from teachers and students and walked in among them in making his policies and initiating and implementing the education reform. The Government has not gone too far along the wrong path and it now recognizes that it was wrong. At this stage, the Government must conduct a review on and sum up the education reform that has been implemented for years. It is time to remedy anything that has not been done or has not been done well. To conduct a review on and sum up the education reform, the Government really has to follow the mass line. It should listen more to the views expressed by those at the lower level such as teachers at the front line of education, and find out how discontented they are, how they are weighed down with work and whether they enjoy teaching.

A few years ago when Mr Antony LEUNG just became Chairman of the Education Commission, he told others that the two mountains of education



reform were the Hong Kong Professional Teachers' Union (PTU) and the Education Department. PTU members account for over 90% of all education workers in Hong Kong while the Education Department is the executive arm that implements the Government's education policies. As the education reform is targeted at eliminating the personnel of the two organizations, whom else can the education reform rely on? What are the remaining masses in the cause of education?

THE PRESIDENT'S DEPUTY, MR FRED LI, too the Chair.

Since the reunification in 1997, numerous new terms, slogans, measures, programmes and policies have been proposed in connection with the education reform. Even the sector is dazzled and they may not understand the specific meaning, method, purpose and goal of every term, slogan, measure, programme and policy. "Multi-coloured flowers and trees and jumbled flying orioles (雜花生樹，羣鶯亂飛)" is a famous saying on everybody's lips in *A letter to Chen Bozhi* (《與陳伯之書》) by QIU Chi (丘遲). It describes the scenery of Jiangnan in late spring. Many people appreciate this famous line but I think while it is full of life superficially, there is actually a real mess. My advice is that if we keep our 10 fingers on 10 fleas, we will not be able to catch even one. All of them will escape and bite us and we will be itchy all over. We have to exert force on the blade of the knife and it is most important to grasp the key points. The education cause has a unique regular pattern, if we mechanically apply the experience in other areas, we will surely run into snags everywhere, hardly making a single step forward. In the end we will sustain serious injuries and we will have to give up halfway.

Among the multitude of terms, I find the term "enjoy learning" most important. Provided that learning is enjoyable, students will take the initiative to work hard and learn well. As regards lifelong learning, we cannot merely rely on utilitarian incentives because a person will be keen at learning if he is interested. Thus, to make students enjoy learning, we must first make teachers enjoy teaching. Unhappy teachers will definitely not be able to fill the school and classrooms with happiness. Mr Antony LEUNG should seek to understand in depth whether teachers are teaching more or less happily than they were a few years ago. Education funding has continuously increased for a few years, has the morale of teachers increased in direct proportion or decreased in inverse proportion? What are the causes? Have they been suffocated under the

pressure of the two mountains or have they been disturbed by other factors? Even if the workload is heavy, teachers will not fear hardship if their work is meaningful, effective and facilities teaching, and their morale will not sink. If teachers do not fear death, would they fear heavy workload and hardship? Work pressure will only have devastating effects on a disappointed, disheartened and disillusioned teacher. From now on, I hope that tragedies in which teachers commit suicide as a result of work pressure will not occur again.

The University Grants Committee (UGC) has recently published a consultation paper on higher education. Although the paper is not very closely related to this Budget, it has effects on the future. In particular, the guiding ideas in the paper are consistent with some ideas of the education reform about which I have just criticized.

During the Second Chief Executive Election, some questioned if the candidate had any platform. Mr LEUNG Chun-ying, Convenor of the Executive Council and the person in charge of the Election Office of Mr TUNG Chee-hwa asked: Do you not know that a platform can contain one word only? Do you not know the saying "take grain as the key link (以糧為綱)"? I have heard the saying "take grain as the key link" but I would ask Mr LEUNG Chun-ying if he knows how many Chinese people were starved to death during the time when the slogan was shouted. I have not digressed from the subject but I think that the UGC consultation paper mentioned by me just now also takes one word as the key link. It is not "grain (糧)" but "money (錢)".

"Taking money as the key link" is perhaps pretty good in a free economy, market competition and business management. But if it is whitewashed, dished up in a new form or repackaged or if we substitute another thing for it and forcibly apply it to the education cause, I am worried that it will bring about a disaster for higher education with serious adverse effects. Higher education is at the top of the education cause and what the higher level does will have serious effects on the lower levels. If the guiding idea of "taking money as the key link" of the consultation paper were put into effect, secondary and primary schools as well as kindergartens in Hong Kong would be affected. Vivid traces of free economy, market competition and business management have emerged every now and then in these lower levels, so, if it becomes a pattern and is rampantly practised, it will devastate the cause of education. We will have a chance to discuss this consultation paper and I am going to stop here at the moment.

I call upon the Government to expeditiously conduct an in-depth and comprehensive review and summing-up of the education reform that has been implemented for a number of years. During the review and summing-up, the Government must especially listen to the views from bottom up of teachers who are at the front line. It has to assess the actual results of the resources injected in a practical and realistic manner, make adjustments to the established plans, prioritize the reform programmes and ascertain the key points. To make the education reform healthy, the Government should concentrate major resources and efforts on these key points.

Mr Deputy, I so submit.

**MR FREDERICK FUNG** (in Cantonese): Mr Deputy, the economic downturn and the ever rising unemployment rate in recent years has made life very hard for people, especially the lower classes comprising the largest portion of the population. Therefore, a responsible government that values public opinion should give people help and assist them in tiding over the difficulties. The Hong Kong Association for Democracy and People's Livelihood (ADPL) and I welcome the Budget that has proposed no new tax rates or new taxes but short-term relief measures. But I think that the strength, intensity and coverage of these measures can be enhanced. The Budget has not successfully alleviated difficulties yet and the Financial Secretary has to try harder; it is our comment on the Budget, that is, the maiden Budget by Secretary Antony LEUNG.

Firstly, although the Financial Secretary has proposed reducing charges that are related to the people's livelihood in one way or another such as water and sewage charges, rates and business registration fees, these one-off relief measures are actually less helpful to ordinary wage earners and around 600 000 public housing residents than to the middle class and business proprietors. The ADPL and I think that the Government should reduce public housing and commercial tenant rentals by 30% so that the public housing rentals will not exceed 10% of the median income as specified under the Housing Ordinance. It will relieve the burden of the ordinary masses and benefit more people.

The Financial Secretary has mentioned little about the welfare of the elderly in his Budget speech, in particular, he has been silent on the review on the Old Age Allowance for which the elderly has been eagerly expecting. The Chief Executive has said that the Government wishes that the elderly will be

provided for and have someone to depend on. However, we only find that the Government is repeatedly giving excuses and just paying lip service. The ADPL and I are very disappointed and we hope the Administration would keep its promise and increase the amounts of the Old Age Allowance, as a rebate to more than 700 000 old people in Hong Kong, so that they can live in dignity.

The Budget has not addressed squarely the problem of an aggravating disparity between the rich and the poor in Hong Kong. The Gini Coefficient reflecting the disparity between the rich and the poor has reached 0.525, a new peak in 30 years. Information from the Census and Statistics Department also indicates that the disparity between the poorest one tenth and the richest one tenth of the population has rapidly increased from 36 times 10 years ago to 45 times now. It reflects that the problem of the poor getting poorer and the rich getting richer has become more and more serious. A society with a very serious disparity between the rich and the poor will most probably compel people onto a road of crime or lead to social unrest. Argentina, that has recently encountered political, economic and social problems, may serve as our mirror. Unfortunately, the Government and especially the Financial Secretary has not taken any measures in this Budget to address the problem. On the one hand, establishing a committee to help the poor and setting a poverty line will not be realized in the foreseeable future; on the other, the Budget has not adopted a progressive tax regime, for example, in respect of profits tax, to narrow the disparity between the rich and the poor.

Perhaps some may think that our public finance is facing an unprecedented structural problem. As government expenditures have exceeded revenues for a long time, the Hong Kong Government is facing enormous pressure and it has to "switch off the tap". Many people consider it unrealistic to ask the Government to make expenditures but not revenues or spend a lot of money. In principle, the ADPL and I do not oppose the Government's addressing the long-standing threat of an enormous fiscal deficit by exploring new sources of revenue and cutting expenditure. But we are most concerned about whether the Government has looked after the people's livelihood in the light of the economic circumstances while determining the priority, target, proportion and extent of these measures to create sources of revenue and cut expenditure.

Besides, I have just mentioned that our economy is in an abyss and we have a serious unemployment problem. Not long ago, a large business

organization in Hong Kong laid off more than 800 staff. Yesterday, several restaurants closed down and hundreds of people were rendered jobless. These examples show that there is a very bad economic slump.

While the grassroots are living in difficulty, the ADPL and I think that, under the pressure of a fiscal deficit and shrunk revenues, the Government should give priority to cutting expenditures and then create sources of revenues. It should lay particular emphasis on reducing unnecessary expenditure in government operation.

In fact, the ADPL and I think that there is much room for improvement in the administrative costs of government departments. For instance, the Director of Audit has stated in a report submitted to this Council recently that quite a few government departments are so wasteful in day-to-day operation that they would arouse a public outcry. Mr CHEUNG Man-kwong has mentioned some such examples so I am not going to repeat them here. However, I wish to give some other examples. For example, 80% of the articles stored in the Government Supplies Department warehouse fail to meet the target of the inventory turnover rate of five times a year. It involves \$350 million and the average inventory level of articles of a total worth of \$4.4 million can meet user demand for more than 100 years. For instance, given the outdated standards of work, hundreds of cleaners responsible for mechanized drainage and street cleansing have plenty of spare time during their daily course of work. It is estimated that it involves a total annual staff cost of \$117 million. The administrative efficiency of the Administration also has much room for improvement. For example, the functions of almost 10% advisory committees and statutory bodies are overlapping. The Food and Environmental Hygiene Department manages the street cleansing team with a bloated 12-tier structure, an application for a food establishment licence has to go through six to seven departments and an approval for planting a tree has to go through 12 departments. Evidently, the Government can make evaluations again and review whether the expenditures on the tiers of day-to-day operation are appropriate, and whether it should restructure and reorganize the administrative procedures to cut expenditures. Apart from choosing other methods to create sources of revenue such as levying and increasing taxes, it is more important for the Financial Secretary to control government expenditure and control the tiers and procedures of the Government to make its operation more effective. It is worrying that the Secretary has not focused on these areas.

The Financial Secretary has stated in the Budget that "I believe Hong Kong's economy should have picked up by then and such a reduction will be necessary to restore fiscal balance in the medium term", thus, he will set a rigid target that the real growth in government expenditure can only be an average of 1.5% in the next five years. However, he has not mentioned reducing the administrative costs of the Government. The ADPL and I worry that it will first impact on the expenditure related to the people's livelihood and such expenditure will be the hardest hit in the course of reducing government services. The Government has recently brewed and sent some messages in this regard. In fact, various balloons flown and pieces of news released by the Government of late all point in this direction. We think that the Government is trying to control such expenditure or bear fewer commitment to the people's livelihood as a result of a shortage of resources. It has been speculated in a newspaper that the Government is going to cap its expenditure on Comprehensive Social Security Assistance (CSSA). Although it has said that it would consider increasing the Old Age Allowance, it is actually going to abolish it. It has said that it would provide better medical care but it actually wishes to recover the costs of medicine in respect of out-patient services and increase public hospital charges. We can expect that the Government may brief out or privatize more and more work or employ staff to carry out such work on agreement terms at an increasing rate. Systems based on the so-called "user pays" and "the capable pays" market creeds will be incorporated into future government policies. In the future, the public would be victimized most and the disadvantaged lower class will become the scapegoats of such policies.

We should also pay attention to the 1.5% target. This is an administrative order that will covertly cap public expenditure in the next five years, but it may not be able to reflect the effects of population changes on the demands for public services. The assumption of the Financial Secretary is actually based on an average economic growth of 3% in the next five years. First of all, let us not bother about whether this calculation is excessively optimistic or pessimistic. The ADPL and I think that the decision signifies that the future growth in government services will be much slower than economic growth. It is definitely not good news to the toiling masses. In recent years, we have had a population growth of around 1% per year but the speed of ageing of the population is four times the figure. In view of such inevitable natural population growth, I believe we will certainly not be able to derive from the rigid target of 1.5% enough additional benefits or resources to tackle the problem. The Financial Secretary has also stated in the Budget that public expenditure as a

share of the Gross Domestic Product will be controlled at 20% in the next few years. In other words, the Administration has to proportionally reduce public expenditure by three percentage points. With these fiscal caps, will the quality and quantity of public services not be affected? Will ordinary people not live under pressure and be badly hit?

Summing up, the ADPL and I understand that the Government would continue to face enormous fiscal pressure. While addressing the structural fiscal deficit, I hope that the Government would not wield its axe at the general public and the disadvantaged, making life harder and more torturous for those in difficulty.

Mr Deputy, I so submit.

**DR LO WING-LOK** (in Cantonese): Mr Deputy, if we examine the revenue and expenditure proposals in the Budget of the Government of the Hong Kong Special Administrative Region (SAR) from the perspective of auditing, we will understand that the Government has to use its fiscal reserves to make up for its deficit when its revenue falls short of expenditure. But reserves are after all limited and they can only meet its needs for a little while. If the SAR Government maintains a deficit for a long time, ultimately, it can only depend on loans and throw Hong Kong into an abyss beyond redemption. Therefore, the Government must keep expenditure within the limits of revenue. In other words, the amounts of public expenditure and the quantity of public services to be provided solely depend on the revenue of the SAR Government, especially its recurrent revenue. Thus, I believe we should examine the use of public resources by the SAR Government from the three perspectives below.

First, public expenditure as a share of the Gross Domestic Product (GDP). Last year, public expenditure as a share of the GDP increased to 22%. For the SAR Government that does not have expenditure on national defence and diplomatic relations, the mainstream public opinion and I think that the percentage is too high. It indicates that the SAR Government is a "big government". The demerits of a "big government" are that the government is less efficient than private enterprises in the use of resources, it is not flexible in the deployment of resources and it is not sensitive to market changes. Thus, it is a waste to allow government departments and public organizations to unnecessarily use social resources for long. So, I fully agree with the proposal

made by Secretary Antony LEUNG to reduce public expenditure as a share of the GDP to 20% or below in the next five years. This figure of 20% can be considered the positioning of public expenditure and utilization of public resources by the SAR Government, and it applies to all public services.

Second, keeping expenditure within the limits of revenue. When economic growth resumes and the GDP meets the expectation of the SAR Government, if the government income including tax revenue falls below 20% of the GDP as estimated by the Government, the SAR Government will have a structural deficit. With a structural deficit, the Government must try to find a way out in respect of the revenue and expenditure structure.

Perhaps the third perspective is the most important. The SAR Government must use limited public resources in the most efficient manner for the limited resources to produce the most beneficial economic results and provide people who need public services most with appropriate services.

In his Budget, Secretary Antony LEUNG has stated that we have to consider various way to solve the problem of excessive expenditure by the SAR Government and a structural deficit. Moreover, he has also stated clearly that the role of the Government is to have a clear vision of the direction of economic development and to be a proactive market enabler. I fully agree with him. The SAR Government should provide private enterprises with a favourable environment and I hope that private enterprises would become the engine of economic growth. The SAR Government should also provide the disadvantaged with a safety net. Under the fiscal management strategies of the Financial Secretary, I hope that the SAR Government would gradually restore to "small government" — a "small government" that can initiate private enterprises to be more active rather than a government that deals a blow at private enterprises and twist or smash the market.

It is a pity that an official of a Policy Bureau recently told the media in high profile that the Government was able to smash private enterprises overnight. He was actually referring to private medical services. I was shocked by the attitude of the official. Of course, as the SAR Government has hundreds of billions of dollars at its disposal, even without the Exchange Fund, it is easy for it to smash any private enterprise. But I was shocked by the threatening attitude of the official. He was roughly saying that "your life and death is entirely in my hand and you must bear in mind that I can make you a dead duck any time". Should this be the attitude of a proactive market enabler or is this the attitude of a hegemonist official?



I fully agree with and support the role of the Government in economic development as outlined by the Financial Secretary, but I am worried about the existence of officials with contrary economic ideas in the Financial Secretary's team. While government officials took the lead to criticize the lack of transparency of private hospital charges and that patients are not sure about the medical expenses payable on discharge, the relevant officials did not point out that, even if patients used public medical services, public hospitals would not be able to accurately calculate the total costs for the examinations and treatments received by a patient before he received the treatment. The true difference between public and private medical services is that though the public sector medical costs amount to millions of dollars, 97% is borne by taxpayers. On the contrary, every cent of the private sector medical costs is borne by the users.

The Budget has disclosed some statistics on public sector medical costs and I believe the statistics have not included the construction costs and land price. For instance, the average unit cost of each visit to the specialist out-patient department is \$1,184 for the Medicine, \$773 for the Surgery, \$607 for the Maternity, \$860 for the Paediatrics and \$944 for the Radiotherapy and Oncology Divisions. As to hospital care, the average unit cost calculated on the basis of each admission is \$15,985 for a bed in the Medicine Division and \$136,042 for a bed in the Psychiatric Division. The cost of each visit to the Accident and Emergency Department is \$571.

We can see from the above figures that the true costs of public sector medical services are not inexpensive. However, academics have recently stated that \$500 to \$600 charged by a private specialist for each visit is expensive. If we make a comparison between the above figures, we will find that private medical services are actually not expensive at all. The example reflects that academics and ordinary people lack knowledge of the true medical costs in Hong Kong. The blame should be put on the officials concerned in the past who kept making lofty promises but lacked the courage to explain to the public the true public sector medical costs and consideration.

If academics think that private medical services are expensive, they must also admit that public sector medical services are equally expensive. The only difference between public and private medical services is that people are subsidized by the Government when they use public medical services and they do not have to worry about medical charges. But the Government is now saying that the charges will gradually increase, meaning that people will have a greater

share of the true medical costs. Prof William HSIAO of the Harvard University Consultancy Team has calculated that if Hong Kong only relies on an increase in charges for medical financing, on today costs, it is estimated that the charges for public hospital care will increase to \$875 by 2016. If half of people who cannot afford the costs are exempted, people with the means will have to pay double, that is \$1,750. Will it be fair to the latter group of people? To gradually increase the charges on users, the Government must give an account of the true costs of public medical services. Apart from public sector medical services, if private medical organizations can provide services at lower costs, why do we not allow people to use services at lower costs?

The official concerned also criticized that private medical organizations are not business-minded and even famous people and wealthy businessmen visit public hospitals. In fact, even if public hospitals charge these people for first or second class beds, they are still subsidizing these people with the taxpayers' money. Besides, only \$40,000 is charged for the most complicated operation, far less than the true cost. Apart from visible subsidies, there are also invisible subsidies such as especially solicitous care. We often say that our medical system has the merit of being fair, but is it fair to give famous people and wealthy businessmen special treatment, thus depriving the common people of some of the public resources that they can enjoy? If a policy for a gradual increase in public medical charges is adopted, with a view to discouraging patronage through charging, will the system become fair to the rich but unfair to the poor? I believe the Honourable Frederick FUNG will agree with me that our policy makers are unwilling to see such a development.

While public medical organizations have a shortage of resources, the policy makers of the Hospital Authority and Policy Bureaux have disclosed to people outside that a new charging system will be introduced. They have not given the public an account of the true medical costs and they have put the blame on others and brutally trampled on private medical organizations. They are like dictators of countries facing domestic troubles and foreign invasion who declare war on other countries when they fail to solve their internal problems, with the intention to divert the attention of nationals. The most obvious example was the Falklands War launched by Argentina years ago. The curse of the war lasted until today and Argentina is still in an abyss of sufferings. If Hong Kong does not want to become another Argentina, the officials in charge of the relevant policy portfolio must sincerely rectify their errors.

The monopolization of the market by public sector medical organizations affects many industries. For instance, it gives the medical industry less room of survival in Hong Kong; as a result, the multinational pharmaceutical factories are not interested in establishing a research and development centre in Hong Kong. They may even reduce the scale of their operations in Hong Kong and even move northward their market focus, largely reducing the job opportunities of Hong Kong people in these industries. Moreover, the private medical insurance industry also lacks room for development in Hong Kong. Driven by economic development in the past, the public sector medical system in Hong Kong rapidly expanded and the officials in charge of the relevant portfolio sent people the message that the Government could provide everybody with comprehensive quality medical services at low charges. There was no incentive for people to prepare for their medical needs such as savings for medical care or taking out medical insurance. At present, the funding for public medical services exceeds \$30 billion, but on the basis of the figures given by the Office of the Commissioner of Insurance last year, the medical insurance in Hong Kong and overseas only has a total sum insured of \$2.9 billion, less than one tenth of the funding for public medical services. As a result of the Government's medical policies, the medical insurance market is weak and frail. In fact, the medical insurance business can bring Hong Kong a lot of job opportunities but it is a pity that medical service is only an important public expenditure item. Besides health that we always talk about, the large number of quality medical professionals in Hong Kong cannot create wealth for Hong Kong.

Every private enterprise and its staff are an important source of tax revenue for the Government. So if private business is easily smashed, would Hong Kong only have expenditure but not revenue? Even a primary school child would understand the argument, but I do not understand why the officials concerned would adopt such a scornful attitude towards private business.

To develop Hong Kong into a knowledge-based economy, government officials should use their wisdom to make people become aware of the truth instead of threatening them that they would not be provided with quality services if they refuse to accept an increase in charges. In my view, people should respond to the threat and challenge the officials to give an account of the true costs of medical services. If everybody is able to do so and is not indifferent to the sophistry of the officials concerned for the sake of the immediate benefits, the medical services and even Hong Kong as a whole would develop better.

I have repeated the above remarks time and again on different occasions, but I seem like a sailor walking about on the deck who does not have any choice. Even if he cries loudly, he will not be able to convince the helmsman to change the course, and he can only let him continue to charge the ship towards an iceberg. Perhaps, like Pilate in the *Bible*, I should wash my hands and leave after stating my views.

Mr Deputy, I so submit.

**MISS MARGARET NG:** Mr Deputy, I would like to speak on three main issues: civil service pay, the administration of justice system and higher education.

For quite some time now, the community has been debating the issue of reducing civil service establishment and pay. For the last month or so, the debate has concentrated on pay cut, particularly whether the level of a 4.75% cut "assumed" in the Budget is appropriate.

In my opinion, it is necessary to reduce both establishment and pay of the Civil Service. Unless this is done, Hong Kong's competitiveness will continue to deteriorate. It will be more and more difficult to meet the rising pay roll and yet find room for other demands of public expenditure. Moreover, under the Government's "user pays" principle, the cost of government services will become an intolerable burden on the community as people's income goes down in a scenario of economic recession and deflation.

However, the objective must be pursued with due process and on a sound basis. The goal should be made clear in a concrete proposal. The correct level must be arrived at by objective means. There has to be consultation on the proposal. The existing civil service salaries adjustment mechanism on the basis of private sector pay trend surveys has been seriously questioned. It should be reviewed, corrected and then applied. Any pay cut must be shown to be justified and fair, not simply politically inevitable or futile to resist. Over 180 000 civil servants represent a huge proportion of all households in Hong Kong. The stability of the Civil Service directly affects the stability of Hong Kong.

I find it insupportable that civil service pay cut is represented in the Budget as a means of reducing the size of the fiscal deficit. A commercial enterprise in

the private sector can freely vary the pay and bonus of its staff from year to year according to the profit and loss of the company. But the Civil Service must follow clear policies and principles.

I dislike particularly the way that the community is set against civil servants in order to create an oppressive political climate. The context of the budget presentation strongly suggests that, with the desired 4.75% cut of civil service pay, the deficit will be reduced by \$6 billion with capacity to spare for some benefits for all, or nearly all sectors of the community. This is not fair, and divisive politics instigated from the top will do great harm to the public good.

Providing for a good system of administration of justice is one of the most fundamental duties of the Government. The chief components are the Department of Justice, the Legal Aid Department and the Judiciary.

I do not question that the Department of Justice does a very important job, but I do question whether, from the cost-effective point of view, the best way of doing the job is by an endless expansion of establishment, particularly at the senior level. In a table provided by the Administration showing the number of directorate posts added in government departments since 1997, the Department of Justice tops the list with 16. With the exception of the Judiciary, it also has one of the highest proportion of directorate grade posts. Most of the senior staff are accounted for in two of its five divisions. The Civil Division has 15 directorate staff and 77 government and senior government counsel. The Prosecutions Division has 21 directorate staff and 90 government and senior government counsel, plus another 112 court prosecutors at different grades. Last year, although there was no increase in the workload, eight court prosecutors were recruited to fill establishment vacancies. Instead of making maximum use of expertise in the private sector whenever the need arises, the policy adopted appears to have been to establish specialist units headed by new senior posts. There are, for instance, 16 separate specialist teams in the Prosecutions Division. The Civil Division's expansion in the last two years has been phenomenal with some 15 additional senior posts. Extra resources are being requested to set up a new specialist team of senior lawyers under the 2002-03 estimates.

All this is done on the ground of saving money, because of the high fees commanded by top lawyers in private practice. But whether this is so is open to

question. Legal fees, like other services, are responsive to the market, whereas a mammoth government department is not. There are also all kinds of consequential increase in administrative costs when departmental size expands. The Administration and Development Division of the Department of Justice itself is headed by a Directorate Grade 6 post, leading another three directorate staff. Inquiries into the cost-effectiveness of a government department or division by individual Members of this Council can only be of limited scope and depth, easily eluded or even ignored by the officers in question. I sincerely hope that the Secretary for Justice will consider an independent study to advise her on the best balance between in-house strength and briefing out under a minimalist approach.

By contrast, the Legal Aid Department, which is the counterpart in an overwhelming proportion of cases, is run on a much smaller scale with 76 government counsel, inclusive of 15 directorate grade staff. There is constant pressure on the Director of Legal Aid to be stringent of public resources. Since 1997, only two new directorate posts have been created in this department, which is the chief source of funding to assist the public so that they may not be shut out from justice on account of lack of financial means.

The disparity between the prosecution and the defence, between the citizens and the government parties calls into question equality before the law. We must ask: Do the budgetary arrangements reflect a double standard, that resources are freely poured into the Government's side, while the Director of Legal Aid is constantly warned against allowing people to "abuse" legal aid?

Provisions for the Judiciary often receive the least attention, but are in fact vital for the administration of justice. One thing which distinguishes the justice system of Hong Kong from that of the Mainland is that our Judges are required to be highly qualified. To avoid denying justice by delaying it, an adequate number of Judges must be provided. Yet our Judiciary is seriously under strength. Of an establishment of 177 Judges, the strength is only 144. Half of the High Court judicial offices are filled by Deputy Judges. Judges are overworked with back-to-back hearings and little time for writing judgements. With the Civil Justice Reform at the wings, judicial training and additional judges at senior levels will become paramount. It is my duty to warn the Administration that any political restraint on provisions for the Judiciary will undermine the standard of the rule of law in Hong Kong. The economic costs to Hong Kong are too obvious to need explanation here.

In last year's Budget debate, cutting university funding was a major controversy. The Government argued that increasing funding does not automatically improve quality. But it avoided the question of how cutting funding can bring about an improvement in quality. It was simply self-contradicting that we shrink university funding when the Government's own surveys forecast a serious shortfall in university-level manpower. Importation from the Mainland is hardly the solution.

Nothing was done last year in spite of the clear views of this Council. This year, again, nothing is done. In the meantime, the report on the review of higher education has been published. It brings the gap between what a world-class Hong Kong requires of its universities and the actual situation into even sharper focus. On expenditure on research and development as a percentage of Gross Domestic Product (GDP), Hong Kong is close to the bottom of the territories surveyed. The University Grants Committee (UGC) mode of funding allocation and supervision, and the governance and management of Hong Kong's universities are all out-of-date, and have become unfit for purpose. I agree with the observation that a review of the role of the UGC is long overdue, and should begin immediately. To ensure that such suggestions as delinking universities salaries from civil service pay and transferable credit units from being used as tools for further cuts in university funding, the review of university governance and management must take place in parallel. The Government's growing appetite for power and control over university education should be opposed vigorously.

THE PRESIDENT resumed the Chair.

Madam President, I agree with the Honourable Jasper TSANG that this is the first of the political budgets to be introduced into the Hong Kong Special Administrative Region, and aptly heralds the new era of politically appointed senior officials in an "accountability system" to be unveiled by the Chief Executive next week. This is the single most important significance of the 2002-03 Budget.

As far as the Appropriation Bill 2002 itself is concerned, with the notable exception of university funding, there is little to comment on or object to. It

makes no attempt to raise tax rates or create new taxes, increasing tactfully only the duty on fine wine which presumably hurts fine palates more than it would hurt the beer drinking masses. It allows government expenditure to grow in areas where the Chief Executive has promised in his policy address last October. It generously distributes sweeteners to all — or nearly all sectors by reducing or waiving government charges. It ends up with a larger than ever deficit. But in each of the past few years, this Council has urged the former Financial Secretary not to be overly concerned with the deficit, since our reserves can stand it comfortably.

What is objectionable is the hidden or not-so-hidden agenda for the brutal future, and the barely disguised power-hungry interventionism. Others have ably analysed it. I take no pleasure in repeating their observations.

Thank you, Madam President.

**MR ALBERT CHAN** (in Cantonese): Madam President, the Budget by Mr Antony LEUNG has the greatest deficit in Hong Kong history and I believe the budgets in the next few years will also be deficit budgets. Therefore, our new Financial Secretary, Mr Antony LEUNG, will be an out-and-out "deficit God of Wealth". It is because all the budgets within his term of office will be deficit budgets and he is the first "God of deficit Wealth" in the history of Hong Kong. I hope that Mr Antony LEUNG would not feel unhappy about his "God of deficit Wealth" alias. Mr ZHU Rongji, Premier of the State Council, is also deemed as a "deficit Premier", but Premier ZHU Rongji did proudly state that he would leave the next government quality assets of RMB 2,500 billion yuan. I wish Mr Antony LEUNG would learn with a modest mind how he should deal with the financial and economic woes of Hong Kong.

Another problem with Mr Antony LEUNG is that he knows how to spend money very well before he knows how to make money. For example, when he had barely assumed the office of Financial Secretary he created the post of Press Secretary pitched at Directorate Pay Scale Point 2 (D2) to help him put up political shows. Unfortunately, putting up shows will not generate any revenue for the coffers. The luxurious fitting-out of the official residence of the Financial Secretary with public money has given people a very bad impression. Although Mr Antony LEUNG has just joined the Government and he still does



not know how to manage money properly, he already knows how to spend public money freely. He cannot inject vitality into Hong Kong economy and he has brought us a deficit of more than \$10 billion. If the Financial Secretary manages the Bank of America that way, he would have to leave long ago and he would hardly be able to stay.

The Financial Secretary forecasts a consolidated deficit of \$65.6 billion for 2001-02, far more than the deficit of \$3 billion as originally estimated. The situation will go on in the second year of the Financial Secretary's term of office, along with the disastrous decline in our economy, and it is projected that there will still be a consolidated deficit of \$45.2 billion in 2002-03. Within two years of his term of office, Hong Kong will have a consolidated deficit totalling \$110.8 billion, thus, it is most appropriate to call him the "deficit God of Wealth".

*The Wall Street Journal* has fiercely criticized Mr Antony LEUNG's philosophy of financial management and Hong Kong people, especially the middle class, the sandwich, middle and lower classes as well as civil servants, are angry and dissatisfied. I am going to comment on the orientation of Mr Antony LEUNG point by point.

First, the outsourcing of government services. Before the Government makes a decision on the outsourcing of work by the Architectural Services Department (ASD), it has not consulted the staff or sought the advice of this Council. The Government must be condemned for working behind closed doors and high-handed administration. Without sufficiently consulting the staff, the ASD has decided to brief out 90% of works projects and it may lay off surplus staff two years later. The Financial Secretary has wrapped outsourcing in the euphemism of creating business opportunities. In fact, officials have collaborated with businessmen at the back of creating business opportunities and the ASD will comprehensively lay off staff eventually. Job opportunities will be smashed and the Civil Service will strike back, creating factors of social instability.

Led by the "God of deficit Wealth", the Government has expedited the outsourcing of services and created business opportunities for consortia. With his experience in the financial sector, I am not at all surprised that the Financial Secretary would create opportunities for consortia after joining the Government. But expediting outsourcing would create unemployment and aggravate the

problem and it must be stopped. The Government has claimed that outsourcing would create new jobs but I wonder if local workers and the relevant stakeholders would really be benefitted. Quite a few contractors have already allocated the completion of such procedures of work as design and planning to the Mainland or other Southeast Asian regions. Would professionals and designers in Hong Kong have a chance to enjoy the benefits of outsourcing?

With the Government expediting outsourcing, such Departments as the Architectural Services, Highways, Civil Engineering, Lands and Water Supplies will be forced to downsize one after another. The quality Civil Service in the past would gradually be split up and disintegrated and the traditional civil service system will collapse. Such government policies will actually intensify social contradictions and conflicts. Taking the cleansing work briefed out by government departments and public organizations as an example, the situation of the workers under the Food and Environmental Hygiene Department, the Hospital Authority, the Leisure and Cultural Services Department and the Housing Department is the most miserable. A worker carrying out briefed-out work has an hourly wage of less than \$15, and some contractors have breached the labour legislation in not granting workers labour holidays, annual leave and rest days according to law. They even force such workers to become self-employed persons in order to evade Mandatory Provident Fund contributions. Therefore, the problem of exploitation is very serious.

The Government should look squarely at the miserable cases at the back of outsourcing. It cannot give excuses to evade the problem for the sake of cutting expenditure and allow consortia to bully the toiling people, hurting them for their own good.

The Government's continuous outsourcing of works projects has actually enhanced the consortia's participation in and control of the relevant works and services, thus, our economy is further and more comprehensively taken over by consortia. Under the guidance of Mr Antony LEUNG, the consortia will step up further the control and monopolization of our economy.

The second problem is that the Financial Secretary is indifferent to the plight of negative equity owners. The Government has been indifferent to the negative equity problem for years and Mr Antony LEUNG has not indicated that he is sincere in following up and handling the problem after he has assumed

office. During the initial period after he had taken up the post, he met with negative equity owners and put up a show at the Whampoa Garden, but he has not practically taken any measures or made any policies since to help negative equity owners tide over their difficulties. The Negative Equity Owners Alliance asked to meet with Mr Antony LEUNG in December last year, but to no avail because he was busy. Yet, we often see Mr Antony LEUNG play golf with consortia bosses and meet his girlfriend in Beijing. He is not at all concerned about the negative equity owners who are in an abyss of sufferings. As a result, these owners are helpless. I am very sorry about the way in which Mr Antony LEUNG has dealt with the negative equity problem.

Mr LEUNG has said that he cannot assure that people would make money and that \$340 billion has to be spent to rescue negative equity owners. The policy for rates reduction in the latest Budget fails to alleviate the sufferings of negative equity owners who are the hardest hit, who do not have any opportunity to gasp for breath. It shows that the Government often plays despicable tricks, talks irresponsibly and makes irresponsible remarks. At present, the number of households with negative equity is constantly increasing. Within a short period of three months between October and December last year, some 8 000 households with negative equity were added to the list. There are presently 200 000-odd households with negative equity and many people are in an abyss of sufferings.

I am really sorry that Mr Antony LEUNG has remained indifferent to this negative equity calamity. The number of bankruptcy orders issued by the Court as of March this year has increased from 1 000 in February to 1 790, representing an 80% increase. A study also shows that a person has borrowed from 12 banks on average and the average loan amount is even 55 times of his monthly salary. All these figures indicate that Hong Kong people are under enormous financial pressure.

The third problem is that the relevant social policies are always changing. The Government has drastically changed its housing policy several times recently and I am afraid these drastic changes might lead to a social crisis. Social stability depends on housing supply because people will be able to live and work in peace and contentment with secure housing. Unfortunately, to satisfy the needs of private developers, the Government has completely sacrificed the housing needs of the general public.

If the Government fails to satisfy the housing needs of people, how can they live and work in peace and contentment? A confusing housing policy will definitely give rise to social conflicts. If people were provided with stable medical services, education system and social welfare services, it would facilitate social stability. If people lack protection of the most basic livelihood and they have to worry about making ends meet all the day, we can easily understand why the grievances and dissatisfaction of people have piled up. Under such circumstances, people cannot help cherishing and appreciating the time when the Governor, Sir Murray MacLEHOSE, was in office.

Sir Murray was in office in the '70s when Hong Kong was in difficulty. He appreciated and sympathized with the people in hardship and kept making efforts to help the lower class and the disadvantaged. Although people were in hardship, they have a sense of belonging to and identification with Hong Kong. It is a pity that Mr Antony LEUNG is doing the contrary. So, instead of alleviating the difficulties of the people, many policies are only opening a way for consortia, hitting people when they are down and exploiting them.

I would also like to talk about "Under the Lion Rock" of which Mr Antony LEUNG is proud. With the song "Under the Lion Rock", he encouraged Hong Kong people to tide over difficulties together. On the surface, he is ready to tide over difficulties together with Hong Kong people, but he is actually making use of the media to consolidate the administrative measures and authority of the Hong Kong Government.

Everybody knows that the theme song of the "Under the Lion Rock" series reflects the actual life in the '70s. In fact, song-writers and artistic creators seek to convey their ideas and messages through creations shaped by their feelings and sentiments, and it is unlikely that they wish song to be used by those in power as a tool for administration.

It is very miserable for artistic creators to be used as political tools. With his profound understanding of communism, Mr Antony LEUNG is not unfamiliar with the use of artistic creation as a political tool. We should not treat lightly the use of "Under the Lion Rock" for political propaganda. In the incident, it is most distressing that even the Radio Television Hong Kong (RTHK) is willing to be used as a political tool. I hope that the reputation built up by the RTHK over the years would not be damaged in a moment.

With Mr Antony LEUNG as the leader, our society will have such characteristics as monopolization by consortia, joint ruling by officials and businessmen, aggravating disparity between the rich and the poor, the collapse of the civil service system and further bullying of the disadvantaged. I warn those in power that in the community "Under the Lion Rock", people will be more and more discontented and angry, social conflicts will intensify and social chaos will be inevitable.

We can expect a social upheaval when the people think, "besides shackles, they have nothing to lose". I believe Mr Antony LEUNG is very familiar with this expression in the last sentence of the *Manifesto of the Communist Party*. We hope that Mr Antony LEUNG would return like the prodigal son and review his policy of fiscal management again as well as learn from the mode of administration of Premier ZHU Rongji and Sir Murray. Whenever there are material social problems affecting the people's livelihood, Premier ZHU Rongji would certainly conduct an inspection in person, propose specific measures and rectify errors rather than merely putting up a show. Now that there are crises in Hong Kong, playing political tricks would only lead Hong Kong down a blind alley and I believe those who show concern for and love Hong Kong would not like this to happen.

Lastly, Madam President, I would like to add a few points. Mr Dominic WONG has just stepped out of this Chamber and I would like to say something for his rehabilitation. Mr WONG is going to retire soon. In the past few years, many people criticized that the 85 000 target is his vicious policy, and the negative equity owners regarded Mr Dominic WONG as great scourges. I have done quite a lot to help the negative equity owners and I have discussed the problem with Mr WONG time and again in the past four years. In my view, within the existing government structure, though quite a few officials are indifferent to the plight of negative equity owners, Mr Dominic WONG has been understanding and sympathetic to them over the years and he has tried his best to help solving the negative equity problem. Unfortunately, the making of some decisions may not necessarily be within his grasp.

Now that he is going to leave office, I wish to say something for his rehabilitation in this Chamber and raise objection to many inappropriate comments on him. I would also like to congratulate him. Although many people still made strong criticisms against him when he attended the meeting of the Legislative Council Panel on Housing for the last time, I wish him happy retirement. Thank you, Madam President.

**MR MICHAEL MAK** (in Cantonese): Madam President, according to a survey carried out by the University of Hong Kong last month, community satisfaction with the Budget dropped from 4.7% as at 6 March to 4.4% as at mid-March, showing that the people think that during the severe recession, some measures designed to benefit the people as proposed in the Budget cannot compensate for the loss they suffer when there is a slack in the economy. The general public still has to face hardships such as dismissals, salary reductions and productivity enhancement. The effect of concerted efforts to overcome difficulties as espoused in the lyrics of the theme song in "Under the Lion Rock" appears to be diminishing.

As a representative of the medical constituency, I would like to start with the issue of medical care, which is my immediate concern. In the 2002-03 fiscal year, the Government has planned a recurrent expenditure of \$32.4 billion for medical and health services, representing an increase of 4% from the last fiscal year. Funds allocated to the Hospital Authority (HA) are set at \$30.276 billion. Apparently, there appears to be an increase in resources but the workload of the staff has not been reduced in real terms. This is because the population is growing and there is an imbalance between the utilization rates of public and private sector medical services. As a result, the surge in workload has become unbearable.

Moreover, the Lantao Hospital, conceived by the HA to cope with the demand, has up to this moment not been planned yet. Data from the Planning Department shows that by 2002, Lantao Island will have a population of around 115 000, which will rise to as high as 180 000 by 2004. So, it is obvious that the construction of the Lantao Hospital is an urgent issue.

As we all know, the HA estimates that it will have to cope with a deficit of nearly \$600 million, and it has to bring the ledger to a balanced one as soon as possible. Then, proposals such as levying charges for services in the accident and emergency department, co-operation between private and public hospitals, and so on, are made. Some proposals are unique and showing some personality but as they are made for the sole purpose of achieving fiscal balance, they can be cosmetic rather than long-term solutions. We must understand that even if the deficit will go away in a few years, as predicted by Secretary E. K. YEOH, a relatively high government expenditure on medical care will make health financing not sustainable in the long term.

The alarming deficit of the HA results from the shortsightedness and failure of the HA management in detecting the crisis and the huge amount of resources spent on the recruitment of numerous medical consultants. It may be attributed to the Government's failure in its medical policy in the past.

In the past, since the establishment of the HA, the Government had been too loose in supervising the spending, which was enormous, of the HA. As the HA advocated quality and comprehensive medical services, what the Government did was to satisfy its demands as far as possible by allocating funds to it year after year. Regrettably, while the Government raised its quality of medical services, it did not educate the public about the costs of medical care. Consequently, we have a worsening abuse of medical services now. On the other hand, to comply with productivity enhancement requirements, workload and work pressure on medical staff have reached the boiling point. If this is allowed to continue, the quality of medical services will be adversely affected.

To reduce the overall deficit incurred by medical and health services, we must start with primary health care as a long-term solution. We must make people understand that there is no free lunch in medical services. The people must appreciate that almost all of the medical expenses are being subsidized by public funds. We must educate users who can afford and are willing to pay — I repeat, those who can afford and are willing to pay — to meet part of the expenses. This may ease the pressure on the utilization rate of medical institutions and help people understand better the idea of costs in medical services so that they can become more concerned about their own health. As we look back on the past, we may find that officials charged with the making of policies on health care seemed to have remained passive, regrettably so, and they seemed to have tackled issues in a piecemeal manner. So, a new issue for the Financial Secretary and future ministers on the relevant subject is to learn from past inadequacies and redesign a set of medical policies that fit Hong Kong.

Madam President, let me turn now to the issue of civil service pay out. To reduce the deficit, the Financial Secretary indicates that civil servants may have to face a salary reduction of 4.75%. Members from the business sector and some Members with business backgrounds have not only hysterically applied political pressure to compel the Government to wield the axe at civil servants but also paid out of their own pockets to carry out a specious survey. In this exercise, they have initiated a vicious cycle of a wage cut. For example, unscrupulous employer, Pacific Century CyberWorks, laid off over 800 staff

earlier on grounds of enhanced competitiveness. This is a true example in which unscrupulous employers use excuses to lay off staff when wage cuts have become the norm.

I detest most the accusations made by a handful of Members who, in order to achieve the goal of a pay cut on civil servants, said civil servants were unwilling to help other people when time gets rough. This is blasphemy, to be abhorred. That is why even the Secretary for the Civil Service, Mr Joseph WONG, had to say, indirectly, the survey carried out by a certain political party lacked independence and credibility. I think people are able to tell which other criticisms from the rest of the community about civil servants are fair. I hope the Government will not sacrifice civil service morale for eliminating the deficit. Once gone, morale is hard to restore. Without good civil service morale, the stability of Hong Kong will be affected.

In the past, civil servants contributed immensely for Hong Kong. They never enjoyed extra benefits when the economy was flourishing. They do not have to be so greatly affected by external economic developments.

I have been consulting various sectors and my own constituency. Some of my constituents made written submissions that were of the general opinion that Secretary Antony LEUNG had made the assumption before the announcement of the Pay Trend Survey because he was under some kind of political pressure.

If civil servants have their pay cut out of political and fiscal pressures, their morale will be affected and the consumer market, already weak, will suffer a further blow. This is bad for the Hong Kong economy as a whole. It is expected that personal spending will drop by 0.8% in the first quarter of this year, worsening to 1.9% in the second quarter. The consumer sentiment will further dampen when the unemployment rate stays high, wage cuts take place across the community and problems of negative assets are around, to the detriment of the consumer market.

There is also the so-called accountability system, which has been criticized for benefitting the seniors but sacrificing the juniors. Some newspapers have estimated that when an official at the Bureau Secretary level is promoted to a minister, his/her salary will be increased by nearly 60%. Taking other senior officials into account, we can expect expenditure on salary for officials in senior management to increase abruptly to \$33 million-odd, representing an 75%



increase. Will the system win the support of the people when 180 000 civil servants are facing a possible salary reduction of 4.75%, given the fact that the ministerial system in Hong Kong means salary increase in disguise for some when it is not sure as to whom these ministers will be accountable?

Now, let me talk about social problems, such as the problem of negative assets. Since the establishment of the Government of the Hong Kong Special Administrative Region (SAR), the negative assets problem has haunted Hong Kong. Today, four and half years into the establishment, the SAR Government still falls short of facing the problem squarely. It has played, as usual, ostrich. The Government has dealt out some alarming figures, pointing out that it cannot provide the money required and therefore cannot help people saddled with negative assets despite there is a demand across the community for the Government to draw on part of its reserves to help. I urge the Government to practically help these people. It should not dodge but release complete and reliable statistics on negative assets and provide them with the kind of assistance suited to the needs of the owners of negative assets.

Madam President, I now turn to the issue of suicide, an issue I am very much concerned about. Recently, atrocious suicide cases reappeared. Last year, I spoke fervently about this subject, requesting the Government to allocate more resources to address this problem even without being asked to. Regrettably, the Government was not minded to minimize these cases. On the day of the Ching Ming festival, a young female teacher killed herself. On 17 March this year, three youngsters, aged 14 or 15, committed suicide by burning charcoal. Whatever led to these people doing such acts, it is evident that there are many social problems in Hong Kong community. To understand what has transpired, I visited the resort village in Cheung Chau on Tuesday. What surprised me was not the physical environment there *per se* but the helplessness of the caretakers. They could find no channel to seek help when required. I urge the Government to work closer with voluntary agencies, not just to leave everything to them since they have limited resources, if the Government is to prevent the number of suicide cases from rising higher.

Madam President, confronted with a huge deficit, I understand the Government must broaden sources of income. Further measures to reduce expenditure, such as expenditure on Comprehensive Social Security Assistance, Old Age Allowance, and so on, would only antagonize the people. However, in exploring new sources of revenue, the Government must take into

consideration the financial capability of the people. Any additional taxes planned should be geared to narrowing the gap between the rich and the poor. Examples are increases in profits tax, duty on tobacco and wine and even betting duty. All these taxes can be increased. Cuts on the expenditure for the benefit of the general public such as expenditure on medical care, education, welfare and the environment should not be considered. In this way, a better balance can be maintained in the community to achieve the purpose of uniting the people to help each other when they are in difficulty.

The Financial Secretary recently got out of his way to sing the song "Under the Lion Rock", a song well-known 30 years ago, in an attempt to boost the morale of the people. I do think we should learn from past experiences, but the 30-year-old song has become very much outdated. Even I did not feel anything touching about it. How can it establish a rapport with the new generation? Thus, I should like to devote another song by Hacken LEE, "Red Sun", to the general public. I hope the lyrics may drive home a message:

"Fate may impose enormous hardships,  
Fate may put you in a perilous and arduous plight,  
Do not lose heart, or cry,  
Do not be overcome by fright.  
Hold on to life,  
For I mean to always stand by you in the fight."

I hope the people of Hong Kong may tide over the difficulty arising from critical economic conditions and, with concerted efforts, work towards a better tomorrow. I so submit.

**MR TAM YIU-CHUNG** (in Cantonese): Madam President, according to a recent survey conducted by The Chinese University of Hong Kong, it was found that the public rating of the performance of the SAR Government was lower than the Central Government, or even lower than the Government of the Macao Special Administrative Region. In contrast with the outstanding rating accredited by international institutions, it is evident that the self-image of the general public is rather low. It is undeniable that in the economic doldrums, the layoff and pay-cut surges in succession are heavy burdens to the livelihood of the people, however, it would not be conducive to economic recovery if we uphold a pessimistic attitude. The Financial Secretary cited the lyrics of the theme song

of "Under the Lion Rock" to encourage us to face the adversity and explore new horizons, which has not only added lustre to the placidness of the Budget, but also strengthened social cohesion and offered a topic of conversation for this motion debate.

In addition to binding public sentiments, Hong Kong should have a clear direction of development. The Budget reiterated the long-established advantages of Hong Kong, including its geographic location, institutional strengths, talent and its strong business experience and the focus on developing high-value-added economic activities, and proposed the development of four key sectors, namely the financial services, logistics, tourism and producer and professional services.

In order to expedite the development of the four sectors, I think the Government should give a boost to research and study work and enhance the knowledge and understanding of the decision-making team in mainland affairs. Within the next 10 to 20 years, the economy of Hong Kong will gradually integrate with the Pearl River Delta. In addition to keeping the whole world in view, Hong Kong should look towards China in the north, therefore, acquiring a full understanding of social information of the Mainland has become a prerequisite. On the other hand, in the international community as well as the peripheral regions, changes are taking place with enormous speed, especially the rapid development on the Mainland. It will be more difficult for the SAR Government to play its role in the economy, therefore, we should have the full support of figures and information.

However, it is obvious that the Government is not doing enough research and study work, and a lot of people used to say that the Civil Service was not familiar with the Mainland and looking down on the Mainland, or even having the mindset of fearing or taking strict precaution against the Mainland. The lack of knowledge in mainland affairs had hampered the pace of establishing the linkage between Hong Kong and the Pearl River Delta Region. As a result, I hope the Financial Secretary will exert efforts to change this situation by enhancing the research and study team, so that we can get first-hand information on developments in the Mainland and therefore actively co-ordinate with the development on the Mainland, with a view to complementing each other and achieving a win-win situation.

On the domestic front, the most important task for Hong Kong is to find a solution to the local unemployment problem. The economy of Hong Kong is

moving up the value chain to a high-value-added, technology-based and knowledge-based mode. In addition to globalization of the world economy, this mode of development is causing more pressure to the livelihood of the grassroots. In the wake of the unemployment and pay-cut surge, nobody feels secure and the spending sentiment of the people has greatly diminished. The gap of salary structure between conventional professions and new professions is getting bigger, which has aggravated the disparity between high and low income groups and given rise to a phenomenon in the manpower market: there are jobs without suitable workers while some workers have no jobs to do. We should find solutions to the problem of severe job mismatch, the unemployment problem of over 200 000 local workers and the problem of declining wages of the lowest 20% low-income workers. Besides the proposal of developing local community economy, the Budget has yet to offer any effective remedy.

However, the Government has now recognized that it can no longer pin its hope on high economic growth to improve employment, in a sense, it can be considered some sort of progress on its part. We hope the Government can keep on accommodating the views of economists and strengthening the co-operation with people power and community organizations, with a view to finding a solution to the unemployment problem facing the grassroots.

In this year's Budget, services for the elderly will have a 15% growth, including an additional 2 702 subsidized residential places. I welcome all of these measures. In the past three years, the number of elderly people applying for Comprehensive Social Security Assistance (CSSA) was growing at an average rate of 10.7%. The Government forecasts that in this fiscal year, the number of elderly CSSA recipients will exceed 136 000. Furthermore, this year's allocation for residential or home and community support services for the elderly will exceed \$3.5 billion, which is more than double of the same funding of the fiscal year of 1997-98. All of these figures show that the number of elderly people subsisting on public welfare is increasing. In view of the fact that public revenue is limited, we are concerned that expenditure on elderly care will be far from adequate to meet the needs in future.

We should take immediate actions to map out the long-term financial sources for the ageing population and the elderly care services, and to improve the financial position of those poverty-stricken elderly people who are leading a hard life. However, we should not hastily discard or change social welfare measures which are already in place, the Old Age Allowance being a typical

example. It has become a form of respect to the elderly people and their right, so any hasty changes will only cause strong responses which the public will neither agree nor support. The SAR Government should think twice, study and find out the solution, which should be an arrangement that can get the understanding of the elderly people, win public support and help the needy people as well as to completely convince those elderly people who are not in financial difficulty to accept.

Strengthening research and study efforts to promote economic development, create employment opportunities and take care of the elderly people will not only promote social harmony, but also help to alleviate the pressure on public finance. As a result, the efforts in these three aspects should not be neglected. Madam President, in the beginning of *A Tale of Two Cities*, the author wrote "it was the best of times, it was the worst of times." Let me adapt this to our situation: it is the worst of times to Hong Kong, it is the best of times to Hong Kong. It is because we understand ourselves better in times of adversity, so we will surely write down another splendid chapter only if we can stay together and identify a clear direction.

With these remarks, Madam President, I support the Budget for the new fiscal year.

**MR HOWARD YOUNG** (in Cantonese): Madam President, against a background of an economic downswing, instead of further increasing the pressure on the business sector or trying to relieve our serious fiscal deficit through introducing a Goods and Services Tax, the new Financial Secretary proposed a number of relief measures in his maiden Budget. On the whole, the tourism sector supports the Budget. Though the Financial Secretary planned to formally introduce a Boundary Facilities Improvement Tax, set at a level of \$18, in 2003-04, members of the tourism industry indicated that if the tax revenue thus collected could really improve the facilities and relieve the existing congested conditions at the crossings as well as speeding up clearance procedures, they would support this tax. The only blemish in the Budget was the proposed drastic increase in the duty rate on wine. Yesterday, Mr Jasper TSANG said only Mr Tommy CHEUNG and Mr James TIEN would consider this as a bad move. However, the fact is, I rarely drink wine except on special occasions and I am only looking at this issue purely from the perspective of the tourism industry.

Though apart from increasing the duty rate on wine by more than 30%, from 60% to 80% with immediate effect, the Financial Secretary did not propose any drastic tax increase in consideration of the economic conditions of this year; members of the tourism industry and the Liberal Party have great reservations about the increase. At present, the duty rate on wine in Hong Kong is already among the highest in the world, and since the retail price on wine will go up following the increase in duty rate, Hong Kong's reputation as a "gourmet's paradise" will be tarnished and this will naturally adversely affect the development of the tourism industry. Tourists who love wine are mainly long-haul travellers, that is, those from Europe, America and Australia, whereas mainland and Taiwanese tourists seldom drink wine. As regards the consumption habits of tourists, it is more common for Western tourists to dine at hotels. The first thing they do at being seated a dining table is to look at the wines list, and they will naturally be shocked by the exorbitant price of wine in Hong Kong. Not only will this directly affect the business of hotels and sale of beverages, such tourists will also immediately get the impression that "everything is very expensive in Hong Kong", though this may not be the case in reality. Moreover, the increase in duty rate will only bring \$70 million in revenue to the Treasury each year. While this will not be of much help to the over \$40 billion fiscal deficit, it will impede the recovery of our tourism industry and economy. As such, we hope the Government will consider rescinding the decision on increasing the duty rate on wine.

We are most happy that the Financial Secretary has once again noted the significance of the tourism industry. To promote tourism, the Financial Secretary stressed that we must develop more tourist attractions and improve tourist facilities. We must also develop diversified tourist activities, such as business tourism linked with exhibitions and conferences, and family, ecological and cultural tourism. The tourism sector agrees to the views of the Financial Secretary for these are exactly what the tourism sector has always been advocating and fighting for. However, co-ordination efforts from the Government have always been inadequate. Coach parking spaces in the neighbourhood of certain tourist attractions, such as the "women's street" (Tung Choi Street) are inadequate; large outdoor performing venues in Hong Kong like the Hong Kong Stadium are subject to certain noise level controls; tourist facilities lack repairs; and transportation to many tourist attractions are inconvenient. I hope that in formulating their policies, various government departments could maintain close communication with one another and work together with concerted efforts to develop the tourism industry.

As regards the cultural zone in West Kowloon, which has been under discussion for a long time, the Financial Secretary has finally decided to embark on detailed planning with immediate effect, so that this project can be completed shortly, to add a new tourist attraction for Hong Kong. However, the tourism sector hopes that the relevant project would not be once again delayed by complex government administrative procedures. Not only is this a waste of resources and time, but this also obstructs the development of the tourism industry and affects the pace of urban building. Looking around at our neighbouring countries and cities, we can see that many of them have been actively improving their tourist facilities and opening up new tourist attractions. If Hong Kong does not strive to catch up with other countries and fails to make any headway by remaining indecisive and failing to implement its decisions, I believe its place as the most popular tourist spot in Asia may soon be caught up or even replaced by our neighbouring cities. As regards the proposals on such construction projects as the cable car system in Tung Chung, a cruise terminal, a second exhibition centre, a fishermen's wharf in Aberdeen, a multi-function sports arena that can seat more audience and a world-class performance centre, the Government should launch and complete them as soon as possible, in order to enhance the competitiveness of our local tourism industry.

Ever since the quota on the number of mainland visitors under the Hong Kong Group Tour Scheme was totally removed early this year, the market of Hong Kong Group Tours was opened up to more travel agencies and the validity period for business endorsement was extended, there has really been an obvious increase in the number of mainland tourists to Hong Kong. In the recent Chinese New Year holiday, for example, the number of mainland tourists to Hong Kong did really increase greatly. Yesterday, Mr Tommy CHEUNG said though some restaurants were closed down, the business environment of the catering industry had actually improved, and this was due to the increase in the number of mainland tourists. And, the retail industry has also expressed the same view. Since there is an uneven flow of travellers between Hong Kong and the Mainland, that is, the number of Hong Kong people going north to seek entertainment in China is more than that of mainland tourists coming south, we should adopt a more proactive approach in negotiating with the mainland authorities in order to attract more mainland tourists to Hong Kong. The Government should make proposals to the mainland authorities on issuing multiple visit visas of different validity durations. Yesterday, it was reported in the media that the mainland authorities is actually considering to do so, but I understand that such visas are mostly issued to mainlanders related to Hong

Kong residents, to facilitate their visits to relatives in Hong Kong. I think such visas should be issued to people meeting the following three requirements: firstly, those who have a good entry and exit record, that is, those who have been to Hong Kong but has never overstayed or engaged in illegal employment; secondly, those who have a stable job or income on the Mainland; and thirdly, those who have a high income on the Mainland. This could allow more mainlanders to visit Hong Kong and help to balance the uneven flow of mainland and Hong Kong visitors. In fact, many countries have adopted criteria like good immigration records, stable job and high income in considering visa applications on assurance that the applicants do not have any record of overstay, there is enough money in their bank accounts, and so on, before visas are issued. As the vetting procedures of the Mainland are different from that of other countries, I hope that the Hong Kong Government could explain such criteria in more details to the mainland authorities. I feel that such criteria are pretty good. If the mainland authorities could be more flexible in allowing its residents to come to Hong Kong, I trust that we can attract more tourists, either for pleasure or on business, to come for pleasure or do business in Hong Kong. By the time mainlanders can come to Hong Kong anytime they like without going through cumbersome application procedures, there will be a new scene in the tourism industry of Hong Kong. We may even hope to find many people queuing up for concerts in Hong Kong during weekends. This is beneficial to both Hong Kong and the Mainland.

The Government has been actively conducting negotiations on Air Services Agreements to expand the Hong Kong air service network and to maintain high quality air services. This is really helpful to enhancing the competitiveness of the Hong Kong air services industry. However, the Government must also face up to the problem of high operating costs in the air services industry. Though the Airport Authority (AA) has announced that the 15% concession policy will be extended to September this year, the fees and charges of the Hong Kong airport are still relatively high compared to that of our neighbouring countries. Moreover, the average rental of commercial buildings in the airport is as high as \$40 per sq ft, and this is comparable to the rental of Grade A office buildings in Central. Under the prevailing poor economy, especially after the "September 11 incident", the air services industry has to face fierce competition in operation. In the Pearl River Delta Region alone, there are five airports, including the one in Hong Kong, and all five airports are in close proximity to one another. Therefore, it is necessary for the AA to review its existing criteria of determining fees and charges to see whether there is any



room for downward adjustment, in order to safeguard our long-term competitiveness. I have said many times before in this Council that, with the exception of the Hong Kong airport, air passenger departure tax and charges for the use of the terminal building would not be charged at the same time in other airports. Hong Kong's position as an aviation hub could only be consolidated through enhancing the competitiveness of our airport and relieving the financial pressure of several dozens of airline companies.

I would now like to talk about the Youth Work Experience and Training Scheme. With the planned completion of the Disney theme park in 2005, the continuous relaxation of the mainland tourism policy, China's accession to the World Trade Organization and its success in winning the right to host the Olympic Games, I trust that there would be a drastic increase in the demand for employees in the tourism industry. The tourism industry has a special feature and that is, apart from basic book knowledge, on-the-job training is equally important to members of the industry. Travel agencies usually have to spend a lot of time and money before an experienced worker could be trained up. It was mentioned in this year's Budget that \$400 million would be allocated for the implementation of a two-year Youth Work Experience and Training Scheme. Apart from encouraging the proprietors of travel agencies to train more new blood for the tourism industry, it could also help young people between the age of 15 to 24 in the high unemployment bracket. However, I still find the Training Scheme lacking for the training periods of six months to one year are too short. Trainees may be forced to leave their job before they can fully grasp the important aspects of their work soon after they have adapted to the working environment as a result of the expiry of this subsidy Scheme. How could the competitiveness of these young persons be enhanced if what they learn is only superficial? I, therefore, propose that the Government should consider extending the relevant placement period, so that the young people could acquire a more profound understanding of the trade, otherwise, the implementation of this Scheme would only be a waste of resources.

Relief measures proposed by the Financial Secretary include reduction of the amount of rates payable in 2002; waiving water and sewage charges and the trade effluent surcharge; waiving business registration fee for one year; and extending the effective period for duty concession on ultra low sulphur diesel. Yesterday, Ms Miriam LAU and Mr Tommy CHEUNG also commented at length on such measures. Some industries may not be required to pay a lot of sewage charges, so apart from benefitting from the waiving of business

registration fee, many business operators may find the above measures inadequate. However, I think every trade and industry should feel grateful because the Financial Secretary has shown that the Government is sympathetic towards the hardships of the public and willing to improve the business environment even though it is in serious deficit.

The Financial Secretary has not sought to shift the burden of the Government's serious deficit onto members of the public by introducing a drastic tax increase and he also anticipated that the expenditure on civil service pay would be cut by 4.75%. The Liberal Party is of the opinion that in the long run, the Government should thoroughly reform the civil service pay system, streamline its structure, simplify its work procedures and continue to implement the Enhanced Productivity Programme, so as to relieve the pressure on public expenditure increase.

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

**MR LAU KONG-WAH** (in Cantonese): Madam President, just when we are enthusiastically discussing the accountability system for senior government officials in this Chamber in these few days, the utmost concern of the general grass-roots people outside this Chamber remains to be the economic problems; just when we are discussing that the future ministers will be paid some \$3 million to \$4 million yearly, it is still very difficult for a university graduate to land a job that pays some \$6,000 to \$7,000 monthly; just when we are discussing how many Policy Secretary posts will have to be created in future, a telecommunications company and restaurants have been laying off their employees and cutting the number of posts. The cheese has now been moved away. I think this is more than just a question of individual competitiveness. Rather, it has to do with the fact that the economy has not yet turned the corner, and the direction for Hong Kong's future economic development as well as its positioning are still unclear. It is not a question of confidence, but a practical problem.

The Financial Secretary, in outlining the future of the economy in the Budget, has not provided a clear and definite positioning. He has used two tactics: First, reducing the reserves and second, imposing new taxes. While these may help address the financial problem, they still cannot resolve the problem concerning the direction of the economy.

Concerning the direction of the economy, given China's accession to the World Trade Organization and the economic transformation of Hong Kong, the Democratic Alliance for Betterment of Hong Kong (DAB) has all along suggested that co-operation with Guangdong Province is a way out. But after all those studies, planning and visits that have been conducted over a period of time, no concrete outcome has been achieved. The community is still discussing such terms as "intervention" or "non-intervention", so to speak, but these, in my view, are all meaningless contentions. Which places or countries in this world practise pure "intervention" or pure "non-intervention"? Many terms and phrases have also been coined in this connection, such as "integration with the Pearl River Delta", "closer ties", and so on. But what the public wants most is concrete progress. A concrete action is far better than a hundred forums of empty talk.

As the DAB considers the co-operation with the Guangdong Province necessary, we have consistently kept watch on the latest development in the Mainland. We should pay attention to two new developments in respect of planning in the Mainland recently. Firstly, mainland enterprises have already adjusted their direction from "attracting inward capital" to "marching outward into the global market". Recently, the DAB has organized a Mainland Internship Programme for Hong Kong Tertiary Students, under which arrangements are made for tertiary students to be attached to mainland companies. The latest round of this programme has received very enthusiastic response. This evidently shows that university students in Hong Kong are keen to learn about the economic development in the Mainland and to obtain opportunities to actually work in the Mainland. When we liaised with large mainland enterprises, the persons in charge also told us that they co-operated with us because they had this idea of "breaking out". Hong Kong used to be a springboard for foreign capital to "move into" the mainland market. But in future, we should be a service platform for mainland enterprises to "break out" into the international market.

Secondly, our country has already signed agreements with countries in the Southeast Asian region on the development of free trade zones. Whether it be a "1+10" or "3+10" mode, a timetable has been drawn up. In view of this general trend, what role should Hong Kong play? We must indeed give some thoughts to this.

It can be said that the mainland Government has lived up to its words. The construction of the Yunnan-Singapore railway is already in progress. It is true that Hong Kong should work for co-operation with Guangdong Province, but to the west of Guangdong, say, in places around Guangxi and Yunnan, there is a population of close to 90 million. Is it also important to link up with them in our development? So, regarding the future cross-boundary infrastructural development, I think the direction should be three-pronged, that is, westward, northward and eastward.

Westward: As I have pointed out earlier, development in Southwestern China is very important to Hong Kong. But the two gateways of the Pearl River Delta located to the east and west of the region respectively, namely, Macao and Hong Kong, are not linked to the Southwestern part. If we want to go to the Southwestern part of China, we have to take a very circuitous route. Therefore, the Guangdong-Hong Kong-Macao Bridge in future is vitally important. I think the Government must expeditiously consider this and embark on the construction work. In fact, this bridge was proposed some 13 years ago. The circumstances may have changed now, the general trend is not going to change. So, there is a need for this bridge to be built.

Northward: We are aware that the Government is looking into the concept of a regional express line. In response to last year's policy address, we proposed that consideration could be given to building a levitated railway that runs to Shanghai direct; and negotiations were held between Shanghai and Hong Kong subsequently. This is totally different from the idea of a levitated Northern Link proposed by the West Rail or the KCRC, which I think is not particularly useful. It is most important for Hong Kong to have a direct rail link to the Mainland. We can see that in Shanghai, for projects proposed last year, their construction work could commence in the same year and will be completed at the end of the next. If only we could act as efficiently as they do.

Eastward: Places surrounding Guangdong Province will be developing rapidly. Our linkages with coastal provinces or cities like Guangdong, Fujian, Jiangsu and Shanghai will carry great significance too. Recently, we have proposed a direct bus service to Sha Tau Kok. We know that the public is very thankful to the Security Bureau and the Transport Bureau for their prompt responses. We made this proposal in June last year and this service came into operation in April this year. The Government has responded very quickly. However, while this passage has a capacity of handling a flow of 12 000 people

daily, only some 3 000 people are using this passage daily, which is a great waste. The Government should consider ways to put this passage to good use, particularly targeting at sea transport.

Madam President, concerning the overall development of cross-boundary infrastructures, we have spent much time on discussion in respect of Route 10 earlier. This does not only concern a domestic passage. Rather, Route 10 is also a road link between the North and the South, so we must consider which direction it can link up with. While we have rejected the funding application for the design of Route 10, we hope that the Transport Bureau, after deciding on the way forward for the overall cross-boundary infrastructural development within this year, will submit the relevant proposal to the Legislative Council as soon as possible. It is not our wish to see that it takes 10 years for planning and another 10 years for construction. This is not conducive to the future development at all.

Madam President, we also have some views on the development of the local community economy and the question of the Closed Area. On the local community economy, my colleagues, the Honourable CHAN Yuen-han and the Honourable WONG Yung-kan, already expressed and explained their views yesterday. Now I wish to discuss a specific issue, that is, the opening of part of the Closed Area in Sha Tau Kok for tourism purposes.

At present, Sha Tau Kok is within the Closed Area, but Kat O and Lai Chi Wo, which situate on the other side of the sea, do not come under the Closed Area, and they are places with very high eco-tourism value. To go to Kat O, the public can only travel by ferry at Ma Liu Shui, and a round trip will take four hours. But if we go from Sha Tau Kok, it will only take 20 minutes for a single trip. There is a world of difference between 20 minutes and four hours. So, we propose the partial opening of Sha Tau Kok, so that social groups can apply for entry into the tourist zone. So long as the Government can relax its policy a little, some 1 000 job opportunities can be created. The Government now attaches great importance to the creation of job opportunities. This proposal will require no capital injection from the Government. All that the Government has to do is to slightly relax its policy. When we put forward this idea three weeks ago, the entire community responded with great enthusiasm. Some members of the public even telephoned our office direct, saying that they very much wanted to visit there. Some members of the public have also shared with us other suggestions.

I would like to quote from the editorials of a number of newspapers published the next day after we made this proposal. The editorial of *Hong Kong Economic Times* stated that as long as there is creativity, we will be able to find new scenic spots; the title of the editorial of *Hong Kong Daily News* called for consideration to be given to opening up Sha Tau Kok to promote tourism; the editorial of *Wen Wei Po* said that this represents a major change in the thinking on Hong Kong's economic development and merits discussions by all sides; the editorial of *The Sun* questioned why the Government still reacted so hesitantly given that this tourism treasure, which is readily available, could be developed without any massive resource input.

I hope that the Financial Secretary is not a hesitant person. We will submit to him the specific contents of this proposal tomorrow. We hope that the new working group can, to quote the Financial Secretary, "untie the strings and break down the walls" expeditiously, so that the public can enjoy the fruits very soon.

On the question of the Closed Area, we consider the Closed Area an obsolete policy, but this should be resolved through partial and gradual adjustments. We also notice that government departments are more than willing to make adjustments to this policy. According to the statistics of the Security Bureau, four illegal immigrants are arrested in the Closed Area daily but there are 40 000 residents in the Closed Area. The rights of these 40 000 people are affected and this area is unable to give play to its advantages. Whether the Closed Area should be used for composite development, or as a secondary commercial area, processing zone, Chinese medicine certification centre, or a tourist spot, there have been many discussions in the community. But in any case, I think it is very important for a certain boundary to be maintained. The merits of this proposal can be brought into play only if a boundary for administration purposes is in place. Broadly speaking, I think first, a control zone should be set up in the Closed Area; second, instead of having prosperity just on one side of the boundary, we should work for prosperity on both sides; third, we should "untie the strings" on the rights of residents in the Closed Area.

Madam President, transport infrastructure and the opening of the Closed Area are livelihood issues, and also economic issues. The fact that our past efforts did not bear fruits reflects political problems. Following the proposal of a ministerial system, I very much hope that more room for thinking can be created. Our discussion should not only aim to reduce the pay for ministers or

reduce the number of posts to be created, but rather to reduce red tape and narrow the gap between the executive and the legislature. This is the most important point. Under the concept being proposed now, consolidation of the executive is easy but co-operation between the executive and the legislature will be utterly difficult. It is not our wish to discuss with the Government over individual issues or problems that arise on one occasion only. Instead, Members of the Legislative Council should be allowed to participate in policy-making, in determining future directions, and in positioning. I cannot imagine how the future ministers could circumvent political parties and Members of the Legislative Council and sell their policies to the public directly and constantly achieving success. Public opinions are like water, it can carry a boat, but also cause it to capsize. Therefore, I think consideration should be given to establishing a closer partnership between the executive and the legislature in future. While it is impossible to achieve this objective in one go, efforts must be made expeditiously. If we fail to straighten things out politically, all future plans would merely be empty talks.

Thank you, Madam President.

**MR HENRY WU** (in Cantonese): Madam President, the Financial Secretary, Mr Antony LEUNG, who has been gaining on popular ratings recently, delivered his first Budget. Though the Budget did not bring many pleasant surprises to the public, it still got a warm applause by the public. I believe some government officials may feel very envious.

I think the maiden Budget of Secretary Antony LEUNG is a budget that is rich in perceptiveness, full of affection, committed to Hong Kong and one that carries a long-term plan. The affection that he feels for Hong Kong and the fact that he regards Hong Kong as his home can be seen from the lyrics he chose.

If we see Hong Kong as a home, we will find that building a happy home is not an easy task. First of all, two persons have to fall in love, then go on dates, meet the parents, organize a wedding, raise a family, and so on. A home that does not have a sound foundation, especially a sound financial foundation, and does not have a long-term plan may eventually turn out to be an unhappy or even a broken home. Secretary Antony LEUNG sees Hong Kong as his home. It can be said that he has a very difficult job in preparing a perfect budget for his home, in particular one that can maintain stable and sustainable development of the community, cater for the needs of all sectors in the community and be

acceptable to everyone, under the great pressure of economic hardships and huge deficits.

Madam President, I do not know whether Secretary Antony LEUNG has practised martial arts, whether he has often watched marital arts movies like "The powerful strike of Buddha's divine palm" or whether he has a good foundation in martial arts? However, I am sure that he certainly knows more than one measure.

Why do I say this? The reason is, it is obvious that the Budget of Secretary Antony LEUNG was painstakingly designed and carefully planned under a well-organized plan. From the time of preparation to the time of its "finally delivery", every step was ingeniously timed and controlled by him. So, his objectives were eventually achieved and the Budget received a warm welcome by the public.

Though the Budget was not delivered until 6 March, a lot of co-ordination work had been done well before that. As early as February, Secretary Antony LEUNG made his first move by planning to have Mr Joseph YAM, the Chief Executive of the Hong Kong Monetary Authority candidly admitted that he did not have any confidence in earning an income of \$12.5 billion for the Hong Kong Government through the Exchange Fund, and he also said the year-end-account of the Exchange Fund showed that there was only \$1.7 billion under the subtotal column of fiscal reserves in 2001. These figures showed us that the income of the Hong Kong Government had drastically decreased and its future income could not be guaranteed.

Then, less than two weeks before the delivery of the Budget, Secretary Antony LEUNG made a series of other moves, including the submission of a final report to the Financial Secretary by Mr Moses CHENG in the name of the Advisory Committee on New Broad-based Taxes, thereby breaking the bad news of a possible tax increase for the first time. Then, Miss Denise YUE, the Secretary for the Treasury, announced some alarming data on a serious fiscal deficit crisis. She then made arrangements for consecutive meetings with various major political parties and independent Members to seek views and help from all sectors of the community to deal with the deficit crisis. All these moves created an atmosphere of uneasiness and nobody feel secure under the gloomy economic conditions. Under the impact of such bad news, members of the public naturally would not dare to cherish any expectations or extravagant hope with the Budget. They may even be psychologically prepared for a possible tax hike.



Madam President, against the background of such a gloomy economy, Secretary Antony LEUNG made his fifth move — apart from increasing the duty rate on wine, he did not make any proposals on increasing or broadening the tax base in his Budget, for that would have a relatively great impact on the livelihood of the public. This gave the public an impression that he is a parent-like official who is aware of the hardships of the people and certainly earned him some points on compassionate grounds. He then launched his sixth "brilliant move" on offering rebates on rates, water and sewage charges. It has not only answered the aspirations of the already disappointed public but also once again won a lot of applause for the Government.

Apart from launching the above brilliant moves, Secretary Antony LEUNG also launched his seventh move at a most opportune moment by courageously sacrificing himself to bring some joy to the Hong Kong public, in the hope that they could at least set aside their worries for the time being amidst the joyous atmosphere. As a matter of fact, during those few bustling days, while the attention of the media was attracted to the private love story of Secretary Antony LEUNG, bad news like negative equity, unemployment, falling out of love and committing suicide by burning coal, which used to be widely reported in the past did temporarily disappear from the headlines. I do not intend to comment on his private love story. I only want to say that I appreciate his efforts and admire his meticulous organizational power.

Since the seven moves of Secretary Antony LEUNG were already so powerful, we could hardly imagine how powerful his 10th move "Powers of all Buddhas centralized in one" (as described in a martial arts movie) would be. I believe that he must be well trained in Chinese martial arts to have displayed such powers, making his each and every move so "fascinating and cool"!

Madam President, so much for "Antony's story". I would now come back to today's discussion and talk about the Budget. First of all, to the financial services sector, the Budget of Secretary Antony LEUNG can be described as moderately acceptable. As regards the stamp duty on securities tradings, though members of the industry are aware that the abolition of stamp duty is the major trend (I am quoting a phrase often used by the Government), we have not made any strong request on the total abolition or reduction of stamp duty, because members of the industry understand that the SAR Government is now under great pressure in face of its serious deficit. For this reason,

members of the industry also earnestly hope that the Government could be equally sympathetic towards our hardships, in particular under the gloomy economic conditions, and give us some room for survival by maintaining a reasonable and practicable minimum brokerage system. The Government has promised to defer the abolition of the minimum brokerage system for one year and it would continue to liaise with members of the industry on finding more satisfactory measures. However, in view of the past comments and attitude of the authorities, members of the industry are very worried that the authorities are not truly sincere in holding continuous discussions and only bogus consultation would be made in regard to this issue. No matter how much effort a broker may have made on innovation and investments in new facilities, under the terrible conditions of vicious and "cut-throat" competition, small and medium brokerage firms would be forced out of business, many members of the industry would become unemployed and the stability of Hong Kong as a whole would be further undermined.

Furthermore, it was mentioned in the Budget that it is hoped that the newly enacted Securities and Futures Ordinance could facilitate fair competition in the market and industry compliance. In fact, as regards the "securities legislation" that has recently been passed on 13 March, members of the industry still have certain reservations, especially when the securities business of banks and the securities industry are respectively supervised by two different regulatory authorities. Members of the industry are worried that the problem of unfair regulation will still exist. Since the Securities and Futures Ordinance is already enacted, in theory, the regulation of the securities business of banks would be brought on par with the securities industry. The Hong Kong Monetary Authority has also undertaken to enforce the legislation in the same strength as the Securities and Futures Commission, in order to allay the worries of the industry. However, I have recently discovered that many banks have once again taken advantage of the loopholes in the existing regulations and Ordinance and their status of "exempt dealers" by openly charging a commission below the 0.25% rate provided under the minimum brokerage system, with the intention of attracting customers against the rules of the game by employing illegal means. They have not only ignored the long-standing practices of fair play in the securities industry, but also openly challenged the enforcement authority vested with regulation. Obviously, such activities did calm down during the time between early March to the passage of the "securities legislation". The fact that such activities have not been totally eliminated is due to grey areas in the absence

of "a single regulator". Therefore, I think that in the long run, "a single regulator" is the only way to ensure that a level playing field can be maintained in the securities market.

Madam President, members of the industry hope that the Government can soon proceed with the listing of public organizations. Apart from generating substantial revenue for the Government, it can also create new investment opportunities in the market, as well as enhancing the international status of Hong Kong as a security market. However, I earnestly hope that the listing procedures of the Government can be fairer and more transparent in openly providing an opportunity for all securities companies, both big and small, to directly participate in the process. Actually, I did discuss this proposal with the authorities right after I had been elected to the Legislative Council last year. Here, I would like to reiterate that I hope the authorities can seriously consider the relevant proposal and endeavour to maintain a level playing field as stressed in the Budget.

Another part of the Budget that has aroused concern is the proposal on the possibility of a 4.75% civil service pay cut. I think though members of the public would find it hard to accept pay cuts to ride out the storm, under the existing economic conditions, it is still a reality we must face. However, before any decisions are made on the rate of the pay cut, the subject could actually be more carefully explored.

Madam President, I think while it is necessary to effect a civil service pay cut in order to ride out the storm together with members of the public, the actual reduction rate can be lower than 4.75%. On the other hand, I think staff allowances and benefits have more room for reduction, and the rate can even be higher than 4.75%. This proposal is backed up by actual data.

Let me cite the example of another unwieldy public organization, the Hospital Authority (HA) that is also suffering a deficit problem. From the data on the HA for the past 10 years, we can see that the rate of increase in the net pay of its staff is higher than that of the expenditure on allowances and benefits, therefore, though the increase in staff salaries has already been slightly adjusted downwards, its expenditure on salaries as a whole has continued to rise. As the civil service structure is similar to that of the HA, I believe this same phenomena would also apply in the government, thus resulting in a continuous expansion in public expenditure and an increasing financial burden for the Government.

The recurrent expenditure of the HA is \$28.5 billion in 2001-02. Given that there are 50 000-odd full-time staff in the HA, the monthly salary of each staff member is about \$47,000 on average, and its expenditure on staff allowances and benefits constituted more than 30% of its total expenditure. The data also show that though the rate for net pay increase was slashed to only 1% in the past year, expenditure on staff allowances and benefits rose by 4% in the opposite direction.

This is the crux of the problem. Though there is a decrease in the expenditure on salaries, the expenditure on allowances and benefits have increased instead. Moreover, such allowances and benefits are not equally shared among all staff, for the higher the ranking of a staff member, the more allowances and benefits he will get. Eventually, the target of enhanced productivity could never be really achieved in public organizations.

Therefore, when the relevant authority considers the rate of civil service pay cut, they should also take into account the expenditure on civil service allowances and benefits, instead of merely demanding for an across-the-board decrease of a specified percentage.

Madam President, I understand that apart from the Lion Rock in Hong Kong, which we are all familiar with, there are also many Lion Rocks in mainland China. These Lion Rocks are located at different parts of China, such as Anhui Province, Jiangsu Province, the Guangxi Autonomous Region and there is also a Lion Rock in the Lijiang Municipality of Yunan Province I visited earlier. Therefore, apart from describing the conditions of Hong Kong, the song "Under the Lion Rock" is also applicable to other places in China and this is a very politically correct masterpiece. Coincidentally, there is also a small hill named "Lion Rock" in the Wuhan Municipality and I wonder whether Secretary Antony LEUNG is particularly attracted to the Lion Rock because of this reason.

Yesterday, Mr Jasper TSANG cited the example of an English song on adults giving children candies to coax them into taking medicines. I would like to respond to his comments with a theme song of a television soap opera entitled "Bitter medicine is good for health", in the hope that the economy of Hong Kong could soon recover after taking a dose of this bitter medicine, and soon regain its prosperity and glory of the good old days.

Madam President, my motto is "to seek growth in prosperity and pursue ideals in times of stability". How could there be growth without prosperity; and how could we have any ideals if there was no stability? We can achieve a healthy and sustainable goal only through taking progressive and well-planned steps.

At the conclusion of the Budget, Secretary Antony LEUNG urged the public to "work with the whole community to revitalize our economy and to contribute to Hong Kong and our nation". Hong Kong is my home and the Budget is equivalent to a vital step in the building of a happy family. If Secretary Antony LEUNG makes the following pledge: (it would be best if the Wedding March soundtrack can be played in the background) "From now onwards, in prosperity and adversity, in sickness and health, my love for Hong Kong will remain unchanged till death do us part", I trust everyone (or a certain person) would certainly say "I do" in support of the Budget and give their blessing to the Budget.

With these remarks, Madam President, I do support Secretary Antony LEUNG's Budget.

**MR IP KWOK-HIM** (in Cantonese): Madam President, the Budget of this year was the first piece of assignment, which Antony, the Financial Secretary, delivered to all Hong Kong people and Members of the Legislative Council after he took up the post of Financial Secretary. Though this piece of "assignment" was not good enough to earn a "distinction" or a "bunny rabbit" stamp, it would certainly not get a "dirty piggy" stamp and the Financial Secretary would not have to do it again. The Financial Secretary clearly knows what is right and proper and as the Chief Executive said, he has "placed himself in other people's shoes" and "is concerned with other people's concern". He did not propose any increase on profits tax and also indicated that the Goods and Services Tax would be further explored, therefore the business sector could now enjoy a brief respite. The Secretary also took into account the serious plights of the general public and those owners of negative equity assets by handing out candies of relief generously, so that all sectors of the community, ranging from the middle class to the grassroots, could be benefitted from his generosity. Take Mr CHOW, the proprietor of a noodle shop who refused to shake hands with the Chief Executive sometime ago, as an example, measures like rates, water and sewage charges concessions and waiving business registration fee for one year would save him nearly \$10,000 in one go.

In face of the structural fiscal deficit, I am sure that the main aspiration of many members of the public is that our "Chief cashier", Antony, could work magics like a magician in this Budget. They hope he can come up with a series of convincing and effective economic strategies to lead Hong Kong out of the present plight. The public believes that as long as the economy turns for the better, our deficit problem could easily be resolved and in that case, the civil service pay cut would only be a temporary measure. The Financial Secretary laid down a very clear objective in the Budget. He set out to achieve fiscal balance in five years and made two assumptions to this end.

The first assumption is, from 2003 onwards, each year, there will be a 3.5% growth in the Hong Kong economy. The fact that the Financial Secretary is so optimistic in his assumption on the medium-term economic prospects seems to be based on the following three factors. Firstly, he believes that the European and United States economies will recover in the foreseeable future; secondly, the mainland economy can continue to maintain rapid growth; and thirdly, the economy of Hong Kong will continue to develop in the direction of high value-added activities. However, with the exception of the third factor that could be controlled by Hong Kong, the other two factors are beyond our control. Therefore, we could not help worrying whether the Financial Secretary has been too optimistic in his assumption.

The second assumption is the real growth rate in annual government expenditure will be strictly controlled at 1.5% or below for the next five years. To achieve this objective, the Government must cut its expenditure. One of the ways to solve the structural fiscal deficit problem is to reduce the huge government expenditure, in particular the expenditure on Civil Service and subvented sector salaries and benefits, which constituted 75% of the total government expenditure. As regards cutting expenditure, this is undoubtedly the greatest "reducible expenditure". In this connection, I hope that as members of the public, civil servants could put the interests of the community before their own, be sympathetic towards the Government and respect the outcome of the pay review conducted under the existing mechanism, by accepting the short-term solution to the deficit problem on pay adjustment.

Madam President, I would now like to move onto another topic. As the representative of the District Council Functional Constituency, I think that upon the completion of the Report on the Review of the Roles and Functions of the

District Councils last year, members of the District Councils should feel happy about the adjusted new allowance and Accountable Allowance for District Councils members, which were endorsed by the Legislative Council. However, many District Council members are aggrieved by the adjustments for the new measures have caused their ward offices a lot of inconveniences and defeated its original purpose in enhancing support for District Council members by increasing the allowances. Therefore, the executive departments should view this in the light of "user-friendliness", so that District Council members would find the procedures on claiming various allowances and Accountable Allowances more convenient, and thus enhancing the quality of their services to members of the public.

In recent years, in order to improve the living conditions of the public, the Government is making every effort to demolish illegal structures, promote timely refurbishment projects and enhance its work in the inspection and reinforcement of slopes. Thus, the work and the role of Owners' Corporations (OCs) have become all the more important. Since the Legislative Council is now in the process of scrutinizing the Fire Safety (Buildings) Bill, and the Administration is reviewing the Building Management Ordinance and planning to enforce the registration and control of advertisement signboards, it would not be difficult for us to imagine how heavy the workload of the OCs would be if they have to take up all the work in relation to these policies in addition to their day-to-day duties in building management. At present, there are 6 891 OCs in Hong Kong and the number of OCs is growing at a rate of 7% per year. Once the OCs or small owners receive any maintenance orders from government departments like the Buildings Department, Electrical and Mechanical Services Department, Architectural Services Department and Fire Services Department, it means that the OCs committee members will have to perform another onerous duty, and that is also the beginning of another nightmare.

As the work of the OCs become more complicated and their workload increases, in addition to enhancing its support for OCs in order to meet the demand resulting from the increase in the number of OCs every year, the District Office should also provide more direct assistance to OCs to help them in their daily work, in particular in electoral arrangements and the quality and skills of holding discussions and dealing with different kinds of repair orders, so as to ensure that both the quality and quantity of their services would be enhanced and to relieve the pressure on these non-professional "amateur volunteers". The District Offices should do more by way of enhancing communication and co-

operation with different departments and deploy more staff to different districts and provide adequate staff training because some of its staff are not even familiar with "Cap. 344".

Madam President, in order to enhance the quality and cost-effectiveness of recreational services, the management of some recreational and cultural facilities has been contracted out since 2000. This covered venues like indoor games hall, swimming pools, parks, and so on. The total value of such government outsourcing projects is more than \$1.5 billion. In the coming year, expenditure saved through outsourcing of government services will be as high as 40% and 300-odd civil service posts will be deleted. The Democratic Alliance for Betterment of Hong Kong (DAB) agrees that apart from enhancing the quality of government services and its cost-effectiveness, outsourcing of government services can also increase the flexibility and diversity of such services. However, the Government should not just "wash its hands of" and turn a blind eye after its services were contracted out. On the contrary, the DAB thinks that it is the duty and responsibility of the Government to ensure that the contractors will provide efficient and quality services.

Moreover, members of the public disclosed that some contractors had employed workers at an excessively low wages. I definitely do not wish to see workers being seriously exploited by middle persons under the outsourcing system. People who were proved to have intentionally docked the pay of their workers should be punished. If the pay of workers were too low or their treatment were too poor, it would not only adversely affect the livelihood of workers but also undermine the confidence of the public in government services. So, the Government should not take this matter lightly.

Several Members talked about the promotion of the local community economy. In fact, the Leisure and Cultural Services Department (LCSD) can play a more positive role in promoting the development of the local community economy. In order to develop diversified small-capital economy with local features, the authorities could consider to set up special theme bazaars and performance areas in the parks in different districts as soon as possible. Since every community has its own features, these small-scale operations can blend into the tourist attractions and traditional features of that district, thus creating more job opportunities. Only minimum control should be exercised by the LCSD and other departments should not impose obstacles that will hinder the development of small-capital economy.



Madam President, the SAR Government has plans to implement an accountability system for senior government officials in its second term and this system will soon be launched. The DAB is positive about the accountability system and we think that in order to enhance the administrative capability of the government and improve the relationship between the legislature and the executive, the introduction of an accountability system for senior government officials is moving in the right direction. What we are concerned is whether the new structure is cost-effective or whether the new structure is value greater than cost.

What we mean by "cost-effective" is whether the objectives in introducing the accountability system could be achieved. These objectives are to give due recognition to and respect the views of the Legislative Council and to improve the relationship between the legislature and the executive, and to co-ordinate the work of decisions making and guide the work of different departments to bring about greater efficiency. We do not doubt the resolution of the SAR Government in achieving the objective of cost-effectiveness but first of all, certain detailed arrangements of the accountability system must be clarified and explained before we can determine whether or not this "investment" of the Government is appropriate.

As the spokesman of the DAB on planning matters, I would now like to talk about the relationship between town planning and housing development. In a Budget that has got about one hundred paragraphs, only two phrases in small print could be found on this subject: "to formulate an equitable land allocation criteria for the construction of subsidized home ownership flats in the future". I am most worried because this equitable land allocation criteria has turned out to be the establishment of a new committee on co-ordinating the approval process of all public and private housing land in Hong Kong without any prior notice or consultation. I do not intend to comment whether it is a good or bad idea to set up a new committee. I just want to point out the fact that the Government has introduced such a major change in such a low-key manner seems to conflict with its rationale of fostering a harmonious relationship between the legislature and the executive authorities.

For a small place like Hong Kong, land is a very valuable resource and the DAB has always agreed that the Government should make good use of its land resources. As the supply of land was extremely inequitably allocated before the

reunification, it had resulted in unreasonably high real estate prices and many people were unable to afford home ownership. Therefore, in July 1997, the Government established a Steering Committee on Land Supply for Housing with the Financial Secretary as the Chairman, to ensure supply of sufficient land for "housing construction" so that there would be no more soaring real estate prices.

Ever since the Steering Committee on Land Supply for Housing was established, the supply of land has become stabilized. As regards the new committee conceived by the Government, since I do not have any detail information on the committee that would help me to assess its effectiveness, I would maintain an open attitude. However, I hope that the Government can give us more information on this committee.

Madam President, as the lyrics of the song "Under the Lion Rock" quoted by the Financial Secretary go, I believe that to the Government, the greatest achievement of the whole Budget is in arousing the spirit of unity among Hong Kong people, striving for their understanding and acceptance so that everyone would be more willing to play a part in solving the existing financial problems. Though the Budget has taken the correct step in uniting the people, the Government has to taken advantage of this situation to map out a direction to steer Hong Kong out of the economic doldrums on the basis of unity, so that we could all get out of this difficult condition as soon as possible.

Madam President, I so submit.

**MR JAMES TO** (in Cantonese): Madam President, I understand that no matter who is responsible for the job, the work of preparing this year's Budget is a very difficult task for Hong Kong is now in the middle of a economic slowdown. As many Members said, Mr Antony LEUNG hoped that by first giving us a piece of candy this year, he could build up a certain degree of creditability or goodwill and he would also like to urge for unity in the community. However, the results of the public opinion poll conducted several weeks after the delivery of the Budget showed that the level of acceptability for this Budget was among the lowest in the past years for members of the public had found time to study the Budget carefully. As many Members said, many people, in particular those who have carefully considered or pondered over the prospects of Hong Kong, would discover that though it would seem that much was mentioned on the control of revenue and expenditure, actually not much had been said on how to

lead Hong Kong out of the economic difficulties, that is, not much had been said on how to "make the cake bigger", so to speak.

It is true that the Financial Secretary has only assumed office for about year and we really should not expect too much of him. However, members of the public do have expectations and to many of those who have really done some serious thinking, this first Budget has fallen short of their expectations. As the saying goes, bitter medicine is good medicine, and some Members said earlier that they hope the Hong Kong community can transit to better times. However, I hope Mr Antony LEUNG could really think more about this issue, for example, whether the grass-roots people could survive these difficult times and whether they could live to see better times? While it is easy to instill some sense of unity and hope in the public by means of political tactics in the short term, it would be very dangerous when a number of policies actually come forth. From a political point of view, I could even see some signs of warning. I hope the Financial Secretary can consider the following situations. For instance, though the proposal on outsourcing could achieve the target of suppressing wages, and the review on the Comprehensive Social Security Assistance (CSSA) Scheme and reduction of Old Age Allowance (commonly known as "fruit grant") could also reduce government expenditure, we must bear in mind that many elderly persons are living on interest income and the prevailing interest rate is so low that even if they take the advice of Mr Joseph YAM on buying bonds, which is a less risky investment, they could only make an 3% or 4% return. The rental of some public housing flats is now close to \$2,000, and since many public housing estates are located in remote areas, people living in such areas have to spend a lot on transportation fees. Recently, the Government said the charges for accident and emergency departments would also be reviewed. Moreover, most working people have to make contributions to the Mandatory Provident Fund Scheme. When added together, all these expenses create a great burden for the people.

Perhaps Secretary Antony LEUNG did not look at the present situation from these perspectives. Yes, it is true that he has a very good intention for we would have no prospects at all if our economy were not adjusted, especially when the linked exchange rate is also tightly locked. I really hope that the Government can sympathize with the hardships of the general public, though it would be easier for it to appreciate the plights of rich people. Recently, the rich are also in great plights and they have also told us their grievances. However, I think the Government should really consider this: if the various proposals were implemented, the monthly income of some members of the public might be

reduced to \$2,000 to \$3,000 or \$3,000 to \$4,000. Some elderly persons may not want to apply for CSSA — in addition to their interest income, they may get a little fruit grant or some subsidies from their children, but their income has actually been reduced to a minimal. I hope the Government can assess the current situation from the perspective of law and order. If it can be said that we are not so bad off at the moment because at least no one has resorted to robbery for survival, then I hope the present situation can serve as a warning to the Government.

Let me return to the area of my speciality (relatively few Members have talked about this area), which is law and order. I am concerned with both big and small issues in this area, ranging from policy to the priority of getting things done. There are a few points I would like to raise, but first of all, I would talk about the police. Firstly, the existing crime rate figure is the lowest in the past 20 years, but we must note certain new indicators and signs. We could see that many tycoons have recently employed a fleet of bodyguards and this phenomenon only occurred after the case of CHEUNG Tze-keung. Please bear in mind that we must have the ability to deter those who intend to commit crimes of this nature or prevent such crimes from happening. Recently, there was a case involving the use of bombs or explosives. Since mainland China is very vast and there are many gangsters all over Asia, the Government should really start thinking about the intentions of such criminals. If criminals resort to the use of bombs in committing crimes, then even those who have employed bodyguards would not be safe. Moreover, such criminals are involved in a large number of crimes and a large sum of money is usually at stake. I hope the Government could monitor this situation closely. A few years ago, we were worried about cases of commissioning killers but now we should start worrying about serious blackmailing cases.

Moreover, we should also turn our attention to certain street level fraud cases, for such cases are quite common and a large number of victims are involved. We could certainly say that such people are the victims of their own greed. However, the experiences of these victims are really very tragic for a substantial amount of money is usually involved and they may even lose their life savings. Therefore, I hope the police can take positive actions to step up its intelligence gathering. Though the mobility of these swindlers is very great, I still hope that the police can combat such crimes through stepping up its intelligence. In fact, I also do not know what can be done but I think the police should try every means to prevent the incidence of such crimes, or even resort to

deploying undercover agents. A few years ago, we heard about fraud cases in relation to foreign exchange, but nowadays we learn that there are many so-called "blessing gangs" and "tonic medicine gangs" on the streets. Though the Government has already carried out a lot of publicity to advise the public not to be greedy, I still hope that the police can continue to exert greater efforts for the victims of such cases have really suffered very great losses.

Secondly, I have recently read about some commentaries on credit reference agencies and I understand that the Hong Kong Association of Banks has lodged complaints against cases relating to abuse of the bankruptcy mechanism. Such acts are in fact fraudulent in nature and should be referred to the Commercial Crime Bureau for investigation, but the said Bureau has not made any investigations or taken any follow-up actions. Members may be aware that there is an offence known as "making off without payment" and a simple example of such act is failing to make payments after eating something. For example, someone ate an egg and ham sandwich in a food establishment and then made off through the back door, then such act would have constituted a criminal offence. However, if that person remained in the shop after eating the sandwich and waited for the police to arrest him, then it would not be a criminal offence because awaiting arrest after eating an egg and ham sandwich is only a civil offence. The proprietor of that shop can only sue him for the debts owed while the act of making off is a criminal offence. I think if someone is aware that he will soon run into bankruptcy and uses up his entire credit limit beforehand well knowing that he would go bankrupt, then such act would constitute a criminal offence. Moreover, large sums are usually involved in such cases. If the existing legislation fail to deter or deal with such cases, then I think the legislation should be reviewed, but if the legislation can adequately deal with such cases, then I think investigations should be conducted, otherwise it could not achieve any deterrent effect, for this is obviously a fraud.

As regards cases of forged banknotes, which are quite common recently, while we could say that those forged banknotes are only copies made on inkjet printers, I still think we should not lower our guard. Though only banknotes of small denomination have been printed, I think we should treat such matters very seriously and regard them as organized crimes, if such forged banknotes are in wide circulation.

On the other hand, we have to note the latest developments in Macao. The situation of Macao may be very good at present, and after the casinos of

Macao have embarked on modernized management, illegal elements that used to earn a living in Macao would try to seek survival through other means. While some of them may return to the Mainland, the majority may come to Hong Kong. If that happens, some new scenarios may appear in Hong Kong, for there may be confrontations among gangsters, and even those who are as close as brothers will not spare each other. Moreover, some people may want to leave the crime circle to make a living by other means, so we could imagine how intense such struggles would be. On the other hand, the Government must also keep a close watch on cases of violence that would possibility occur then for it is possible that such cases would significantly increase.

Furthermore, the Government should also take a serious view of the drug abuse problem among youngsters. The Government must put in a lot of resources and there must also be matching deployment of police manpower. On the preventive side, I hope that emphasis would be placed on the fears of youngsters nowadays. For instance, in the past, the message conveyed in anti-drugs campaigns was mostly focused on the harms of heroine. Drug addicts displayed in those campaigns were all very ugly, all bones and skin with a yellow complexion and those who instigate others to take drugs usually have a deathly pale and ghostly look. However, times have changed, youngsters are usually seduced into taking drugs under the influence of their peers. Moreover, they are all taking drugs when everyone is joyous and happy. So, we may have to think of other ways and find out what their fears are. Recently, I came across a case whereby a teenager has to wear a urinary bag for the rest of his life because the nervous system of his prostate gland and urinary system have been seriously damaged after taking soft drugs. If the subject were willing to stand out and publicize the harms of drugs, I believe this case could certainly make today's youngsters feel scared because taking drugs might cause a teenager to wear a urinary bag for the rest of his life. Apart from this, what else are the youngsters afraid of? Young people are usually very concerned about their appearances. If they know that they would appear very dishevelled and ugly, or to put it in a slang "gross" when they have to board an ambulance to seek help after taking drugs, they would be more scared by the way they would look than by any other advice. So, instead of convincing them that taking drugs would result in loss of memory or addiction (though such possibilities are certainly true), we should focus on their fears and if we could use actual cases to support our point, then I believe it would be more effective than the tendering of advices.

The Government should conduct more studies in this area and closely monitor whether the increase in the number of travellers entering Hong Kong would lead to a new scenario in the crime scene. Up to this moment, it seems that there are no great problems in this area.

I have been given to understand that today, the Joint-Committee of the Disciplined Services Staff Associations/Unions has tried to seek an interview with the Chief Executive, but their request was turned down. They intended to discuss the issue of salary reduction and even indicated that they would stage a rally on the day the Chief Executive begins to serve the second term of his office. I hope that the Government will listen to their message and consider their request carefully. Of course, the Government is worried that once given an inch and they will taken an ell. But I think they are just yearning for some sort of pacification. Even if the Chief Executive meets with them, it does not necessarily mean that he would belittle himself or that he must consider not to cut the pay of the disciplinary service just because he has done so. Personally, I do not see any special reason to supporting that the disciplined services be exempted from a pay cut. Civil service pay cuts should be applied across the board.

However, the problem is, according to what I made of the available information, and as Mr WONG Wai-hung said, they only need some sort of pacification. However, the Government has taken advantage of its upper hand position and adopted a strong stance against them. I do not know how far the Government is going to push them. Moreover, the Government is also well aware that the disciplined services would not take other actions after the rally. However, after all, the disciplined services are the cornerstone of social stability, I think it is not worth the risk, so I hope the Government would not take the risk. If what the disciplined services want is some respect, then let them have it! Right? The Government really should not take such a strong stance by showing that it is ready for confrontations, or that it should dare the disciplined services to take any actions.

As regards the Immigration Department (ImmD), I recently made an inspection visit to Lo Wu and discovered that the Government has been aware of the improvement proposals for a long time. We noted that the funding in this area has recently been increased, but I also understand that it is very difficult to carry out complex works under such congested conditions. As regards the staffing problem, the Government told us that the current pledge of the ImmD is

to effect immigration clearance for 92% of the visitors within a few minutes, but members of the public find that local residents still have to wait 20 to 30 minutes when departing from Hong Kong. Is this really a good arrangement?

We find that the ImmD has a very strange way of deploying its resources. An immigration counter would be closed on a temporary basis if only a few people has queued up in front of that counter. This is its current practice. Today, I met with some District Council members from the Yau Tsim Mong District and they are very much aggrieved by this situation for they find that they always have to queue up for 20 to 30 minutes for immigration clearance. Of course, this may be the strategy of the ImmD, but is this correct? I believe that if we were to calculate how much money could be saved by this approach, we must really plot a curve to see whether this is really to our benefit. In fact, I think it may not necessarily be a good thing to close the counters purposely. The time and energy, which the public wasted, may not be totally offset by our expenditure.

On the other hand, as regards the issue on attracting business migrants to Hong Kong, we have already discussed this for eight to nine months. I hope the Government can come up with a proposal and conduct a test as soon as possible. This proposal can be dealt with separately. It is different from the issue on the waiting time of the one way permit quota of 150 daily for family reunion (that is, to minimize the waiting time), whereby the waiting time can be shortened a bit if it is really necessary. However, I am now referring to the QDII that is applicable to mainland residents, that is, the policy of allowing mainland residents to come to Hong Kong through legitimate channels for making investments through authorized institutions. I reckon that if mainland residents can make investments in foreign exchanges, they should certainly be allowed to come to Hong Kong through legitimate channels. Therefore, we should start discussions on the policy on attracting mainland residents to emigrate to Hong Kong in the capacity of business migrants as soon as possible.

Furthermore, I would like to talk about the issue of urban renewal. I would like to urge the relevant authorities, in particular the Urban Renewal Authority, not to discredit the residents of the redevelopment area again and stop spreading rumors relating to the amount of compensation calculated on the basis of the age of buildings. If no one had said anything about this, it would never have made the headlines of several newspapers. I was told that the news was



disclosed by an informed source. I only hope that funding would be made available as soon as possible, and irregardless of the fact whether the compensation is calculated on the basis of the value of five-year-old building or even that of one-year-old building, it should implemented at the earliest possible date.

Several colleagues mentioned earlier that more equitable criteria should be applied in government land grant. In fact, the truth is, the Government has reserved prime sites for auction purposes and those sites would no longer be used to build Home Ownership Scheme flats. In regard to such a major policy change, I hope the Government can really conduct some consultations. The Honourable Henry WU said banks have tried to attract customers by resorting to unfair tactics. He is actually talking about brokers and I agree with him on this point. I hope the Government will keep a close eye on this matter for this is really very unfair.

Last year, I said the Western Harbour Crossing was a rich man's passageway and the situation has remained unchanged so far this year. When the proposal was made, the Government intended to achieve the objective of maintaining a more even traffic flow but no improvement has been seen over the past few years. Why? In fact, the objective of the Government could be achieved through fiscal measures. Here, I would like to give notice to move Committee stage amendments to the Bill to be discussed next week to reduce the expenses on rewards and special services (of the police) and the operational expenses of the Complaints Against Police Office.

**PRESIDENT** (in Cantonese): A total of 59 Members have spoken on the motion.

**MR FRED LI** (in Cantonese): Madam President, thank you for permitting me to speak again. I move that the debate on the Second Reading of the Appropriation Bill 2002 be adjourned to the meeting of 17 April 2002.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the debate on the Second Reading of the Appropriation Bill 2002 be adjourned to the meeting of 17 April 2002.

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

(Members raised their hands)

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

(No hands raised)

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

**PRESIDENT** (in Cantonese): Council will continue with the debate on the Second Reading of the Appropriation Bill 2002 at the meeting to be held on 17 April when public officers will respond.

### **MEMBERS' MOTION**

**PRESIDENT** (in Cantonese): Members' motion. Proposed resolution under the Interpretation and General Clauses Ordinance to extend the period for amending the Revenue (Variation and Reduction of Fees and Charges) Order 2002.

### **PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE**

**MR FRED LI** (in Cantonese): Madam President, I move that the motion, as printed on the Agenda under my name, be passed.

At the meeting of the House Committee on 22 March 2002, Members decided to set up a Subcommittee to examine the Revenue (Variation and

Reduction of Fees and Charges) Order 2002 tabled before the Legislative Council meeting on 13 March 2002.

To allow time for the Subcommittee to report on its results of scrutiny to the House Committee, I move in my capacity as Deputy Chairman of the House Committee that the scrutiny period for the subsidiary legislation be extended to 17 April 2002.

Madam President, I urge Members to support my motion.

**Mr Fred LI moved the following motion:**

"That in relation to the Revenue (Variation and Reduction of Fees and Charges) Order 2002, published in the Gazette as Legal Notice No. 35 of 2002 and laid on the table of the Legislative Council on 13 March 2002, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 17 April 2002."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Fred LI be passed.

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

### **NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 17 April 2002.

*Adjourned accordingly at six minutes past Seven o'clock.*