

# OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 20 April 2005

The Council met at Eleven o'clock

## MEMBERS PRESENT:

THE PRESIDENT

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

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

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE MARTIN LEE CHU-MING, S.C., 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 MARGARET NG

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI, J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG, G.B.S.

THE HONOURABLE WONG YUNG-KAN, J.P.

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

THE HONOURABLE HOWARD YOUNG, S.B.S., J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH, J.P.

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

THE HONOURABLE MIRIAM LAU KIN-YEE, G.B.S., J.P.

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

THE HONOURABLE ANDREW CHENG KAR-FOO

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

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

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

THE HONOURABLE LI FUNG-YING, B.B.S., J.P.

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

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE FREDERICK FUNG KIN-KEE, J.P.

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

THE HONOURABLE VINCENT FANG KANG, J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

THE HONOURABLE LI KWOK-YING, M.H.

DR THE HONOURABLE JOSEPH LEE KOK-LONG

THE HONOURABLE DANIEL LAM WAI-KEUNG, B.B.S., J.P.

THE HONOURABLE JEFFREY LAM KIN-FUNG, S.B.S., J.P.

THE HONOURABLE MA LIK, J.P.

THE HONOURABLE ALAN LEONG KAH-KIT, S.C.

THE HONOURABLE LEUNG KWOK-HUNG

DR THE HONOURABLE KWOK KA-KI

DR THE HONOURABLE FERNANDO CHEUNG CHIU-HUNG

THE HONOURABLE CHEUNG HOK-MING, S.B.S., J.P.

THE HONOURABLE WONG TING-KWONG, B.B.S.

THE HONOURABLE RONNY TONG KA-WAH, S.C.

THE HONOURABLE CHIM PUI-CHUNG

THE HONOURABLE PATRICK LAU SAU-SHING, S.B.S., J.P.

THE HONOURABLE ALBERT JINGHAN CHENG

THE HONOURABLE KWONG CHI-KIN

THE HONOURABLE TAM HEUNG-MAN

**MEMBERS ABSENT:**

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW LEUNG KWAN-YUEN, S.B.S., J.P.

**PUBLIC OFFICERS ATTENDING:**

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

THE HONOURABLE HENRY TANG YING-YEN, G.B.S., J.P.  
THE FINANCIAL SECRETARY

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

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

PROF THE HONOURABLE ARTHUR LI KWOK-CHEUNG, G.B.S., J.P.  
SECRETARY FOR EDUCATION AND MANPOWER

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

DR THE HONOURABLE PATRICK HO CHI-PING, J.P.  
SECRETARY FOR HOME AFFAIRS

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

THE HONOURABLE FREDERICK MA SI-HANG, J.P.  
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

THE HONOURABLE STEPHEN LAM SUI-LUNG, J.P.  
SECRETARY FOR CONSTITUTIONAL AFFAIRS

THE HONOURABLE JOHN TSANG CHUN-WAH, J.P.  
SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY

PROF LAU SIU-KAI, J.P.  
HEAD, CENTRAL POLICY UNIT

**CLERKS IN ATTENDANCE:**

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

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY  
GENERAL

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

## TABLING OF PAPERS

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

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Entertainment Special Effects (Fees) (Amendment) Regulation 2005.....	46/2005
Country Parks and Special Areas (Amendment) (Fees Adjustment) Regulation 2005.....	47/2005
Marine Parks and Marine Reserves (Amendment) (Fees Adjustment) Regulation 2005.....	48/2005
Telecommunications (Telecommunications Apparatus) (Exemption from Licensing) (Amendment) Order 2005 (Commencement) Notice .....	49/2005
Town Planning (Amendment) Ordinance 2004 (Commencement) Notice .....	50/2005

### Other Papers

- No. 81 — Report No. 44 of the Director of Audit on the results of value for money audits - March 2005
- No. 82 — Investment in Hangzhou Xiaoshan International Airport by the Airport Authority Hong Kong

## WRITTEN ANSWERS TO QUESTIONS

### Birth Rate of Hong Kong

1. **MR LEE CHEUK-YAN** (in Chinese): *Madam President, regarding the continuing decline in Hong Kong's birth rate, will the Government inform this Council whether it:*

- (a) *has looked into the anxieties and obstacles experienced by Hong Kong people (working women in particular) in giving birth to children; and*
- (b) *will formulate labour policies that are conducive to achieving a balance between work and family commitments, such as extending the duration of paid maternity leave, introducing family commitment leave, reducing working hours, and so on, so as to encourage Hong Kong people to give birth to children?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Chinese): Madam President,

- (a) Hong Kong has an excellent public health care system providing strong support to childbirth. Maternal mortality rate has been extremely low. The Hospital Authority and the Department of Health provide, at very low costs, a comprehensive range of antenatal, childbirth and postnatal services, as well as health promotion and disease prevention services. These services include family planning services, maternal health education programme, Integrated Child Health and Development Programme for children aged five and below to provide support to parents on pre-school child care, as well as counselling services.

While the Administration continues to believe that childbirth is a matter very much of individual choice and it is not appropriate to adopt policies to promote childbirth, in view of the very low fertility in Hong Kong, we have reviewed whether there are any government policies that may have discouraged childbirth. As a result, the differential treatment for child allowance has been removed.

Moreover, we have commissioned a consultancy study to examine the policies and practices of selected countries in encouraging childbirth and their applicability to Hong Kong. The study would also look into the views of Hong Kong people on childbirth and their worries in this respect. The Legislative Council and the public will be consulted on the proposals. The Task Force on Population Policy plans to publish its next report later in this financial year.

- (b) In respect of labour policy, the Employment Ordinance (EO) regulates the conditions of employment for employees. Among other things, the EO confers on pregnant employees maternity protection which includes maternity leave and pay, employment protection against termination of employment and prohibition of assignment of heavy, hazardous or harmful work. The EO also provides that if an employee is absent from work upon mutual agreement with the employer such as taking unpaid leave to attend to family matters, the continuity of the employment contract would not be affected by the absence. Such protection would facilitate employees in balancing their work and family needs.

In addition, the Labour Department (LD) encourages employers to adopt "employee-oriented" good people management practices and implement such practices through understanding and caring employees' needs so as to balance employees' work and their family needs.

At the moment, we do have no plans to lengthen the statutory paid maternity leave, reduce working hours and legislate on family leave to encourage more births. Any such measures will require a wide community consensus.

As mentioned in part (a) above, we have commissioned a consultancy study on the policies and practices of selected countries in encouraging childbirth and their applicability to Hong Kong and it would also look into the views of Hong Kong people on childbirth and their worries. The Task Force on Population Policy will be most grateful if Legislative Council Members would offer their views on this matter when they are consulted later.

### **Continuing Education**

2. **MR RONNY TONG** (in Chinese): *Madam President, the Continuing Education Fund (CEF), which provides continuing education and training subsidies for adults aspiring to pursuing their studies, does not accept applications by the elderly over 60 years of age. Moreover, the Adult*

*Education Subvention Scheme (AESS) does not cover any degree courses. In this connection, will the Government inform this Council:*

- (a) how it encourages the elderly over 60 years of age to continue to study and work;*
- (b) as Hong Kong's population is ageing steadily, whether it will review the eligibility criteria for the CEF applicants in order to enable more elderly people to be provided with subsidy for continuing education; and*
- (c) whether it will consider extending the AESS to cover degree courses?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Chinese): Madam President, the CEF was established with the objective of developing suitable manpower to support Hong Kong's transformation into a knowledge-based economy. The CEF also helps our workforce pursue continuing education so as to upgrade themselves to cope with the forever changing needs of society and the economy. Accordingly, the coverage of CEF focuses on the pillar industries of our economy (for example, finance, tourism, business, and so on) and generic skills that are required in the workplace (such as languages, inter-personal skills, creativity, and so on).

- (a) Since the main service targets of CEF are in-service workers, an age limit of 60 was set. There are currently many non-governmental organizations (NGOs) offering various forms of services to the elderly people, including educational activities such as courses on computer usage. Elderly people who would like to pursue continuing education can also enrol in programmes run by The Open University of Hong Kong and other extra-mural courses of the universities.

As regards employment services, the Labour Department has set up special counters in all Job Centres to provide priority employment services for elderly job-seekers aged 50 or above. They can also make use of the Telephone Employment Service after registration at Job Centres or through the Interactive Employment Service on the

Internet. In addition, more personalized employment service is also provided under the Job Matching Programme. Where necessary, elderly job-seekers will also be referred to enroll in retraining courses offered by the Employees Retraining Board.

- (b) In view of the objective of CEF and to ensure that the limited resources available are effectively directed to meet the changing manpower needs brought about by our transformation into a knowledge-based economy, we have no plan to change the current age limit.
- (c) The Government subsidizes NGOs to run informal adult education courses through the AESS. The objective is to provide basic courses of short duration for those with low education attainment and the new arrivals. In view of the objective and the service targets of AESS, it is considered not appropriate to extend it to cover degree courses or other formal education courses.

### **Discharge of Lease Conditions by Developer of Wu Chung House**

3. **MR ALAN LEONG** (in Chinese): *Madam President, the land lease of Wu Chung House (WCH) in Wan Chai provides that the developer of the building (the Developer) shall construct two pedestrian walkways at WCH connecting Hopewell Centre and private lot IL7781, and that the pedestrian walkway (the Walkway) connecting WCH and the lot shall be completed within 12 months from the date of handover of the lot to the Developer by the Government. Such requirements are also included in the conditions to the planning permission (the planning conditions) for WCH. It is understood that the ownership of the lot has all along been held by a group associated with the Developer. However, the Walkway has not yet been constructed since the completion and occupation of WCH in 1992. In explaining the matter recently, the Lands Department pointed out that when the land lease of WCH was being drafted in 1990, the Department was also processing a land exchange application submitted by the group associated with the Developer for a proposed large hotel project at Wan Chai. According to the then land exchange proposal for the hotel, the group would return the lot to the Government and take over the lot again from the Government for constructing the Walkway. However, the land exchange proposal has not been realized so far. The Lands Department further pointed out that in order to*

*implement the Walkway project, the Department will, in processing future land exchange applications, first require the Developer to revise the land leases of WCH and the lot to the effect that the Developer will undertake to complete the Walkway within a specified period. Regarding the compliance with the lease conditions and the planning conditions by the Developer, will the Government inform this Council:*

- (a) in approving the development plan of WCH, whether the authorities had granted a bonus plot ratio, additional gross floor area permissible or other preferential terms on account of the Developer's proposal to construct the above two pedestrian walkways to mitigate traffic congestion; if they had, of the details of such terms;*
- (b) whether it has assessed if the existing land lease of WCH contains any loopholes which deprive the authorities of legal grounds to require the Developer to construct the Walkway and to execute the relevant lease conditions, if it has, of the assessment results;*
- (c) whether the Walkway could have been constructed since 1992 without the handover of the lot;*
- (d) whether the failure hitherto to implement the above large hotel project is a cause of the indefinite procrastination of the construction of the Walkway;*
- (e) of the legal grounds for linking the construction of the Walkway to the hotel project concerned, given that WCH and the hotel project are two independent developments and that the land lease of WCH does not refer to the hotel project; and*
- (f) of the reasons for issuing an occupation permit and a certificate of compliance for WCH when the Developer has not fully discharged the lease conditions and the planning conditions for the building; whether such reasons include dereliction of duty on the part of government departments, and the follow-up actions as well as remedial measures to be taken by the authorities in executing the relevant lease conditions and planning conditions?*

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

Madam President, first, I would like to set out some background of the case:

- (I) The lease of WCH was granted by way of two land exchanges. The first land exchange was executed on 25 November 1987 as IL8637 and the second one which expanded the area in the first exchange, on 25 May 1992 as IL8766. In the second land exchange, lease provisions included the requirement to build a footbridge connecting Hopewell Centre to the left of WCH and IL7781 across the road.
- (II) Whilst the Government had no plans for footbridges in this location, on 7 December 1988 Hopewell Holdings Limited (Hopewell) wrote proposing to build a footbridge across Queens Road East and connecting IL7781 and that this should be included as a positive obligation under the second land exchange for WCH effective on completion of the land exchange for a proposed large hotel project. The grantee was to complete within 12 months a footbridge across Queen's Road East from the date of handover to him of IL7781 by the Government. In an application of February 1986 to the Town Planning Board by the developer for WCH, it was indicated that there was a need to construct a footbridge upon the completion of the land exchange applications concerning WCH and the proposed large hotel project. The application was approved by the Town Planning Board in April 1986. Relevant government departments had no objection to the proposed timing for the completion of the footbridge across Queen's Road East because it was a facility proposed by Hopewell to cater for its office and hotel developments and not a government proposal.
- (III) Accordingly, the land exchange for IL8766 (WCH) included SC 16(b)(ii) stating that "The portion of the pedestrian walkway to be constructed across Queen's Road East to Inland Lot No. 7781 shall be completed within 12 months from the date of handover to the Grantee of Inland Lot No. 7781 by the Government".

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

- (a) The grantee of WCH did not obtain any bonus plot ratio or other concession in the calculation of gross floor area or site coverage under the Buildings Ordinance due to requirement to construct a footbridge connecting with Hopewell Centre across Queen's Road East.
- (b) According to the existing lease of WCH, the provision requiring the construction of a footbridge to IL7781 across Queen's Road East would become effective on completion of the land exchange for a proposed large hotel project. The footbridge should be completed 12 months after possession of the lot following handover by the Government to the grantee. As the provision of a footbridge could still materialize there is no question of "loopholes" in the lease of WCH.

(c) and (d)

Since the exchange for the proposed large hotel project has not yet been approved, the requirement to build the planned footbridge has not been triggered. It is relevant to again point out that at the time of the execution of the WCH conditions, the Government had no intention of building any footbridge at that location and therefore had no reason to object to the developer's proposed timing (that is, to take place at same time as the hotel project land exchange).

- (e) As explained above, the footbridge across Queen's Road East was proposed by Hopewell to cater for its office and hotel developments and not a government proposal. As such, the special condition of the land exchange stipulated that the concerned footbridge should be completed within 12 months from the date of handover to the Grantee of Inland Lot No. 7781 by the Government. The conditions of exchange for WCH are a contract. It was appropriate to include in the conditions of the exchange the abovementioned requirement for construction of a footbridge to ensure the commitment and compliance on the part of the developer.

- (f) The developer has not failed to comply with the land grant conditions as they only call for construction of the footbridge to commence when possession of the site of IL7781 is handed over to the developer. It was on this basis that Certificate of Compliance was issued. There has been no dereliction of duty by anyone. Since the two footbridges were only shown as future provision on the approved building plans of WCH, and were not a requirement under the Buildings Ordinance for the development, the issue of occupation permit for WCH in April 1993 was not affected.

### **Review of Co-operative Societies Ordinance**

4. **MR CHIM PUI-CHUNG** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *whether it will review the Co-operative Societies Ordinance (the Ordinance) (Cap. 33) with a view to promoting the development of community economy; if it will, of the time and scope of the review; if not, the reasons for that; and*
- (b) *how it monitors registered societies?*

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

- (a) Co-operative is a form of business operation characterized by the pooling of human resources together with limited capital. Co-operatives worldwide operate under a set of globally recognized "Co-operative Principles", which include democratic control and limited capital return.

In Hong Kong, the nature of co-operatives varies widely, including the production and marketing of agriculture and fisheries products, sale of consumer goods, the operation of canteens, and so on. We have recently seen more co-operatives of social enterprise nature such as operating tuck shops and undertaking domestic cleansings.

Some consider that the promotion of the formation of such co-operatives would help to develop "community economy".

The operation of co-operatives carries commercial risks. At present, there are only a limited number of co-operatives of social enterprise nature. The number of groups with the interest and potential to develop such co-operatives is also small. Nevertheless, some co-operatives or individuals who are interested in setting up co-operatives have expressed to us their concerns about business viability, as well as insufficient capital and management skills. They have also requested for exemption from the usual statutory business obligations such business registration, profits tax, Mandatory Provident Fund contributions and employees' insurance, as well as direct assistance such as rent subsidies. Besides, they pointed out that some co-operatives might find it difficult to meet the requirements of the Ordinance on the minimum number of members for forming co-operatives and the allocation of a certain portion of net profits to the reserve fund of the co-operatives.

In response, the Health, Welfare and Food Bureau is examining the most effective ways to address the issues raised, including reviewing the Ordinance. In considering the issues, we would take into account the relevant international principles governing co-operatives, the adequacy of existing support to co-operatives of social enterprise nature, the applicability of the Ordinance, as well as the principle of fair competition, and so on.

- (b) At present, co-operatives of social enterprise nature, like other co-operatives, are regulated by the Agriculture, Fisheries and Conservation Department (AFCD) as the Registrar according to the Ordinance. Under the Ordinance, the Registrar shall audit or authorize others to audit the accounts of every co-operative and submit an audit report at least once a year. This is to monitor the operation of the co-operatives and to ensure that their accounts are true and correct so as to safeguard the interests of both the members and creditors of these co-operatives. Besides, the staff of the co-operative section under the AFCD will pay regular visits to the co-operatives to advise them on management matters and assist their committees in compiling and checking the accounts. Upon

invitation, the staff will also attend the committee meetings of co-operatives to be held at least once a month, and help the committee members to carry out their duties according to the Ordinance and the by-laws.

### **Providing Tax Concession for Expenses on Medical Insurance**

5. **DR KWOK KA-KI** (in Chinese): *Madam President, it has been reported that the Secretary for Health, Welfare and Food has advised that a public consultation on providing tax concession for expenses on taking out medical insurance will be conducted at the end of this year. In this connection, will the Government inform this Council:*

- (a) whether any reference to relevant experience in foreign countries has been made; if so, of the details;*
- (b) of the consultation period for the above plan and the timetable for the implementation of the relevant policy;*
- (c) whether it has assessed the impact of the implementation of the above plan on the development of public and private medical services, and whether the plan will address the problem that the majority of medical services are being provided by the public health care system; and*
- (d) of the estimated annual tax revenue foregone due to the implementation of the above plan, and whether the demand on public medical services will thus be reduced; if so, of the estimated annual saving in this respect?*

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

(a) to (d)

Our existing public health services are highly subsidized. Given an ageing population, rising expectations of the community and

escalating medical cost due to technology advancement, the financial sustainability of our health care system has been an important subject which draws the attention of the Government.

In the 2005-06 Budget, the Financial Secretary has pointed out the Government would consider the tax arrangements related to health insurance when examining the overall health care financing options. The reconstituted Health and Medical Development Advisory Committee (the Committee) will explore and deliberate on possible financing options and formulate future strategies on health care services. We will undertake studies and make reference to relevant experience in other jurisdictions; and assess the impact of various financing options on the developments of public and private health care. Private health insurance is one of the health care financing options. We will also study the impact of providing tax concession for expenses on taking out insurance when considering various financing options.

The Committee has already begun its work and we envisage that it will submit its interim report on long-term health care financing arrangement by the end of this year.

### **Prevention and Control of Infectious Diseases in Residential Care Homes for Elderly**

6. **MR TAM YIU-CHUNG** (in Chinese): *Madam President, regarding the prevention and control of infectious diseases in residential care homes for the elderly (RCHEs) to safeguard the health of elderly residents, will the Government inform this Council of :*

(a) *the following in the past three years :*

(i) *the five diseases with the highest incidence rates in RCHEs which fall within the meaning of infectious disease under the Quarantine and Prevention of Disease Ordinance, and the number of elderly residents infected with such diseases; and*

- (ii) *the respective numbers of elderly residents infected with viral gastroenteritis and myiasis in RCHEs;*
- (b) *the measures to strengthen the co-ordination among the Department of Health (DH), the Hospital Authority (HA) and the Occupational Safety and Health Council (OSHC), so as to avoid issuance of contradictory guidelines to RCHEs, and to enhance the effectiveness of such guidelines; and*
- (c) *its plans to facilitate the efforts of RCHEs in strengthening the prevention and control of infectious diseases to safeguard the health of elderly residents?*

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

- (a) From January 2002 to December 2004, the following five statutory notifiable infectious diseases under the Quarantine and Prevention of Disease Ordinance (Cap. 141) had the highest reported number of infection cases in RCHEs:

<i>Statutory notifiable infectious diseases</i>	<i>Total number of infection cases in RCHEs from January 2002 to December 2004</i>
Tuberculosis	1 112
Food poisoning	31
Amebic dysentery	2
Bacillary dysentery	2
Viral hepatitis	1

For the same period, there were 1 520 infection cases involving viral gastroenteritis and 13 infection cases involving myiasis in RCHEs.

- (b) In accordance with their respective ambit and responsibilities, the DH, the Social Welfare Department (SWD), and the OSHC have issued guidelines/code of practice to RCHEs respectively. The DH's Guidelines on Prevention of Communicable Diseases in

Residential Care Homes for Elderly (the Guidelines) focuses on infection control within RCHEs. The SWD's Code of Practice for Residential Care Homes (Elderly Persons) (CoP) focuses on all the licensing aspects, including infection control. The OSHC's guidelines to RCHEs focuses on the occupational safety and health of the RCHE workers. The DH, the SWD and the OSHC, together with the HA, have been working closely together to ensure that the advice in these respective guidelines are consistent. There are regular meetings between the DH, the SWD, the HA and the Health, Welfare and Food Bureau to discuss interface issues.

The DH, the SWD and the OSHC review and update their respective guidelines on a need basis, with inputs from relevant parties. At present, the SWD is in the process of reviewing the CoP. The revised CoP will have a new chapter on infection control.

- (c) Apart from issuing guidelines, the Administration has taken the following measures to strengthen the prevention and control of infectious diseases in RCHEs:
- (i) at the advice of the DH, the SWD has since November 2003 required each RCHE to designate an Infection Control Officer (ICO) to co-ordinate and monitor the prevention and control of infectious diseases within RCHEs. The DH is providing training to the ICOs;
  - (ii) the SWD conducts regular and surprise inspections to all RCHEs, to ensure that they comply with the licensing requirements including infection control. Since 2003, a referral system has been set up under which the DH will provide on-site training to RCHEs which are identified by the SWD to require training on infection control;
  - (iii) the SWD in collaboration with the DH conducted a special exercise in 2004 to jointly visit 90 RCHEs, including some identified to have a higher risk in terms of infection control. After in-depth on-site assessments and subsequent data

analysis, the SWD and the DH jointly formulated tailor-made action plans for 12 RCHEs to improve their infection control practices. Nine have already made improvements. The SWD and the DH will continue to monitor the progress of the remaining three;

- (iv) recently, the Centre for Health Protection (CHP) of the DH has joined hands with the SWD to extend the sentinel surveillance system to 57 RCHEs. RCHEs participating in the scheme will report statistics on fever and acute diarrhoea cases among their elderly residents to the CHP on a weekly basis. This will facilitate the detection of community-wide increase in acute febrile illnesses such as influenza and acute gastroenteritis among the elderly population living in RCHEs, and the issue of timely health advice to the public; and
- (v) to help RCHEs improve their infection control facilities, a one-off grant under the Lotteries Fund was made available for RCHEs to apply between late 2003 and March 2004 to cover expenses on infectious control facilities within their premises. Over 400 RCHEs had benefited from the grant.

### **Student Subsidies**

7. **MS AUDREY EU** (in Chinese): *Madam President, will the Government inform this Council of the respective average annual amounts of public subsidies provided to each primary school student, secondary school student and university student from the 2004-05 to 2009-10 school years?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Chinese): Madam President, the Government compiles its annual estimates and maintains expenditure information on a financial year basis. Financial information on the average amount of expenditure under Head 156 Education and Manpower Bureau per primary and secondary school student and Head 190 University Grants Committee (UGC) per university student for 2004-05 Revised Estimate and 2005-06 Draft Estimate is given below. For 2006-07 and beyond, as the annual provision for the education sector has yet to be determined having regard

to, *inter alia*, the fiscal position of the Government, the average expenditure information is not available.

	<i>Average government expenditure per student</i>	
	<i>2004-05</i>	<i>2005-06</i>
	<i>Revised Estimate</i>	<i>Draft Estimate</i>
	<i>\$</i>	<i>\$</i>
Primary <sup>(1)</sup>	24,960	27,180
Secondary <sup>(1)</sup>	34,290	35,430
Universities (funded by UGC) <sup>(2)</sup>	204,400	207,400

Note

- (1) This refers to the overall weighted average government expenditure per student of publicly-funded primary/secondary school places. For secondary schools, the estimated tuition fee income has been deducted in the calculation where appropriate.
- (2) The average government expenditure per university student is provided by the UGC for the relevant academic years. In this context, it is calculated on the basis of the institutions' total recurrent funding requirements and full-time equivalent approved student number targets for all levels of studies before deduction of tuition fee income. It does not include non-recurrent funding for the Matching Grant Scheme, Student Exchange Programme and Mainland Scholarship Scheme.

## Regulation of Vessel Speed

8. **MS MIRIAM LAU** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *of the classes of vessels to which Speed Restriction Exemption Permits (SREPs) are currently granted by the Director of Marine and the grounds for granting such exemptions; and*
- (b) *whether it will make regulations to specify the maximum permitted speed for all vessels navigating during the hours of darkness or in poor visibility conditions so as to enhance safety at sea; if so, of the details of the regulations; if not, the reasons for that?*

**SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR** (in Chinese): Madam President, the Fourth Schedule to the Shipping and Port Control Regulations (Cap. 313A) stipulates the maximum permitted speed for all vessels underway in the harbour and principal fairways, ranging from 8 to 15 knots. The Schedule also stipulates 15 knots as the maximum permitted speed for high speed craft underway anywhere in the waters at night. These

speed limits are set having regard to relevant factors including traffic volume, availability of sea space, safety of sailing at night, prevailing visibility and efficiency of port operations and transport services. In addition, the Shipping and Port Control Ordinance (Cap. 313) requires vessel masters to comply with the International Regulations for Preventing Collisions at Sea (the Collision Regulations). According to the Collision Regulations, vessel masters shall proceed at safe speed appropriate to the prevailing circumstances. Imposing the responsibility on masters to navigate safely is a common international practice in the shipping industry.

With the power to grant exemption under section 63 of Cap. 313, the Director of Marine has granted a total of 132 SREPs to high speed craft operating on scheduled ferry services to outlying islands, Discovery Bay, Park Island, Macao and 17 Pearl River ports. Vessels holding SREPs are allowed to navigate at a speed higher than the limits specified in the Schedule, ranging from 15 to 35 knots depending on where they navigate. The exemption is granted so that these vessels may travel at a speed higher than the limits to meet public demand for fast and efficient transport by sea. To ensure that safety is not compromised, SREPs are granted only to vessels which meet safety standards and which are operated by crew holding additional specified certificates (such as Type Rating Certificate and Radar Observer Certificate). Also, the exemption will not be applicable whenever visibility is below 1 nautical mile. The Marine Department (MD) monitors the operation of high speed craft holding SREPs closely to ensure compliance with the permit conditions, and withdraws them in case of any breach of such conditions.

With the use of modern navigation equipment and aids by vessels, the MD considers that the existing regulatory framework as detailed above could achieve port efficiency while providing safeguard to navigational safety. The MD will continue to enforce compliance with the statutory speed limits and the SREP conditions vigorously.

### **Spamming of Chargeable Short Messages**

9. **MR JASPER TSANG** (in Chinese): *Madam President, it has been reported that some offshore and local companies collect mobile phone numbers on the Internet and then send out short messages (SMS) for which the fees will be charged to the subscribers of the phone numbers concerned. In this connection, will the Government inform this Council:*

- (a) *of the respective numbers of complaints and enquiries received in respect of the spamming of such chargeable SMS in each of the past three years;*
- (b) *how the spamming of such SMS is regulated under the existing legislation and whether it will consider amending the legislation to strengthen the regulation; and*
- (c) *whether it will urge the local telecommunications operators, based on their subscribers' preference, to stop offshore companies, which collect mobile phone numbers on the Internet, from sending out SMS chargeable to the subscribers of the phone numbers concerned, or request the overseas telecommunications regulatory authorities to curb such practice?*

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

- (a) Over the past three years, the Office of the Telecommunications Authority (OFTA) has received a total of six enquiries in respect of spamming of chargeable SMS (one in 2004; five in 2005), but has not handled any complaints on spamming of chargeable SMS.
- (b) At present, mobile network operators have already promulgated a code of practice on the handling of inter-operator unsolicited promotional SMS. The OFTA is now discussing with the industry to extend this code of practice to cover intra-operator unsolicited messages (including the promotional messages sent by the operators to their own customers). We hope that operators can help combat the problem of spamming of SMS through self-regulation. We shall keep in view the situation, and in drafting the anti-spam legislation, consider if sending of unsolicited SMS should be regulated under legislation.
- (c) The OFTA is very concerned about the problem of spamming of chargeable SMS, and hence is discussing with the local mobile network operators for counter-measures.

Since we have to work with other economies to tackle effectively the problem of spamming of messages (including SMS) from outside Hong Kong, we shall

continue to participate actively in international fora and functions on anti-spamming, and share information and experience with other economies to combat the problem of cross-border spamming of messages.

### **Operation of Two Railway Corporations**

10. **MS LI FUNG-YING** (in Chinese): *Madam President, regarding the operation of the MTR Corporation Limited (MTRCL) and the Kowloon-Canton Railway Corporation (KCRC), will the Government inform this Council:*

- (a) *of the respective numbers of staff of the two corporations each year during the period between 1 January 2002 and 31 March 2005, together with a breakdown by terms of employment; and among these staff, the number of those engaged in duties such as front-line train operations, logistics support in maintenance and inspection, and engineering services;*
- (b) *of the respective total numbers of outsourcing contracts for works and services awarded/to be awarded by the two corporations each year during the above period and in the coming year; and in relation to such contracts, the work and service items, the number of workers engaged in outsourced works and services, the contract periods and costs involved, the total number of affected railway corporation staff, and how the two corporations handled/will handle the problems concerning the affected staff;*
- (c) *whether it has conducted a comprehensive review on the adjustments to the terms of employment for staff made by the two corporations in recent years, and studied the impact of such adjustments on the overall rail operation; if it has, of the details and results of the study; if not, the reasons for that and whether it has any plan to conduct such review and study in future; and*
- (d) *whether any preliminary results regarding the impact of the merger on the staff were available from the merger study conducted by the two corporations; if they were, of the details; if not, the time when the staff and the public will be informed of such results?*

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

- (a) For the period between 1 January 2002 to 31 March 2005, based on the railway corporations' existing establishment, the respective total numbers of staff employed by the two railway corporations are as follow:

MTRCL

<i>Business Functions</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005 (up to 31 March)</i>
Railway Operations (including maintenance)	4 836	4 730	4 669	4 654
Engineering and project	551	402	366	346
Corporate management and service departments	886	855	860	860
Property development and management	618	642	660	673
Total	6 891 (596)	6 629 (476)	6 555 (529)	6 533 (543)

(Out of the total number of staff, the number of contract staff is put in bracket.)

KCRC

<i>Business Functions</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005 (up to 31 March)</i>
Railway Operations (including maintenance)	3 160	3 858	4 096	4 200
Engineering and project	1 577	1 211	867	804
Corporate management and service departments	701	705	802	799
Property development and management	92	97	109	111
Total	5 510 (1 680)	5 871 (1 470)	5 874 (1 485)	5 914 (1 561)

(Out of the total number of staff, the number of contract staff is put in bracket.)

- (b) The respective total numbers of outsourcing contracts for works and services awarded/to be awarded by the two railway corporations each year between 1 January 2002 and 31 March 2005 and in the coming year are as follows:

#### MTRCL

#### Breakdown of Outsourced Contracts by the MTRCL

<i>Nature of Contracts (that is, the work and service items)</i>	<i>Number of Contracts</i>			
	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Railway Maintenance	22	34	40	40
Railway Service	5	9	10	10
Cleaning	6	8	8	8
<b>Total</b>	<b>33</b>	<b>51</b>	<b>58</b>	<b>58</b>

The MTRCL indicates that there is no additional outsourcing project by the Corporation for the remaining months of year 2005 and year 2006.

#### Annual Expenditure on Outsourced Contracts by MTRCL

	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006 (estimate)</i>
Annual expenditure (in \$ millions)	243	319	336	327	Comparable to that of 2005

#### KCRC

#### Breakdown of Outsourced Contracts by the KCRC

<i>Nature of Contracts<sup>1</sup> (that is, the work and service items)</i>	<i>Number of Contracts</i>				
	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006 (estimate)</i>
Railway Maintenance	11	16	19	32	25
Railway Service	1	1	0	1	1
Cleaning	1	4	2	1	7
<b>Total</b>	<b>13</b>	<b>21</b>	<b>21</b>	<b>34</b>	<b>33</b>

<sup>1</sup> The information provided by the KCRC covers contracts with contract sum of \$1 million or above. According to the KCRC, the contracts with contract sum below \$1 million are small scale contracts. Some of them are short-term contracts which were entered into on a need basis

## Annual Expenditure on Outsourced Contracts by the KCRC

	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006 (estimate)</i>
Annual expenditure (in \$ millions)	134	150	201	292	313

Since the two railway corporations manage and monitor their outsourced contracts by contractors' performance rather than by number of staff of individual contractors, they cannot provide the total number of such staff engaged in these contracts.

The two railway corporations advise that the contract period of the outsourced engineering and service contracts varies according to the nature of the contracts. Generally speaking, for the MTRCL, the contract period ranges from two to five years. For some contracts which require a longer follow-up period or continuity of service such as maintenance service for infrastructure and rolling stock, the contract period normally lasts for six to seven years. For the KCRC, the contract period ranges from one to five years.

In planning and implementing outsourcing contracts, the two railway corporations give full regard to the interests of staff. The two railway corporations point out that job security of staff has not been affected by outsourcing activities.

- (c) The two railway corporations are directly responsible for managing their human resources in the provision of efficient and reliable railway services. Like other commercial entities, the two railway corporations review on its own the terms of employment of their staff including any adjustment. The role of the Government as the regulator of railway services is to closely monitor the performance of the railways, in particular, the safety and reliability aspects.
- (d) The two railway corporations pledge that they regard staff as their most important asset and are committed to looking after the interests of all staff in taking forward the merger issue. In the course of the merger discussion, the two railway corporations have enhanced communication with their staff, and have established channels to

listen to their concerns and views. So far, the two railway corporations' discussions of the merger are conducted from a broad perspective and no detailed plan has been made yet. If the merger were to proceed, they would conduct further studies on post-merger staffing arrangement. The two railway corporations will further consult their staff on issues affecting them before making final decisions.

### **Supply of Hotel Rooms**

11. **MR ABRAHAM SHEK:** *Madam President, as I have received many complaints from members of the tourism industry that there are insufficient three-star hotel rooms to meet the demand of an increasing number of mainland tourists, will the Government inform this Council whether:*

- (a) it has formulated short-term and long-term measures to increase the supply of three-star hotel rooms; if so, of the details of these measures; if not, the reasons for that; and*
- (b) it will streamline the procedure for processing applications for development of hotels on sites originally designated for industrial use; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS:** Madam President, my reply to the two-part question is as follows:

- (a) The Government believes that the supply of hotels should be a matter for the market. According to the information of the Planning Department and the Hong Kong Tourism Board as at December 2004, the number of hotel rooms will increase by about 14 000 by the end of 2006, bringing the total number of rooms from 39 000 to about 53 000. Based on the location, facilities and the number of rooms to be provided as reported, it is expected that more than half of them will be medium-tariff hotels. This reflects that the market has been responsive to the tourism growth and changing trend to meet the demands of visitors. The Government will continue to monitor the supply of hotel rooms closely.

- (b) With a role to provide business-friendly conditions, the Government has been facilitating various sectors (including the hotel industry) to operate under a better business environment through streamlining regulatory regimes and simplifying administrative procedures.

In respect of planning, the Outline Zoning Plans provide the necessary flexibility in meeting the diverse demands from developers. The Town Planning Board (TPB) has re-zoned a number of land originally designated for industrial use into "Other Specified Uses" annotated "Business" (OU(B)) zone. Planning applications for hotel development on these sites are not uncommon and all applications will be considered by the TPB within two months upon receipt, under the Town Planning Ordinance. Since 2003, 37 new applications for hotel development in "OU(B)" zone (which were previously zoned for industrial use) have been approved by the TPB in areas such as Wong Chuk Hang, Kwun Tong, San Po Kong and Cheung Sha Wan.

Where in line with the planning intention, the Lands Department processes applications of developers for lease modification to allow hotel development with premium charged according to the prevailing policies.

Where the Outline Zoning Plan and the lease conditions permit, the developers may choose whether to develop a hotel or a domestic building on a site. Under the Building (Planning) Regulation 23A, the Building Authority may treat a hotel building as a "non-domestic building" for permitting a higher plot ratio and site coverage. This provides the incentives for developers to develop hotel buildings.

The Government will continue to simplify the whole development approval procedure, including that in processing applications for development of hotels on sites originally designated for industrial use and the lease modification, with a view to minimizing duplication and enhance efficiency.

### **Increasing Toll of Eastern Harbour Crossing**

12. **MR FREDERICK FUNG** (in Chinese): *Madam President, under the Eastern Harbour Crossing Ordinance (the EHC Ordinance) (Cap. 215), the tolls*

*for the Eastern Harbour Crossing (EHC) may be varied by agreement between the Administration and the tunnel company. If an agreement cannot be reached, either party can submit the question of the variation of tolls to arbitration. The arbitrators shall be guided by the need to ensure that the carrying out by the tunnel company of its obligation, or the exercise of its rights under the Ordinance is reasonable but not excessively remunerative to the tunnel company, having regard to, inter alia, any material change in the economic conditions of Hong Kong since the enactment of the Ordinance or since the tolls were last determined. After its application for a toll increase was rejected by the Government last year, the tunnel company submitted the matter to arbitration. The arbitrators ruled in January this year that the level of reasonable but not excessive remuneration for the tunnel company was an internal rate of return (IRR) on equity after tax of between 15% and 17% over the life of the franchise. The tunnel company was therefore entitled to increase the tolls in accordance with the arbitrators' ruling. In this connection, will the Government inform this Council whether it has assessed if:*

- (a) the IRR adopted in this ruling will become the only criterion for the EHC's future toll adjustments, making it a guaranteed rate of return in disguise, and hence rendering the legislative provision that the arbitrators shall, in making the arbitration award, have regard to the economic conditions of Hong Kong an empty clause; if it has made such an assessment, of the results and its measures to tackle the situation; if it has not made such an assessment, the reasons for that; and*
- (b) the operators of other road tunnels can similarly apply for toll adjustments on grounds that the relevant IRR has not been achieved; if the assessment result is in the affirmative, of its measures to tackle the situation?*

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

- (a) The award of the present arbitration is applicable to the present toll variation, and will not have binding effect on future toll variations. Any future toll increase application by the New Hong Kong Tunnel Company Limited (NHKTC), franchisee of the EHC, will still require the agreement of the Chief Executive in Council according

to section 55(3)(a) of the EHC Ordinance, and the Administration will take into account all relevant factors before making a decision. If no agreement on toll variation is reached between the NHKTC and the Chief Executive in Council, the NHKTC may submit the question of variation of tolls to arbitration. The EHC Ordinance stipulates that the arbitrators shall be guided by the need to ensure that the NHKTC is reasonably but not excessively remunerated, having regard to the considerations set out in section 55(4)(a) to (f) of the EHC Ordinance, which include any material change in the economic conditions of Hong Kong since the enactment of the EHC Ordinance or, as the case may be, since tolls were last determined.

- (b) The band of reasonable but not excessive remuneration to the NHKTC was determined specifically in the context of the arbitration regarding the NHKTC's current toll increase application for the EHC. Any toll increase applications from the franchisees of other road tunnels will be considered on a case-by-case basis in accordance with the relevant provisions of the respective franchises.

### **Abuse of Protection of Wages on Insolvency Fund**

13. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, it has been reported that the problem of local Chinese restaurants closing down with wages in arrears has been serious these days and the catering industry accounts for the largest number of applications recently received by the Protection of Wages on Insolvency Fund (PWIF). Last year, the money involved in the applications received by the PWIF amounted to \$500 million, among which nearly \$200 million involved those from the catering industry. In this connection, will the Government inform this Council:*

- (a) *of the number and details of successful prosecutions against eateries which abused the PWIF over the past three years;*
- (b) *of the means to prevent eateries from abusing the PWIF; and*
- (c) *whether it will consider scaling the levy rates of the business registration certificates by trades and charge a higher levy on the*

*certificates for those trades which were often involved in arrears of wages; if not, the reasons for that?*

**SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR** (in Chinese): Madam President,

- (a) The Administration is very concerned about possible abuse of the PWIF. To prevent abuse of the PWIF and combat fraud, the Administration set up an inter-departmental Task Force in November 2002. The Task Force comprises representatives of the Labour Department (LD), the Commercial Crime Bureau (CCB) of the Hong Kong Police Force, the Official Receiver's Office (ORO) and the Legal Aid Department.

Since the formation of the Task Force, the LD has referred 25 cases of suspected abuses from the catering trade to the Task Force. The CCB arrested nine persons in connection with two of the cases. Of the remaining 23 cases, 20 are still under investigation by the CCB and the ORO, while three were closed due to lack of sufficient evidence.

- (b) Apart from setting up the Task Force, the Administration has adopted the following measures to guard against abuse of the PWIF:

(i) *Requirement of provision of truthful information*

Every person applying for the PWIF is required to make a statutory declaration before the Commissioner for Oaths when submitting the application, failing which his application could be rejected. The employer concerned is also required to produce relevant documents and information to assist the LD in processing the application. Under section 26 of the Protection of Wages on Insolvency Ordinance, any person who provides false information or documents commits an offence and is liable to a fine of \$50,000 and imprisonment for three months.

(ii) *Stringent vetting procedures*

On receipt of an application, the LD would check against its comprehensive computer database of past claims to the PWIF. The stringent checking aims at detecting duplicate or dubious claims. Where necessary, the LD will verify the information with the Inland Revenue Department, the Mandatory Provident Fund Schemes Authority and other government departments. Information of directors who appear in the database twice in any five years will also be referred to the ORO for consideration of director disqualification.

(iii) *Setting up of a special investigation team*

In May 2003, a dedicated team comprising experienced labour officers was set up in the LD to conduct in-depth investigation into dubious PWIF applications. It also serves as the LD's focal point of contact with the CCB and the ORO in investigating suspected cases involving abuse of the PWIF. If offences such as illegal transfer of assets, fraud, or conspiracy to defraud are suspected to have been committed, the LD will refer the case to the CCB and the ORO for investigation.

(iv) *Proactive involvement in liquidation process*

The LD assumes a proactive role in attending creditors' meetings in large insolvency cases with a view to monitoring the liquidation process. It also maintains close liaison with insolvency practitioners to prevent possible abuse of the PWIF.

(v) *Stepping up prosecution of wage offences*

In September 2002, the LD established the Employment Claims Investigation Division to step up prosecution of employers who fail to discharge their obligations under the Employment Ordinance. Rigorous enforcement and

prosecution actions have helped to prevent cases of non-payment of wages from developing into PWIF claims.

(vi) *Enhanced publicity*

The LD has stepped up publicity to remind employers that failure to pay wages on time is a serious offence. It also encourages employees to report non-payment of wages as well as suspected fraudulent acts committed by employers in the course of the company's winding-up.

(vii) *Closer liaison with the Food and Environmental Hygiene Department (FEHD)*

The LD has since December 2004 established a focal point of contact with the FEHD which is responsible for the issue of restaurant licences. The aim is to facilitate the exchange of intelligence on suspected cases of abuse of the PWIF.

(c) The current flat-rate levy system is simple and efficient. Collection of the levy incurs practically no extra administrative costs as it is collected when the Business Registration Fee is paid. If levy is collected according to different rates imposed on different industries, the administrative cost will be fairly high. Besides, there will be problems in implementation because:

- (i) the distribution pattern of PWIF applications by industries varies from year to year, making it difficult to determine an appropriate level of levy for each of the selected industries;
- (ii) the classification of businesses by industry, which may change over time, would require an elaborate set of rules. Extra resources would be needed for setting up a monitoring system to ensure the accuracy of the information submitted; and
- (iii) an appeal machinery would have to be established should there be arguments as to which industries should pay a higher levy and the rate of levy.

Although we have no intention of scaling the levy rates of the business registration certificates by trades at present, we will continue to review the proposal from time to time.

### **Noise Insulation Capacity of Partition Walls of PRH Units**

14. **MR ALBERT CHAN** (in Chinese): *Madam President, I have received a number of complaints from residents of Harmony and Concord-type public rental housing (PRH) blocks that, owing to the poor noise insulation capacity of their flats' wall partitions, which are made from prefabricated building components, they can clearly hear their neighbours' conversations and other household activities noises, and this has caused nuisances to their living. In this connection, will the Government inform this Council:*

- (a) of the number of such complaints received by the Housing Department in each of the past three years, together with a breakdown by estates and types of housing blocks;*
- (b) whether it has established any standards for the noise insulation capacity of the partition walls between PRH flats; if it has, of the details of the standards; if not, the reasons for that; and*
- (c) whether it has measures to improve the noise insulation capacity of partition walls between the flats in the completed Harmony and Concord blocks; if so, of the details of the measures; if not, the reasons for that?*

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

- (a) The majority of complaints about excessive neighbourhood noise in public housing estates are attributable to noisy activities such as moving of furniture, banging of objects or quarrels during unsocial hours. We have recently received a complaint against repeated noise nuisance from the neighbourhood leading to doubts about adequacy of the sound insulation design of the flat. The Housing Department is liaising closely with the tenant concerned to identify the cause of the problem and an effective solution.

- (b) There is no requirement under the Buildings Ordinance and existing environmental legislation over the sound insulation standard of walls. The Buildings Ordinance, however, has stipulated the minimum thickness requirements for walls and floor slabs. Although these requirements are aimed to ensure fire safety, walls and floor slabs meeting these requirements should be generally effective in providing insulation to day-to-day household noises. All party walls (that is, walls separating adjacent residential flats) and floor slabs used in public housing flats comply with these statutory standards.

Since 1992, pre-cast party walls have been widely used in the Housing Authority's public housing estates. Like walls constructed *in-situ*, the thickness of pre-cast party walls complies with the statutory standards described above. In procuring pre-cast party walls, the Housing Department also makes reference to the British Standard requiring a sound insulation value of 32 decibels. Furthermore, we will ensure that the joints are sealed properly when installing the party walls so as to minimize sound transmission.

- (c) Pre-cast party walls and floor slabs have been used in Harmony and Concord types of public housing blocks for over 10 years. As their sound insulation performance is generally satisfactory, there is no need for improvement at the moment. Nonetheless, we will keep in view the latest developments in construction design and technology and make enhancements as and when necessary.

As for individual cases of neighbourhood noise nuisance, estate management will take positive follow-up actions on any complaints. Residents are from time to time reminded to be considerate and refrain from generating excessive noise.

### **Electronic Waste Workshops Causing Environmental Pollution**

15. **MISS CHOY SO-YUK** (in Chinese): *Madam President, it has been reported that Greenpeace, a green group, discovered several electronic waste (e-waste) workshops in operation in Hung Lung Hang, Fanling, and collected soil samples from the site of one such workshop for laboratory test. The test*

*results revealed that the soil contained the pollutants lead and brominated flame retardants. The Environmental Protection Department (EPD) subsequently collected soil samples from six e-waste workshops. In this connection, will the Government inform this Council :*

- (a) of the test results of the soil samples collected from the above e-waste workshops by the EPD; if the results are not yet available, when they will be made public by the EPD;*
- (b) given the information of the EPD which reveals that 91 e-waste workshops are in operation in Hong Kong, whether the EPD has any plan to conduct site inspection of them one by one to check if they have caused any environmental pollution; if it has, of the details of the plan; if not, the reasons for that; and*
- (c) whether the Government has any plan to step up the regulation of the operation of e-waste workshops; if it has, of the details of the plan; if not, the reasons for that?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Chinese): Madam President,

- (a) The EPD collected soil samples for laboratory analysis from areas inside and outside six e-waste workshops in Hung Lung Hang, Fanling. Analysis of the samples is substantially completed. The EPD expects to announce the laboratory and analysis results within this week.
- (b) The 91 e-waste workshops are located in remote areas of the New Territories, with about half in the North District, one third in Yuen Long and the remaining ones in Fanling and Kwu Tung. The EPD has plans in place to conduct regular and surprise inspections of these workshops. In fact, the EPD has visited each and every one of the 91 e-waste workshops, with a frequency of one to 12 times. Since 2004, the EPD has participated in many joint operations with the Immigration Department and the police and has successfully forced entry into some of those workshops that were always heavily guarded and locked up, with the aim to investigate suspected illegal activities in these workshops.

- (c) The dust, noise, wastewater and waste generated at e-waste workshops are subject respectively to the control of the Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance, Waste Disposal Ordinance and their relevant subsidiary regulations. The EPD will initiate appropriate legal actions and prosecutions against those breaching the Ordinances. According to the EPD's inspection results, these e-waste workshops are primarily used for storing used/second-hand electrical and electronic products (such as outdated/waste computers, TVs, home appliances). Nonetheless, simple operations of mechanical dismantling of e-waste have been found in a small number of workshops, but no chemical process was involved. Since 2004, the EPD has stepped up monitoring and enforcement, and has successfully secured seven convictions against operations that breached the Ordinances. The EPD will continue to monitor closely the e-waste workshops to ensure their compliance with the legal requirements. In addition, the EPD has enhanced co-operation with other departments such as the Immigration Department, the police, Planning Department and Lands Department, working together to suppress suspected illegal operations of e-waste workshops.

### **Design Support Programme**

16. **DR RAYMOND HO** (in Chinese): *Madam President, it has been reported that since the Design Support Programme (DSP), set up by the Government with an allocation of \$180 million, was open to applications in August last year, only four applications have been approved, involving grants of \$12 million in total. In this connection, will the Government inform this Council:*

- (a) *of the total number of applications received so far and the reasons for approving only four applications;*
- (b) *whether it has reviewed how the assessment criteria and procedure may be improved; and*
- (c) *of the measures to promote the DSP?*

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

- (a) The DesignSmart Initiative (the Initiative) aims at promoting the wider use of design in industries to help them move up the value chain through implementing the DSP with a provision of \$180 million to fund projects that promote design development, and supporting the establishment of a one-stop centre with a provision of \$70 million. The DSP comprise the Design Research Scheme, Design-Business Collaboration Scheme, Professional Continuing Education Scheme and General Support Scheme. These funding schemes have been launched in stages since August 2004. To date we have received a total of 40 applications. Among them, nine projects have been approved after assessment, involving some \$20 million of funding, and three remaining applications are being processed.
- (b) We have been keeping the vetting criteria and DSP procedures under review for improvement, taking into account the operating experience and views from the industry. We introduced in mid-March this year a number of measures to make the DSP more user-friendly and to encourage more eligible companies or organizations to apply. These measures include accepting applications for the General Support Scheme and the Professional Continuing Education Scheme all year round instead of on a periodic basis; introducing simplified application forms; pledging to inform applicants of the results of their applications within 50 working days; and setting up a help-desk to assist applicants in completing the application procedures.
- (c) We will continue to promote the Initiative actively through distributing promotional leaflets widely, organizing talks for small and medium enterprises and introducing the Initiative to relevant trade associations, professional designer bodies and design institutes. We will publicize the Initiative through various design-related events and a dedicated website, and make use of industry publications as well as opportunities of media interviews and enquiries from time to time to promote the Initiative, update the progress and encourage industry participation.

## Meetings Between Chief Secretary for Administration and Officials of Central People's Government

17. **MS EMILY LAU** (in Chinese): *Madam President, will the executive authorities inform this Council of the number of times the Chief Secretary for Administration met the officials of the Central People's Government in the past two years while he was in the Mainland, together with the date of each meeting as well as the name(s) and rank(s) of the mainland official(s) he met and the contents of discussion on each occasion?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Chinese): Madam President, since 2003, the Chief Secretary for Administration has met officials of the Central People's Government in the Mainland on five occasions. Details of the meetings are as follows:

<i>Date</i>	<i>Name(s) and position(s) of officials(s) of the Central People's Government</i>	<i>Contents/nature</i>
10-11 February 2004	Mr LIAO Hui, Director of the Hong Kong and Macao Affairs Office (HKMAO) of the State Council; Mr LI Fei, Vice-Chairman of the Legislative Affairs Commission of the Standing Committee of the National People's Congress and Prof XIAO Weiyun, mainland legal expert, and others	Constitutional Development Task Force visited Beijing to discuss constitutional development matters
17 August 2004	Mr QIAO Xiaoyang, Deputy Secretary-General of the Standing Committee of National People's Congress, and others	Courtesy visit while on leave
30 September 2004	National leaders and officials attending the National Day Celebration	Attended the National Day Celebration
22 February 2005	Mr LIAO Hui, Director of the HKMAO, and others	Discussed constitutional development matters
28 March 2005	Mr LIAO Hui, Director of the HKMAO, and others	On leave; discussed constitutional development and the latest situation in Hong Kong

**Issue of Taxi Driving Licences to Non-Hong Kong Residents**

18. **MR LAU KONG-WAH** (in Chinese): *Madam President, it has been reported that some days ago, a taxi driver involved in a traffic accident was found to have come from the Mainland on an Exit-entry Permit for Travelling to and from Hong Kong and Macao (commonly known as "two-way permit"), but he was holding a taxi driving licence issued by the Transport Department. In this connection, will the Government inform this Council:*

- (a) of the number of persons issued with taxi driving licences who are not holders of Hong Kong Identity Cards and, among such persons, the number of those from the Mainland;*
- (b) whether any motor vehicles insurance policies (in particular those covering third party risks) taken out for a taxi will be invalidated for the reason that at the time of a traffic accident, the driver of the taxi is a non-Hong Kong resident working as a taxi driver or engaging in the taxi trade illegally;*
- (c) whether it has looked into the problems relating to the issue of taxi driving licences to non-Hong Kong residents, and how this practice affects the policy that visitors are not allowed to take up paid or unpaid employment, or to establish or join in any business in Hong Kong; and*
- (d) whether legislative amendments will be introduced to cease issuing taxi driving licences to non-Hong Kong residents; if not, of the reasons for that?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS** (in Chinese): *Madam President, as at 31 March 2005, four out of the 225 812 Hong Kong taxi driving licence holders produced identity documents other than the Hong Kong Identity Card in applying for their licences. One of them held an Exit-entry Permit for Travelling to and from Hong Kong and Macao (commonly known as "two-way permit") issued by the mainland authorities and the other three produced passports as their identity documents.*

The issue of a taxi driving licence to a person only means that the Transport Department is satisfied with his competence to drive a taxi. Any person who lands in Hong Kong as a visitor breaches his condition of stay if he takes up any employment, whether paid or unpaid, or establishes or joins in any business without prior permission given by the Director of Immigration, and shall be liable to prosecution. He shall be liable on conviction to a fine of \$50,000 and to imprisonment for two years.

In the case of a traffic accident involving a taxi driven by a non-Hong Kong resident who provides taxi service illegally, whether the relevant motor vehicle insurance policy would be invalidated will depend on the terms of the concerned insurance policy. Nonetheless, even if there is a breach of the conditions of the insurance policy, the insurer of the concerned taxi will still be required to satisfy claims from third parties (including passengers).

We will examine the existing system and arrangements for the issue of taxi driving licences, and will consider if there is a need for legislative amendment. Meanwhile, various enforcement departments will continue to work closely together in gathering intelligence and combating illegal employment.

### **Building Additional Primary Schools in Districts with Surplus School Places**

19. **MR TAM YIU-CHUNG** (in Chinese): *Madam President, I have received complaints from primary schools in a number of districts that, while there are surplus primary school places in the districts, the Government is still planning to build additional primary schools in the districts concerned, which will aggravate their under-enrolment situation and may be tantamount to a waste of public money. In this connection, will the Government inform this Council:*

- (a) *of the numbers of Primary One (P1) classes reduced/expected to be reduced in various school zones in the past three school years and in the coming school year;*
- (b) *of the latest revised numbers of primary schools planned to be built in various school zones in the next three years;*
- (c) *whether any measures have been adopted in the past year to improve the accuracy of the projected supply and demand of primary school*

*places, and to update the school building programme in a timely manner (for example by consulting schools in the districts concerned and conducting surveys to verify the latest district population data released by the Planning Department annually), so as to avoid building new primary school premises while there are surplus primary school places, and hence save public money from being wasted; if so, of the details; if not, the reasons for that; and*

- (d) *whether it plans to review the procedures for allocating new primary school projects to school sponsoring bodies (SSBs), with a view to avoiding the abortion of the preparation work of selected SSBs in planning new primary schools when the originally planned school projects are shelved under an updated school building programme; if so, of the details; if not, the reasons for that?*

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

- (a) The number of P1 classes reduced in each district over the past three school years (from the 2002-03 to 2004-05 school years) is provided in the Annex. The Annex gives details of the number of P1 operating classes in local primary schools (including all local public and private sector primary schools) and the changes over the previous school year. According to the projected number of school-age children (mainly aged six) for P1 and the student enrolment ratios of local primary schools averaged over the past several years, we expect that the number of P1 students in local primary schools will decrease by about 5% in the 2005-06 school year as compared to the 2004-05 school year. However, as non-public sector schools do not participate in the central allocation of P1 places, it is not possible to predict the number of P1 classes to be operated in these schools and hence the total number of P1 classes in all local primary schools prior to the commencement of a school year.
- (b) The number of primary school projects which are under construction for completion within the next three school years is set out as follows:

<i>District</i>	<i>School Year</i>		
	<i>2005-06</i>	<i>2006-07</i>	<i>2007-08</i>
Eastern	2	-	-
Southern	1	-	-
Kowloon City	-	1	-
Kwun Tong	2	-	-
Sham Shui Po	1	1	-
Kwai Tsing	1	-	-
Yuen Long	2	3	-

All the above school projects are for conversion of bi-sessional primary schools to whole-day operation.

- (c) Primary school places are planned on the basis of the 18 administration districts. The objective is to enable children to attend schools close to their home. The current supply and demand projections of primary school places are the best estimates made on the basis of the latest information available to the Administration.

As regards the demand for public school places, the demand projections are compiled on the basis of the latest projections by district<sup>1</sup> of school-age (aged from six to 11) population. By applying the established planning parameters (for example, the standard class size), the projected figures are expressed in terms of classes. It is difficult to make accurate projections of the demand for primary school places by district for each of the coming years. As far as the overall demand is concerned, it should be noted that population projections are premised on assumptions on fertility, mortality and migration. Any significant gap between these assumptions and the actual situation may distort the projections. In particular, the annual number of new arrival children from the Mainland and their age distribution are also difficult to ascertain. Projections on them can only be made on the basis of trends or

<sup>1</sup> The population distribution projections by district are compiled regularly by the inter-departmental Working Group on Population Distribution Projections on the basis of the latest territorial population projections provided by the Census and Statistics Department and the available planning information of housing development proposals.

average numbers over the past years. In recent years, the number of new arrival children has seen quite substantial fluctuations (for instance, the number of new arrival children aged from six to 11 differs by more than 15 000 between 1998 (about 19 300) and 2004 (about 3 700)). This being the case, a discrepancy between the actual and the projected demand is inevitable.

At the district level, factors like demographic changes, parental choices, availability of public transportation networks, popularity of schools may also affect the actual demand. Moreover, sites suitable for school construction may not be available in districts with supply shortfall. All these make the planning of district school places more difficult.

As for the supply of school places, the Government's School Building Programme aims not only at meeting the projected demand of school places, but also improving the quality of education, including enhancing existing infrastructure (such as building new school premises for the conversion of bi-sessional schools into whole-day operation, redevelopment or reprovisioning of schools operating in dilapidated and substandard premises) and injecting diversity into the education system (such as the development of Direct Subsidy Scheme schools, "through-train" schools and Private Independent Schools) to provide more choice for parents and students, as well as to encourage schools to seek continuous improvement.

To ensure that the projected supply and demand of primary school places can reflect the latest situation, the Education and Manpower Bureau will update the projected demand for school places whenever the latest district population projections are released by the inter-departmental Working Group on Population Distribution Projections (normally released yearly). This together with the latest figures on the supply of school places will be used in the regular reviews of the supply and demand of primary school places in various districts. The Bureau will revise the School Building

Programme having regard to the review outcome and the existing policies.

In the light of the latest population projections released by the Census and Statistics Department in mid-2004, which point to a more rapid decline in school-age population than the previous projections, we are reviewing the School Building Programme and will brief the Legislative Council Panel on Education on the review outcome and the latest school building proposals later this year.

- (d) We have planned to review the procedures for allocating new schools to SSBs and have invited the Independent Commission Against Corruption to study possible areas for improvement. If we allocate new school premises only after funding approval has been obtained from the Finance Committee of the Legislative Council, preparation work of the SSBs for the new schools will unlikely be wasted. However, the SSBs concerned cannot participate in the design of the school project. As a result, the new school premises may fail to meet their curriculum and teaching requirements. On the other hand, if we allocate new school premises to the SSBs prior to the funding approval, they can participate in the design of the school premises at the planning stage. However, whether a school project can proceed is subject to technical feasibility and the Finance Committee's funding approval. As such, we cannot rule out the possibility that the preparation work of the SSB would become abortive.

In reviewing the procedures, we shall take into account views expressed by Members on the subject and strike a balance among the various considerations mentioned above, with the promotion of quality education being the key objective.

Irrespective of the outcome of the review, we shall continue to monitor closely the latest population projections and adjust our School Building Programme accordingly. We shall also maintain close liaison with the SSBs concerned; they will be kept informed of the progress of the projects so that timely adjustments can be made as appropriate.

## Annex

## Number of P1 Operating Classes in Local Primary Schools by District, 2002-03 to 2004-05

<i>District</i>	<i>2002-03</i>		<i>2003-04</i>		<i>2004-05</i>	
	<i>No. of operating classes</i>	<i>Change over the preceding school year</i>	<i>No. of operating classes</i>	<i>Change over the preceding school year</i>	<i>No. of operating classes</i>	<i>Change over the preceding school year</i>
Central and Western	83	-4	76	-7	76	0
Wan Chai	74	-8	72	-2	67	-5
Eastern	157	2	138	-19	119	-19
Southern	54	-5	52	-2	47	-5
Yau Tsim Mong	113	-9	101	-12	90	-11
Sham Shui Po	110	-22	115	5	106	-9
Kowloon City	167	-13	155	-12	148	-7
Wong Tai Sin	142	-13	144	2	129	-15
Kwun Tong	156	2	152	-4	135	-17
Sai Kung	113	4	105	-8	111	6
Sha Tin	178	-20	163	-15	147	-16
Tai Po	92	-10	82	-10	76	-6
North	109	-19	96	-13	91	-5
Yuen Long	209	13	203	-6	190	-13
Tuen Mun	163	-14	146	-17	139	-7
Tsuen Wan	87	-9	84	-3	76	-8
Kwai Tsing	119	-1	114	-5	107	-7
Islands	41	2	37	-4	45	8
All Districts	2 166	-125	2 035	-131	1 899	-136

Notes: (1) Local primary schools include government, aided, Direct Subsidy Scheme schools and other local private schools but do not include English Schools Foundation schools, other international schools and special schools.

(2) Figures refer to the position as at September of the respective years.

(3) Figures for 2004-05 are provisional and subject to revisions.

(4) There are fractional numbers of class due to combined class. The numbers have been rounded to the nearest integer, and they may not add up to the respective totals.

### Statistics on Primary School Teachers

20. **MS AUDREY EU** (in Chinese): *Madam President, will the Government provide this Council with the following statistics:*

- (a) *on teachers who joined the 2005 Early Retirement Scheme for Aided Primary School Teachers, the applications for which closed on 5 March this year:*

<i>Number of Scheme participants</i>	
<i>Average age</i>	
<i>Shortest teaching experience</i>	
<i>Longest teaching experience</i>	
<i>Average teaching experience</i>	
<i>Number of degree holders</i>	
<i>Number of persons having passed the Language Proficiency Assessment for Teachers</i>	
<i>Highest amount of compensation and number of persons involved</i>	
<i>Lowest amount of compensation and number of persons involved</i>	
<i>Average amount of compensation</i>	
<i>Total amount of compensation</i>	

*; and*

- (b) *on primary school teachers who are currently employed on contract terms:*

<i>Number of persons</i>	
<i>Shortest teaching experience</i>	
<i>Longest teaching experience</i>	
<i>Average teaching experience</i>	
<i>Lowest salary</i>	
<i>Highest salary</i>	
<i>Average salary</i>	
<i>Number of degree holders</i>	
<i>Number of persons having passed the Language Proficiency Assessment for Teachers</i>	

?

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

- (a) The statistics about the participants of the 2005 Early Retirement Scheme for Aided Primary School Teachers are as follows:

Number of Scheme participants	611
Average age	52
Shortest teaching experience	10 years
Longest teaching experience	37 years
Average teaching experience	26 years
Number of degree holders	178
Number of persons having met the Language Proficiency Requirement for teachers	29 (English) 29 (Putonghua)
Highest amount of <i>ex-gratia</i> payment and number of persons involved	\$741,180* (three persons)
Lowest amount of <i>ex-gratia</i> payment and number of persons involved	\$34,920* (one person)
Average amount of <i>ex-gratia</i> payment	around \$283,000*
Total amount of <i>ex-gratia</i> payment	around \$173 million*

\* The exact figures will not be available until August 2005 when the last substantive salaries of teachers concerned are confirmed.

- (b) The relevant information about temporary teachers in aided primary schools who are paid on a monthly basis is as follows:

Number of persons	882
Shortest teaching experience	(unavailable)
Longest teaching experience	(unavailable)
Average teaching experience	(unavailable)
Lowest salary	\$15,215 (monthly)
Highest salary	\$29,100 (monthly)
Average salary	\$19,766 (monthly)
Number of degree holders	300
Number of persons having met the Language Proficiency Requirement for teachers	(unavailable)

**PRESIDENT** (in Cantonese): Clerk, I note that a quorum is lacking now. Please ring the summoning bell so that Members, at hearing it, will return to the Chamber.

(After the summoning bell had been rung, a number of Members returned to the Chamber)

**PRESIDENT** (in Cantonese): Now we have a quorum, the meeting may begin.

## **BILLS**

### **Second Reading of Bills**

#### **Resumption of Second Reading Debate on Bills**

**PRESIDENT** (in Cantonese): Bill: Second Reading. The debate on the Second reading of the Appropriation Bill 2005 resumes at this meeting, and Members will be speaking today and tomorrow.

In accordance with the established arrangements, up to this morning, a total of 26 Members have indicated to the Secretariat their wish to speak today. I will let as many Members as possible speak today and expect to suspend the meeting around 8 pm and resume it tomorrow. That means we will have nine hours for the debate and more than 30 Members to speak today. So Members who wish to speak but have not indicated to the Secretariat their wish to do so may press the "Request-to-speak" button. I will then invite them to speak according to the order.

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

## **APPROPRIATION BILL 2005**

### **Resumption of debate on Second Reading which was moved on 16 March 2005**

**DR DAVID LI:** Madam President, I congratulate the Financial Secretary for setting government policy on a course which recognizes the importance of the

financial services industry to Hong Kong. No previous Budget, nor policy address, has been so forthright in highlighting the key role played by the financial services industry in our economy, and, might I add, the potential for the industry to be an even more important driver of growth and prosperity in future.

The financial services industry is a high value-added industry which creates good jobs in Hong Kong, not just in investment banking and stock-broking, but also in the legal, accounting, property, hospitality, publishing, and travel sectors, to name a few. These and many more sectors prosper due to the financial services industry.

In his Budget, the Financial Secretary has identified several key reforms which will promote the growth of financial services:

- the Government is introducing new rules to exempt offshore funds from taxation;
- it has a clear strategy to promote further development of the Renminbi business; and
- the Government will move to abolish estate duty as soon as possible.

I congratulate the Financial Secretary for his foresight.

There are important opportunities ahead for Hong Kong. At some point in the future, the Central People's Government will ease existing controls on capital movement. Hong Kong, as the region's most important international financial centre, will be a major beneficiary. We must act now to clear away outdated regulations which would stand in the way of the further development of Hong Kong as an international financial centre.

Estate duty is one such outdated regulation. Originally intended to redistribute wealth from the rich to the poor, it no longer performs that role. Instead, estate duty is an unfair tax which falls most heavily on families which barely qualify to pay the levy. Under Hong Kong's territorial taxation system, estate duty is easily avoided by proper estate planning.

The generation of middle-class men and women who came of age during the immediate post-war era are now entering their seventies and eighties. As

small business owners and professionals, they have defined the enterprising spirit of modern Hong Kong. Every year, they pay tax on their earnings. They do not think about estate planning. They invest their savings in their businesses and help Hong Kong grow. And as sure as night follows day, if estate duty remains on our statute books, the families of these hard-working middle-class men and women will be penalized for their loyalty to Hong Kong. Instead of trying to prop up an inefficient and unfair tax, we should look to the future, as the Financial Secretary has done.

The financial services industry is crucial to the growth and prosperity of Hong Kong. The abolition of estate duty is one step we must take to facilitate the further expansion of the financial services industry. I hope all Members will support the Financial Secretary's initiative to abolish estate duty.

While I am complimenting the Financial Secretary, I must also remark that I foresee a brilliant second career for him as an author of great suspense novels.

When delivering his Budget, he kept us on the edge of our seats as he listed the reasons for reducing the duty on wine. Coolly and carefully, he built his case. We were convinced that the duty would go. But then came a stunning plot twist. Our dreams were dashed. The duty on wine remains unchanged, at a punishing 80%.

The plot twist was so out of character. On financial services, the Financial Secretary's vision was clear — to remove regulations which restrict the growth of the market. Yet, for tourism and hospitality, his vision failed him.

Hong Kong has a well deserved reputation as a centre for luxury goods. Our city is home to some of the very best hotels and restaurants in the world. With a punitive 80% duty, we are robbing the tourism and hospitality industries of the opportunity to exploit the rich culture of wine.

Like financial services, tourism is becoming ever more important to our future well-being. Hong Kong could stock and serve some of the finest vintages from throughout the world, exploiting the allure attached to great wines. A reputation for fine dining and fine wine would attract a growing number of high-spending tourists to our shore.

However, at current duty rates, restaurants cannot afford to lay down an extensive cellar. We are missing a great opportunity. The tax on wine is counter-productive. It should be sharply reduced as soon as possible.

In his two Budgets, the Financial Secretary has displayed a clear preference for a light touch. To a large extent, this is because the course to fiscal restraint had been set before he took up his appointment. By the next Budget, however, it will be time for a firmer hand on policy. Preparations must begin now.

The Finance Constituency continues to press for concrete action to reduce pollution. The Government must decide once and for all whether fiscal measures will be introduced to guide behaviour. Are green taxes in or out?

In the past, I have argued for favourable tax treatment for the general provision which banks must make against their loan portfolios, in line with the practice adopted in other tax regimes. Unfortunately, my remarks have fallen on deaf ears.

Following the introduction of a new accounting standard, a collective assessment is now charged against the profit and loss account in place of the general provision. This collective assessment is more closely tied to the risk profile of the loan portfolio. Therefore, the case for favourable tax treatment for this charge is stronger than ever. I would welcome the Financial Secretary's view on this matter.

In his Budget, the Financial Secretary made no comment on the long-standing call by the financial services industry to introduce group relief for tax losses in Hong Kong.

Following the enactment of the Securities and Futures Ordinance, banks have begun to combine their businesses under fewer legal entities. This has the potential to leave legal entities with tax losses, and little or no means of generating income to utilize these losses. The introduction of a form of group relief would eliminate this distortion.

More recently, both the accounting firm KPMG and the Hong Kong General Chamber of Commerce have set forth eloquent arguments in favour of

group relief. It is therefore most disappointing that the Financial Secretary remained silent. I sincerely hope that this will be taken up in the next Budget.

Likewise, decisions on a wide range of issues, from a goods and services tax to the funding of the medical infrastructure, remain in abeyance.

Furthermore, work must be continued to guard against waste in the Government. There must be no let-up in the effort to re-engineer processes and procedures, to streamline operations and to reduce overheads. Our simple, low-tax regime has always served us well in the past. We must maintain this tried and true tradition.

Many hard choices must be made in the near future. I hope the Financial Secretary will act decisively, for the good of Hong Kong.

Thank you, Madam President.

**MR LAU CHIN-SHEK** (in Cantonese): Madam President, today I would like to discuss two issues, the first is unemployment.

Since the outbreak of SARS in 2003, unemployment in Hong Kong has gradually improved thanks to the Individual Visit Scheme and recovery of the property market. The unemployment rate dropped from the historical high of 8.7% in 2003 to 6.1% in the first quarter of this year. Meanwhile, the number of unemployed people has also decreased by 100 000 from the peak of 310 000 to 210 000. The gradual improvement in employment makes us feel relieved. But compared with the situation in 1997, the current number of unemployed people is almost two times of that in 1997. By Hong Kong's standard, the existing unemployment problem is still critical. To put it simply, there must be no let-up in the effort to stabilize employment.

Madam President, I appreciate the Government's decision to extend all temporary posts as announced earlier. I believe that the Government should certainly be able to put more efforts in this aspect. I very much hope that the Government can accept the recommendations of the labour sector, including changing temporary posts into permanent ones and create more employment opportunities in such areas as community services and recreational activities where actual needs arise in order to help those unemployed who are facing

difficulties in employment, particularly the inexperienced youngsters and the middle-aged workers with relatively low academic qualifications.

Regarding the employment prospect, I think the Government should face squarely the problem of mismatch in manpower. According to the Government's manpower demand assessment, 230 000 workers with low academic qualifications will face a serious employment crisis because of over-supply by 2007. Apart from improving vocational training, the Government should promote the development of industries which will absorb a large number of grass-roots workers. These industries include the environmental recycling industry which has been discussed for a long time. I understand that there are many complicated technical problems to be resolved. But I hope that government officials who are in charge of such will step up efforts so that the grass-roots workers can hear good news soon.

Madam President, another issue I would like to discuss is the Government's future expenditure. According to the medium range forecast, the Financial Secretary has planned to reduce public expenditure in 2009-10 to 16% of the Gross Domestic Product (GDP), and that is, restoring it to the level in mid-eighties. What do these figures represent? What is the impact on public services? We will get a more concrete picture by comparing today's public service with that of 20 years ago.

Madam President, 20 years ago, the number of hospital beds was 4.4 per 1 000 people and now the ratio is 5.2. Twenty years ago, an accumulation of 180 000 applications were on the Waiting List for public rental housing and the average waiting time was eight years. By the end of 2003, the relevant numbers were 90 000 and two years respectively. In the 1980s, there were 50 000 students studying in institutions funded by the University Grants Committee. Twenty years later, the number of students is 80 000. By the end of 1986, recipients of old age allowance under the Comprehensive Social Security Assistance Scheme was 40 000. But now the number is 150 000.

What does it mean by restoring the public expenditure level to that of 1980s? Does it imply a retrogression in public service to that of 20 years ago? Has the Government considered that the corridors of public hospitals would be full of canvas beds again? Or squatter huts would be built on the hillside? Or 90% of youngsters at school age would be denied university education and the distressed elders would have to make a living by collecting cartons? Should the

development and improvement of the four pillars of society, including the medical, housing, education and welfare sectors over the past 20 years be written off at one stroke and restored to its original shape just because of the emphasis of pursuing a "small government"?

Madam President, the Government may say that public services require money which does not fall from the sky nor grow on trees. Instead, every cent comes from taxpayers' pockets. Madam President, I certainly know that an ideal world where the Government can have a balanced budget even though tax is cut and expenditure is increased only exists in heaven. Each and every one of us has to answer a very realistic question in a serious manner: How much are we willing to pay and what kind of society are we going to build?

Is every citizen, no matter he is a member of the middle class with a better financial capability, a big business owner or a member of the general public, willing to make more contributions so that cancer patients can obtain timely and proper treatment, the grassroots can find a cozy home, our next generation can enjoy quality education of small-class teaching and those elderly people who made so much contribution to the community in the past can live a happy life in their twilight years? To put it simply: How much are we prepared to pay in order to build a society of justice, love and kindness?

The survey conducted by the SynergyNet on the middle class has given us some hints. It is pointed out that the majority or about 40% of the interviewees were of the opinion that the Government should first tackle the problem of disparity between the rich and the poor; 60% of the middle-class interviewees did not agree that helping the poor would jeopardize their interests. While 50% of the interviewees considered the existing social welfare level inadequate, only 20% or less considered it excessive.

Madam President, many people think that this year's Budget is a void. I think the Government and the public should make use of this opportunity to consider and discuss seriously the principle of government expenditure: What kind of society do we wish to build and how much are we prepared to pay?

Thank you, Madam President.

**MR MA LIK** (in Cantonese): Madam President, on behalf of the Democratic Alliance for Betterment of Hong Kong (DAB), I would like to give an overall comment on the 2005-06 Budget of the Government of the Hong Kong Special Administrative Region (SAR) before expressing my views on the education policy in the Budget. Later on, other colleagues from the DAB will comment on various policy areas.

On the eve of the announcement of the Budget, Mr TUNG resigned from his office as the Chief Executive. Such a sudden political change has given us some controversial subjects for discussion despite a lack of surprises in this year's Budget.

Some critics described the SAR Government as "a caretaker government", emphasizing that it would not take any bold steps in its policies. However, I have to point out that the concept of "a caretaker government" should not be applied arbitrarily because such a saying will make us think that the Government should do nothing when the office of the Chief Executive is vacant. And it should exercise self-constraint in preparing the Budget and making other policy decisions in order not to affect the governance of the new Chief Executive in future.

However, as we all know, the Chief Executive's normal term of office will expire by the end of June in the fifth year after his assumption of office. According to the existing arrangement of the fiscal year, the Government will announce the new Budget in March of this year. Should the SAR Government assume a caretaker role and do nothing whenever it comes to such a moment?

Under the traditional British cabinet system, the head of the government has the power to dissolve the Parliament in order to hold the general election at an earlier date. During this period, the government will become a caretaker government and act in accordance with the constitutional convention. Such a caretaker government, apart from daily routines, will not deal with important or controversial policies and matters relating to fiscal issues. Such a convention exists mainly because the Parliament has been dissolved and cannot monitor the functions of the government.

However, the current situation of the SAR Government differs from that of a caretaker government. Under the Basic Law, there is no cabinet system within the government structure of the SAR. More importantly, the legislature

still operates as usual even though the office of Chief Executive is vacant. Its capability to monitor the governance of the transitional government has not been weakened in any way.

Strictly speaking, there is no question of "a caretaker government" when the office of Chief Executive has become vacant. In our opinion, the SAR Government still has to do what it should do according to the actual situation of society in order to ensure the continuity and development of policies during this period. It should act in such a way when preparing the Budget or making other policy decisions. We think that this principle should override any other political considerations. If there is a worry of *ultra vires*, we consider it unnecessary because such a worry may hinder the normal socio-economic development and planning.

Based on such a viewpoint, our overall evaluation of this year's Budget is this: Too prudent but not aggressive enough.

The current economic situation of Hong Kong is the best since the reunification and continuous improvement in the public finance position is seen. Given such circumstances, the DAB considers that the Government, in accordance with the overall principle of fiscal prudence, still possesses the conditions to make certain achievements in three aspects: first, to relieve the tax burden of the middle class; second, to provide more assistance to the socially disadvantaged groups; and third, to make some new planning for the sustainable development of our economy.

However, taking an overview of the whole Budget, we will realize that maintaining fiscal discipline seems to be the Financial Secretary's only main concern. Regarding other issues, change has given way to permanence, thus giving us the impression that he is not aggressive enough.

In relieving the burden of the middle class, it is proposed in the Budget that the eligible age for claiming dependent parent allowance be lowered, the amount of children allowance be increased and the estate duty be removed. The DAB supports all these measures. But we think that the Government can be more aggressive. For instance, the salaries tax rates should be frozen at the level of 2003-04. But there is no such proposal in the Budget, making us feel that the assistance to the middle class is insufficient.

Secondly, in respect of helping the socially disadvantaged groups, the DAB considers that the Government should put forth some policies to address their particular problems: first, to reform the unemployment allowance under the Comprehensive Social Security Assistance (CSSA) Scheme in order to implement the workfare scheme; second, to enhance the assistance to the poor elderly and the disabled by speeding up the comprehensive review of the CSSA Scheme; and third, to alleviate the medical bill of the poor elderly and patients of chronic illnesses. However, it is difficult to find any substantive measures in the Budget which can provide assistance to these disadvantaged groups.

Finally, in the Budget, there is no concrete and new concept or measure for promoting sustainable economic development. The DAB has all along held the view that the SAR Government should develop the Hong Kong-Shenzhen economic zone in full gear in order to create employment opportunities and promote industrial transformation. However, there is no mention of such an important issue in the Budget. As regards how best to expand CEPA still further and effectively utilize the business opportunities generated by the co-operation under the "Nine plus Two", the Budget only mentions that these are still under study and no specific arrangement has yet been made. Besides, the Budget does not mention much about urban renewal for stimulating local economic activities and create employment opportunities.

We must emphasize that the Government should strictly maintain fiscal discipline. But the key lies in controlling its own expenditure, particularly recurrent expenditure. Meanwhile, it should enhance social harmony by alleviating the tax burden of the middle class, through suitable fiscal measures, particularly by adjusting the Government's tax revenue. At the same time, the Government should make visionary planning for our socio-economic development.

Madam President, now I would like to comment on the education policy in the Budget.

The total public expenditure on education this year is estimated to be \$58.2 billion. Accounting for 23.5% of the total, it remains to be the largest share in public expenditure, despite a reduction of \$1.4 billion compared with last year. Given such a large sum of money earmarked for education, waste may occur if it is not put to the best use and deployed effectively. It will also lead to a situation where funds in some areas are excessive while some are meagre.

As we all know, over the past five years, the Audit Commission has published the Audit Report annually. Last year's Report criticized the English Schools Foundation (ESF) for its irregularities in the use of public money and management. In 2003, the Commission criticized that there were excessive places in government secondary schools resulting in a waste of resources, misallocation of funds for higher education, and improper management of colleges under the University Grants Committee. In 2002, it highlighted a serious mismatch of primary school places. The Report several years ago also criticized the Quality Education Fund for not exercising sufficient monitoring on the funds allocated. I would like to point out that the Audit Commission will investigate into certain parts of the education area, ranging from pre-primary education to university education. This shows that there is room for improvement in the utilization of resources by the education sector.

The DAB is worried that the most needy will not get the assistance required such as special education due to misuse of resources. Earlier, parents and organizations in attendance at the meeting of the Subcommittee on Special Education gave their comments on the existing education policies and measures. Their comments were about insufficient resources leading to such problems as insufficient short-term residential places for retarded children and no reduction in the class size in special schools. In fact, under various programmes of the Education and Manpower Bureau, only the estimate for special education has dropped compared with the revised estimate last year while estimates for other areas have all increased. Although the Permanent Secretary for the Education and Manpower Bureau explained that reduction in resources was due to the fact that expenditures for practical schools and skills opportunity schools were placed under the mainstream education programmes, I would like to emphasize that the purpose of special education is to provide the most suitable education to the disabled and handicapped children, who are the most disadvantaged group in society, and the authorities are thus obliged to commit sufficient resources to this.

On the other hand, some resources could have been saved if not because of other reasons such as subsidies for the EFS schools. As early as 1999, the authorities decided to abolish the recurrent subsidy for EFS schools in phases in order to bring the subsidies for such schools on a par with other international schools. But in the following school year, the Government still allocated almost \$300 million to the EFS. According to the authorities' reply, discussion with

the EFS on governance issues would be held before it came to reduction of subsidies. We hope all these problems can be resolved as soon as possible.

I am keenly aware that resource deployment is not a simple matter. The authorities should discuss it with various parties before a consensus can be reached. However, since public money comes from taxpayers, the authorities should not only refrain from over-spending but also exercise stringent control and review various measures in due course. Only by doing so would the \$60-billion education funding be used in the best way.

Lastly, I would like to talk about history and national education.

With the connivance of the Japanese Government, the right-wing elements have recently distorted the contents of history textbooks once again in an attempt to deny the history of Japan's invasion of China. Such move has angered people in the Mainland and Hong Kong and protests have been staged. In our opinion, history and national education should be enhanced in schools so that the younger generation can gain a deeper understanding of the crimes committed by Japan during its invasion of China.

Besides, the enhancement of history and national education should not be restricted to secondary and primary schools. Instead, it should be extended to the whole community. The DAB opines that even though many non-government organizations are interested in involvement, they face difficulties due to insufficient funds or the fact that activities to be organized are too diverse. Therefore, we think the Government should provide assistance and strengthen its co-operation with the non-government organizations in order to organize a variety of activities for the promotion of history and national education. These include assemblies, seminars, exhibitions, tours, making publicity photographs and production of media programmes.

In our opinion, to enhance Hong Kong people's understanding of the history of their country and their sense of national identity and to promote national education are equally important as enhancing the understanding of the Basic Law. It will be conducive to the implementation of "one country, two systems" and "Hong Kong people ruling Hong Kong". We hope that the SAR Government can provide more resources so that the work in this aspect can be done better.

Madam President, I so submit.

**MR LEE WING-TAT** (in Cantonese): Madam President, this year's Budget is pragmatic. The financial position of the Government shows substantial improvement this year. The \$42.6 billion deficit projected initially is wiped out, and an estimated surplus of not less than \$10 billion is expected.

With improvement in economy, people expect the Budget to be something more than pragmatic, they hope that the Budget can in some way ease their burden. According to a survey conducted by the HKU POP SITE, only 48% of the respondents found the Budget satisfactory. In a survey conducted by the Democratic Party with five points being the full mark, this Budget only scores 2.88 points, slightly better than a bare pass. Obviously, this can be attributed to the fact that the Financial Secretary has provided no reduction in salaries tax, which is the expectation of most people and the middle class.

This year, the Democratic Party has presented to the Financial Secretary a series of proposals on the Budget, highlighting our hope that the Financial Secretary can consider a cut in salaries tax. Before the year 2003, the Financial Secretary had increased tax because of the fiscal deficit, adding burden to a million taxpayers in the territory. The tax to be payable by "wage earners" with a monthly salary of \$15,000 increased by 70%. The financial position of the Government has improved this year, and I believe it will also be so next year. As such, it will be unfair to the middle class if no tax concessions are provided to them. The Democratic Party welcomes the Financial Secretary's acceptance of some of our proposals, such as the introduction of a new dependent parent allowance to cover parents aged between 55 and 59 and the increase of child allowance from \$30,000 to \$40,000. However, the Government has accepted those proposals which will only benefit some of the citizens, but failed to offer reduction in salaries tax or additional child allowance. The Democratic Party feels disappointed in these two aspects.

On the curbing of expenditures, the Government refuses to draw on its huge reserves, despite seeing taxpayers suffer incessantly. To a certain extent, this is comparable to a case where the master of a family suffers a pay cut because of economic depression and fails to make ends meet, but still insists to deposit his rental income and dividend generated from the premises and shares he owns into his bank account. He would rather face difficulties in paying his children's tuition fees and to remain on the edge of subsistence than to use his deposit. For he considers such income is investment income which is not a

source of steady income. But is this a sound justification? Is such a claim reasonable and sensible?

The Government has a huge reserve of up to \$290 billion, but it is unwilling to spend \$6.8 billion to provide reduction in salaries tax. This master of the house may be over cautious, putting too much emphasis on its financial position. The Government refuses to do so because it is not adequately open-minded and receptive.

The Democratic Party considers that the Government has many ways to increase its income. Indeed, the Government owns a lot of assets. An excess reduction in expenditure will cause the middle class and the grassroots to suffer. Take the investment income of the Exchange Fund as an example. Assets owned by the Exchange Fund amount to \$1,000 billion at present, so even if the annual rate of return is only 5%, the Fund will accrue an income of \$50 per annum. The Democratic Party is of the view that the Government should amend the existing rules on the income sharing arrangement, so that \$30 billion of the investment income of the Exchange Fund — I repeat, I am not referring to the capital but the investment income — can be transferred yearly to the general revenue account of the Government. By doing so, the income of the Government may increase by several billions or tens of billion dollars annually.

The merit of transferring a greater share of the investment income from the Exchange Fund to the Government is that the general revenue of the Government can be increased without adding burden to the people of Hong Kong. Besides, this proposal will not undermine, I repeat, will not undermine the stability of our currency, and many economists have expressed their support for this proposal. Moreover, the Government may sell its assets. At present, stable income can be generated from the Airport Authority, Hong Kong Mortgage Corporation, Tradelink, the Kowloon-Canton Railway and the Mass Transit Railway upon merger, as well as government multi-storey carparks. The sale of these assets will generate tens of billion dollars of income for the Government and offer another investment option for the public, so the Government should take proactive actions to implement this.

On the reserve of the Government, the Democratic Party all along considers that the Government needs not maintain an unlimited reserve, and it will be adequate for the Government to maintain its reserve at a level equivalent to 12 months of government expenditure. In 2003, when the Financial

Secretary announced the tax increase, the Government estimated that, and I quote, "In the next five years, our fiscal reserves will be maintained at a level between \$190 billion and \$240 billion....." (End of quote). However, as at the end of this February, the fiscal reserves of the Government amount to \$290 billion, equivalent to 17 months of government expenditure. The Government should make good use of its fiscal reserves to relieve the burden of taxpayers.

A reduction in salaries tax will benefit 1 million taxpayers. In the last couple of years, many middle-class people have suffered a pay cut, but instead of receiving any relief, they have to shoulder a greater tax burden. The Financial Secretary says that the Government should leave wealth with the people, to allow the people to keep the money in their pockets. However, promises without actions are always disappointing. The Democratic Party considers that only if the Government can accept our proposal, exercising its power to a limited extent to transfer additional investment income from the Exchange Fund to the general revenue account of the Government, the cut in salaries tax can be made possible.

In fact, the fiscal deficit of the Government has been eliminated through the issuance of bonds and the securitization of the five tunnels and one bridge, which is also a proposal made by the Democratic Party, and the Government, the economy and society have survived these safe and sound. The Democratic Party urges the Government to reconsider a reduction in salaries tax if the revival of the economy continues next year to let the 1 million taxpayers to have a respite.

Madam President, the Financial Secretary proposes the abolition of estate duty in this year's Budget. In the proposal submitted to the Financial Secretary by the Democratic Party this year, we suggested to the Financial Secretary that the issue related to estate duty be studied. We understand and agree that the abolition of estate duty will facilitate the establishment of an asset management centre and to a large extent promote our economy and development of our financial services and asset management services. The Democratic Party understands also that according to experience worldwide, the asset management services in many countries and some small regions have enabled their banking, accountancy, other professional and investment sectors to derive economic benefit.

When the Democratic Party exchanged views with the Financial Secretary on this issue, we repeatedly asked the Financial Secretary about the possible

quantifiable economic benefit to be brought about by the abolition of estate duty. We of course know that the amount will be enormous and hard to estimate, but we think the public does have the right to ask. When we seek to abolish a steady source of income, we have to calculate the specific benefit brought about by the abolition on economic growth and the development of all sectors. We know that the Financial Secretary will submit to a bills committee of the Legislative Council a bill related to the abolition of estate duty for its consideration, and the Democratic Party will take an active part in it. We will continue to listen to the views from all sectors on this issue and will remain open-minded.

Madam President, I will then express our views on several major issues related to social policy and people's livelihood. Naturally, the issue of employment will come first. I recall that I have had an in-depth discussion on this issue with the Financial Secretary at one of our meetings. In the course of economic restructuring, when our economy is transforming to a hub of financial management, logistic services and tourism, we have to note that the education level of over 1.5 million to 1.8 million of our working population is below Secondary Three. These people will not immediately or in the longer term benefit from the economic restructuring and financial development we are now discussing. The employment and economic problem we are now facing is not confined to investors, the middle class and professionals, we should be aware that the over 1.5 million workers of low education attainment who want to work and earn their own living are of more concern to us.

I am a bit disappointed for the Budget's coverage of the issue is actually very minimal. The Democratic Party has repeatedly urged the Government to work harder on this issue to come up with more practical proposals. Surely, one of the options will be the development of the environmental protection industry as suggested by Secretary Dr Sarah LIAO this year. Actually, the former Financial Secretary as well as the incumbent Financial Secretary have talked about this issue many times. The Democratic Party, of course, cannot say that the Government has done nothing, for it does have worked on this, but only limited to some trivial and piecemeal work. This tells why development in this area has been very slow. For instance, if a company intends to apply for a site to set up an environmental protection industry, the procedures and steps the company is required to undergo will drag on for a long time. I hope the Financial Secretary will study this issue with the subcommittee under his purview. When we hope those capable of working can earn their own living,

we should at the same time ask whether society has provided adequate job opportunities to let them achieve self-reliance.

The second issue I would like to talk about is education. The Democratic Party is of the view that education is one of the important investments in human resources. We oppose any reduction in education funding, be it reduction of university funding or funding for secondary and primary schools. Small-class teaching has been discussed for many years; however, the Government has not yet made a bold decision on this. We hope that the Government will make good use of the prevailing natural reduction in the number of primary students, as well as the availability of various fundamental facilities of existing schools to implement small-class teaching as soon as possible.

The third issue I would like to discuss is the alleviation of poverty. So far, the Commission on Poverty headed by the Financial Secretary has given me the impression that much emphasis has been put on superficial work. Despite the several meetings held, no specific and positive options have been proposed. I hope the Financial Secretary will work actively with various non-government organizations and Members of the Legislative Council to look for some solutions. He should do more than just paying lip service on the alleviation of poverty, for the work done so far is limited only to slogans and approaches used to ease the discontent of society.

The last issue I would like to cover, which seems to be very trivial when it is first heard, will worsen sooner or later. At present, many elderly landlords of private premises possess only a small amount of asset; they may be living in tenement flats in such districts as Wan Chai, Tsim Sha Tsui or Tai Kok Tsui. Although these people are landlords possessing flats of several hundreds of thousand dollars, which have indeed rendered them ineligible for public housing, they may have to apply for Comprehensive Social Security Assistance (CSSA). Several issues in Hong Kong warrant active discussions. First, should a debate on reverse mortgage be carried out? Actually, most of the elderly do not need that \$600,000 assets when they pass away. If we can think of an arrangement to set their mind at ease, allowing them to make use of the assets they own to live peacefully in their twilight years, I believe they will no longer need to apply for CSSA and may even lead a more secure life in their later years.

On the other hand, many concern groups for the elderly have expressed their opinions to us. They hope that government organizations or the Hong Kong Housing Society (HS) will discuss with them actively on ways to purchase these old premises for renovation and to resell them afterwards. The financial status of the HS is relatively sound, and the Democratic Party thinks that, from a commercial perspective, this is a business that can generate steady income and profit. We have discussed the issue with the HS, but the HS is rather conservative and refuses to consider the proposal. I hope the Financial Secretary will hold more discussions in this respect. If this phenomenon becomes more prominent in society, there will be a group of so-called asset-holding elderly who live on CSSA in slums or dilapidated private premises. But the premises they own worth only several hundreds of thousand dollars. If the Government can conduct studies in this respect actively, it will facilitate us in addressing the issue of the elderly's livelihood.

Madam President, I so submit.

**MR JAMES TIEN** (in Cantonese): Madam President, on the whole, this year's Budget is secure and fiscally prudent. There are no drastic measures like tax increase, while the slashing of expenditure and the elimination of fiscal deficit will continue, and further development of our economy is mentioned. Many of those measures are in line with the position of the Liberal Party, so we support this Budget.

Madam President, I would like to raise some opinions to the Financial Secretary on three aspects. First, it is on economic development; second, on reducing the burden of the middle class; and third, on the alleviation of poverty.

Madam President, on relieving the burden of the middle class, to put it simply, it is related to the increase in income tax affecting the middle class in 2002-03. In this connection, the Democratic Party, the Liberal Party and the Democratic Alliance for Betterment of Hong Kong (DAB) hold similar a view, that the income tax payable by the middle class should be reduced. Income tax is different from profits tax. Two to three years ago, profits tax was increased in view of the huge fiscal deficits. The commercial sector understands that such tax is payable only when a company has made profits. In the same year, the salaries tax levied on the middle class was also increased. However, the middle class is not entitled to any deduction on the tuition fees of their children, even

though they enjoy deduction in respect of their mortgage installment, the deduction is only applicable to part of the installment, many of their expenses are not tax deductible. As such, tax payable by the middle class is indeed calculated on their income.

People think that our economy is picking up now. Just as the Financial Secretary said, the fiscal deficit of this year will be \$14.1 billion, far below the original estimate of \$46.6 billion. Given the substantial improvement in its financial position, I consider that rebate for the extra tax paid by the middle class should be accorded priority.

Surely, we notice that the increase in dependent parent and grandparent allowance and child allowance will provide relief to some extent, but not all taxpayers affected by the tax increase imposed by the Government will benefit. Given its gradually improving financial position, we think the Government should first consider refunding the amount involved to taxpayers as soon as possible.

Regarding the fiscal reserve issue, I heard Mr LEE Wing-tat ask about the possibility of transferring \$30 billion out of the \$1,000 billion Exchange Fund. The Liberal Party has reservations about such an arrangement. However, if the arrangement otherwise provides for a fixed percentage to be transferred to the Government, that is, when the Exchange Fund makes additional return, more money will be given to the Government according to the specified percentage, I think the Government should consider it. Since there can be no guarantee that the Exchange Fund will make billions of dollar in return every year, so it is not appropriate to fix the level of transfer at \$30 billion. If the fixed percentage approach is adopted, more money can be transferred to the Government when the Exchange Fund shows good performance and makes more money; and if less return is made, the amount transferred will be reduced correspondingly. In respect of recurrent expenditure, this is a useful arrangement. Therefore, we will support this point.

Madam President, on economic development, we think this has a direct bearing on alleviating poverty. This year's Budget put emphasis on the development of economy and the promotion of employment. For instance, \$500 million has been set aside for the promotion of tourism, the construction of a logistics park and the promotion of the environmental protection industry, and

\$830 million has been assigned for urban renewal and buildings maintenance. These measures do help a lot, so the Liberal Party supports all of these.

By coincidence, Singapore drew up a specific proposal on casinos a couple of days ago. Therefore, Madam President, I would like to spend some time to talk about economic development. Last year, when we met the Financial Secretary and discussed the issue with him, we could only cite Macao as an example. In fact, since I put forth the proposal last year and saw that the Government was not keen to support it, I have not followed up the matter. However, when I learned of the proposal of Singapore a couple of days ago, I left for Macao on that very night of Saturday and returned on Sunday. I had been to Sands Macao, and understandably, I had left my share, pitching in to help the Government of Macao to eliminate its fiscal deficit. *(Laughter)* In fact, we see that the operation of this entertainment centre is really successful. When I walked along those betting tables, some people recognized me and naturally some did not. Most of those who did not recognize me spoke Putonghua. I arrived at the casino at 10.30 pm. I could see that most of the customers in Sands Macao were visitors from the Mainland. On the betting tables, bets ranging from \$300 to \$500 were placed, while some of them might be as much as \$1,000 to \$3,000. Customers had to queue up for nearly every game.

On the other hand, I noticed that at some time past ten on a Saturday night, one can hardly get a taxi. However, my friend told me that we could not criticize that for there were only 500 taxis in Macao, a great difference comparing to the more than 10 000 taxis in the constituency represented by Ms Miriam LAU. Since there are some ten thousand taxis in Hong Kong, we can see taxis running all over the territory, but in Macao, there are only 500. No matter how, we noted the overall economy of Macao, and we noticed that local people do hold a very positive view towards this.

According to the information we have, which was not obtained from our trip to Macao this time, the Macao Government stated in its budget that the estimated expenditure for this year will be \$12 billion. However, revenue from the casinos alone is estimated to reach \$30 billion or even \$40 billion this year. In other words, the revenue from casinos in a year is already adequate to cover the expenditure of the entire Macao Government for three years. When two of my friends in Macao took me to see the new bridges, I found that no charges were imposed for using those bridges, they were actually toll-free. Imagine if the three tunnels in Hong Kong do not charge any fees. They can do so because

somehow or other they are financially sufficient. One of the bridges there is under repair, while the other two bridges are toll-free, that is to say, motorists need not pay any money for crossing the bridges. Naturally, the civil servants in Macao will feel happy, given the Government is in a good financial position, they may look forward to a pay rise.

My friends also took me to the so-called avenue of stars, which are actually the sites where the two casinos Venetian and Galaxy are under construction. I saw that the site was so large that you could hardly tell how many thousands of square feet were covered. If these casinos can be completed by the end of next year, that is 2006, it is estimated that 50 000 job vacancies will be created, but Macao will not be able to supply these 50 000 people and thus has to consider the importation of mainland workers. I do not know how the importation of workers will be implemented or how much will these workers be paid. I have not asked these questions. Yet, generally, Macao is expected to attain full employment.

Then, in the last couple of days, Singapore put forth another proposal. We see that it proposes to allocate two sites of 12 hectares and 35 hectares in Merina Bay and Santosa respectively for the construction of casinos, sure that the project requires such areas of land. According to its estimation, if the successful tenderer of the project may be announced this December, the project will commence in June 2006. This gives me the impression that the Singaporean Government is very efficient. It is also said that these casinos will open in January 2009. As it only takes three years for these casinos to start operating, I think the approval of construction plans and the business environment for construction projects in Singapore are much smoother than those in Hong Kong. It is estimated that the present number of tourists will double by then, reaching 17 million person trips, while the spending by tourists upon the completion of these casinos may reach US\$18 billion, twice as much as the present amount.

The project is expected to bring about a 0.6 (*sic*) increase in GDP as a whole. Understandably, from our prevailing viewpoint of alleviating poverty, the number of job vacancies so created for the grassroots should be taken into account. It is estimated that when these two casinos in Singapore come into operation, 100 000 vacancies will be created. It has been mentioned that consideration has been given to the building of only 2 000 hotel rooms, theme parks, shopping arcades, conference rooms, museums, and so on. Given that

Singapore has put forth such a proposal, should we not also consider or reconsider our development in this aspect?

As to whether locals are allowed to gamble, I have read from the newspaper that the Singaporean Government has once considered prohibiting Singaporeans from entering casinos, but finally it is decided that Singaporeans will be allowed entry to casinos. However, it is proposed that an admission fee of S\$100 (about HK\$470) per head a day will be charged. It means that Singaporeans are required to pay a higher admission fee, hoping that locals may be discouraged from participating in gambling. Besides, an additional condition is imposed, that is any person in financial difficulty or on social assistance is not allowed to enter casinos. Surely, I do not know how financial difficulty is defined. On the other hand, casinos are prohibited from offering loans to Singaporeans, but Hong Kong people are able to take out loans there. Actually, the Singaporean Government notes the question of whether mainland visitors should be allowed to come to Singapore for betting.

When we first put forth our proposal to the Government, we considered that Hong Kong people should not be allowed to gamble in those casinos. However, at that time, many Hong Kong people on the contrary said that they should be allowed entry to casinos. On the other hand, we are aware that in the Sheraton Grande Walker Hill, South Korea and the Do Son Casino, Vietnam in Asia, as well as a casino in Morocco and two casinos in North Korea, locals are not allowed entry. This mode of operation is common in many other places around the world, thus I think the Government may consider it. Moreover, given that Singapore has already started the construction of its casinos, we know the Governments of Thailand, Taiwan and Japan have also started looking into the matter.

Madam President, why have I said so much about casinos in respect of the Budget? It is because we have considered the issue from the angle of planning our budget. If the Government is hesitant about the scale of operation of casinos in Macao which generate \$20 billion to \$30 billion of income, we may consider casinos of a scale smaller than those in Macao. Besides, if the scale of our casinos is as large as those in Macao, it may undermine the stability in Macao and thus drawing the attention of the Central Authorities. This is a cause of concern. On the other hand, given the enormous market of casinos and that all our neighbouring countries are now studying the possibility of building

casinos in the year 2009 to 2010, is it proper that Hong Kong does not even consider studying such a proposal?

Surely, a couple of months ago, I sought the views of the Central Government on this issue. The Central Government expressed concern over this, for it considered that Macao is specialized in the operation of casinos while Hong Kong runs a diversified economy, with the addition of the Disneyland. It thought that the two regions should co-ordinate to designate the role to be played by each other. This viewpoint is very much understandable. However, I think, on the contrary, from the point of view of Hong Kong, after co-ordination, we can still think about it. Take container terminals as an example. Though terminals have all along been operated by Hong Kong, Yantian and Shenzhen have also launched their container terminals. When we start operating logistic centres, they may also open theirs. We have an airport in Hong Kong, so does Shenzhen. In other words, roles undertaken by Hong Kong do not necessarily be confined to certain types, nor does it mean that enormous impact will be created if we follow the roles that Macao has undertaken. Basing on the calculation that the annual expenditure of Macao is \$12 billion and its annual income is \$30-odd billion approximately, by 2009 when our casino will be completed, Macao, with an annual saving equivalent to two times of its expenditure for six to seven years, should have accrued enough reserves for the expenditure to be incurred in the next decade or two. I believe the impact to be created at that time may not necessarily be the same as our anticipation at the moment, affecting the prosperity and stability of Hong Kong.

Moreover, if Thailand, Taiwan and Japan are all considering the matter, I think Hong Kong should also think about it. If Hong Kong makes some \$20 billion to \$30 billion in annual revenue and creates 100 000 job vacancies, the Government may well drop the study on sales tax which may generate some \$10 billion or \$20 billion at best if charged at the rate of 5%. Besides, it is surely a better option to levy tax on tourists than to introduce a sales tax which has caused the business sector and the average citizen much worry.

Madam President, I would like to raise another point which is on the abolition of estate duty. Just now, Dr David LI has put forth many views, while Mr LEE Wing-tat has also expressed their opinions. I notice one point from their views; they asked whether the threshold for levying estate duty could be raised from \$7.5 million to \$20 million, so that about 70% of the persons now subject to this tax may come out of the tax net, most of them being the middle

class, and the remaining 30% would continue to be subject to this tax. Actually, of the \$1.5 billion revenue received under this category, some \$800 million to \$900 million, or even \$1 billion, may be paid by that 30%. Is this approach more appropriate?

This suggestion is not totally unjustified, but the Liberal Party, after understanding and discussing thoroughly with some of our major functional constituencies, the Hong Kong General Chamber of Commerce and the Federation of Hong Kong Industries, considers that we should now send a very clear message to investors that estate duty has been abolished in Hong Kong. We should not on the one hand abolish estate duty, but on the other impose a lot of "but" or "if" conditions. People of some places have asked whether they could just dispose of their bank accounts, shares or premises. Similar cases are common overseas, for example, income from sovereign debt is exempt from estate duty. However, we think that for a small economy like Hong Kong, if estate duty can be abolished once and for all, it will be favourable to our long-term interest as a whole.

I agree with many Members that the Government will lose \$1.5 billion of income if estate duty is abolished, but the gain so generated is indeed inestimable. If it is inestimable, how will the Government deal with it? Many people think that if it is really inestimable, could the Government deduce by all means some figures from the annual figures on investment? If we abolish the estate duty, will it be possible to conduct a review in a couple of years later to check out the number of companies set up in Hong Kong, the number of premises purchased, the number of workers employed by businesses, in particular those from the Mainland, as well as the investment amount involved and the number of job vacancies created? And then, could the Government put these different figures together to deduce the economic gain so generated to convince us? I hope the Government may do so.

Madam President, finally, I have to talk about the duty on red wines anyway. We have raised this issue for many years. For really good red wines, those subject to high duty on liquor, arrangements have been made, just like the case with estate duty, and these arrangements are indeed legitimate arrangements. For a bottle of red wine costing \$10,000, one has to pay \$8,000 in tax which is almost the cost of a round trip air ticket. If so, why do not ask an employee to bring back the wine? This practice is actually very common. In that case, the Government will not be able to collect such tax, and the Government knows the

situation. Therefore, just as the Liberal Party proposed last year, would it be possible to maintain the rate of duty on liquor at 80% of the price of the wine while capping the tax to be levied on a bottle of wine, be it \$500, \$800 or \$1,000 per bottle. This may at least keep the prices of high-end wine sold in Hong Kong from being incredibly higher than those sold overseas, which has drawn criticisms from tourists for the exorbitant price of wine in Hong Kong.

Thank you, Madam President.

**DR RAYMOND HO:** Madam President, the former Chief Executive Mr TUNG admitted in his 2005 policy address the failure of his Government to establish the vision of "people-based" governance in the past seven and a half years. The Government, in Mr TUNG's words, "fell short of 'thinking what people think' and 'addressing people's pressing needs'." Though Mr TUNG is no longer with the Government, the Administration should take note of his remarks as a valuable piece of advice.

*2005-06 Budget is not "people-based"*

Unfortunately, the 2005-06 Budget indicates that the Government has failed to draw any lessons from the past. Many people, including those in the construction industry, are still suffering from unemployment and many professionals are facing economic hardship in one way or another, including negative equity. But the Government did nothing to address their problems although the financial position of the Government has obviously improved. Now, the Financial Secretary is telling us that the Government's cost-containment efforts are starting to bear fruit and a budget balance will be achieved in 2007-08, one year earlier than the original target of 2008-09.

*Not recognizing middle class' hardship*

Despite the optimism expressed by the Financial Secretary, many sectors of our economy are yet to benefit from the recent economic growth spurred by the surge of in-bound tourists, particularly those from the Mainland. In order to ease the burden of taxpayers, I have urged the Government to reduce the salary tax, or at least put the second phase of the salary tax increase on hold. But my requests have fallen on deaf ears. Instead, the Financial Secretary has proposed to increase allowances for children and dependent parents or

grandparents. However, the increase will bring little help to the taxpayers, particularly the middle class.

*No measures taken to combat high unemployment in construction sector*

Sadly, the construction sector is still hard hit by the reduction in public housing production and the sluggish private sector. Despite the recent improvement in our economy, its unemployment rate still stays at a relatively high 14.7%, almost 2.5 times the overall unemployment rate of 6.1%. Time and again, I have been calling for the urgent attention of Mr TUNG and Mr TANG to this serious unemployment problem affecting the industry which consists of 300 000 people and about 1 million people if their families are also counted. However, no concrete measure is on the horizon.

The Government's determination of drastically cutting public expenditure to resolve budget deficit and to protect the Hong Kong Dollar is understandable, but its stubborn attitude of blatantly ignoring the serious situation of the construction industry is most disappointing. A lack of funding will also hinder the maintenance and retrofit of existing infrastructure and building works, let alone the starting of new projects. How can we maintain our position as a first class international metropolitan city? Although the Government has earmarked \$830 million for the Buildings Department to remove unauthorized building works, little impact on our employment situation is expected as it will be undertaken over a span of five years. In other words, it involves only a meagre \$166 million a year!

*No increase in expenditure on infrastructure projects to spur the economy*

The Financial Secretary has mentioned in paragraph 65 of this year's Budget that the Government will continue to allocate resources for capital works projects, for the promotion of tourism, logistics, environmental, cultural and creative industries, and for the facilitation of urban renewal and building management and maintenance. The paragraph continues, "Apart from encouraging economic development, these projects create more job opportunities."

In paragraph 52, it is also mentioned that we will continue to expand our cross-boundary transport network and other infrastructure facilities to meet the needs of our logistics industry. If the Government is actually acting on its

words, how come the Government has only repeated its commitment of investing an average of \$29 billion per annum in infrastructure projects?

Indeed, the estimated provision on capital works for 2005-06 is \$27.6 billion, much lower than the past average. Surely, the Government could always come up with good reasons to justify such variations or reductions. But it will not change the fact that there will be no increase in expenditure in infrastructure development in the coming year or the years to come. Does this mean that the Financial Secretary is only paying lip service to what paragraphs 52 and 62 say?

*60% of 169 projects of the two defunct Municipal Councils still on hold*

On the other hand, the Government fails to pay much attention to the public need of municipal facilities. 60% of 169 projects for the two disbanded Municipal Councils remain on hold. According to the information provided by the Government on the 169 projects of the two defunct Municipal Councils, 139 projects are within the remit of the Leisure and Cultural Services Department (LCSD) while 30 are environmental hygiene facilities. First, among the 139 projects, 33 projects have been completed or have a completion date. Two are undertaken as Private Sector Finance projects. Eleven were cancelled following consultation with the District Councils. For the remaining 93 projects, 21 are recommended to commence after the review of the LCSD. Second, with regard to the other 30, funding has been approved for eight of them. Twelve were deemed unnecessary. The remaining 10 projects will be reviewed by the Food and Environmental Hygiene Department in respect of the need of the services and the scope of the projects. Resources permit, they will be carried out according to the priority in need.

I am not satisfied that it is only after chasing the Government for over four years that we see the commencement of these 169 projects after the abolition of the Urban Council and the Regional Council. Despite the former Chief Executive Mr C H TUNG's reply to me at the Legislative Council that he had tasked the Secretary for Home Affairs to look at the projects and to give a report to the Legislative Council within three months, there are still no firm decisions on so many projects.

*Actions required to address people's pressing needs*

Instead of urgently addressing important issues, such as unemployment, lack of municipal facilities and strengthening our infrastructure development and building works, the Government is still preoccupied with the elimination of budget deficits though its financial position has improved substantially. Is this the way how the Government lives up to the "people-based" governance? Is this the way how the Government "think what people think" and "address people's pressing needs"? Or, has the Government completely dropped the notion of the "people-based" governance with the departure of Mr TUNG?

I have been urging the Government to issue bonds to raise funds for more infrastructure development so as to capitalize on the private sector's huge resources of some \$3,500 billion. Last year, the Government did raise \$6 billion in its securitization exercise of five tunnels and one bridge and \$20 billion in its bond issue. However, all of this \$26 billion is being used to finance part of the \$29 billion annual expenditure for infrastructure rather than additional infrastructure projects. In other words, its annual expenditure earmarked for infrastructure projects remains at \$29 billion, despite the \$26 billion bond proceeds. But investing the proceeds in new infrastructure development will help increase the competitiveness of our economy which is the key for future growth. Moreover, initiating more infrastructure projects and building works will create more employment opportunities in the construction industry. In order to create the required impact on our economy and more employment, the Government should seriously consider increasing the volume of bond issuance for initiating more public works projects.

On the other hand, the Government should also adopt the Private Finance Initiative to encourage private companies to initiate more new public projects which have not been included in the existing facilities or may not be built by the Government on its own. I believe I have talked on the subject many times at this Chamber and am therefore not prepared to repeat the details here again.

Madam President, I am discontented with this year's Budget and have been thinking of voting against it. I sounded out my position in an e-mail distributed to several thousand fellow engineers in early April. Among the responses which I received, almost all of them agreed with my views and gave their overwhelming support to me to vote against the Budget.

If the Financial Secretary wants the public to support his Budget, please start thinking what people think and addressing their pressing needs.

Madam President, with these remarks, I so submit.

**MISS CHAN YUEN-HAN** (in Cantonese): Madam President, the evaluation of the Hong Kong Federation of Trade Unions (FTU) of this year's Budget can be summed up as "the Budget having put much emphasis on stability but very little on the improvement of underemployment".

I believe the Financial Secretary knows very well that governments all over the world use revenue and expenditure as an instrument to achieve targets in several aspects: First, to allocate resources efficiently and cost-effectively; second, to distribute revenue fairly; third, to facilitate stable economic fluctuations; and fourth, to promote economic development. Nevertheless, upon looking at our Government and countries which have adopted this criteria in the world, I cannot refrain from asking: How good have we done so far? With regard to the four targets I have mentioned just now, how fairly can the revenue be allocated?

We met with the Financial Secretary sometime ago. After listening to our opinions, he explained that the Budget was an instrument for redistribution of wealth. Upon hearing the Financial Secretary's remark, all of the three FTU Members were reassured and we thought the Government would take measures in the Budget to address the prevailing severe wealth gap and the problem of impoverished families. Unfortunately, nothing was mentioned in this year's Budget. All we can see is that it keeps on doing some simple tasks that the Government has been doing in the past few years, which include spending some money to open temporary posts for thousands or tens of thousand jobless people. However, this approach is just a drop in the bucket honestly. It cannot solve the prevailing unemployment problem in society.

The jobless rate announced yesterday was still as high as 6.1%. In some measure, the figure represents a rather stablized situation and one may say that we have passed the most difficult time, but there are still 209 000 jobless people. The Financial Secretary asked Members not to look at the number of jobless people only; he said that we should also look at the overall employment size.

Certainly, one can see that the employment size is growing in comparison with last year, which proves that more people have found jobs.

In view of his remarks, I leafed through the figures right away. One can note from the employment figures in recent years that the situation is just as the Financial Secretary said, that the employment size had been growing since early 1999, and the total employment size to date is 250 000 people. Nevertheless, let us look at some other figures that the Financial Secretary has not mentioned. We found that the labour force has grown by 250 000 people over the past five years, which has just offset the growth of the employment size. The current unemployed population is 209 000 people. Five years ago, it was 204 000 people. Strictly speaking, the unemployed population has grown slightly. In other words, the unemployment problem has not been solved, but the labour force has grown. There are numerous factors contributing to the growth, but I will not go into the details here.

Madam President, upon reading the figures, I felt that the Government had turned years to empty waste without addressing the unemployment problem in Hong Kong. The Government has only offered temporary posts in each year's Budget as a perfunctory attempt to solve the problem. Even if the Government had taken some advices, such as the local culture and community economy proposed by the FTU — which was renamed by the Government as local community economy before it was adopted and implemented by the former Financial Secretary "Ah Chung", there were no complementary measures after its implementation, and we could not see whether or not the Government has adopted any taxation tools to achieve these goals. In fact, the Government has done nothing at all.

In the Budget, the expenditure on low-income CSSA recipients will increase by \$293 million; meanwhile, the expenditure on unemployed CSSA has been slashed, albeit just a little more than \$40 million. Originally, when jobless people can return to the job market, they need not apply for unemployment assistance. However, as their income is so meagre for them to eke out a living, many of them have to rely on certain CSSA payment items such as the low income allowance even though they do not wish to live on CSSA. Every time these figures are announced, we can see that the figures have been rising gradually, and the so-called "rise" means an increase. It shows that even if some of these people are fortunate enough to have a job, and even if these people work very hard in order not to become CSSA recipients, their wages are still very low. I have been told that the Commission on Poverty has put the issue of

low-income workers on its agenda. I also consider that a genuine problem. Obviously, the Government is facing a problem of structural unemployment.

Yesterday, Mr KWOK Kwok-chuen, the Government Economist, told the Panel on Commerce and Industry that Hong Kong had been affected by the economic transformation. He pointed out that the Hong Kong economy was transforming into a knowledge-based economy. It can be said that grass-roots workers have very little advancement opportunity or may even say that they will have no foothold in the new economic environment. No matter how well the economy grows in future, it is of little help to this group of 1 million-odd people in terms of employment.

We have also seen another problem. Mr KWOK pointed out in yesterday's meeting that the number of women going out to work had increased significantly. What jobs are these women doing in general? He pointed out that they are mainly cleaners or restaurant workers. Instead of getting a pay rise, the wages of these types of jobs have already been cut. The reason is simple; anyone will have the common sense. Since the supply has outgrown demand, therefore the wage level has been cut instead of being increased. The lowest wages have not seen any increase as a result of the economic upturn; they have dropped by 20%. The Government should take these issues into consideration. The root of the current unemployment and poverty problems in Hong Kong is that both job seekers and supply have outgrown jobs and demand. The Government should take the proper remedial measures to create jobs and to find temporary and long-term remedies for the problem. However, the SAR Government is taking the opposite direction. Very often, government policies would exploit grass-roots workers and small and medium enterprises (SMEs) which provide job opportunities to these grass-roots workers and reduce their opportunities of becoming self-reliant.

Yesterday, I accompanied a group of small-scale manufacturers from San Po Kong to meet with various officials via Members of the Executive Council. We met with the Financial Secretary, but we did not see the Secretary for Financial Services and the Treasury. However, we had also met the Secretary for the Civil Service. At that time, some factory owners told the Financial Secretary that they hoped to keep on operating in the old resettlement factory estates, but the Government said no, because the resettlement factory estates would be demolished soon. According to the policy of the Housing Department, the business activities in those estates should stop as the mission of those

resettlement factory estates has been accomplished. I consider that these factory owners are in dire straits. What should these people do after the factory estates have been demolished? The average age of these small-scale factory owners is just over 40, so they are rather young. The family members or parents of most of these people have been working there for a long time, and they just wished to eke out a living with their own hands.

Yesterday, the Acting Chief Executive asked these people the kind of business they had been engaging in when he met with them. He found out that these people were engaging in printing, watch accessories and heavy industries. They really wanted to keep on doing their businesses. But if the factory estates are demolished, what should they do? How did the Acting Chief Executive reply? He said, they may get compensations. Madam President, are the compensations enough for them to reopen their businesses? Those factory owners said that the compensations would not be enough to settle the severance payment. Although the Government said it would refer new factory premises to these owners, the rentals of new factory premises would be very different from that of the resettlement factory estates.

During the '60s and '70s, the British Government had to deal with the local manufacturing sector. In order to give support to SMEs, they Government built those seven-storey factory blocks in order to facilitate their development. Today, the SAR Government has to deal with the problem of underemployment and limited economic activities, too. I will expound on this topic later. Nevertheless, it has not launched any relevant policy; government departments will only pass the buck to each other. How can the problem be solved? Secretary for Financial Services and the Treasury, I also hope that you can rescue those SMEs which wish to pursue development in Hong Kong. The Central Government launched the CEPA and zero-tariff policy in the hope of attracting manufacturers to return to China for development. The Hong Kong Government is also promoting the same. Those people who have been doing business here in Hong Kong just wish to feed themselves, feed their own families, and feed the grass-roots workers, but we are stifling their vitality. What Government is this, I must ask indeed?

Madam President, my doctor told me not to get angry, for more than half a year which has passed, I have been milking my temper as much as I can, but I got rather angry yesterday. Can the compensations solve the problem? Can they rent government premises if the need arises? Did he know that small-scale

operators can survive just because the rental was cheap? Moreover, some of the manufacturers are engaging in some heavy industry business, how can they move to the upper floor? How can they achieve that?

Honestly speaking, I have spent a lot of time championing for their cause. Yesterday we presented a petition to the Executive Council. The Government would force them to move out in May. I discussed the issue with the Director of Housing, but he told me it had nothing to do with the Housing Department. I talked with Mr SUEN, he said it had nothing to do with him; it should be Dr Patrick HO's business. Whose business should this be? For that reason, I caught the Financial Secretary yesterday, he should have felt that he had been caught by me as I did not let him leave the meeting room. I hoped that he would listen to the opinions of these manufacturers, listen to their genuine aspiration of staying in Hong Kong as they wished to keep on promoting Hong Kong's economy. Although they are not engaging in any mainstream economic activities, given that the Government still encourages development, why should we not give them room to survive?

Madam President, if the Government keeps on doing that, I am concerned that the problems confronting Hong Kong would worsen continually. The objective of the Budget, besides cutting expenditure and tapping new sources of revenue and increasing or cutting taxes, should also include a rather heavy responsibility, that is, to set the direction of future economic development of Hong Kong. As to the four aspects I have mentioned just now, they are criteria that all countries would adopt in the course of prompting economic development.

In this connection, what has this year's Budget mentioned? The FTU considered that we should promote a multifaceted economy and enhance job opportunities. We have made such a proposal many times in the past. The FTU did not hesitate to co-operate with several universities. We found that the Government believes that as long as it considers the economy is good, the economy is good. We told the Government in the '90s that this approach would not work. The current economic activities would not allow the participation of the grassroots. The Government Economist told us the truth yesterday. Now, even the Government Economist also raised the same question that we had already raised in the '90s. What would the entire social policy be? I will forgive the Financial Secretary in an understanding way, because the time he delivered the Budget was right in the middle of the resignation of the former Chief Executive, he was waiting for the new Chief Executive to take office, but he knew nothing about the successor. Under this circumstance, he was in a

rather difficult position. Therefore, I wish to tell the Financial Secretary in good faith that this problem should be addressed immediately; he should not ignore it anymore. He should deal with the matter in view of the fact that economic activities are thriving. He should not just sit on the issue and think that the conditions of solving the employment problem of the grassroots would emerge over time.

Madam President, I wish to say that the Financial Secretary also mentioned the cultural and creative industries in his Budget this time around, an idea originally proposed by the former Chief Executive. Nevertheless, I wish to point out that there was little novelty in this year's Budget. The only new thing was the Film Guarantee Fund. From last year's policy address to this year's policy address, the Government has repeatedly emphasized the policy to promote creative industries. It was also mentioned how the creative industries of the United Kingdom had achieved an average annual growth of 8% of its Gross National Product within several years from a fairly low level. It was also mentioned that there was still scope for growth. However, we could only see the term "creative industries" popping up here and there in last year's policy address. This year, the term "cultural" was added. Anyway, never mind, we can wait, but what will be the next step? That is, the launch of the Film Guarantee Fund.

With regard to creativity, it may include a number of categories, for example, do creative industries include electronic games? In our visit to Korea, we were told that the Korean Government would lease some premises to its people at a rather cheap rental, and the people may use the premises for some creative industries, which included garage kits. Is that considered a form of creative industries? The Koreans consider that a form of creative industries. Will a rollable calculator be considered a product of the creative industries? Why should only one item get the subsidy? Why are plenty of such business activities developed by the people not given consideration by the Government?

(THE PRESIDENT'S DEPUTY, MS MIRIAM LAU, took the Chair)

Madam Deputy, the economic problems that Hong Kong has been facing in the past few years are not restricted only to the grass-roots employment issue, which is the issue the grass-roots workers and labour unions have been concerned most, even the business sector is taking the issue into consideration. Recently, someone from the business sector had told me that he wished to turn a

Yau Tong factory building into a permanent trading site similar to the Exhibition of Hong Kong Products, so as to let the public to take the opportunity to create their business operations. I guess it is something like a flea market. He also undertook that he would not change the lease conditions of the premises. However, the problem is whether or not the Government would provide complementary measures policy-wise in case the project is implemented? That is something I cannot see.

Madam Deputy, the Government always emphasizes that the promotion of the four pillar industries would help us to find a solution to the problems in Hong Kong. Let me do some calculations with the Government. According to the information of the Census and Statistics Department, the financial services industry accounted for 13% of our GDP, the tourism industry accounted for 2.5%, the trading and logistics industry accounted for 5.2%, and the producer and professional services industry accounted for 11.5%. How much did these four industries account for our GDP in total? It was only 32% plus several decimal places. It would not be sensible to say all day that they were the four pillar industries of Hong Kong. The most hilarious thing is that the trading and logistics industries do exist in the entire Pearl River Delta Region, and they will compete with us. We are now facing these problems. Since the purpose of the Budget is to forecast future economic development, then should it look into these issues? As they just account for a little more than 30% of our GDP, how can they support Hong Kong? How can we stifle other sectors which may help to develop our economy?

Madam Deputy, what should the Budget envisage to do? Besides the repetitive mentioning of the promotion of the four pillar industries, I think it should address all the problems seriously. Can it solve the jobless problem of over 100 000 people? We cannot just sit here and wait for lady luck to smile on us. The non-government circles had proposed a number of solutions, and the FTU has been putting forward numerous proposals since 1998, including environmental protection industry, recycling business, cultural and creative industries, home help services, community economy and co-operatives. But we found that they had been thrown down a rat hole as there has been no response at all. I really hope the Government will take heed of these issues and expand its scope of study. For example, the plastic bag issue was raised this year. We consider that fine, but besides this issue, what else do we have? The environmental problems caused by plastic bottles, used bottles and electronic waste are waiting to be solved, has the Government ever thought of finding a way to solve them? If we keep on going like that, when can we find abundant

job opportunities for the poor grassroots? I hope the Financial Secretary will study these issues with us, and I also hope the Government will set up the employment committee which cares about the community economy, in order to solve today's problems jointly with us.....

**DEPUTY PRESIDENT** (in Cantonese): Miss CHAN, your speaking time is up.

**MR DANIEL LAM** (in Cantonese): Madam Deputy, after a prolonged economic depression and social troubles over the years, Hong Kong desperately needs a peaceful environment to recuperate and rehabilitate. This year's Budget basically fulfils the need in this respect. It has not raised any ambitious plans or any large-scale construction projects. The tax system will remain unchanged and the budget deficit will be addressed. New sources of revenue would be tapped only after expenditures are cut. It fully meets the majority's desire for pragmatic, stable, harmonious and sustainable development.

Nevertheless, as an externally oriented economy, Hong Kong is susceptible or even vulnerable to local and foreign political and economic fluctuations. In order to achieve success in a stable environment, it should be able to defend itself in the course of pressing forward. In the latest *Hang Seng Economic Monthly*, it was pointed out that Hong Kong should secure more investment in order to ensure continuous economic growth. In fact, the pace of regionalization and globalization is posing challenges to the Hong Kong economy from all directions. To safeguard the long-term development of Hong Kong's economy which has just gained momentum, we should stay vigilant against the impact of the recent interest rate rise cycle, high oil prices, the US Dollar's weakening trend or even the geopolitical turbulence in the international world.

This year's Budget places little emphasis on the promotion of economic development, with the biggest goal, after all, being nothing but to develop tourism and to provide additional funding to enhance the competitive edge of SMEs. It lacks the necessary policies and intensity to give impetus to upgrade our industries and transform our economy. Madam Deputy, the fact that our Kwai Chung Container Terminals have lost the long-standing throne as the world's number one port, which we have been holding for many years, has

raised the alarm about the critical competition Hong Kong has to face. The tasks relating to the structural adjustment of Hong Kong's economy and the transformation to a knowledge-based economy demands immediate attention. The Government is duty-bound to undertake these tasks resolutely in order to promote economic development in a more specific manner.

The first and foremost task in the promotion of economic development is to identify the goal and direction. Projects such as the Hong Kong Disneyland, Hong Kong-Zhuhai-Macao Bridge, Container Terminal 10, the logistics park and resort facilities will transform the long-unattended and biggest island in Hong Kong, the Lantau Island, into a promise land which will help to promote Hong Kong's economic development. The direction is correct, but it lacks the complementary measures, for we have not seen any proposal on corresponding regional development. Nevertheless, the local residents and community economy are excluded from the entire development plan. While they cannot benefit from the result of the regional development and the economic success at large, they have to share the burden of transport and environmental pollution incurred by such development. This is utterly unfair to them.

Madam Deputy, the long-term backlog of applications for the construction of small houses in the New Territories is also unfair to residents in the New Territories. In fact, the Government may bring considerable revenue to the public coffers by approving applications for the construction of small houses; while job opportunities would also be increased due to the construction of these small houses, the regional economy could be promoted and living conditions of the villagers can also be improved. This will kill many birds with one stone. The Heung Yee Kuk hopes that the Government will instruct relevant government departments to expedite the vetting and approval process and speed up processing the backlog of over 10 000 applications, with a view to generating a liquid capital as much as \$40 billion for society.

Madam Deputy, in fact, land supply in Hong Kong is so scarce that we do not have adequate resources; the Government should strike an appropriate balance between conservation and regional development. We should not leave enormous precious land resources undeveloped and leave them to sheer waste. The Government has all along been emphasizing the principle of "small government, big market" and removing all the restrictions and regulations in order to improve the business environment, so it should treat regional economic development equally without discrimination. For example, it should open up

the Sha Tau Kok Border Closed Area, unleashing rural development from the rein of conservation policy, so as to add continuous vitality and impetus to the long-term development of Hong Kong.

Madam Deputy, I so submit.

**MR CHAN KAM-LAM** (in Cantonese): Madam Deputy, after experiencing an adjustment in its economy for seven years, Hong Kong finally moved out of the doldrums last year. Now we can assert that granting the absence of drastic changes in the international community, our economy can forge steadily ahead.

In the 2005-06 Budget, the Government has accepted the suggestions made by the DAB. As a result, the age eligibility for dependent parents and grandparents allowance is lowered; the child allowance is increased and the estate duty is abolished. These moves will provide tax relief to taxpayers and further consolidate our position as an international financial hub. The DAB welcomes such moves.

However, the Government, putting up the pretext of prudent financial management, has not accepted further suggestions from the DAB to relieve the hardship of the people when the lower strata of society are still unable to benefit from the economic recovery. These suggestions include imposing a freeze on the increase in salaries tax, waiving government rates for a quarter and advancing the date of selling the remaining units of the Home Ownership Scheme flats, and so on. We are disappointed and we hope that the relevant policies will be reconsidered.

Now I wish to put forward the views of the DAB on a few long-term financial issues related to housing and economic development.

First, the DAB is of the view that the Government should change its current approach of apportioning the income from fiscal reserve investments. The reason is that the investment return of the Exchange Fund is to a very large extent affected by the global economic sentiment and other uncertainties. Consequently, forecasts on the investment return for a particular year are not so reliable and stable. This will cause a great disparity between the apportioned income and the figures forecast, making the Budget lose its reliability.

The DAB suggests that there should be a change in the approach taken by the Government to work out the apportioned amount from the fiscal reserves for the year and the income from the Exchange Fund. Instead of an apportionment being made on the actual income of the Exchange Fund for that particular year according to the rate of investment return, a change should be made to determine the actual amount of apportionment based on the average amount apportioned over the past five years.

When the apportionment approach suggested by the DAB is adopted, it is expected that the disparity between the forecast investment income and the actual investment income would be reduced markedly. This will ensure a reliable and stable financial income for each year. It will also help the Government compile a balanced budget in future and determine various items of public expenditure.

Another point is that the Housing Authority (HA) is facing some medium-range financial difficulties. The Court of Appeal has granted leave for a public housing estate tenant, Ms LO Siu-lan, to file an appeal to the Court of Final Appeal on the issue of whether or not the listing of The Link REIT is a contravention of the Housing Ordinance. In view of the fact that considerable time will be taken before the case is heard in the Court of Final Appeal and for a final judgement to be passed, the case will cause a very significant impact on the development of public housing in Hong Kong in the long run. For this reason, the Government should actively consider other ways of realizing the assets of the HA to raise essential funds.

The DAB suggests that the Government may consider transferring the commercial assets of the HA to the Exchange Fund at a cost of \$30 billion to \$40 billion. When the Exchange Fund has assumed possession of the commercial properties of the HA, these properties can be managed by The Link REIT. The rate of return should not be less than 6%. This move will have the advantages of easing the financial difficulties of the HA speedily while also bringing in a steady source of income. In future, if the performance of The Link REIT is good, the Hong Kong Monetary Authority may consider further securitization of these assets.

Another approach which can replace the listing of The Link REIT while solving the financial problems faced by the HA is to issue bonds. The HA may

resort to issuing bonds and cash in \$30 billion to \$40 billion. The commercial return of these bonds can be paid as dividends to bond holders.

We would like to stress that in either the Exchange Fund buying The Link REIT or issuing bonds, there is no question that assets will be sold. This will not only break the impasse of an indefinite listing of The Link REIT but also present a compromise and a way out.

Next I would like to raise the issue of redevelopment. With respect to urban redevelopment, all along the Government has stressed that the conditions of the old urban areas should be improved so that the territory can take on a new appearance. Unfortunately, government policy on this as we see it has made a marked shift from a focus on redevelopment in the past to that of renovation at present. In this Budget, not much is said on urban redevelopment. It must be pointed out that there are limits to what building restoration can do to improve old urban areas, especially when these areas have problems like insufficient ventilation, lack of community facilities, and so on, because there was no comprehensive planning in the past. All these problems cannot be addressed by building restoration. We hope that the Government will cease doing patchwork and it should make use of the property market upturn to accord priority to urban redevelopment again. It should launch more redevelopment projects so that work on improving old urban areas can proceed at full throttle. Apart from improving the appearance of the entire community in question, urban redevelopment can also ease unemployment in the construction industry. This is because regardless of the amount of resources the Government may inject and how many retraining programmes it may offer, if job opportunities are not provided, all these will be futile.

On the issue of redevelopment, the Urban Renewal Authority (URA) included in its first five-year plan announced in 2002 the redevelopment of the Kwun Tong town centre as part of this plan. But to date we have not seen any concrete timetable for it. Some residents there have lost their patience and expressed the wish to apply for a judicial review to compel the URA to speed up its redevelopment plan for the Kwun Tong town centre. The grievances of the residents are understandable because they have been waiting for so long and their hopes have been repeatedly dashed. Now there is a trend emerging in society that the Government and the people find themselves in confrontation and things are often taken to court. Personally I think that such acts are not beneficial to

Hong Kong at all. I hope that the Government can think of ways to break this impasse and formulate a concrete redevelopment plan for Kwun Tong.

With respect to the redevelopment plan for Kwun Tong, the DAB further hopes that the URA can purchase vacant Home Ownership Scheme flats in Yau Tong and Ngau Tau Kok for those affected by redevelopment to swap their properties with. This will achieve the aim of rehousing in the same district and solve the grave problem of small property owners having a hard time finding suitable flats.

The DAB is of the view that urban redevelopment work should not be confined to the level of the URA, the Government should provide more incentives to private developers to engage in redevelopment. There are recent reports that some owners of flats built under residential projects of civil servant co-operatives have amassed the title of their flats and offer their flats for sale in the hope of attracting developers to buy the flats for redevelopment. This is a good inspiration because a very important obstacle to private sector redevelopment in the old urban areas is the difficulty of amassing the title of all the flats in a building. The DAB hopes that the Government can consider relaxing the Land (Compulsory Sale for Redevelopment) Ordinance and lift the restriction imposed on developers that they must purchase 90% of the title of the same land lot and lower the threshold to 80%. We hope that instead of the URA playing the lead role all the time, the small and medium-sized developers will find it attractive to redevelop single-block buildings in the old urban areas. This will help speed up the pace of urban redevelopment.

On the economic front, developments in the tourist industry are a cause of concern. The Budget announces a number of tourist projects and that an additional funding of \$500 million is earmarked for such projects in anticipation of the 27 million visitors coming to the territory in the following year. Though the Government should be commended for being positive about committing resources to promoting tourism, regrettably the focus of these activities seems to have been placed on enhancing publicity alone. What have been overlooked are improvements in matching infrastructure such as hotel rooms, room rates and manpower in the tourist industry.

Ever since the launching of the Individual Visit Scheme on the Mainland, the increase in the number of visitors to Hong Kong and the rate of increase are much higher than expected, resulting in an acute shortage of hotel rooms. In

November 2004, the overall hotel occupancy rate in Hong Kong was as high as 96%. Though the Government stresses that the number of hotel rooms in this year and next will be increased by 8 697 and 3 289 respectively, it is expected that the hotel occupancy rate this year will be further increased to 89%. As supply is still short, there may be a scenario of some tourists not being able to find any rooms.

The problem of soaring hotel room rates as a result of tight supply is also a cause of concern. Last year there was an average increase of hotel room rates by 19% and increases in room rates for Grade B hotels and mid-tier hotels were 23% and 24% respectively. In April this year during the peak trade fair season, the room rate for an ordinary three-star hotel was as high as over \$1,000. There were reports that the room rate for a four-star hotel was over \$3,000. The industry has also admitted that the hotel room rates in Hong Kong in April are double those of the previous month and these are an increase of over 30% as compared to the same period last year. We can see that even before the onset of the peak tourist season, room rates in Hong Kong have already soared by such a drastic rate. When the Hong Kong Disneyland opens and during the National Day "Golden Week", this kind of rip-off prices charged by hotels in Hong Kong would be beyond our imagination. This will surely cause a grave impact on the tourist industry in Hong Kong; for the overseas visitors, this will certainly leave a very bad impression on them about Hong Kong.

Another problem waiting to be solved is that of manpower. Some people from the tourist industry have pointed out before that when the Hong Kong Disneyland opens in September, the number of visitors to Hong Kong will surge sharply by 20% to 30% and at that time there may be a demand for as many as 4 000 in-bound tourist guides. But there are only about 1 000 to 2 000 in-bound tourist guides in active employment and it is expected that there would be a shortage of tourist guides by that time. At the same time, the hotel sector has pointed out that with 35 new hotels coming into operation in the next four years, as many as an extra 9 000 people would be required. But the annual drain rate for hotel staff is over 20%. When this is put against the entire workforce of 26 000 to 28 000 people in the hotel sector currently, this would mean an inability to meet future demand. We think that the Government should allocate more resources on this to prevent the emergence of a gap in manpower supply.

As for the development of the electricity market in Hong Kong, the DAB agrees that in the long term, the development of the local electricity market

would mean the interconnection of power grids with those on the Mainland and the introduction of competition. Two weeks ago, the DAB met the officials from the Guangdong Economic and Trade Commission in Guangzhou and we were given a picture of the current and future power supply in Guangdong Province. We learnt that given the existing scale of power supply on the Mainland, the interconnection of power grids in both places may not be feasible in the short run. However, though it may not work at present, it does not mean that it will never work. What Hong Kong should do now is to perfect the related infrastructure and solve the problems in the networks for interconnection purposes. When everything is ready and provided that the mainland power market is ripe for it, the interconnection arrangements can be realized in no time.

In addition, we are also concerned about the unreasonably high power tariffs in Hong Kong. It is known that the power tariffs charged on residential consumers on the Mainland have already taken into account the tariff differences, but they are still lower than those charged by the HEC and CLP by 77% and 36% respectively. This is another proof that power tariffs in Hong Kong are expensive. The DAB will continue liaising with the Guangdong officials to learn more about how power tariffs are determined on the Mainland. This will help our study into how power tariffs are to be regulated in Hong Kong.

Madam Deputy, I so submit.

**MR SIN CHUNG-KAI** (in Cantonese): Madam Deputy, the biggest shortcoming of this year's Budget is the failure of the Government to restore the taxes increased in 2002-03. Discounting this, Mr LEE Wing-tat, Chairman of the Democratic Party, said earlier that this Budget could be regarded as pragmatic. In fact, the Government's concept of financial management is largely similar to that of the Democratic Party, which includes "big market, small government" and the sale of assets, and so on. One or two other points worth mentioning are the structural fiscal deficit and narrow tax base which the Government frequently mentions.

There is actually room for discussion as to whether Hong Kong's tax base is narrow. Some economists have said that the tax base of Hong Kong is not narrow. Out of the Government's fiscal revenue, over one third comes from property-related projects. One example is the proceeds from government land auctions. This year, the situation has changed for the better, and land auctions

have brought in almost \$30 billion. This revenue for the Government comes indirectly from the people. Although this is not salaries tax, it is still revenue for the Government. Moreover, there are also numerous fees and charges collected as a result of the application of the "user pays" principle. If all these indirect taxes are taken together, the sum in fact is not small.

Therefore, on the issue of widening the tax base, should salaries tax be increased, or should a sales tax be introduced? In these years, I have even used some rather extreme words — "threatening the people" — to describe the Government's view. Certainly, I also understand that a lot of factors contribute to an instable source of revenue for the Government. If the economic condition is good, there can be a marked improvement to our fiscal position in a few years. This year and the previous year (2002-03) have presented vastly different pictures. Two or three years ago, the fiscal deficit in the region of \$60 billion to \$70 billion was horrifying. However, I hope the Government can carry out some studies on cyclical deficit and structural deficit so as to differentiate the two.

We think that the Government should continue with some large-scale projects, and maintaining a small government is one of them. In respect of opening up more sources of revenue, Members of different parties have today happened to raise the issue of how the investment return of the Exchange Fund should be shared. The Democratic Party was the first to bring up this issue. We have in the past suggested different methods. I think it is now time the Government gave an active response. Nonetheless, the Government has not responded in this Budget, although it should have grasped this opportunity to do so. The Democratic Party reiterates that we consider a greater proportion of the proceeds from investment return could be accounted as government revenue. Why does the Democratic Party suggest \$30 billion? The reason is simple. We came to this conclusion having regard to the average return in the past decade. Even if only \$30 billion is set aside, it is possible that over 40% of the return from investment can be accumulated. We think that on average, there should be \$50-odd billion. Thus, even if a principal of \$30 billion is taken out, \$20 billion can still be accumulated. This is one measure which the Government can consider.

For the Government to maintain a "small government", some work must be continued. For example, scrapping certain services which the Government does not need to provide; outsourcing certain services which the Government

does not need to provide directly; merging of departments; monitoring public expenditure effectively; employing information technology to enhance efficiency, and continuing with the sale of certain assets which the Government does not have to own (Mr LEE Wing-tat mentioned this earlier). In addition, the Democratic Party has mentioned some assets which the Government should no longer possess, for example, the land on which the building of Radio Television Hong Kong (RTHK) stands. In my discussion on expenditure, I have mentioned that if the three parcels of land now taken up by RTHK are taken together, it is estimated that the value would exceed \$10 billion. According to my conservative estimate, it should at least be worth a few billion dollars. Even if RTHK is relocated to Tseung Kwan O and a new building constructed there will still be profit. This is a measure which the Government should consider. Luxurious flats can be built on these three parcels of land. If plans can be drawn up now to vacate the land and piece it with the adjacent lot, it can fill up the space in the current market and boost government revenue.

Many services should also be continued to be outsourced by the Government. For example, what have been suggested recently are some good measures, including outsourcing the service of civil celebrants. This can reduce the services provided by the Government and enhance the vitality of the market. However, when considering the outsourcing of services, the Government should take the staff into consideration and avoid rendering them unemployed.

As for the merging of departments, at the start of its implementation, the accountability system gave me the feeling that it was "forceful", for example, the Education Department was merged with the Education and Manpower Bureau; the Information Technology and Broadcasting Branch was scrapped and merged with the OGCIO; and the Printing Department was merged with the Government Land Transport Agency to become the Government Logistics Department under the charge of Secretary Frederick MA. These are all good measures. Nonetheless, there are still numerous departments within the Government which offer room for merging. Through mergers, some unnecessary administrative costs can be saved. Sometimes, if a problem is referred to one department for handling, the administrative efficiency may be higher, but if it is handled by more than one department, there will be correspondences and responses, and this may take more time. If some departments are merged (Dr Raymond HO may not be too happy to hear this), including the merging of the Civil Engineering Department and the Territory Development Department into a civil engineering

and territory development department, or the merging of the Lands Department with the Planning Department, the Water Supplies Department with the Drainage Services Department, the Architectural Services Department with the Civil Engineering Department, the Transport Department with the Highways Department, and so on, it can not only enhance the efficiency of the Government but also reduce government expenditure without affecting the services. In this respect, I feel that there is still room for the Government to proceed with merging.

Moreover, cutting directorate posts, minimizing the current paper chase among different departments, and streamlining administrative procedures all merit consideration by the Government. In addition, I have said that — which the Financial Secretary may not agree — there is also room for merging Invest Hong Kong with the economic and trade offices. Of course, this time, we are not simply suggesting that this be done. We will also consider suggesting that funding for the Constitutional Affairs Bureau be slashed, but this is another issue.

In my opinion, the Government is also being extravagant in certain other aspects. Lately, I have noted from the Budget that the Government is prepared to spend \$90 million on replacing the fleet of government vehicles, among which some have only been in use for seven years on average. I have made some enquiries about some figures and come to learn that for those vehicles which have been in use for seven years, their mileage is 130 000. I do not think that 130 000 is a high mileage. Can the Government tighten up a bit in this regard, or has it overlooked something? I think the Government should consider how it should monitor the expenditure of some government departments or subvented organizations.

This year, the Government is very generous, particularly towards the Hong Kong Tourism Board (HKTB). Apart from increasing its funding by 30%, an extra \$480 million is given to the HKTB to cover its non-recurrent expenditure. The Democratic Party emphasizes that we support the development of tourism as this will help the low-skilled to become employed. However, I hereby wish to make it clear to the Government that since the HKTB has been given more funding, the public would have expectations. In particular, the Government should tighten up its control of the HKTB's expenditure at an earlier stage instead of leaving the Board of the HKTB to do the job. Can the Government itself step up its auditing work? I only hope that the Government

can truly have the resolve to control expenditure, and not to let the situation become another "Harbour Fest". I must stress that I hope the Government will strengthen its control over the HKTB's expenditure.

Effective application of information technology to enhance efficiency can bring about a merging of counter services of government departments. The Financial Secretary is leading a steering committee to promote e-government. There is one point to which the Government can give thought. At present, some services are provided both electronically and over counters. This is very expensive. A cheaper alternative may be to solely provide them electronically or over the counter. Therefore, so long as the underprivileged are not affected, sometimes, certain counter services can be cut to increase e-government services.

Actually, there are still a number of government assets that can be offered for sale. Not only can the Government consider selling the Airport Authority (the development of the Airport), but it can also consider selling government carparks. Although the tunnels have already been securitized, in the long run, I feel that the Government should consider listing them (that is, cashing in) so as to further trim the scale of the Government. Also, the Government should go ahead with The Link REIT initial public offering. As regards the Exchange Fund, I have mentioned its case earlier. I hope that the Government can seriously consider how the investment return can be apportioned.

There is one more point. I would like to respond to the building of casinos as suggested by Mr James TIEN. The question of casinos is somewhat related to moral standard. In my opinion, neighbouring Macao is already a casino city and it also claims itself to be Asia's Las Vegas. We will be developing the Hong Kong-Zhuhai-Macao Bridge and a few years later, we can reach the casinos there with an hour's trip. In that case, does Hong Kong need to have casinos? In this regard, I am not saying that I will definitely object if the Government opens a casino in the future, but I tend to hold reservations. Hong Kong should build itself as a healthy city. Instead, I think the Government should consider launching the second phase project as soon as possible adjacent to the first phase of the Disneyland. It should go on promoting Hong Kong as a healthy city. As for casinos, when we have completed the Hong Kong-Zhuhai-Macao Bridge, we may get to the casinos in less than an hour on the road, and return at night when we have finished gambling. This is a matter of division of labour and mutual supporting. To

me, Hong Kong and Macao are brothers. Of course, Mr James TIEN's argument is that Macao's revenue from betting duty is briming, but I still have reservations about this idea.

Madam Deputy, finally, I have to point out that the Government has not mentioned tax reduction in this year's Budget. It has only slightly increased the allowances for parents and lowered the age limit, but I still think that the Government should consider it as there should be room for it to manoeuvre fiscally. The Government only has to slightly transfer the return from the Exchange Fund, and there will be sufficient room for it to reduce tax. The middle class of Hong Kong has in fact taken up a substantial share of the taxes. Although our current tax rate only stands at 15%, which is the lowest worldwide, our property-related taxes are very heavy. For example, when we buy a flat, the price of the flat has in fact concealed numerous government taxes, including taxes collected through land auctions. Therefore, the majority of the middle class have actually paid very heavy indirect taxes. I hope that in the year ahead, the Government can be pragmatic and will consider reducing taxes slightly for the middle class. This is neither an expedient measure, nor a gesture currying favour with the voters. This is in practice a long-term measure. Hong Kong should maintain a so-called streamlined small government.

Regarding the introduction of a sales tax, the Democratic Party reiterates that at the present stage, we have reservations about this proopsal, and "the present stage" may mean a long period of time. The introduction of a sales tax should not be purely considered from the progressive or regressive angle, or whether it is unfair to the underprivileged. Some schools of free economy, for example, economists of the Chicago School also stress that according to economic theories, they too may not endorse the sales tax. The reason is that in the first year of the introduction of a sales tax, the tax rate may only be set at 5% for the sake of pampering the voters. At the same time, direct taxes will also be reduced, therefore, the public may find it easier to accept. However, after the introduction of this new tax, the Government will be given an additional tool. This is a long-term tool. When it discovers that 5% is still not enough, it will then turn on the tap and increase the tax rate to 6%. If 6% is still not enough, the tap will again be turned and the rate will be increased to 7%. Thus, on the issue of a sales tax, the Democratic Party has relatively great reservations. Surely, we will not say "never" because no one knows what society will become in 20 years' time. No one knows. Nonetheless, in the near future, we will not support the introduction of a sales tax. I believe that throughout our term for

this Legislative Council, we will not support it. I hope that when making preparations for the major project of introducing the sales tax, the Government will make longer-term considerations. I believe at the present stage, the Democratic Party will not throw its support behind the sales tax.

As regards adjustments to other taxes, we support most of them. Of course, on the estate duty as mentioned earlier, we may have to give it further thoughts. As Mr LEE Wing-tat has talked on this already, I am not going to repeat it.

I so submit.

**MR HOWARD YOUNG** (in Cantonese): Madam Deputy, in the Budget announced last month, the Financial Secretary emphasizes that the Government will continue to support projects to improve tourism facilities and the work of the Hong Kong Tourism Board (HKTB) in order to promote the industry further and maintain our standing as Asia's preferred tourist destination. The tourism sector and I welcome all this.

The SARS outbreak in 2003 inflicted heavy damage and caused huge impacts on the already sluggish economy. The tourism industry was brought to a virtual standstill. Fortunately, with the Individual Visit Scheme implemented by the Mainland, which boosted local consumption and many industries, including the tourism industry, the economy of Hong Kong managed to recover quickly. Therefore, our economy recorded an 8.1% growth in 2004, and the efforts made by the tourism industry must not be ignored.

The keynote of the Budget this year is social stability and economic development. I am glad that the Government has not proposed to introduce any new taxes, such as a goods and services tax. However, I am disappointed to note that the Government does not intend to lower the duty on alcoholic beverages as requested by the industry. The existing duty on alcoholic beverages in Hong Kong is certainly on the high side, and visitors can notice that it is more expensive to drink wine in local hotels than in the hotels of neighbouring countries. This will naturally give visitors a wrong impression that prices in Hong Kong are exorbitant, thus adversely affecting the reputation of Hong Kong as a shopping and gourmet paradise. In order to make sure that

Hong Kong can live up to this reputation, the Government should consider the proposal on lowering the duty on alcoholic beverages.

The tourism industry is an important segment of the Hong Kong economy. It is a huge source of foreign exchange earning, and not only this, it can also indirectly propel other related industries and help relieve Hong Kong's high unemployment rate caused by economic restructuring, particularly the unemployment of low-qualification and low-skilled workers. Like the Financial Secretary, I have full confidence in the prospects of the tourism industry in the coming year. It is expected that with the opening of the Hong Kong Disneyland in September and the completion of various large-scale tourism facilities at the end of this year and the beginning of the next, such as the Symphony of Lights II, the Tung Chung Cable Car and the Hong Kong Wetland Park, the number of visitors to Hong Kong will continue to rise. The tourism industry will surely reach new heights, thus further expediting the economic recovery of Hong Kong.

Second, since there is only five months to go before the opening of the Hong Kong Disneyland, I hope that the authorities can make the best use of the remaining time and take active steps to plan and initiate various publicity activities, so as to capitalize on the prevailing good momentum. I agree that in order to tie in with the completion of the new facilities, the Government should allocate an extra \$500 million for the launching of strategic publicity and promotion all over the world. But I also hope that promotional activities can be undertaken in conjunction with the tourism industry, and that there can be more communications and co-operation with it. After the SARS outbreak, the industries launched a "We Love Hong Kong" campaign. Thanks to the full co-operation of everybody, particularly the Government, the tourism industry and the commercial sector, the activities managed to achieve great success. If future promotional activities can be conducted in the same manner, so that the spirit of "We Love Hong Kong" can be perpetuated, there will be still greater success.

Although many new tourism facilities will soon be available, we must not thus stop making any progress. Faced with the fierce competition resulting from the rapid development of neighbouring places, we must, apart from consolidating the present momentum, seek to equip ourselves continuously and upgrade our competitiveness. We must continue to develop a great variety of tourism trails with unique features, such as a green tourism trail on Tung Ping Chau and an ecotourism trail in New Territories North. We must expedite the

construction of other tourism facilities, such as spa and resort facilities, a second theme park (as mentioned by Mr SIN Chung-kai just now) and a large-scale integrated entertainment venue with betting facilities. Mr James TIEN and Mr SIN Chung-kai have already put forward their views on this. Actually, well before Singapore announced the construction of a casino, the tourism sector and the Liberal Party had already urged the Government to construct one in Hong Kong. But we are very disappointed because the Financial Secretary has not responded to our proposal in this Budget. I hope that after weighing the benefits that can be brought about by a casino to our tourism development and employment situation, the Government can consider our proposal, with a view to providing diversified entertainment facilities. I must make it a point to say that our intention is to build a casino for visitors, not the local people. We must cater for the many different interests and needs of visitors, so as to ensure the sustainable development of our tourism industry.

In regard to the construction of a new cruise terminal, a project that has remained castles in the air for many years, I hope that the Government can take concrete actions as soon as possible. It must stop holding repeated discussions and consultations and refrain from inaction, for this will hinder our attempts to attract visitors with high consumption power. The global cruise business is thriving, and it is expected that by 2010, the number of visitors coming to Hong Kong in cruises will exceed 1 million passenger trips, with each visitor spending an average of \$10,000 here. However, local cruise terminal facilities are still incapable of coping with actual demand.

Recently, one of the five grand-class cruisers of the world, Sapphire Princess, visited Hong Kong, but since the tonnage of the ship exceeded the capacity of the Ocean Terminal in Tsim Sha Tsui, it had to berth at the Kwai Chung Container Terminal, where no hotel and shopping facilities are available in the vicinity. Many in the tourism sector have thus pointed out that in the long run, it will not be desirable to use a container terminal for the reception of high-spending cruise passengers. They are of the view that although having to use a container terminal is better than having no cruise passengers, the situation is after all not so desirable. Instead of a deluxe cruise terminal, we are just asking for a permanent terminal with facilities that can accommodate international cruisers. If we continue to be so indecisive, then even though the studies of the HKTB have already confirmed that Hong Kong is well-endowed to become a cruise centre, we will still fail to achieve anything in the end and can only let this considerable revenue slip through our fingers.

In order to turn Hong Kong into a tourism brand name, we must continuously upgrade our existing tourism facilities. In operation since 27 years ago, the Ocean Park is our local theme park and one of our major tourist attractions. With a view to keeping abreast of tourism developments in the future, the Ocean Park has submitted a number of new development proposals to the Financial Secretary. The proposals cover the construction of three theme hotels, improvement of existing facilities and the introduction of new features. All this, together with the tourist attractions in Aberdeen, such as its unique fishing village scenery and sandy beaches with clear water, will surely help develop the tourism industry. It is hoped that the Government can approve the new development proposals of the Ocean Park as soon as possible. It should offer appropriate support in terms of financing, land resources and infrastructure and ancillary facilities, in very much the same way as assistance is offered to the Hong Kong Disneyland, so that the renovated Ocean Park can complement the Hong Kong Disneyland in attracting more family visitors from different countries.

Under the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) signed in October 2003, Hong Kong travel agencies that can meet the specified requirements are regarded as small and medium enterprises (SMEs). As such, they can set up business in the Mainland, but the response has not been so enthusiastic, mainly because the scope of business is confined to the operation of local tours in the Mainland. It is therefore hoped that in the negotiations on Phase III of CEPA, the Government can actively fight for the relaxation of this restriction, so that Hong Kong travel agencies can be allowed to organize outbound tours in the Mainland. This is a new development opportunity that can enable us to actively participate in the promotion of Pan-Pearl River Delta regional co-operation.

When it comes to the aviation industry, I must point out that our air cargo throughput actually ranks top in the whole world. Besides, the Hong Kong International Airport has recently been rated the best airport. The Government should capitalize on this advantage and seek actively to establish a strategic partnership with mainland airports, so as to build up closer aviation ties between Hong Kong and the Mainland. It should also seek to develop a greater number of flights between China and Hong Kong, with a view to promoting Hong Kong-China tourism.

For the purpose of encouraging the development of SMEs, I support the Government's proposal of allocating an extra \$300 million to the SME Export Marketing Fund and the SME Development Fund and also the transfer of \$200 million from the \$1 billion SME Loan Guarantee Fund to the two funds. As far as I know, after the SARS outbreak, some travel agencies, mostly SMEs, were able to obtain financial assistance under the SME Marketing Fund. Their promotional activities outside Hong Kong have thus produced a positive effect on the Hong Kong tourism industry.

The business environment in Hong Kong is still subject to many uncertainties. SMEs, particularly travel agencies, are faced with many challenges. Since the Government has achieved some degree of success in cutting its expenditure, I hope that it can actively explore the possibility of lowering the fees payable by these SMEs, such as licence fees and business registration fees, so as to further reduce their financial burden.

In the following part of my speech, I will say a few words on the civil service establishment and the pay of civil servants.

The Liberal Party is of the view that, given its persistent fiscal deficit, the Government should accord top priority to thriftiness and strive to achieve the goal of "small government". We are convinced that with a small government, the burden of taxpayers will be lightened, and not only this, structural streamlining will also lead to higher efficiency.

(THE PRESIDENT resumed the Chair)

The civil service establishment now stands at just 166 000. And, the Civil Service Bureau estimates that by March next year, it can be further reduced to 163 300. But there are still 14 807 non-civil service contract employees in the Government. There is already a 10% reduction when compared with the figure in the middle of last year, but the number is still very substantial. At present, roughly 1 100 of these employees have worked in their present posts for more than five years, thus constituting a separate establishment outside the normal establishment. Recently, when this issue was discussed at a meeting of the Manpower Panel, the Liberal Party also agreed that studies should be conducted to explore whether long-term non-civil service contract staff should be

incorporated into the permanent establishment. The Liberal Party is of the view that as long as the total civil service establishment remains unchanged, it will be acceptable to replace one post on the permanent establishment with a long-term non-civil service contract post. The only condition is that the total establishment must not be increased. The Liberal Party hopes that the Government will not juggle with figures and shift expenditure from the pensionable establishment to contract posts or outsourcing. It must instead seriously examine the question of cost-effectiveness.

The Liberal Party has always maintained that civil service pay must be in keeping with market levels, and that a civil service pay survey must be conducted as scheduled. We understand that whatever the outcome may be, it may not necessarily be possible to apply it to existing civil servants. But we must at least depict the problem clearly, trying to ascertain whether there is any discrepancy between the pay of civil servants and that of private-sector employees, and if yes, to quantify such a discrepancy. That way, the public will be able to know the true situation and decide how to deal with it.

As for the outdated allowances for civil servants, the Liberal Party is very disappointed that the Government's review has still failed to achieve any notable progress despite the passage of such a long time. This year, as much as \$1.2 million has been spent on paying for the deluxe cruise passage of civil servants departing upon retirement. And, the housing and children education allowances, which constitute the bulk of all allowances, even amount to some \$4 billion a year. We hope that the Government can tackle this problem as soon as possible by abolishing all outdated allowances, so that public money can be used appropriately.

With these remarks, Madam President, I support the Budget of this year.

**MR WONG KWOK-HING** (in Cantonese): Madam President, as a Member representing the labour sector, I must monitor the expenditure of the Government for the working class, for the grassroots and for the underprivileged. For this reason, I organized altogether five consultation sessions for the grassroots, so as to gauge their views extensively. On the basis of the consultation findings, I raised 89 questions in writing, and these were followed by 21 supplementary questions, making a total of 110. However, despite the Government's promise

of replying to some of the supplementary questions, I have so far received nothing. I hope that the Government can follow it up.

Madam President, it is mentioned in the 20th and 21st paragraphs of the policy address that the core values of charity and benevolence, respect for personal dignity and social harmony will be upheld and are embodied in the process of governance. It is also mentioned that the Government will strive to uphold the vision of "people-based" governance and "increase employment opportunities". However, up to the time of announcing the Budget this year, the Government had still failed to write "increase employment opportunities" into the policy address as a guiding principle in its governance. We simply cannot see how charity and benevolence, social harmony and the vision of "people-based" governance have ever been realized. Quite the contrary, we have witnessed many instances of unfair and unjust acts, such as "fattening the top at the expense of the bottom", exploitation of the grassroots and double standards. In the following part of my speech, I shall comment on the Budget from five perspectives.

First, I wish to talk about increasing employment opportunities. In 2004, the Government spent as much as a hundred billion dollars on procurement of various supplies and services. The spending of this huge sum of money, however, did not bring any relief to the employment situation in Hong Kong. The reason was that the Government only paid attention to prices, in total disregard of whether the production process was carried out in Hong Kong. As a result, all the money simply went to other places, creating employment opportunities for the people there.

The printing industry is an example. About 15% of the printing services of the Government Logistics Department are outsourced. In 2004-05, the value of outsourced printing services amounted to some \$33 million. However, according to the observations of printing trade unions, most of the outsourced printing work of the Government is carried out in the Mainland, meaning that the local printing industry cannot be benefited in any way.

The Government explains that in order to make proper use of taxpayers' money, preference must be given to goods and services with the lowest prices. But the point is that while money is saved on the one hand, many local people are unable to find any jobs on the other. They thus have to apply for unemployment CSSA or low-income CSSA.

Whichever way it may be, the result will just be the same in the end. On balance, the Government cannot save any money, and worse still, its disregard for people's livelihood has even aroused the discontent and grievances of workers in many different industries. With such a total disregard for the basic right of employment, how can the Government honour its commitment to "respect for personal dignity" mentioned in the policy address?

It is true that for any procurement worth \$1.3 million or more must comply with the WTO commitment for government purchasing agreements. But is it possible for the Government to impose any additional conditions to ensure that there can be more employment opportunities for the local people? Besides, how about a procurement worth less than \$1.3 million? Has the Government ever required the relevant production processes to be carried out in Hong Kong? Yesterday, when the Panel on Commerce and Industry discussed the impact of CEPA on Hong Kong, it was mentioned that in respect of trade in services, CEPA created 17 204 jobs in the Mainland but just 10 153 in Hong Kong. Which should be the real purpose of CEPA — the creation of jobs in the Mainland or the creation of jobs in Hong Kong? I hope that the Government can give serious thoughts to this question, reminding itself that any money spent must be used to create more jobs for Hong Kong people, for the purpose of benefiting them. In particular, it must seek to offer assistance to middle-aged people with low qualifications — those worst-hit by unemployment.

I must point out that the SAR Government has failed to capitalize on zero tariff as a means of tackling the problem of structural unemployment in Hong Kong. For instance, while trade in services and the Individual Visit Scheme have respectively created 10 153 and 16 588 jobs, trade in goods has just created 2 284 jobs, roughly equal to the number of jobs in a medium-sized factory. This can aptly show that the SAR Government has failed to make good use of the support from the Central Authorities, to get the most out of an excellent opportunity.

Second, I wish to talk about the exploitation of junior civil servants, or the problem of "fattening the top at the expense of the bottom". It is good that Secretary Josphe WONG is now present, for he can thus listen to what I have to say. The Government plans to recruit an extra 1 472 civil servants in this financial year. Most of these new recruits will work in the disciplined services and the middle management of government departments. On the other hand,

however, the number of junior government posts has seen reductions year after year. The policy of expenditure envelopes has induced government departments to fill most of their junior posts with non-civil service contract employees and abandon the pragmatic practice of increasing the number of long-term staff according to actual demand. This is nothing but a blatant attempt to exploit junior government employees. The 14 000 or so contract employees of the Government can be described as staff with "five no's": no promotion prospects, no training, no fringe benefits, no pay increases and no future. Perhaps, we must add that there are pay cuts for them. Given its harsh treatment of contract employees, how can the Government set an example of a good employer?

In addition, the Government has spared no efforts to reduce the fringe benefits for its junior staff. The hardship allowance, for example, is meant as a compensation for those front-line staff who have to perform obnoxious tasks, and who will most frequently come into contact with viruses and germs. But the Government has been so unscrupulous as to slash the hardship allowance for 1 321 employees by as much as half and altogether abolish the allowance for 503 others. The total amount involved is, however, just \$8.6 million a year. There are many other instances, as rightly pointed out by Mr SIN Chung-kai just now. The Government has been so very generous in the purchase of cars, but at the same time, it is so mean and harsh to its grass-roots employees. The three Members representing the labour sector and the Labour Advisory Board (LAB) have repeatedly asked to meet with the Government on this, but it has adopted a stalling tactic all the time. So far, no meeting has been scheduled. This is simply absurd.

Third, I wish to talk about an ill-treatment of the elderly — the permitted period of absence applicable to the "fruit grant". The Government has been applying double standards in many cases, one example being its treatment of civil servants and the elderly. Many elderly people have told me that since the living standard in Hong Kong is very high and there is no retirement protection, the life of those elderly people having to depend on the "fruit grant" is very miserable. This is largely the result of the Government's refusal to heed the FTU's advice on establishing a territory-wide retirement protection scheme. Can the Government consider the possibility of lowering the qualifying age for the "fruit grant" to 60? Should it not consider the problem of some elderly people's "fruit grant" being offset by the disability allowance they receive?

In the hope of living a better life, many elderly people wish to return to their hometowns in the Mainland, where they can reunite with their families and receive their care. But I simply do not know why the Government has failed to understand their need all the time. These elderly people dedicated their whole life to the well-being of society, but the Government still wants to make the eligibility for the "fruit grant" so restrictive by imposing a permitted period of absence. The period is only extended from 180 days to 240 days, but they already talk as if it were a very humane and noble move. Do they in fact think that the "fruit grant" is a form of alms? Hong Kong has already come under "one country", but the Government still wants to make things difficult for those elderly people wishing to spend their twilight years in the Mainland, in their hometowns. This is nothing but an undesirable legacy of the colonial mentality of the past.

In the case of government pensioners, even if they have already emigrated to the United Kingdom or the United States, they simply do not need to return to Hong Kong. They are just required to submit evidence of their survival to the SAR Government once a year. Why is it impossible for the Government to adopt the same standard for the "fruit grant", so that elderly people can live better in the Mainland? Why must the Government make life difficult for elderly people? Why must it force them to travel long distances back to Hong Kong, even when they are sick? I hope that the Secretary can really listen to the strong appeal, strong complaint, I have voiced on behalf of the elderly. I hope that he can take this appeal very, very seriously. If the Government continues with this practice, how can it achieve the objective of "charity and benevolence" as set down in the policy address? And, there is something even more regrettable. At the meeting last week, Secretary Dr York CHOW undertook that, before the 20th of this month (that is, before the motion debate today), he would provide us with a document setting out the justifications and statistics in support of the extension of the period to 240 days instead of 365 days. But despite his undertaking, no information has been submitted as of this ongoing debate. I hope the Secretary can follow up the matter for me.

Fourth, I wish to discuss the problem of assisting live poultry workers in switching to other occupations. With a view to preventing any further outbreak of avian flu, the Government succeeded in getting the Legislative Council's approval during the last term of the Legislative Council on the allocation of \$80 million for the provision of retraining to live poultry retail workers whose employers have opted to surrender their chicken stall licences. And, if a

worker fails to find a job after retraining, he will still be given a one-off grant of \$10,000 to relieve his immediate burden. But so far, out of the some 3 000 live poultry retail workers, only 45 have undergone retraining. This shows the fallacy in the paper on funding application. The unemployed live poultry workers have all been turned into "Tanka chickens". Do Members know what is meant by "Tanka chickens"? Tanka chickens are chickens kept inside cages on board the fishing vessels of Tanka people. They can see a lot of sea water, but they cannot drink it. This is just like the present situation — live poultry workers have all been turned into "Tanka chickens" which cannot drink the water they see. The \$80 million fund is left idle. The workers are unemployed, but no one seems to bother about them. This is the situation now. The Government is very unscrupulous and unfair to the workers! The relevant panel of the Legislative Council has already passed my resolution unanimously, without any negative votes or abstentions, urging the Government to amend the paper concerned. But the Government has remained obstinate, totally ignoring the resolution, as if nothing has happened. This is simply absurd. How can such a style of governance enable the Government to win the people's support?

Fifth, I wish to discuss the issue of medical fees and charges. Health care constitutes a huge expenditure, and the Hospital Authority is running into a great deficit. But what the Government has tried to do is just to reduce health care funding continuously. Right after his assumption of office, Secretary Dr York CHOW already made it clear that medical fees and charges would be adjusted. And, a Standard Drug Formulary has also been introduced, plunging people into great anxieties.

At a special meeting on expenditure estimates, Miss CHAN Yuen-han asked a question on the issue of medical fees and charges, urging the Secretary to disclose whether there was already any specific timeframe. The Secretary replied that he was at the moment unable to answer this question. However, on another occasion, when he spoke during a radio interview, the Secretary sounded out the idea of increasing the fee for accident and emergency services. According to him, the increase may be as high as 100%, meaning a rise from \$100 to \$200, and the increase will become effective next year at the latest. Why is there such inconsistency in the Secretary's replies? How many more ideas has the Government withheld from the public? Why does it refuse to put all the proposals before the Legislative Council for thorough discussions at an earlier time?

The Government has proposed to impose various medical fees and charges on the ground of preventing abuse of services. But has the Government ever considered what kinds of people will be "screened out"? Honestly speaking, those who have the means will not mind spending a hundred dollars or so more, but those who are in financial difficulties will find the fee for accident and emergency services very exorbitant. They may thus refrain from seeking treatment even when they are sick. As a result, treatment may be delayed, thus defeating the objective of "spending resources on those in need". Fee increases may achieve a temporary deterrent effect. But when people become used to the increases, they may "return" to accident and emergency departments. Does the Government intend to tackle the problem by always increasing the fee? Frankly speaking, fee increases are no ultimate solutions. I hope that in the process of reviewing the charging mechanism, the Government can pay serious attention to the voices of the grassroots and the underprivileged. It must not allow itself to become a government with no scruples.

Before the fees and charges for public health care services can be increased, the Government must first put in place a satisfactory safety net. Under the existing waiver mechanism, CSSA recipients are protected. But the mechanism does not cover many other elderly people, chronic patients and low-income earners who are not CSSA recipients. The Government must consider the formulation of a second safety net, or else fee increases will only lead to an oppression of the grassroots. Thank you, Madam President.

**DR JOSEPH LEE** (in Cantonese): Madam President, I shall focus on health care policies in the Budget.

The keynote of the 2005-06 Budget is the achievement of stability and economic development for the creation of a sound economic environment to win the acceptance of the people. However, the resources allocated by the Government to medical and health care services are clearly inadequate; the funding earmarked for health care services has once again been slashed. In the new financial year, the Hospital Authority (HA) is allocated a funding of merely \$27.2 billion, which is \$900 million, or 3.3%, less than that of the last financial year. Besides, the funding for the Department of Health is also reduced to roughly \$2.8 billion. Actually, as our population increases and ages, the expenditure on and demand for health care services will only increase, but then, the funding for such services have been reduced again and again. Given such a

situation, how can we ensure that the existing health care system can still function normally and the public are not adversely affected? I believe that given the reduced health care funding in the Budget, members of the public will very much want to know whether they can still be assured of continued access to quality health care services with no decline in service quality.

In the policy address announced in January this year, it is mentioned that an effective and sound health care policy should lay equal emphasis on disease treatment and prevention. This means that besides treatment, we must also do a good job of educating the public on disease prevention. In this regard, we can notice that since the SARS outbreak, public health care institutions and members of the public have started to pay attention to the significance of disease prevention. However, we can see from the Budget that in the new financial year, the funding for disease prevention will be reduced by 3.2%. Given such reduced funding, how can we ensure that the Department of Health can maintain the same quality of service in disease prevention and health promotion?

The Centre for Health Protection (CHP) established last year is now in operation. It mainly aims to prevent diseases and control communicable diseases, with a view to upgrading Hong Kong's capability of preventing communicable diseases. In the last financial year, the CHP was allocated a funding of \$2,169,000, and it was staffed by 180 medical personnel, 430 health care personnel, 420 paramedical personnel and 470 supporting workers. But in this financial year, the funding allocated to the CHP in the Budget is reduced to \$1,320,100, down from the \$2.17 million of last year. The rate of reduction is higher than 40%. Given such a rate of reduction, we really wonder whether the existing personnel of the CHP can still perform their designated tasks, that is, disease prevention and controlling communicable diseases. We also wonder whether there will still be sufficient resources for the CHP to upgrade its surge capacity in the handling of communicable diseases. The resources allocated by the authorities are clearly insufficient, and the funding for the CHP is drastically reduced. That being the case, how can we ensure that once there is any outbreak of communicable diseases in Hong Kong, its emergency response mechanism can function effectively? That being the case, how can we expect that while engaging in disease prevention, the CHP can still have sufficient resources for conducting any publicity to educate the public and raise their awareness of personal hygiene?

The Government has all along actively advocated the provision of disease prevention services to the elderly. In the policy address this year, it is also mentioned that resources devoted to the provision of long-term residential care should be reorganized by converting some residential care places into long-term care places to provide continuum of care up to nursing level for the frail elderly. It is also mentioned that long-term integrated care services for the elderly in a non-hospital setting will also be provided, so as to expand elderly health services to the community level and as part of community health services. The Department of Health also plans to provide community-based elderly health services through its 18 elderly centres and outreaching teams. However, in 2005-06, the funding for elderly health activities will just be around \$150 million, and the total number of medical and health care staff involved will just be less than 150, with 34 for the former and 100 for the latter. We can thus compute on this basis that on average, there will be 1.9 medical doctors and 5.6 nurses for each elderly health centre. Given the huge ageing population, will there be sufficient resources for the provision of community-based integrated care services for the elderly?

Besides, the Budget also contains no effective scheme of resource allocation pertaining to the conversion of residential care places into long-term care places. It is necessary to set down such a scheme because the policy address has outlined a broad policy only. Since nothing is said in the Budget on resource allocation and specific financial arrangements, how can we be convinced that this measure will really be implemented? That being the case, how can we be assured that with this funding arrangement, our advocacy of community-based elderly health services, which is also supported by the Government, can really be implemented?

The main purpose of enhancing public health education is to instil in people some healthy styles of living, and these healthy styles of living are themselves an integral part of any community health system. Through their participation in various activities, people of different age brackets will get to know the concepts of public hygiene, disease prevention and health promotion, thus developing an awareness of personal health and its significance. But in the Budget, there is no corresponding increase in the funding for these promotional activities; worse still, it is even estimated that the number of people participating in health education activities in the coming year will drop to 1.1 million. With such reduced resources, I simply wonder how the authorities can still make appropriate arrangements in terms of resource allocation and support, and how

they can still capitalize on the health education expertise of the Department of Health in the promotion of public health.

Madam President, owing to demographic changes, the ageing population and the constant emergence of different types of diseases, the demand for public health care services have been increasing year after year. As a result, the number of people seeking treatment at hospitals will only increase. In the past five years, the average annual operating cost of the HA was about \$29 billion. But in the four previous Budgets, the funding for the HA was invariably reduced. It can be said that the Government has been spraying salt on the wound of the HA. The further reduction of government funding has plunged the HA into fiscal deficit, because even according to conservative estimates, if the situation persists, all the reserves of the HA will be exhausted by April next year. There will be no money to pay the salaries of its staff, and it may have to declare itself bankrupt. Such a situation and the incessant funding reductions are most unfair to the HA. The HA has talked about various solutions, such as reducing service costs, enhancing efficiency, cutting down operating costs, or even introducing fee increases as mentioned by Mr WONG Kwok-hing as a means of replenishing its limited resources. But a reduction of service costs will in essence only mean a curtailment of front-line staff and a resultant increase in their workload. All this will only exert yet greater pressure on and add to the fatigue of existing front-line staff, who are already hard-pressed by manpower shortage and heavy workload. In the end, staff morale will be affected, and not only this, the standard of services may also decline. All this will not be beneficial to the general public.

The reduction of health care funding will not only lead to a manpower curtailment of doctors and nurses. In the Budget, it is also mentioned that there will be a reduction of some 200 professional health care personnel and supporting staff. Besides, there will also a reduction of 400 general hospital beds. All these figures are very alarming, leading us to the following worries:

First, will all the savings from cutting the number of hospital beds be committed to developing community health services? We must not forget that the development of community health services is a major direction laid down in the policy address this year. If savings are not spent on such development, how can we implement the concept of community-based health services?

Second, when it comes to the actual number of hospital beds to be reduced, only the West Kowloon Hospital Cluster is mentioned in the Budget. But will the 400 beds to be cut all located in the hospitals within the West Kowloon Hospital Cluster? Or, will the other six Hospital Clusters also be affected? Following the reduction of hospital beds, will there be any substantial effects on specialist services? Nothing has been said on this, so we are worried that the reduction of funding and number of hospital beds may affect the services of public hospitals.

Third, we do not know how the savings from the reductions mentioned above will be used. Will the savings be spent on providing more isolation beds as deemed necessary by all of us? If yes, then I must say that such a move really exposes an acute shortage of resources. The authorities are simply trying to meet one need by denying another, cutting manpower and the number of hospital beds on the one hand and shifting the resources to the provision of isolation beds on the other. This is a worrying situation.

Madam President, in conclusion, it is clear that the overall funding for health care services in the Budget is extremely inadequate, and there is a trend of further reductions. In that case, how can the Health, Welfare and Food Bureau, the HA and the Department of Health still act as the last safeguards of our health? I can remember that during the briefing last week, Secretary for Health, Welfare and Food Dr York CHOW commented that the main duty of the Health, Welfare and Food Bureau was to act as the last safeguard of our health. If this trend of reduction continues, I really fear that apart from rendering the authorities concerned unable to act as the last safeguards of our health, the Budget may even make it impossible for us to keep ourselves healthy.

As the population of Hong Kong approaches 7 million, and as our population ages due to the lengthening life expectancies of both sexes, the demand for health care and medical services will only increase. When there is an imbalance between demand and the resources devoted to service provision, a decline in service quality will result, thus ultimately affecting the general public. Although we are now faced with a pressing problem of having to find out how best to allocate the limited resources to ease the burden of government finances, the Hong Kong SAR Government is still duty-bound to safeguard the health of Hong Kong people. If Hong Kong people cannot enjoy good health, how can they promote the sound economic development and prosperity of Hong Kong?

For all these reasons, I must urge the Financial Secretary to consider appropriately adjusting the funding for medical and health care services in the Budget this year. He is advised not to cut the funding so drastically, lest the Government may really fail to act as the last safeguard of our health. Naturally, in the long run, the Government should educate the public on some proper health concepts, including the importance of personal hygiene, disease prevention and regular physical checks. Besides, the Government should also explore the implementation of a medical insurance system and other policy matters such as health care financing, with a view to eradicating the deficit problem currently faced by the health care system.

Finally, I hope that consideration can be given to lowering the rate of funding reduction for health care services in the Budget this year, so that Hong Kong can maintain its quality health care services and continue to turn itself into a healthy city.

Madam President, I so submit.

**MR FRED LI** (in Cantonese): Madam President, in line with the direction outlined in the policy address delivered by the Chief Executive on aiding the poor, the part on social welfare in the 2005-06 Budget is entitled "Helping the Poor, Promoting Self-reliance". But the contents in this part are only a brief description of the operation of the Commission on Poverty which has now been founded, and the related policy is treated as just a talk show, devoid of any substance.

Now I would like to present the hard facts of poverty found in this society of ours in the hope that the Financial Secretary and other officials in attendance would not forget that there are still a lot of disadvantaged groups in Hong Kong in dire need of assistance. Now the poor people in Hong Kong number more than 1 million, among whom those from low-income families take up more than half a million. Figures from the Social Welfare Department show that the number of cases for Comprehensive Social Security Assistance (CSSA) as at last month is 296 688, representing a year-on-year increase of 2.1%. The number of low-income families applying for CSSA has risen by 1.7%. The Government has stressed repeatedly that the increase in welfare expenditure tops the list of government departments with an increase of 3.9%. However, if only a careful analysis is made, it can be found that the increase in expenditure is only

meant to cover the anticipated increases in CSSA and social security items. Of the \$1.3 billion increase, \$1.1 billion is set aside as provision for CSSA. As described by the Hong Kong Council of Social Service, this kind of increase is like an attempt to put out a fire. It will not improve the life of the CSSA recipients in any concrete manner. According to information from the Student Financial Assistance Agency, the number of Secondary Five students given full remission of examination fees has surged past 10 000 students for the first time. The number is one tenth of the total school certificate examination candidates. Those students from the senior secondary level and the matriculation classes given full remission of their tuition fees total more than 30 000 and that is a record high. Such figures show that the number of poor families is increasing all the time.

The Government is cutting resources for other services, including family services, those for the elderly, the young people and other community services. The cuts range from 0.6% to 1%. In respect of family violence, the number of cases seeking help from Harmony House Limited is increasing all the time. Over the past year a total of more than 9 700 calls for help were received from battered women. The number represents an increase of 14% over that of two years ago. In addition, about 260 battered women were admitted into the shelters, showing an increase of more than 20%. As for elderly applicants of CSSA, there were 150 399 cases last month, or a year-on-year increase of 2%. In future, the demographic composition of Hong Kong would be like an inverted pyramid and it is very likely that problems will deteriorate to such an extent that they will be hard to address. For the mentally disabled and patients recovering from mental diseases, their average waiting time for residential places can be as long as eight years. More resources are needed for all such social services.

In view of this, we have a serious of recommendations on the Budget. These include revamping the welfare system and introducing on full scale a responsible welfare system that will support CSSA recipients to achieve self-reliance; setting up a fund to assist the poor, whereby donations from companies in Hong Kong will be solicited and studies be made into the feasibility of naming streets to honour conscientious corporations. This refers to the naming of a new street after an entrepreneur or enterprise with a donation reaching a certain amount. A poverty line should be drawn. Policies aiming at relieving poverty are to be formulated. The 11% cut in CSSA rates for the elderly and the vulnerable in 2003 should be reverted, and so on. Mr Henry TANG, the Financial Secretary, is having his meal upstairs now, but I can say to

other Directors of Bureaux, especially Mr MA, that while it is important to work at improving the economy of Hong Kong, please do not forget the needs of the disadvantaged.

Madam President, another topic I would like to talk about is closely related to everyone. This is the consultations on the review of the electricity market in Hong Kong in 2008. The Democratic Party supports the views put forward by the Government on various issues of the discussions made. Now discussions with the two power companies have just begun. But as the Government only relies on the Economic Development and Labour Bureau and the engineers from the Electrical and Mechanical Services Department, it is placed in a very disadvantageous position *vis-a-vis* teams of well-experienced experts and consultants from the two power companies. We are worried that the Government may not be able to strike the best deal for Hong Kong with respect to reforming the electricity market. We urge the Government to recruit more knowledgeable persons to assist in its scrutiny and review of the proposals submitted by the two power companies. These experts should also assist the Government by offering valuable advice on the development of the electricity market.

Now I would like to switch to the policy area of food and environmental hygiene. With respect to departmental expenditure in this Budget, the Food and Environmental Hygiene Department (FEHD) explains to the public that the lease rate for stalls in public markets is low and it is dropping even lower because competition from supermarkets and other retailers is becoming keener than ever. So the Government proposes eight initiatives to save the markets, including improvement works of the markets, hiring experienced people to promote the markets, and combining the small stalls into large ones, and so on. We in the Democratic Party agree that the markets should be made more competitive as the Government spends at least \$200 million subsidizing the markets every year. On the contrary, various gimmicks to boost patronage are used in the outsourced public housing estate markets and the private sector supermarkets. These include shuttle bus service, payment by the Octopus card, discounts and lucky draws. It is not sure whether these eight initiatives proposed by the Government will lure consumers back to the markets and entice shopkeepers and hawkers to lease market stalls and do business there. We have to wait and see for the results.

Unfortunately, for these eight initiatives, the FEHD has not set down any indicators to measure their effectiveness. It is only making some proposals but

no attempt is made to gauge the results. If the FEHD does not come up with any specific indicators, I am afraid these improvements will become perfunctory, that is, even if the indicators are not met, the officials would not have to bear any responsibility. All they will do is to say something and that is all. And every year a sum of some \$200 million will continue to be allocated as market expenses.

Recently, the FEHD has published some nutritional information on Chinese dim sum, saying that most of them contain excessive fat and sodium. The tests are done by the food testing laboratory set up by the FEHD in 2002. All along we in the Democratic Party think that the FEHD should have its own laboratory to undertake all matters concerning food testing. Currently most food testing is done by the Government Laboratory which is responsible for many kinds of laboratory work such as obtaining forensic evidence for criminal cases, testing the air and water quality and such like matters. The Government Laboratory is also responsible for food monitoring, hence the Government Laboratory is burdened with a heavy and diversified workload. In the long run and in a bid to improve work efficiency, we suggest that food testing work and duties should be singled out and put under the charge of the FEHD. Such a one-stop approach would of course need to be discussed in the Government. The idea is to put all links from food importation, food monitoring and food testing into the hands of the FEHD and there is no need to resort to outside laboratories. So in this regard, the FEHD must be given more resources and the ultimate goal is to have the Department take full charge of all laboratory work on food in Hong Kong.

Then I would like to talk about the problem of hawkers. The FEHD is tasked with hawker control. I am personally very concerned about the number of black spots of hawking every year. Some years ago, the FEHD said that some of these black spots had been eliminated and the number had fallen. But in the Budget this year, it is stated that insofar as the 64 black spots are concerned, it is expected that the number and location of these black spots will not change in 2005. It appears that the FEHD is thinking that nothing can be done about these black spots which have existed for so many years. We think that the FEHD should review the effectiveness of its tactics in eradicating these black spots. It is true that updating the tactics would have resource implications and it also hinges on the determination of the Government in solving this perennial problem of hawkers. But if the situation is allowed to persist, when some Members ask about the number of black spots of hawking, say four or five

years from now, and if the reply given is still 64, with all the locations remaining unchanged, I do not think the Government can ever hope to shy away from public condemnation.

One point I should like to mention finally is that every year when after the Budget is delivered, I would go to different places in my constituency and hold residents' meetings. Although these meetings cannot match the number of shows put up by Canto-pop singers like Leo KU, a total of 11 meetings were held in different housing estates. The response this year was the worst because the people present were too small in number. The residents thought that the Budget this year was unexciting. This is what is meant by being the worst. The Financial Secretary needs not be afraid for the residents did not mean that the Budget was the worst, only that its contents were not attractive enough to draw them to the meetings. In these meetings, the residents talked about the problems of rent, leaking in public housing flats and other cases which have been receiving attention for a long time. They did not discuss the Budget. This is because the Budget this year did not bring any pleasant surprise, excitement and even great disappointment to them.

These 11 residents' meetings called by me were all held in the public housing estates and the target groups were the grassroots and members of the lower strata of society. They complained that the Government had not taken good care of the workers who were in their forties and fifties, and these workers found it very hard to switch to other jobs. This topic has been the subject of their complaints all through these few years. Though we do not know who will be the next Chief Executive, these residents do have some expectations for the next government. Some hopes are lit up in these people with Mr TUNG stepping down because they hope that the new government and leaders will care more about the life of those from the lower strata of society. This is because these tenants of public housing estates have yet to taste the fruits of economic recovery, and business in the shopping malls in public housing estates has not become any better, with the only exception of Lung Cheung Shopping Mall next to the Wong Tai Sin temple thanks to the surge in the number of individual travellers who come to shop in the Chinese medicine stores there. Apart from these Chinese medicine stores which are doing some more business, most shops in the mall do not reap much benefit. The monthly salary of the residents there remains at \$4,000 to \$6,000. Before any improvement is seen in the residents' living, the prices of goods have already begun to rise. Despite the rosy picture painted by the Government, the conflict in this aspect is intensifying. This

brings us back to the problem of the disparity between the rich and the poor. I think the public officers must address this worsening problem of wealth gap.

I so submit.

**MR TOMMY CHEUNG** (in Cantonese): Madam President, of late the catering industry has been facing a lot of problems. We must understand that despite the upturn in the economy, business costs are increasing, rents and prices of supplies are making double-digit growth, and wages are on the upward trend as well. The DIY tours can only serve to boost business of restaurants in the such tourist areas as Causeway Bay, Mong Kok, Nathan Road, Tsim Sha Tsui, Central and Stanley. Most other restaurants in Hong Kong do not stand to benefit.

I understand that the few recent incidents of restaurants closing down and resulting in default payment of wages to employees are a cause of concern to the general public. The employees are of course dealt a severe blow when they are owed wages in arrears. However, I do not wish to see public opinion single out restaurant owners and make them a target of attack.

With respect to the default in payment of wages to restaurant employees, I think that this is not to be desired. However, as risks exist in any business, employees cannot hope to avoid the risks of restaurants going out of business and employers unable to pay them wages or severance payments. However, as a common saying goes, no one want to shave his head when there is hair on it, so employers will not want to tell their employees to seek help from the Protection of Wages and Insolvency Fund (PWIF) if they can make profits and do business. There is this most significant question. Are we going to sentence the industry to death and make it impossible for the entire industry to do business simply because of a few incidents which have caught public attention? According to figures from the police, during the period from 2003 to March this year, 65 cases of suspected defraud related to the PWIF have been investigated by the police, of which 25 cases are related to the catering industry. But when this number is measured against a total of 5 000 applications to the PWIF from the catering industry, defraud cases only take up a very tiny proportion, that is, 0.5%. However, I must say that however small the number may be, it would be much better to have no such figures.

The other day, Mr CHEUNG Kin-chung, Permanent Secretary of the Economic Development and Labour Bureau cum Commissioner of Labour suggested blacklisting shareholders of restaurants who refused to make severance payment for the purpose of rejecting their future applications for a restaurant licence. Madam President, to be frank, I am strongly against this suggestion. This is because the Commissioner as an enforcement agent is taking the law into his own hands, thinking that the penalties imposed by the Courts are too light and so a blacklist should be drawn up. Does he think that sending people to jail or imposing fines not enough? Does he want to deny people an opportunity to make a living by putting them in a blacklist even though the Courts have found them not guilty? Should people be blacklisted even if no evidence is found to prosecute them? Speaking on my part, I would not object so much if some members of the public or Members of this Council make such a suggestion, but I am very shocked and it is to my great regret to see an official, let alone a head of department, suggest drawing up a blacklist.

The Commissioner also suggested collecting a deposit from the owners to spread out the risks of the PWIF and offer greater protection to employees in getting their wages. But I would like to point out that at this time when the business environment of the restaurants has not improved and when they are threatened by rising costs, this collection of a deposit will entail greater operating capital for the restaurants. Regardless of whether or not the deposit is in the form of a warranty made by the banks or a sum of money paid by the employers, this would only serve to undermine the business of small restaurants and upset the investment plans of the big restaurants. In the end, this would reduce the incentive to invest, hence dragging down employment rates and the employees will surely stand to suffer.

Madam President, the third thing which I want to talk about is wine duty. With respect to wine duty, Members from the Liberal Party such as Mr Howard YOUNG and Mr James TIEN, our Chairman, have talked a lot on it and so I would not want to repeat their arguments. I would just want to say that I appreciate that the Financial Secretary is in a dilemma, for he has to tackle the deficits and he cannot increase a lot of welfare spending, and so he cannot reduce the duty on wines enjoyed by the rich. But I know that the Financial Secretary is a man with a vision and boldness, he should see the point that if the wine duty in Hong Kong is kept at a high level, it would only make the related industries stay less competitive than our neighbours.

All along the Government has stressed that the tourist industry is one of the engines of economic growth in Hong Kong. As a gourmet paradise, can we afford not to offer good and inexpensive wines to our guests? The Government by not lowering this wine duty is only exposing the inherent contradictions of this policy.

I think that the Government should devise a plan to reduce wine duty to zero in phases and to develop Hong Kong into a wine distribution and wholesale centre in Asia. With this not only will the tourist industry stand to benefit, operating costs in the catering industry and other related industries will also be reduced. This will put a brake on the rising number of restaurants closing down. As business picks up, the revenue lost in wine duty can be compensated by increases in profits tax from many sectors. In the end, it would lead to a win-win situation for many parties.

I would not cite other figures to supplement what the Financial Secretary said. He cited figures on the most affordable wines and made a rough estimate of the revenue from wine duty, and so on.

Fourth, I would like to talk briefly on the sales tax and estate duty. The Liberal Party is supportive of the Financial Secretary's recommendation to abolish the estate duty. However, the Financial Secretary has not made any explicit statement on shelving the sales tax idea. I would like to remind the Financial Secretary that as government finance is improving and surpluses are anticipated in the next couple of years, it would not be necessary to undermine the simple tax regime of Hong Kong as it is a well-established cornerstone of our success. In addition, the introduction of a sales tax will certainly mean a lot of administrative expenses to the service industries and the retail businesses.

Madam President, the fifth point I wish to make is on "green" taxes and the trade effluent surcharge. With respect to the suggestion of introducing a tax on plastic bags and other new measures as suggested by the Financial Secretary to promote environmental protection, I understand that while these will be welcomed by the public. However, I am worried that these measures, introduced in the name of the "polluter pays" principle, are actually collecting fees and charges from the catering industry. I am afraid there will be more of this kind of fees and charges in the days to come. This is actually making the industry to pay for the green efforts, only adding to the industry's burden and rendering it harder to survive. I must stress that the first thing the Government

must do is to look into how costs of service delivery can be reduced and see to it that the industry is fully consulted with respect to their affordability. Only by doing these that these measures will not inflict further blows to the industry.

I should like to mention in passing that over the years the green efforts in the catering industry have made remarkable progress. The concentration in effluent discharged has dropped by a great extent. It is unfortunate that the Drainage Services Department is still using the standards adopted in 1995 for the charging of trade effluent surcharge. At that time, the effluent samples taken for the purpose of determining the surcharge as found in the technical memorandum then was very small in number as only samples from 31 food premises had been sampled. These samples were taken with very little transparency and on shaky scientific grounds. Despite the fact that restaurants may appeal against the trade effluent surcharge payable, they have to lodge their appeal every year and each time they would have to spend at least \$20,000 to \$30,000. As the expenses are so high, as many as 90% of the restaurants will find they have to spend more money on lodging an appeal than paying for the surcharge. So they are forced to pay the surcharge instead. This is most unfair to them. Last year, I moved a motion which was subsequently amended by Mr Martin LEE, calling for the Government to revise the charging standards and appeal procedures in respect of the trade effluent surcharge. I hope the Government will heed my proposal. Lately, I heard Dr Sarah LIAO, Secretary for the Environment, Transport and Works, say on a public occasion that the surcharge rates were not fair and that the appeal mechanism should be simplified. I hope the Government will honour its pledge to do the industry justice.

Sixth, Madam President, I would like to talk about the total smoking ban to be imposed on all restaurants. We find that the Government is imposing more and more regulations on the catering industry. Despite the efforts made by the Catering Entertainment Premises Smoking Ban Regulations Concern Group to convince Dr York CHOW, Secretary for Health, Welfare and Food, of the negative impact of a total smoking ban imposed across the board and despite visits arranged for officials to go to the affected districts to see how bad business has become in certain sectors, we are sorry to find that the officials are not sympathetic. Some time ago the officials from the Health, Welfare and Food Bureau even said that after the passage of the anti-smoking law, a grace period of only three to six months will be given and that exemption will not be given to commercial bathhouses, mahjong parlours and cigar bars.

I wish to reiterate that many people in the management from the catering and entertainment industries do not smoke. Likewise, the industries agree that the long-term goal in public health policy should be a smoke-free society, but this must not be enforced across the board nor should overnight changes be contemplated.

For one thing, the Government must understand that most restaurants are bound by long-term leases of more than one year, so if a smoking ban is imposed all of a sudden, the drastic fall in business in the restaurants will put them in a very difficult position. They cannot close down at once, for they are bound by the remainder period of the tenancy agreement which in many cases are executed with deposit paid by the owners on either a collective or individual basis. For another, after the smoking ban is imposed, if the restaurants want to continue with their operation, they may need to carry out some conversion works or they may have to change their business practice to meet the new statutory requirements. As changes are made to building plans, conversion works carried out and finally when the mode of operation takes on a new direction, in many cases it would mean at least nine months are involved from changes made to the building plans to the completion of other kinds of work.

In view of this, a grace period of at least two years should be given. The Government should seriously consider the suggestion made by the industry to impose a total smoking ban during the peak hours as a first step. This will mean a total smoking ban during the lunch hours from 12.30 pm to 2.30 pm and from 6.30 pm to 10.30 pm in the evening. This will enable people who dine out not be affected by passive smoking. For the restaurant workers, they can have at least six hours out of their 10-hour working day free from second-hand smoke. In this way the damage to be done to the catering industry or other businesses affected by the anti-smoking law will be reduced to a minimum. On the other hand, some members from the industry propose that the smoking ban be lifted after 11 pm as the impact of passive smoking on the public would be the least during that time. If the Government enforces the smoking ban step by step, I believe both the industries and the public will find it easier to adapt to the new law. It would be to the advantage of both the public and the industries when the anti-smoking law is enforced on a full scale after most members of the public have got used to a smoke-free culture.

Finally, Madam President, I would like to talk about the licensing regime. At the beginning of this year, the former Chief Executive announced in his policy

address the setting up of the Subgroup on Business Facilitation and that priority would be given to a review of related matters in the retail and catering industries. At that time I felt very happy but later on I found out that the Subgroup would actually conduct a review of the licences for supermarkets and convenience stores and its job was not of improving the licensing regime for restaurants. What is even more disappointing is that as the Government has said, since two reports by experts were issued in 1998 and 2001, these reports would be accepted. However, these two reports have been heavily criticized by the industries.

To help the industry steer out of the adverse business conditions, the Government must adopt a proactive approach to deal with the situation. I am glad to note that a subcommittee has been formed under the Legislative Council Panel on Food Safety and Environmental Hygiene to look into how licensing matters related to the food industry can be streamlined. Many food establishments and members of the industry are very enthusiastic and they have put forward many very constructive views such as setting up a licensing authority with officers seconded from the Fire Services Department, Buildings Department and Environmental Protection Department. This will hopefully streamline the lengthy and cumbersome application procedures so that a true one-stop vetting and approval mechanism can be put in place.

The catering industry has undergone tremendous changes throughout these years and the existing licensing regulations are totally outdated. The industry will lend its full support to the review. I would also like to take this opportunity to urge the Financial Secretary to work with this Council to look more from the perspective of the problems and hardships confronting the industry when he formulates related policies and draws up the financial plans. This will enable the industry to share the fruits of an economic recovery.

Madam President, I would like to point out lastly that the catering industry supports lifting the ban on the betting business in Hong Kong. As a matter of fact, there has always been a strong demand from the industry for this because it has noticed that our competitiveness is declining. Many of the things which I have said just now do reflect a worsening business environment for Hong Kong in the days to come, I therefore hope that the Government can put the lifting of the ban on the betting business on its agenda for discussion by the public.

Madam President, I so submit.

**MR LAU WONG-FAT** (in Cantonese): Madam President, everyone says the Financial Secretary, Mr Henry TANG, is lucky, the public indeed has observant eyes. In fact, the physiognomy of Secretary Henry TANG has long become a topic of interest to the geomancy masters and philosophers. When Secretary Henry TANG delivered his maiden Budget last year, signs of revival of the Hong Kong economy had already budded after a long period of torpidity. By the time when he delivered his second Budget last month, there had already been sharp rebounds in various economic indicators in Hong Kong. In the past month, Secretary Henry TANG has attended a number of questions and answers sessions on his Budget, in all of which he was in extremely good mood with his face lit up by happiness, foretelling the state of Hong Kong economy being "not just fair but extremely good".

I still remember last year Secretary Henry TANG highlighted the importance of "giving the community a respite and charting a course of governance that does not go against nature" and the Budget he put forward, which was considered sound and practical, matched that target. This year, Hong Kong seems to have entered another world. Despite the general good prospects, Secretary Henry TANG has remained unswayable by not making big gestures and by remaining in line with his sound and restrained approach in financial management. On the whole, I think this is highly desirable and commendable.

Madam President, that Hong Kong finally has to resort to the ancient practice of "giving the community a respite and charting a course of governance that does not go against nature" is because, as we all well know, our economy has reached a very critical state. It is simply impractical to expect the economy to recuperate in all but one year after such a long period of serious stagnation. I believe many would still remember the stiff lesson learnt from the financial turmoil.

At that time, Hong Kong was beset by the financial turmoil. Yet, in no more than three years, there was a sudden turnaround and the economy started to pick up. The concerned authorities at that time obviously got too carried away by the thought that nightmares were gone. They not only failed to apply a continued tight rein on government expenditure, but also allowed an increment in civil service pay of several percentage points. It was later verified that the

recovery of the economy was just a short boom. Yet, the misjudgement of the situation by the authorities has brought a grave aftermath.

As lessons learned will light up the way forward, Secretary Henry TANG must guard against spending, meaning he should curtail government expenditure. In this respect, the measures taken by the authorities have shown preliminary results. Yet, it is indispensable that the measures are thoroughly implemented and remain unchanged no matter the economy blooms or dooms. Only by so doing would there be hope to rectify the abuse of public expenditure always taking an exorbitant proportion of the gross product value. Recently, there were reports claiming that several government departments would substantially increase their manpower. The Government is duty-bound to stringently verify whether there is such a need, and to ensure there will not be any measures in contradiction with the policy of reducing the civil service establishment and controlling public expenditure as pursued in recent years.

Last year, I criticized Secretary Henry TANG's decision to maintain without changes the second-phase salaries tax increase proposed by his predecessor as an extremely inappropriate way of "xiao gui cao sui"<sup>1</sup> (蕭規曹隨) and a violation of the goal of "giving the community a respite". In times of economic stagnancy, that the Government did not mitigate the hardship of the public, but rather aggravated their burden, particularly that of the already devastated middle class by increasing tax is in itself a measure against the principle of "people-based" governance. Now, the Government, regardless of the revitalizing economy, has sought to maintain its previous policy of salaries tax increase, which is neither reasonable nor just, with the reason of not wishing to lose the \$3 billion in tax revenue, is at any rate untenable.

As ill-gotten gains should not be coveted after, the Administration should not make the same mistake again and refuse to correct it. On the contrary, Secretary Henry TANG should muster up his courage to restore things to order by scrapping the salaries tax increase. It must be noted that, by so doing, it is not a tax reduction, but an action to do taxpayers justice as it will put an end to an unfair tax increase and a correct move to abate grievances of the middle class. As Secretary Henry TANG has aptly put it, "Promoting economic development

<sup>1</sup> XIAO and CAO refer to two prime ministers of the Han Dynasty. According to history, CAO Can chose to follow the good rules set by XIAO He, his predecessor.

is the most effective way to solve the problem of unemployment". Similarly, is promoting economic development not also the best way to solve the problem of fiscal revenue? Understanding this, a government with aspiration and accomplishment should not make the people who have yet found a chance to recuperate and regather their energy the easy target.

Secretary Henry TANG is smart to scrap the estate duty, but his insistence on introducing a sales tax is obviously ignorant of the prevailing situation. I believe, rather than spending substantial energy and time to consult and research on the controversial issue of sales tax and running the risk of altering the simple and low tax regime which has been running effectively in Hong Kong, it had better spend the energy on finding a more effective means to curtail public expenditure and a way to perfect the mechanism and step up supervision, so as to minimize the frequent occurrences of losing and wasting public money caused by misjudgement and careless dereliction of duty of government departments. This will definitely be a more useful and practical course of action.

Madam President, the general world trend now advocates using tax reduction to stimulate the economy. The advantageous tax rates and tax regime in which Hong Kong has been taking pride is becoming increasingly obscure. Take Singapore, our neighbouring country as an example, in recent years they have been actively lowering their tax rate time and again to a level very close to ours. They are even bold enough to introduce the gaming business as their latest strategy to boost their tourist industry. In front of such a strong competitor, the Hong Kong Government must remain sober-minded and take measures that will strengthen rather than weaken Hong Kong's competitiveness.

Madam President, I so submit.

**MR BERNARD CHAN:** Madam President, Hong Kong is enjoying its third-year-in-a-row solid growth. In the last couple of years, we have seen consumer confidence returned. Unemployment has come down, and the Government's budget deficit is falling faster than previously expected.

Under these circumstances, I believe the Financial Secretary was right to avoid making significant changes to our policies on taxation and spending. Things are going well. The only uncertainty is the outlook for the global

economy, and there is not much we can do about that. So, this is a good time to leave things as they are.

Looking further ahead, of course, we do need to address some long-term problems.

On the revenue side, we continue to have a very narrow tax base. In the past, this has contributed to wild swings between large budget surpluses and large deficits. Both of these are undesirable. Sooner or later, we must face the need for broader, less volatile sources of revenue.

On the spending side, we must accept the fact that our system of financing in areas like health care and services for the elderly is not sustainable. At some stage in the future, we will need to examine spending priorities. At the moment, we are heavily subsidizing the better-off, and of course, the better-off are very happy with this. But in the future, we will have to find ways to focus subsidies on the poorer members of the community.

One of the few major changes the Financial Secretary is proposing this year is the abolition of estate duty. I know some of my colleagues here have criticized this proposal. They say it will only benefit the rich and will do nothing for the average citizen or family.

Even if that were true, it would not necessarily be a reason to keep estate duty. But the fact is that many people — especially people rich enough to afford good lawyers — are finding ways to avoid paying it. That is why it does not bring in a very large proportion of revenue. It is in many ways a "voluntary tax".

I know some other interest groups have reservations about abolishing estate duty, because they profit from helping people to avoid it. As well as our friends like lawyers and accountants, this includes the life insurance industry which offers investment-linked insurance products which are exempt from estate duty. They will need to reposition some of their products as a result of this.

However, I think on balance that there are good reasons to get rid of this so-called "death tax". First, estate duty can be seen as a form of double taxation. The Government has already taxed your income while you were alive, then it

comes back and asks for more when you pass away. Second, abolition will help to simplify our overall tax system, which is always a good thing.

But most of all, Hong Kong as a whole can benefit from the abolition of estate duty. Abolition should make it more attractive to keep assets in Hong Kong, and this in turn should boost our asset management industry which creates jobs and pays profits tax. It will probably also have some spin-offs in terms of revenue through extra stamp duty and other taxes.

So, Madam President, I believe this proposal deserves our support, and that goes for the Budget as a whole.

Before I end, I would just like to make a few comments on some of the topics being mentioned this morning.

Many of my colleagues have spoken for bringing gaming business to Hong Kong. I would like to say that, firstly, morally, I am against this idea. Secondly, I do believe we will never have the economies of scale to compete with Macao. To make it anything meaningful, we will need to build it to a certain critical scale to bring in the tourists. This is just the same way how Hong Kong has built over the many years a financial cluster to attract all the top players to Hong Kong while none of our regional cities can even match.

With that, Madam President, I support the introduction of this financial Budget. Thank you.

**MR WONG TING-KWONG** (in Cantonese): Madam President, CEPA draws the economy of Hong Kong and the Mainland together through establishing a closer economic partnership between both places, so as to further develop the mainland market. It is also a strategy to attract foreign and mainland capital to invest in Hong Kong while encouraging mainland enterprises to "go out" to the international markets through Hong Kong.

CEPA came into actual operation in 2004. In terms of attracting foreign capital, its performance is not so encouraging. According to government statistics, Invest Hong Kong (InvestHK) successfully helped 205 foreign-funded companies last year to invest in Hong Kong, among which only 19 companies, accounting for less than 10% of the total, cited CEPA as their reason for choosing Hong Kong as the place of investment.

In terms of attracting mainland capital, its performance is also not as satisfactory. According to the State Ministry of Commerce, in the first four months since the investment facilitation policy was implemented in August last year, the number of mainland enterprises which were allowed to invest in Hong Kong accounts for 42.5% of the year total. But this percentage, when represented in actual numbers, equals only to 68 enterprises.

The Hong Kong Government has never been able to allocate enough resources to attract mainland enterprises to invest in Hong Kong, making the progress in this respect very slow. I have to point out that, although only 68 mainland enterprises have been allowed to invest in Hong Kong so far, the amount of extra investment capital brought into Hong Kong reaches US\$470 million. We could as well imagine, if only CEPA can be brought into full play, the number of mainland enterprises that can access the world market through Hong Kong must not be restricted to these several dozens of mainland enterprises, and the amount of capital that can otherwise be brought into Hong Kong will be in 100 millions or even billions of US dollar. This is definitely a win-win situation for Hong Kong and the Mainland.

Despite InvestHK claiming that they will step up their investment-related promotion work in the Mainland, what they are referring to is to allocate only \$16 million in their \$162 million budget to carry out this work. By allocating such a small amount of money to promote a programme that can easily bring into Hong Kong 100 millions or even billions of US dollar, we could not help but suspect how sincere the Government is when it says it "will step up promotion of investment".

Here, I urge the Government to adopt proactive measures to allocate more resources and to step up large-scale publicity and promotional activities in the Mainland. Since private enterprises are particularly prosperous in such provinces as Guangdong, Jiangsu and Zhejiang, the Government should make them the focus of its efforts, including publicity and promotion, and step up negotiations with the Central Government on how best to strike a balance between the free movement of capital and the financial security management of the State.

Moreover, the SAR Government should conduct discussions with the Central Government, so that local governments would adopt effective measures to further relax restrictions and simplify procedures to facilitate mainland private

enterprises in establishing branch companies or representative offices in Hong Kong. The SAR Government should also actively advance requests to the Central Government to relax restrictions on mainland citizens moving into Hong Kong as investment migrants, so as to attract more investments.

If we are to compare the performance in the three aspects of CEPA, trade in goods has outrun the others. According to statistics, in phases I and II, 1 108 goods items were granted zero-tariff preference and nearly 4 400 Certificates of Origin were issued in the same period, amounting to \$1.4 billion in total value of goods. However, this HK\$1.4 billion revenue is far less satisfactory than anticipated. There were reports recently quoting Mr AN Min, the Vice Minister of Commerce of the People's Republic of China as saying that there would be a breakthrough in the arrangement for the origin and the value-added cost of the products of the watches and clocks industry. The industry in Hong Kong thus estimates that in the coming year at least 100 watches and clocks factories will be relocating their production lines to Hong Kong, hopefully creating 1 000 jobs.

Although we do not know whether the new arrangement will be included in phase III of CEPA, as a leadership with foresight, the Hong Kong Government should take an early step to prepare for the return of the manufacturing industries by starting preparations now and by reviewing policies and ways of implementation so as to better cope with the new arrangement. In the past, Hong Kong relied too much on the financial and service industries, leading to an imbalanced structure of the economy. The Government should seize the opportunity brought by CEPA to revive the manufacturing sector of Hong Kong.

In terms of supporting the manufacturing sector, the DAB has put forth in the past quite many relevant proposals and requested the SAR Government to formulate a long-term industrial policy. Here we urge once again the Government to review and improve as soon as possible the existing industrial policy, to simplify the licence application and business commencement procedures, and to provide quality support services, so as to facilitate the manufacturing sector in making investments in Hong Kong or our manufacturing industries in the Mainland in returning Hong Kong. Moreover, the Government should strengthen protection of Hong Kong products, including stepping up protection of intellectual property rights, and preventing counterfeits

or forged and low-quality products from entering the mainland market which would otherwise maculate the reputation of Hong Kong products.

At the same time, the Government needs to change the outdated non-intervention policy by providing reasonable concessions on tax and land rent; and to formulate specific preferential policies for certain industries by providing uniform preferences to qualified enterprises, so as to provide an improved business environment for industries to return and in turn facilitates the stable and sound development of Hong Kong economy.

Finally, I would like to mention one more point. Under the arrangement of CEPA, the people of Hong Kong who satisfy certain conditions can start up small businesses in the Mainland in the form of "sole proprietors". After amendments were made in phase II, the restrictions on the type of business and areas to start businesses have been greatly relaxed. Yet, the Government has never considered increasing publicity and promotion, or providing practical help. According to statistics from the Guangdong Provincial Government, in the year 2004, only 1 357 Hong Kong citizens made use of CEPA to start a businesses of sole proprietorship in Guangdong. This number is by far less satisfactory than is expected. We believe, as Hong Kong is undergoing economic restructuring, the arrangement of sole proprietorship under CEPA can be a way out and a job opportunity for those who have become unemployed because of their relatively old age and lack of professional skills. This arrangement gives them another option to consider and in a way, a solution to relieve the unemployment problem.

Madam President, while the Government's Budget this year has been rated as pragmatic and stable, I hope the Government can be a little more active and aggressive, and work more in anticipation of another take-off of the Hong Kong economy.

Madam President, I so submit.

**DR YEUNG SUM** (in Cantonese): Madam President, I will speak mainly on the expenditure on education in the 2005 Budget, particularly an allowance for children's education, small-class teaching and the reduction of funding for university. I am glad to see that the Secretary is sitting opposite me.

First of all, I would like to talk about an allowance for children's education. Madam President, the Democratic Party is disappointed that the Financial Secretary has not introduced an allowance for children's education in this year's Budget. The Government has all along stressed that it attaches great importance to education. While the Government has not reduced the resources for education over the years, the policy on education has changed frequently, making parents in the middle class who take their children's education seriously feel particularly worried.

The Democratic Party conducted a survey in March this year. The findings show that 30% of the parents consider the education system in Hong Kong "unsatisfactory" or "very unsatisfactory"; and among parents with a family income of over \$20,000, only about 10% consider Hong Kong's education system "quite satisfactory" and "very satisfactory", while 45% consider it "unsatisfactory" or "very unsatisfactory". This shows that the education system in Hong Kong cannot satisfy the demand of middle-class families in respect of education, and I hope Secretary Prof Arthur LI can particularly pay attention to this.

The findings of this survey appear to echo the phenomenon of a drastic increase in the number of primary and secondary students going abroad for studies after the reunification, showing that parents are unsatisfied with the Government's policy on education and hence wish to provide education of a better quality to their children. However, these parents seeking quality education for their children by sending them to private schools, direct subsidy scheme schools or abroad have to shoulder most or even all of the education expenses.

In this connection, the Democratic Party has since 2002 proposed that the Government should consider introducing an allowance for children's education. According to a survey conducted by the Democratic Party, 80% of the parents whose children are studying in schools support this measure. The Democratic Party considers that this measure can ease the pressure of education expenses on middle-class families.

The Democratic Party proposes that the Government can, by making reference to the deduction for self-education expenses, introduce an allowance for children's education for parents to deduct from their taxable income their children's tuition fees and school expenses, subject to a cap of \$40,000.

Although the Financial Secretary did not accept this proposal this year, the Democratic Party hopes that the Government can give effect to this deduction item next year.

Besides, I would like to talk about small-class teaching. Madam President, the implementation of small-class teaching can improve the teacher-student ratio and hence meet the needs of the education reform. Particularly as the number of school banding has been reduced from five to three, the learning ability of students now varies greatly. For this reason, the implementation of small-class teaching will no doubt provide greater room for teacher-student interaction. It will also enable teachers to tailor their teaching to students' varied abilities and give better care and attention to individual students. This will be conducive to upgrading the effectiveness of learning and teaching and encouraging diversified intellectual development among students. Small-class teaching can provide an environment for increased students' participation in class, and students will thus have more opportunities to speak and conduct group discussions, which will help develop greater motivation in learning among students, particularly as we are now considering the implementation of the "3+3+4" academic structure reform and the incorporation of Liberal Studies into the secondary school curriculum. I believe small-class teaching will be very helpful to the teaching of Liberal Studies.

Given that the birth rate has continued to drop and the number of school-age children has been on the decrease, it is now most opportune for small-class teaching to be implemented. In such neighbouring places as Shanghai, Taiwan, Japan, Singapore and Macao, their success experiences in implementing small-class teaching in view of a drop in population can be useful reference for us.

Regrettably, despite the many merits of small-class teaching and the fact that it is now opportune to implement small-class teaching, the Government has nonetheless evaded the implementation of small-class teaching. Perhaps Secretary Prof Arthur LI does have the wish but not the ability to implement it, for the Financial Secretary has kept a tight rein on expenditure and refused to allocate funds for implementing this mode of teaching. As a result, the education sector has been made to face this scenario today, with the number of classes in primary and secondary schools ever decreasing and schools being

scrapped year after year, which has put the jobs of surplus teachers at stake year after year.

A drop in the birth rate is actually not the only cause of this dreadful scenario today. The Government's policy failure in respect of the construction of schools is also a prime culprit. In recent years, the Government has turned a blind eye to the objective circumstance that the number of school-age students has continued to drop and kept on building new schools in various districts, including Sha Tin and Tai Po which are hard hit by the reduction of classes and the scrapping of schools. New schools and old schools are, therefore, forced to compete for students whose number is ever shrinking, thus leading to vicious competition. Some Year 2000 design schools already faced the crisis of being scrapped soon after their opening, and some primary and secondary schools which had just completed the school improvement programme or were in the process of implementing such programme were also forced to close down due to insufficient student intake. This has thrown a huge amount of taxpayers' money down the drain.

Another adverse consequence of reducing classes and scrapping schools is that the education sector has been put on tenterhooks, affecting the team spirit and the morale of teaching in schools. Personnel disputes have emerged in endless stream in schools due to the reduction of classes. Teachers are worried about being made redundant because of insufficient intake of Primary One students every year. Fresh graduates worry all the more that they will become unemployed upon graduation.

Madam President, over the years, the Democratic Party has consistently championed for the implementation of small-class teaching in primary and secondary schools, with a view to upgrading the quality of teaching to the benefit of students and hence bettering the quality of human resources. In 2002, the Democratic Party proposed a motion for debate in the Legislative Council to urge the Government to progressively implement small-class teaching in primary and secondary schools in an orderly manner. We did not ask the Government to take sweeping actions. We appreciated that the Government was under financial pressure and so, we only asked the Government to take on board this teaching method and then implement it progressively. Last year, the Government finally decided to implement small-class teaching in 37 schools for the purpose of conducting a study on the effectiveness of small-class teaching and the support required.

However, the Democratic Party still considers this inadequate. Here, the Democratic Party urges the Government to seize the golden opportunity of a drop in primary and secondary school student population and use the resources thus saved to provide training to teachers on small-class teaching, and in the light of the impending reform of the academic structure, adopt a "by district by grade" mode of transition to progressively implement small-class teaching, starting with primary schools and junior secondary forms, to enable teachers to tailor their teaching to students' varied abilities, so as to realize and achieve the goal of quality education, promote education reform and fulfil the expectations of parents, teachers and students. Even without increased government funding and additional teachers, the savings made as a result of a drop in the population of school-age children alone can fully offset the extra expenses incurred by the implementation of small-class teaching.

Madam President, next, I will talk about the reduction of university funding. The Government has, in recent years, continuously cut the funding for universities, and this precisely runs counter to the development of a knowledge-based economy as advocated by the Government. The authorities first cut the funding for universities for 1999 to 2001 by 10%, and further reduced it by 5% for 2001 to 2004; and in 2004-05, imposed another 10% reduction. Then the "zero-zero-X" proposal on university funding for 2005 to 2008 was approved early this year. On the surface, universities can finally heave a sigh of relief because at least, they do not have to worry about another reduction in funding in the next two years. If we look at it carefully, however, we can see that universities will actually have to bear an even heavier burden in the future.

The Hong Kong Institute of Education is the first to bear the brunt, for its funding has been cut by 47% in four years. Of the places being scrapped in the Institute of Education, 60% come from training courses for serving teachers. No doubt such a considerable reduction is meant to push the Institute down the road of a merger with other universities!

Besides, the Government will increase the places for first-year and second-year students in local universities starting from 2005 to 2007 to facilitate increased articulation of associate degree graduates with universities. In other words, universities will have to provide additional places and cope with other expenses even though there is no increase in university funding. This is a *de facto* reduction of resources.

Moreover, the numbers of students in associate degree programmes and taught master degree programmes for 2005-06 have also been cut to varying degrees. To achieve the target of providing 60% of secondary school leavers with post-secondary education in 10 years, the Government had funded universities in the provision of associate degree programmes. But after these programmes had been provided for a period of time and when the target of the tertiary education participation rate was almost reached, the Government ceased its funding for individual associate degree programmes, requiring tertiary institutions to operate them on a self-financing basis. Students, therefore, have to take out loans in order to enroll in these courses. As a result, they have already become heavily indebted even before graduation.

The number of students in subvented taught master degree programmes has drastically dropped from 6 291 in 2003-04 to below 4 000 in 2005-06, representing a decrease of over 30%. This is obviously inconsistent with the Financial Secretary's undertaking in the Budget of continuously investing heavily in education in order for the importance of talent to economic development to stand out in sharp relief.

In fact, Madam President, according to the Government's Report on Manpower Projection in 2003, the manpower requirement for persons at post-secondary level and at first-degree level will exceed this category of manpower supply by 2007 with projected shortfalls of 65 200 and 36 500 respectively. This Report is compiled by the Government. The reduction of funding for tertiary education by the Government will no doubt aggravate the problem of an imbalanced manpower supply, and this will not in the least help our development towards a knowledge-based society.

Madam President, the Registrar Office of the University of Hong Kong conducted a survey last year on the degree of satisfaction among employees. The findings showed that half of the respondents considered that they had been treated unfairly and they were not satisfied with their job and promotion prospects; 16% of the respondents considered that the workload and quality of work constituted the major cause of pressure, and this has reflected that the workload of employees has increased tremendously and their morale has been greatly affected as a result of the reduction of resources and manpower in the university. I trust that this is not unique to the University of Hong Kong, and the same situation is true in other institutions. Under such circumstances, how can the quality of teaching be maintained? Should the Government not show

some sincerity and take practical actions when the economy has now turned the corner by pledging that university funding will not be further reduced in 2007-08? As far as I know, Secretary Prof Arthur LI will again review the impact of the economic conditions on university funding in 2006.

Madam President, in recent years, the Government has drastically cut expenses on the ground of a serious fiscal deficit. From kindergartens, primary schools, secondary schools to even universities, each and every sector of education has been affected. None has been spared. The Government cannot set eyes only on achieving savings, or else the quality of education can never be improved. Indeed, Hong Kong has little natural resources, and the only resource that we have is manpower. If we do not channel more resources into the nurturing of manpower, it would be difficult for our knowledge-based economy to compete with other regions, in which case students, parents, the education sector and even society at large would pay a dear price because of the failure of the education reform. This is definitely the last thing we would wish to see. In fact, education is not an expenditure, but an investment in the future of society. It is particularly so when Hong Kong, as I mentioned just now, has no other resource but manpower. The question is whether the Government is willing to put students' interest on the top of the list. Will the Financial Secretary mercifully apply a lenient hand on the education sector and undertake in his reply not to further cut government funding on education granting improvement in the economy?

I so submit. Thank you, Madam President.

**MS MIRIAM LAU** (in Cantonese): Madam President, in the Budget this year, although the Financial Secretary did not mention much on taxes, I will focus my speech on four kinds of tax.

First of all, I would like to talk about the embarkation fee. Although we call it a "fee", it is actually a kind of tax. In 1999, the former Financial Secretary and the incumbent Acting Chief Executive, Mr Donald TSANG, was the first to propose levying a land and sea departure tax. The Financial Secretary succeeding him, Mr Antony LEUNG, renamed it as Boundary Facilities Improvement Tax (BFIT). The reason offered by the Government then was that those passengers leaving the Hong Kong territory by plane had to pay \$50 in air passenger departure tax, and those taking ferries from the passenger terminals had to pay \$18 in embarkation fee, while those passengers

and citizens leaving through land departure points or taking ocean liners did not need to pay any fees. The authorities thought that this kind of arrangement is not fair. It was thus suggested that departing passengers, irrespective of the modes of transport being taken, had to pay tax, in order to remove any unfairness.

This issue has been debated for five years. After the incumbent Financial Secretary, Mr Henry TANG, had released his second Budget, he announced his firm decision during a radio programme that the BFIT would not be implemented. The reason was that Hong Kong was part of China, and also an important economic city, and thus the hurdles affecting the integration of both places should be minimized by all means.

It has long been the practice that each sea departure passenger is required to pay an embarkation fee to the Government. It was \$25 per person in the past. After intensive lobbying by the industry, the Government reduced the embarkation fee to \$18 per person in 1998. In addition, ferry companies using the two passenger terminals have to pay a berthing fee and other fees to the Government. However, land transport operators are not required to pay any fees to the Government. Under such circumstances, sea passenger and land passenger services between Guangdong, Hong Kong and Macao have all along been competing not in a level playing field, while sea departure passengers also find it most unfair. At the beginning, ferry companies did not oppose the levying of BFIT, as the Government had proposed to replace the embarkation fee by BFIT and to levy BFIT on passengers of land and sea departure. However, since the Government has now decided not to implement BFIT, it should abolish the embarkation fee as well.

Before the embarkation fee is abolished, the Government should offer concession on the fee immediately. Over the years, ferry companies have been striving for abolishing the embarkation fee. But this has been rejected by the Government on the grounds of financial deficit. After repeated negotiations and lobbying, it was not until the end of last year that the Government finally undertook to reduce the level of embarkation fee from \$18 to \$15. And the ferry companies could only accept, albeit reluctantly. However, after dragging for four to five months, the proposed downward adjustment of passenger embarkation fee has yet to be implemented so far. Here, I strongly demand the Government to implement the plan as soon as possible and should not procrastinate any longer.

Madam President, now I would like to turn to estate duty. During the last two weeks, I noticed that the press had been criticizing the Government's proposal of abolishing the estate duty, that it would only benefit the rich. In fact, it is a specious criticism as the genuinely rich will have already transferred their money out of Hong Kong through some arrangements like trust funds or offshore companies. However, since establishing trust funds involves very complicated procedures while the management fees of offshore companies are not low, estate duty is the most disadvantageous to the middle class who do not have a lot of estate but just fall into the net of estate duty. Therefore, the abolition of estate duty by the Government will mainly benefit the middle class. Besides, not only will the middle class be benefited, but the entire Hong Kong society will also be indirectly benefited. In the shipping industry which I am familiar with, the tonnage of vessels registered in Hong Kong was only 5 million tons in 1997. In March this year, it already rose to 27 million tons, meaning that there are more vessels registered in Hong Kong and hoisting the regional flag of the Hong Kong Special Administrative Region (SAR). Nevertheless, some ship owners worry that they may have to pay estate duty once they register their ships in Hong Kong. Thus, some ship owners are now considering withdrawing their fleets from Hong Kong. In fact, if estate duty is abolished in Hong Kong, I believe that not only will ship owners not withdraw their fleets, but more ship owners will be attracted to register their vessels in Hong Kong, as they do not have to worry about arrangements for estate duty. Moreover, if more vessels hoist the regional flag of the SAR, the status of Hong Kong as the international navigation hub can be greatly entrenched. The benefits of abolishing the estate duty, of course, will not be restricted to the shipping industry. Other professions and trades will also be benefited. This can also encourage investors to invest more in Hong Kong. Therefore, the only disadvantage of abolishing estate duty is the loss of \$1.5 billion in income from estate duty for the Government. However, the benefits to be brought by this move to Hong Kong will definitely exceed \$1.5 billion.

Apart from estate duty, I reckon that another duty which has to be abolished is diesel duty. In the last two months, oil companies have adjusted the pump price of diesel upwards for five times. The latest price is \$7.71 per litre and this is the highest in two years, even higher than the level of \$7.37 when I moved the motion on reducing the duty on ultra low sulphur diesel last year. When the operation of the entire transportation industry is getting more and more difficult, similar to being thrown into boiling water, it was not until this year that

the Government leisurely started to conduct a consultancy study, in order to study the state of competition in the motor vehicle fuel market of Hong Kong, as well as whether local oil companies engage in any anti-competitive acts. In case oil companies are verified to have engaged in anti-competitive acts, the Government may introduce a competition law. From consultancy study to legislation, the whole process may take a few years, and by then, no one knows what kind of plight will the transportation industry be facing.

In order to rescue those in the transportation industry from the difficult situation, the Government should review the diesel duty immediately, determine the level of the duty rate, or even abolish it altogether. I hope that the Government can treat the transportation industry fairly. There should be equal treatment to motor vehicle diesel and industrial diesel oil, and all trades and industries (including the transportation industry) can operate in a duty-free environment. I hope that the Government can store wealth among the people. From diesel duty, the Government can only obtain about \$700 million in income annually. If the Government can abolish diesel duty, I am sure that the economic value to be created by the logistics industry, as the pillar industry of Hong Kong, can be higher than \$700 million.

The last kind of tax that I would like to talk about is green tax. The Environment, Transport and Works Bureau is currently studying a product responsibility scheme for disposed tyres. With the "polluter pays" principle, polluters have to shoulder the expenses concerned. In principle, the industry supports the "polluter pays" principle. However, the contents of the scheme have yet to be seen, and there is not even any data on calculating the expenses required for disposing a tyre. At the present condition, it is difficult for the industry to shoulder any level of tyre tax. In fact, the industry already has to pay fees to the tyre collectors, and each tyre costs about \$10 or several times more. The industry is worried that when the Government implements the scheme, with the accounting, administrative and management costs, in addition to supporting a recycling business with no assured cost-effectiveness, they may have to pay even more than present in handling old tyres. Although the Government has yet to put forward a specific proposal, I think that the proposal concerned should have regard for three important principles, namely, the charges must be fair and reasonable, and the recycling and disposal methods must be effective.

Madam President, I now would like to turn to the development of the shipping industry. Over the past few years, I have been asking the Government to allocate more resources to training talents for the shipping industry and logistics management suited to the needs of Hong Kong, so that Hong Kong can fully bring its edge as the shipping centre and regional logistics centre into play. Last year, the Government finally took its first step. In the coming four years, a total of \$9 million will be allocated to implement a Sea-going Training Incentive Scheme (the Scheme) which will assist students of nautical studies to receive the necessary practical sea-going training, so that they can obtain the professional qualification. Since the Scheme was introduced in July last year, a total of 29 cadets participating in the Scheme have received training on board ships, which is a rise of 70% compared with 17 students for the whole year of 2003. We can see that this Scheme does help attract more local youths to participate in sea-going training.

It can thus prove that with only a little resources injected by the Government, the effect of promoting the shipping industry can be very substantial. This is a good start. I hope that the Government can continue to inject more resources to vigorously promote the development of the shipping and related industries, for example, maritime insurance, legal arbitration, chartering, vessel management, vessel maintenance, and so on, so that Hong Kong can be developed into shipping centre fitting its claim.

Finally, I would like to talk about the development of logistics. Last year, the container throughput of local ports was 22 million TEUs, representing a rise of 8% over the figure in 2003. During the past 13 years, Hong Kong has been named the busiest container port of the world for 12 times. However, the ports in Shenzhen also achieved brilliant performance last year, with a throughput of more than 13.6 million TEUs, representing a rise of 28%. As we all know, the ports of Hong Kong are gradually losing their competitiveness due to the specific difference in charges levied by the ports of the two places, which include the transportation costs of cross-boundary trucks.

In order to lower the transportation costs of cross-boundary trucks, the General Administration of Customs in the Mainland has already relaxed the "four-up-four-down" requirement since 1 January this year. Apart from this, I know that the "one-truck-one-driver" requirement, "route registration" and mainland port services have also been put on the agenda for discussion. Hong Kong will soon discuss these items with the General Administration of Customs

in the Mainland and the related authorities in Guangdong. I hope that Hong Kong can strive to implement the abovementioned measures and continue to discuss with the Guangdong authorities on how to further improve the licensing, regulation and customs clearance arrangements for cross-boundary trucks from Hong Kong, so as to further reduce the transportation costs of cross-boundary trucks and to narrow the charge differential between Hong Kong and its neighbouring ports.

Nevertheless, even if the difference in charges between Hong Kong and its neighbouring ports can be narrowed, Hong Kong still has to solve the problem concerning sources of freight. If the sources of freight of the entire Pearl River Delta (PRD) are not broadened, both Hong Kong and its neighbouring ports will suffer. Therefore, I hope that the Government can expedite the commencement of the Hong Kong-Zhuhai-Macao Bridge project to expand the hinterland of Hong Kong, and to attract more sources of freight from the western part of the PRD to export through Hong Kong by crossing the Bridge, with a view to entrenching the status of Hong Kong as a logistics and shipping hub.

Madam President, I so submit.

**MR TIMOTHY FOK** (in Cantonese): Madam President, in the last couple of years, economic recession and social turmoil had brought Hong Kong to the murky bottom of the valley. It was only after an uphill struggle, together with the support of our nation and self-adjustments, that we managed to revive our economy and advance the target date for the elimination of fiscal deficits. However, Hong Kong is still very weak, hardly able to withstand any more blows and sufferings. In the social milieu, though the atmosphere is becoming more amicable, uncertainties and hidden troubles still exist. Therefore, a budget aiming at maintaining stability, advancing with caution and fostering harmony will lead the development of Hong Kong back onto the right track.

What impressed me most in this latest Budget is the outstanding economic and financial performance stated therein. The rate of economic growth for 2004 reached 8.1%, the highest rate in the past four years and well above the average growth rate of 4.8% over the past 20 years; the total exports of goods and offshore trade surged by 15%, indicating that our economy is picking up in

full swing. At the same time, the Consolidated Account will achieve a surplus of \$12 billion in 2004-05, much better than the deficit of \$42.6 billion originally estimated. It is also expected that fiscal balance will be restored in the Consolidated Account by 2007-08, enabling us to get out of the predicament in public finance formally.

With the substantial improvement in economic performance, it is estimated that economic growth will be maintained at the level of 4.5% to 5.5% this year, and during the period of 2006 to the middle of 2009, the trend growth rate of various category is believed to be maintained at 5.5%. However, behind the prosperous setting, it is discovered that the cornerstone supporting this setting is insecure, the restructuring of our economy is yet to complete, our tax base is still narrow, external factors are fluctuating and our pillar industries are facing tough challenges. Since Hong Kong is an outward-looking economy, the above factors may at any time present Hong Kong with unforeseeable variables. This is exactly why this Budget, which does not pour out favours, nor propose any grand blueprint or any major change to our tax regime, can win the most applause and draw the least criticism among the Budgets announced in the recent years.

Certainly, to pursue sustained development, Hong Kong has to break away from the existing constraints, exploring a new mode and direction for development. Indeed, this new Budget has already put on display some approaches worth further consolidation.

First, in the Budget, the Financial Secretary mentioned at great length the need to promote the development of cultural and creative industries vigorously to provide a new way out for the economy of Hong Kong, so financial support and support in other aspects in this connection has been bolstered. In fact, both the incumbent and former Financial Secretary have proposed policies in the Budget to support the development of the creative industry. However, so far, no marked effect has been seen. The reason is that the creative industry could not be developed simply by lip-service. More so, the transformation of creativity into an industry needs the co-ordination of society and commercial environment. Besides, with the decline of the manufacturing sector, the development of the creative industry can only head towards leisure and cultural endeavours, so the room for development and prospect of the industry are thus further restrained. Therefore, to promote the comprehensive development of the creative industry, we must make a bold and determined breakthrough:

- (i) the coverage of the creative industry should be extended to the sports sector, and to facilitate the sports sector to carry out commercial operation. Looking around the world, the sports industry is a lucrative business and can instill solidarity. We must acknowledge and appreciate this point before we can stage a good fight for hosting the 2008 Olympic equestrian events in Hong Kong, the successful organization of the competitions in the 2009 East Asia Games and other international sports events, which may open up tremendous business opportunities.
- (ii) creativity education should be developed via formal studies, and overseas talents of creativity should be imported, so as to lay a foundation for nurturing the local creativity culture and talents. Otherwise, policies aiming to promote creativity culture and industry will be reduced to empty talk.
- (iii) enforcement action to combat piracy, bootleg activities and Internet piracy activities should be stepped up, thus protecting creativity property against infringement in the legal context.

Second, CEPA provides a strong impetus for the revival of the Hong Kong economy. Within the framework of CEPA, further integration with the Great Pearl River Delta economy will pave a golden path for sustaining the stability of the economy of Hong Kong. The relevant deliberations and discussions should be conducted with no delay, while the Government and the industries must deal with this seriously and formulate proposals early. And these proposals must then be raised with the Guangzhou and Shenzhen authorities for negotiations and eventual implementation.

Madam President, out of the concern for its long-term competitiveness, the Singaporean Government has announced determinedly its decision to construct two casinos. Hong Kong should also remain vigilant in time of peace and be far-sighted, be prepared to rise up to challenges from all sides related to the regionalization and globalization of economy, as well as the knowledge-based restructuring of economy. We should do a good job in the structural economic transformation and upgrading of industries, so as to lead Hong Kong into a new stage of affluence and prosperity.

**MR WONG YUNG-KAN** (in Cantonese): Madam President, as specified by the Basic Law, the agriculture and fisheries industry is one of the several trades which the Government of the Hong Kong Special Administrative Region (SAR) is required to formulate appropriate policies to promote and co-ordinate their development, and in fact among such trades, it is the only industry of primary production. It was not a casual arrangement for the drafters of the Basic Law to have included this industry in this category. It must have been a prudent decision made with much cautious consideration in recognition of the contribution of the industry to the economic development of Hong Kong. We should respect this decision, and we should thoroughly implement this policy.

Eight years have passed since the establishment of the SAR Government, yet little has been accomplished in the implementation of this particular article of the Basic Law. Not only has the Government failed to formulate any policy to promote the development of the agriculture and fisheries industry, it has even taken some actions to terminate certain operations of the industry and to defeat the initiatives of the industry. As the Member representing the agriculture and fisheries industry in the Legislative Council, I always feel angry about this.

Insofar as policies are concerned, the Government has never taken care of the development of the agriculture and fisheries industry. With regard to financial support, the industry has simply been neglected altogether. I remember I spoke on this in a debate held in this Council earlier this year on the policy address of the Chief Executive. In each legislative session, I would move many motion debates with relevance to the agriculture and fisheries industry, and these motions have all been passed in this Council, either in their original forms, or with amendments. However, all these propositions were just noted by the Government. To date, we can say that not even a single policy has been implemented or carried out. Let us take offshore fishing as an example. Due to certain mistakes made by the Secretary several years ago, this issue has now come to a dead end. Now offshore fishing is no longer possible even if we had the vessels and the capital. This is a huge mistake on the part of the Government. Madam President, today I would like to take this opportunity to exemplify my arguments. During the past six months, I have witnessed many nonsensical moves made by the Government at the expense of the agriculture and fisheries industry, which have made me unable to contain my discontent anymore.

First of all, not only has the Government failed to provide financial support to projects and proposals for the development of the industry, it has also failed to give a helping hand to the industry even when it was faced with grave financial difficulties. The Government has kept a tight control on its expenditure. To make matters worse, the Government has even rubbed salt into the wounds. I am referring to the plight of the capture fishing industry. Over the past few years, oil prices have kept escalating, while catches kept dwindling. However, the interest rates of government loans have remained much higher than the prime rates offered by banks, making it hard for fishermen to repay the loans made with the Government for ship-building on the one hand and to sustain their livelihood on the other. Of the 1 000-odd fishing vessels of Hong Kong, nearly half of them are currently anchored in other ports within Chinese waters. The fishermen have requested the Government to amend the terms for secured loans and they are even prepared to use their vessels as collateral for borrowing more capital, but the Government simply refused to accede to their demands.

On the other hand, our colleagues visited the Disneyland last week. The project was going at full steam as the Disneyland was due to open in September. However, we have encountered another incident. When the initial works of the Disneyland project began in the Lantau Island, the fishermen of Cheung Sha Wan and Ma Wan lodged a complaint with the Government on the "dead fish" incident. As the subsequent phase of works commenced, the fishermen of the region suffered a loss of more than \$15 million due to problems associated with civil engineering works and improper supervision. Yet the Government officers responsible for civil engineering works not only refused to admit their blunders, they even refuted a provision under which an allocation of fund was passed by the Finance Committee of this Council in 2000. At that time, it was said that, when the reading of suspended materials reaches 50 per litre of sea water, the Government will make an *ex gratia* payment, with no strings attached. However, all of a sudden, the Government proposed a piece of new legislation which stipulated that an examination would be conducted to determine if the "dead fish" is related to the project at all. It even stated that the perimeter of 9 km was too extensive. When the latest episode of "dead fish" took place, it was identified at a location within the 8.5 km perimeter where the amount of solid suspended materials exceeded the acceptable level. While the Disneyland project is nearing completion, affected fishermen find that their livelihood has been jeopardized. These fishermen even staged a demonstration on their rafts a few days ago. I hope the Secretary can seriously consider ways of solving the

problems faced by the fishermen. Otherwise, whenever there are problems, government officials would always have a louder say than the people, and right now I think that they are even more authoritarian than before and they can say whatever they like. But this is not the Government we like to have, and we do not want to see our Government treat our grassroots in such a way either.

Madam President, when the industry requests assistance from the Government to solve their pressing needs and to promote the development of the industry, the Government acts stringently, thereby rendering all the relevant projects into just some empty talks. But when someone proposes to drive this trade into extinction, the Government would proceed with such vigour and it would even adopt some unscrupulous means. The Government would even make use of the pretext of public hygiene in an unreasonable attempt to drive such industries into extinction. A case in point is the chicken-farming industry. The Government stated earlier that because of its limited capacity in slaying chicken, if the chicken farms are allowed to raise 3.7 million chickens, it would take the Government more than one week to kill all the chickens, so it was calling for the industry to reduce the number of chicken raised to 1.8 million. But what is the reason for this? There is no avian flu in Hong Kong, but the Government is asking the industry to kill itself. And eventually it is discovered that the ultimate reason is: The Government is unable to kill 3.7 million chickens in a week. We can say that government officials absolutely do not understand the industry at all. They are totally ignorant of this industry. So whenever some problems surface, the Government will simply allocate \$246 million as compensation for recalling and cancelling all the existing licences. To put it bluntly, the Government is being over-generous with taxpayers' money. The Government is spending our money on doing something it has no knowledge of. The Government actually does not know what it should do but pretends that it does, and as a result, it is simply killing the industry altogether.

A few days ago, Mr Tommy CHEUNG, Mr Fred LI, Mr Vincent FANG and I met with some representatives of the industry and representatives of the medical profession. The viewpoints put forward by these representatives were totally different from what the Secretary or the government officials in the Policy Bureaux had said. They used to work in the same hospital where the Secretary for Health, Welfare and Food had worked, and we were surprised by their remarks. Now we know that someone had been grossly exaggerating. I asked Mr Fred LI whether we should fix a time and invite those medical practitioners

to give a briefing to the Secretary or Members of this Council on what avian flu is, so that we can understand that the avian flu is not as terrible as what is speculated in society. That should throw a ray of new hope to members of the industry.

In fact, we feel that, insofar as avian flu is concerned, the toughest problem is the wild birds in the sky. In response to a question asked by me, a Dr SZETO said that even if all the chickens were killed and a central slaughtering mechanism was put in place, there would still be avian flu as long as there were wild birds in the sky. This is because wild birds are avian and they are carriers of influenza virus. Why does the Government refuse to acknowledge this fact but proceed to drive the industry into extinction instead? Therefore, my opinion is that the Government should not use public money to drive an industry into extinction. Killing an industry is an easy task, but trying to revive the industry in future would be extremely difficult. I hope the Government can think twice before it makes any move.

As regards agriculture, I personally have some divergent views which government officials have found them unacceptable. I always hold the opinion that government officials should visit places where agricultural knowledge is available, such as the Mainland and Taiwan, instead of just considering what other people should not do. This will enable our industry to continue its development in a sustainable manner.

Madam President, next I would like to talk about the various kinds of problems with food safety which happened recently. In the past few years, Hong Kong appeared to have been flooded with contaminated food, including fish with cigua toxin, toxic scallops, as well as toxic foods found in China such as vegetable with super high heavy metal contents, artificially coloured oranges, toxic beans, and so on. The people started to feel frightened as toxic red meddar berries were found to have been imported into Hong Kong. Even soy sauce was found to contain the carcinogenic Sudan Dye. Later on, fake eggs were found. People were panic-stricken. The series of problems had not only caused members of the public to worry about food safety, it also made them question if government departments in charge of monitoring have been doing their job properly. As a matter of fact, the lack of supervision on live seafood is not a new problem at all. Over the past few years, the problem of fish tank water quality and fish with cigua toxin have occurred again and again, yet the Government has always responded slowly, and no preventive measures have been taken to date. All the Government is saying is that: We should refrain

from eating scallops should toxic scallops are found, and that vendors should stop selling scallops. If they are contaminated, of course they should not be sold, but the Government has gone so far as to tell people to refrain from eating them.

As a matter of fact, the industry has all along been willing to work with the Government in subjecting itself to proper supervision. Regrettably, it is not until recently that the Government has come up with a voluntary scheme for origin of live seafood registration and a regulatory scheme for sea water used for fish culturing. However, the proposed schemes are not comprehensive enough and there are still many problems to be solved, such as the problem in supervision due to the lack of designated loading and unloading areas for live seafood. I have visited many overseas places to observe their live fish wholesale markets. Given appropriate supervision, food safety can be ensured to protect the health of the people. Furthermore, live fish wholesale markets could also be developed into tourist attractions. In fact, there are already a number of live fish markets in Hong Kong such as Aberdeen, Lau Fau Shan, Sai Kung and Lei Yue Mun, and so on. So there is no need for the Government to provide a large piece of land. All that is needed is to equip these places with better hardware, supplementing them with proper management and the co-operation with the seafood restaurants of such areas. By doing so, not only can live seafood be regulated, the fish markets of Hong Kong will also become tourist attractions with local characteristics.

Madam President, the repeated emergence of contaminated vegetables, toxic red meddar berries and toxic soy sauce once again reminds us of the safety of food imported from China. We are well aware that the Mainland is the major source of imported produce and pre-packed seafood. This being the case, the continual discovery of poor quality food makes Hong Kong people all the more worried about food safety. Although the corresponding mainland authorities have taken stringent quarantine measures, the busy traffic between Hong Kong and the Mainland makes it easy for food to be transported from the Mainland into Hong Kong through illicit channels. Currently there are many so-called direct sales vegetables which are sold to the general public direct without being supervised and tested in the wholesale market of the Vegetable Marketing Organization. Therefore, the Food and Environmental Hygiene Department (FEHD) has become the final safeguard for protection of food safety. Yet, according to a recent statement from the Department, Hong Kong has the highest number of spot checks on food in the world in proportion to its population. What the Government did not say is that 90% of our food are

imported, and our *laissez-faire* policy means that lots of food can be imported direct into Hong Kong without being subjected to quarantine procedures as long as they have obtained production and health certificates.

The DAB is of the opinion that unless the Government can plug these loopholes, the frequency of spot checks on food at retail outlets should be stepped up. Furthermore, the FEHD should consider assigning another department to take charge of the quarantine work for fresh food and vegetables, so that the situation would not get out of control when the FEHD fails to cope with the workload, should it not? I think the FEHD and the Agriculture, Fisheries and Conservation Department (AFCD) should effect a division of work because the AFCD has knowledge of the production process while other departments do not. I wish the Government can expedite the efforts in this regard.

Madam President, I so submit.

**MR CHEUNG MAN-KWONG** (in Cantonese): Madam President, over the past seven years, former Chief Executive TUNG Chee-hwa has kept saying that education is important, and that the Government will spare no efforts in making investment in education. Yet, the cheque has not been honoured. The SAR Government has kept slashing education resources relentlessly. From kindergartens to primary schools, secondary schools and universities, all of them cannot escape the fate of falling victims to such exploitation. As a result, primary and secondary schools continue to see the reduction of classes and even the closure of schools; small-class teaching remains a distant goal; training of kindergarten teachers proceeds at a snail's pace; special education becomes an abandoned infant; adult education left to fend for itself alone; associate degree programmes made to be self-financing; funding for university education has been dropping throughout the past 10 years; and the Hong Kong Institute of Education has to keep its head above the water by bidding for courses which have been put on tender. Meanwhile, surpluses of \$3.3 billion and \$3.8 billion were recorded last year and this respectively in the education funding in Hong Kong. Yet all such surpluses have been accounted to the Treasury, and the Government has simply pocketed them right away.

The total amount of the surplus during the two preceding years reaches \$7.1 billion. These are money saved with the blood and sweat of the people of

the education sector with great efforts. In order to achieve this, how many primary and secondary schools have been subject to reduction of classes or even their closure? How many associate degree students or evening class students have to pay additional tuition fees? How many lecturers and professors have taken pay cuts? How many kindergarten teachers have seen their training delayed? How many parents are holding their breath to wait for small-class teaching? How many old schools are fighting for redevelopment of their schools? Yet, the aspirations of the education sector have been denied time and again. Only the Treasury has got the windfall. Insofar as education is concerned, this is simply nonsensical and ridiculous.

The primary and the secondary schools are the hardest hit by the reduction of education funding. While small-class teaching is being delayed, the Government is building new schools on the one hand and closing down existing schools on the other, thus wasting a large amount of unfilled school places. This is a ridiculous policy. Public funds have been wasted, and the policy proves to be unpopular among the people. Over the past four years, 133 primary schools have ceased to enroll new students for Primary One classes, and they will vanish in a matter of just a few years. Over the past four years, 24 schools have closed down, and the efforts of many school sponsoring bodies and operators have gone down the drain. Over the past four years, 1 479 classes and 135 classes have been slashed in primary and secondary schools respectively, and the situation will go on worsening. Over the past four years, large-class teaching is still the mainstream form of teaching in primary and secondary schools, making the goal of quality education a distant dream. Over the past four years, reduction of classes and the closure of schools have become the most horrifying policies which have spread panic among people of the education sector. Teachers can no longer focus on their work to implement teaching reforms, and the policy has seriously damaged the relationship between the Government and the education sector. The Education and Manpower Bureau (the Bureau) cannot evade its responsibility for carrying out the policy to reduce classes and closing down schools. It should be held politically responsible for the chaos and decline that has taken place in the education sector.

Over the past four years, the Government has extracted \$550 million from primary and secondary schools. Among the 100-odd schools ordered to close down, 22 of them had to close down as soon as improvement projects were completed at their schools, resulting in a waste of more than \$400 million.

More wasteful is the building of new schools in areas where existing schools have to reduce classes. Over the past four years, 60 new schools have been built by the Bureau. Assuming that the average building cost of each new school is \$100 million, a total of \$6 billion of public money is at stake. This has also produced a large number of unfilled school places. However, the Bureau keeps wasting money. In areas like Sha Tin, Yuen Long, the Southern District and the Eastern District, where the number of students has dropped almost 4 000, nine "one-stop" schools have been completed, which provide a total of at least 7 000 additional primary school places.

Over the past four years, Sha Tin, Yuen Long, the Southern District and the Eastern District are areas that have been the hardest hit. But even without taking into consideration the number of schools that have already closed down, as many as 29 primary schools in these areas have only one class of Primary One. These schools may have to close down any time, so all the funds that have been spent on school extension and school improvement will all go down the drain. Under this ridiculous school building policy, the number of schools that have to reduce classes or even to close down will increase very rapidly, from village schools to normal standard schools, to schools in old districts and schools with Year 2000 design premises. This reminds me of a stone tablet called "The Tablet of Seven Killings" relating to the bandit ZHANG Xianzong of the late Ming Dynasty, on which the characters of "kill, kill, kill, kill, kill, kill, kill" were inscribed. The Bureau is engaged in this mass slaughtering of schools which cannot escape such a tragic fate and simply have fallen victims to such a policy. I demand that the Audit Commission investigate how much money the Bureau has wasted, and to hold it responsible for causing such wastage.

As the student population keeps dwindling, other places in Asia such as Shanghai and Macao have been taking this opportunity to promote small-class teaching with a view to upgrading the quality of education. Here in Hong Kong, the Government prefers having a surplus of school places to implementing small-class teaching. The Government prefers reducing classes and closing schools to implementing small-class teaching. The Government prefers acting as the enemy of the people to implementing small-class teaching. It is most astonishing that the preference and the decision of individual government officials could override the consensus of society and the aspirations of parents, and could even treat Legislative Council motions as trash. This is the

worst form of bureaucracy, and the most hegemonist form of executive-led government.

Madam President, the education sector has had enough. We shall pledge to fight to the end come what may. Over the past four years, these people have kept taking to the streets to voice their opposition to the Government: These people come from the universities, secondary schools, primary schools, special schools, kindergartens and among them are professors, lecturers, headmasters, teachers, students, clerical officers and school janitors. Which other sector has accumulated such persistent and pent-up anger like the education sector? Are there any other sectors, like the education sector, which have such extensive and saddened support from other sectors of society? These are sufficient reasons for those in power to reflect on what they have done, and to rectify the damages they have caused.

The disadvantaged groups have been the hardest hit by what the Government is doing to the education sector. The education policy of the SAR Government smacks of discrimination in three major areas. It discriminates against special education, kindergartens and associate degree programmes. The ratio between teachers and students in the special education sector has remained unchanged for 40 years. In a class for the visually impaired, there are as many as 15 students, whereas in a class for the mildly mentally handicapped, there are as many as 20 students, the size of which is equivalent to that of a normal class in advanced countries. Special education has not even been included in the "3+ 3+ 4" academic structure reform, which is in violation of the principle of equality and which constitutes discrimination against students with special needs. As the new leadership has taken charge of the Equal Opportunities Commission, the Commission should monitor the situation closely to examine whether the academic structure reform as proposed by the Bureau is in breach of the Disability Discrimination Ordinance.

Early childhood education is another major adversely affected area as far as discrimination in education is concerned. Funding for early childhood education accounts for a mere 1.8% of the overall expenditure on education, which is already excessively mediocre. Last year, the Government had even wanted to withdraw the subsidies for on-the-job training of kindergarten teachers, and this had stirred up anger and panic among the practitioners in early childhood education. Finally, a portion of the subsidized school places were retained only as a result of the pressure exerted on the Government by the

profession. Taking into account the number of nursery centres to be merged into the sector, currently there are approximately 8 000 kindergarten teachers whose qualifications have not reached the diploma level. Given the sluggishness at which training is provided, it will take eight years for all the kindergarten teachers to reach the diploma level. This is like an eight-year war in which the kindergarten teachers are bitterly engaged. But what is even more worrying is that sufficient funding is lacking for improving the remunerations of kindergarten teachers, resulting in a bottleneck in the training of kindergarten teachers, so much so that a large number of kindergartens and nursery centres will have to close down, thus driving these kindergarten teachers out of employment.

Funding for universities has been slashed for a continuous period of 10 years. The Hong Kong Institute of Education has borne the brunt as its funding has been slashed by 47% over the past four years, and it could only maintain operation through bidding for courses which have been put on tender. The education sector is running short of funding, and their fate is controlled in the hands of the government officials. Sub-degree programme students are the most miserable lot. Over 20 000 students pursuing sub-degree programmes have to pay the full tuition fees simply because they are not eligible for the degree programmes, making them second-class tertiary students. Just as the Government is advocating continual education and lifelong learning, the Bureau is charting an opposite course of action and discriminates against youngsters aspiring to further education as well as students from grass-roots families. I wonder what the rationale and logic are behind such action.

Madam President, the Democratic Party once suggested that the Government should introduce in the Budget an education allowance for parents with children so as to alleviate the burden of the middle class and wage earners in paying for the educational expenses of their children. Regrettably, the Financial Secretary has not adopted our proposal, thus leaving thousands of parents disappointed. The education reform of the SAR Government emphasizes multi-intelligence, encourages social participation, and promotes information technology, reading programmes and extra-curricular activities. As a result, parents have to pay escalating expenses on education, including fees for books and stationery, air-conditioning charges, and so on. Parents may also have to pay for tuition fees for schools under the Direct Subsidy Scheme or private schools. The Government is fully aware of the heavy burden of the parents; it also knows that Chinese families attach importance to the education of

their children, but why does it not respond to the public demand for an education allowance for parents with children? Why is the Government unwilling to give a little more support and encouragement to parents in nurturing their children? Acting Chief Executive Donald TSANG has asked each family to raise three kids. Just come to think of the burden of expenses on education, of the heavy responsibility, some people will not even dare to give birth to even one single kid, let alone three.

Madam President, of the departmental expenditure estimates, that of the Constitutional Affairs Bureau is most questionable. With regard to the four major tasks of the Constitutional Affairs Bureau, it has accomplished virtually nothing over the past three years. The task of constitutional development has been passed onto the Chief Secretary for Administration. The Secretary for Constitutional Affairs, Mr Stephen LAM, is a super sidekick whose role is to run errands on constitutional affairs. On the issue of universal suffrage, all that the Secretary has done is to reiterate the top instructions he has received from the Central Government and repeat them like a parrot. Electoral affairs have been devolved to the Registration and Electoral Office (REO). In the last Legislative Council Election, the REO made a spectacle of itself for its inability to supervise the process and the countless blunders made. Using carton boxes as ballot boxes is the biggest joke in the past 20 years of our election history. Their Taiwan policy is the most classic example of evasiveness. They do not dare to formulate any policy to deal with Taiwan, nor do they dare to get in touch with Taiwan Government officials. The Hong Kong Government is of course unwilling to be responsible for undertaking any united front work. Seven years have passed since the reunification, but the relationship between Hong Kong and Taiwan has deteriorated, instead of improving. The Government's refusal to approve of MA Ying-jeou's visit to Hong Kong is even the biggest fiasco in its handling of Taiwan affairs. Finally, the task of promoting the Basic Law currently entrusted to the Constitutional Affairs Bureau could actually be passed onto the Education and Manpower Bureau and the Home Affairs Bureau. The Government will be able to save up to \$3 million simply by removing the post of the Secretary for Constitutional Affairs and placing the Constitutional Affairs Bureau under the brief of the Chief Secretary for Administration.

Madam President, the accountability system is a serious blunder committed by TUNG Chee-hwa, whereas the Constitutional Affairs Bureau is the worst error among all the serious blunders under the accountability system.

Now that TUNG Chee-hwa has already stepped down, the Constitutional Affairs Bureau should either disappear or be merged with other bureaux. The Democratic Party will move an amendment in this Council demanding the removal of the post of Secretary for Constitutional Affairs for the purpose of quenching public anger as well as saving public expenditure.

Madam President, I so submit.

**MR PATRICK LAU** (in Cantonese): Madam President, I would like to express my opinions on several key points of the Budget. First, the Budget mentions "fruit of concerted efforts". Given that we shall be able to eliminate the fiscal deficit earlier than originally scheduled, I believe I should hereby congratulate Financial Secretary Henry TANG on this. Apart from Financial Secretary Henry TANG, credit should also go to many others who have worked devotedly behind the scene, such as former Financial Secretary Antony LEUNG, former Chief Executive Mr TUNG Chee-hwa, government officials who have helped to save public expenditure as well as the common efforts of all Hong Kong people. However, when we are enjoying the fruit today, it is indeed saddening for us to note that many such behind-the-scene heroes are no longer in their original offices. I hope the departure of Mr TUNG will not affect the implementation of projects pledged in the policy address, especially those projects on improvement of community facilities and promotion of Hong Kong as an international cosmopolitan city.

One of the proposals in the Budget is "Building on our strengths and fostering growth". It is a correct approach for the Government to make vigorous efforts in promoting tourism. However, I think that we still need to have comprehensive planning for improving our community environment because if we do not have a beautiful city outlook, how can we attract tourists to Hong Kong? And how can we enhance the strengths of Hong Kong?

Besides, another proposal is "An equitable and sustainable society". Although the Budget has undertaken to continue injecting public resources into public works projects, so as to boost the confidence of foreign investors and create more job opportunities, the present unemployment rate in the construction industry is still as high as 15%. Construction workers even have to go to Macao in order to find a job to provide for the family. The situation is indeed

worrying. As a matter of fact, the most significant reason for the sustained high unemployment rate is the repeated delay in implementation of public works projects, especially those community building projects, which have been delayed for several years — some even for over a decade. I feel that if the Government intends to solve the unemployment problem fundamentally, it must launch the various projects as soon as possible and strive for their early completion.

Madam President, I agree with Financial Secretary Henry TANG in saying that some unstable factors still exist in the financial situation of Hong Kong, so we should continue with financial prudence by opening new sources of income and cutting expenses. In order to solve the problem of a narrow tax base, it is inevitable for the Government to adopt measures to broaden the tax base.

Some years ago, it was proposed to conduct a study on a land departure tax. Unfortunately the proposal has now been declared shelved. I hope the Government can explain clearly whether the present train fare charged by the Kowloon-Canton Railway Corporation (KCRC) for the ride to Lo Wu has included such a tax. If so, what is the annual revenue from this? If the land departure tax is introduced, how much extra revenue can the Government generate?

As for the widely discussed goods and services tax and green tax, people in my sector agree that they find it easier to accept such proposals intended for widening the tax base. Therefore, when we (my colleagues in the Alliance and I) went to meet the Financial Secretary at the end of last year, we already indicated our support for introducing these two taxes. I am very happy that Financial Secretary Henry TANG has accepted our proposal of introducing the green tax. However, I am slightly disappointed at the fact that the goods and services tax will only be introduced three years later at the soonest. So I hope it can be implemented expeditiously, so as to alleviate the present burden of taxpayers and to improve the present unfair phenomenon of our taxation system in which there is an excessive reliance on a small group of people.

Madam President, the Budget this year has brought only one piece of good news to the middle class, and I am happy about it, that is, Financial Secretary Henry TANG has accepted the Alliance's proposal of abolishing the estate duty. My constituency generally supports the abolition of this duty, and we also oppose

the drawing up of a threshold for waiving the estate duty because this will lead to division of society, and will induce controversies.

As a matter of fact, the more wealthy the people are, the easier for them to evade estate duty. Eventually, only those middle-class people and the professionals who have been working diligently all their lives for the prosperity of Hong Kong, together with operators of small enterprises, will be made to pay the estate duty. In fact, they had already paid their salaries tax and profits tax when they were still alive, and they had already fulfilled their responsibility towards society, which should come to an end after they had passed away, so this obligation should not extend to their next generation.

Most important of all, the procedure of assessing whether the estate concerned is liable to an estate duty may take six weeks to two years, and the assets frozen, including cash, will only be released after the estate duty has been paid in full or the estate duty waiver verification has been duly completed. The surviving families will be gravely disturbed as the freeze of assets will cause them great difficulties in paying the duty payable and, in some cases, some small enterprises will even be forced to close down due to a liquidity problem, contrary to the Government's policy of improving the business environment in Hong Kong. Therefore, I support the abolition of any form of estate duty, so as to enable investors to make investments in Hong Kong without any worries, and put Hong Kong on a par with other countries such as Australia, New Zealand, Italy, India, Malaysia, and so on. We hope this can attract large amounts of capital back from the Mainland and other parts of Asia, thus bringing long-term financial benefits to Hong Kong. I believe such benefits should generate revenue from other taxes which should far exceed the loss of revenue in estate duty.

Madam President, it is also stated in the Budget that in addition to measures of attracting capital inflow, initiatives will also be taken to further intensify CEPA in order to encourage professionals from Hong Kong to explore the mainland market. Earlier on, I joined members of the industry on a trip to Beijing to request for a relaxation of regulations on conducting business in the Mainland, such as lowering the requirement on capital investment and lifting the mandatory requirement of having to start joint ventures with mainlanders. The Ministry of Commerce replied that we could submit a list of our requests to the Commerce, Industry and Technology Bureau of Hong Kong for follow-up. I hope Financial Secretary Henry TANG and Secretary John TSANG can help us

to fight for arrangements with the Mainland that are more conducive to the industry pursuing development in China.

Furthermore, since the taxation systems of the Mainland and Hong Kong are different, Hong Kong people working in the Mainland may have breached certain mainland legislation without knowing it. Therefore, I think while the Government encourages Hong Kong businesses to pursue development in the Mainland, it should also help them to clarify the mainland tax laws. The Government may also consider simplifying the arrangements for making tax returns in both Hong Kong and the Mainland.

Madam President, although the Budget has not proposed any tax increases or introduced any new tax items, it has not brought about too much benefit to the general wage earners and middle-class professionals. This is because the measures of phased reduction of salaries tax allowances proposed by the former Financial Secretary have been implemented as scheduled despite voices of opposition. In other words, a greater number of wage earners have to pay taxes now, and middle-class professionals have to shoulder a heavier burden as well.

Given the increase in salaries tax, I think the increases in the allowances for dependent parents and children have not been able to bring about substantive benefits to middle-class families who are paying "heavy taxes". Madam President, I support an increase in the allowances for children as this can reduce the burden of working parents. But in my opinion, since only one child can apply for tax allowances for dependent parents, it is unfair to other siblings who also contribute towards supporting their parents. This may be a cause of social problems as the children may fight for the right of claiming the allowance and may thus lead to conflicts among family members. The authorities should further relax the restrictions for applying for the allowance, so as to encourage children to provide for their parents.

So much now for taxation. Next I would like to talk about problems faced by the construction industry. I am very pleased that Financial Secretary Henry TANG has noted the opinions made by me through different channels and responded to them in the Budget.

On the issue of simplifying the vetting and approval procedures for construction projects, the Budget states that a regulatory review will be conducted of the construction industry, with a view to expediting the licensing

procedures for construction projects and facilitating business by breaking down barriers and removing restrictions.

With regard to the urban renewal projects, the Budget has allocated \$830 million to the Buildings Department for the purpose of removing 180 000 unauthorized structures in five years. Coupled with the Building Management and Maintenance Scheme which has a provision of \$3 billion, this will improve the safety and external appearance of old buildings.

Members of the industry welcome the Government's low-interest loan scheme as well as its pledge of injecting more resources into capital works projects. But like I have said just now, the Government has been delaying the implementation of projects seriously. Of the 169 projects left by the former Municipal Councils, only about 20 projects have been implemented to date. More than 100 projects are still outstanding. The Government has failed to respond to the aspirations of society. People of the industry and residents of different districts are very discontented about this.

I have asked time and again in meetings of the Finance Committee that why many community facilities such as community centres, libraries, swimming pools, elderly centres, parks, and so on, to which the Government has already earmarked resources, have not been implemented. Although the Director replied that there would be good news very soon, I have not got any satisfactory answer so far. Even on the question of what percentage of the Government's provision for a project will be spent as consultant's fee, only the Architectural Services Department can give us a reply — that only 4% to 5% of the project fund will be used as consultant fee. Other departments simply cannot furnish us with any relevant information. How can people of the industry not be disappointed? If the Financial Secretary cannot give us an answer today, I strongly hope that the Government can give us explicit replies in the meeting of the Subcommittee to Follow Up the Outstanding Leisure and Cultural Services Projects of the Former Municipal Councils to be held in early May.

Madam President, many community building projects cannot be implemented due to a lack of funding. However, as mentioned by Mr CHEUNG Man-kwong just now, some schools had been told to close down, regardless of the fact that they had just spent money on some improvement works. For the past two academic years alone, over \$500 million had been wasted in vain. Although the authorities have promised to reduce the wastage

by converting the premises of such schools for other purposes, this has demonstrated clearly the existence of a serious mismatch of resources. The Government should look into the matter seriously and rectify the problems as soon as possible.

On the other hand, the Government intends to relax the admission requirements for overseas students who are interested in pursuing studies in Hong Kong with effect from the academic year 2005-06, with the goal of developing Hong Kong into an education hub of the region. However, at the moment, even detailed plans for the construction of additional student quarters have yet been drawn up, I really do not know how the Government can accommodate the increased number of students from overseas. How can it attain its goal of making Hong Kong an education hub, when even plans for student quarters are not in place? Unless the Government has got some other plans in mind, I propose that some vacant Home Ownership Scheme (HOS) flats be converted into overseas students' quarters. Regardless of whether new quarters will be built or whether HOS flats will be converted for the purpose, there must be a comprehensive plan in terms of macro planning and special characteristics which will enable overseas students to better understand the metropolitan life of Hong Kong.

Madam President, the Budgets have all along overlooked the importance of town planning. In order to maintain the competitive edge of Hong Kong and to attract capital inflow, Hong Kong must upgrade the quality of our city. This is the only way we can enhance our conditions in our competition with other mainland cities. Therefore, as I have always said, the priority tasks of the Government are proceeding with community planning with local characteristics, good town planning, improving the environment, beautifying our city scape, designating more pedestrian precincts, stepping up greening projects in our city and putting up more special decorations onto the streets, and so on. Through improving the environment of our community, we shall not only enable our people to live more comfortably here but also promote tourism. More importantly, it can attract more inward investments to Hong Kong, so as to promote the overall economic development of Hong Kong, thereby enabling the Government to reach its goal of eliminating the fiscal deficit ahead of schedule. In this connection, I hope the Government can make better use of its resources to implement work in this regard. Thank you, Madam President.

**MR ALAN LEONG** (in Cantonese): Madam President, the second Budget of the Financial Secretary, if described in a fine-sounding way is a well-balanced Budget which gives due regard to each and every aspect. But put bluntly, it only sticks to the old rut without striving for improvement, and shows a lack of ambition and commitment on the part of the Government. The Government has said that Hong Kong has a structural deficit, and while these words are still ringing in the ears, the Budget has made no breakthrough in respect of the policy to boost revenue and cut expenditure. Nor has it mapped out any visionary plan to eliminate the fiscal deficit and ease the plights of the people. It gives the impression that the Government seems to be pinning hopes solely on chance and luck, which is not up to the mark indeed.

The Budget has not fully considered the public finance of Hong Kong. Nor has it the resolve and plan to facilitate the economic restructuring of Hong Kong. Even if we look at the itemized breakdown, we still do not see that the Administration has rationalized the competing demands for resources. The Budget has neither proposed measures nor channelled resources to address the pressing problems of ageing of population and poverty, and this has fallen far short of the actual needs and public expectations. But I can assert that these problems that the SAR Government must face will not just disappear as a result of them being shelved and stalled. On the contrary, delays in tackling them will only bring more anxieties and conflicts.

The spending on education, social welfare, health care and security accounts for over 60% of the total expenditure of \$247.8 billion. The recovery of the economy or the property market obviously will not bring about a substantial drop in these expenditures. On the contrary, these major expenditures are expected to rise continuously given an ageing population, structural unemployment and a worsening wealth gap. Particularly as the economy is not performing very satisfactorily, the pressure for these expenditures to increase will be even greater.

With regard to cutting expenditure, how can the recurrent expenditure of the Government be reduced to the target of \$200 billion by 2008-09? It seems that the only way is to resort to those expenditure-cutting measures in which the Government has taken pride.

Madam President, I must point out that as a result of the Government's measures to compress expenditure and the capping of spending under the "envelope" approach in recent years, many departments and institutions have had a very hard time working to secure sufficient funding, and they have been plunged into a constant state of anxiety. This has created a very unstable environment for their work and development, affecting the standard and continuity of services, policies and measures and bringing about unpredictable uncertainties to both the employees and service users. Of course, the Government can, as the next step, choose to give up more of the existing services. But this is set to face huge political and even social pressure, and as the room for reducing the services is minimal now, I am afraid that this is not really an option.

Under the simple and low tax regime which the SAR Government has claimed to be successful, there are only 1.35 million taxpayers out of a workforce of 3.2 million, and 95% of the tax revenue is shouldered by 300 000 Hong Kong people. Since the reunification, the number of taxpayers has further dropped 130 000. When tax reduction is used in many places as a means to stimulate the economy and local consumer spending, our profits tax and salaries tax were nevertheless increased in 2003. So, there is little room for tax increase in these areas. It is not entirely safe to rely on the revenue from salaries tax and profits tax.

Madam President, the Budget has failed to broaden the tax base. Worse still, it is even going in the opposite direction. The Government has said with great confidence that the abolition of the estate duty will develop Hong Kong into a world-class asset management centre, attracting foreign funds and investments. I have no doubt that this will benefit the financial market. But is it then worthwhile to further abolish a well-established, time-honoured tax which can generate stable and considerable revenue to the Treasury every year? When the Government has been making every effort to study ways to broaden the tax base, why should it go against this direction and narrow the tax base instead? By the same token, I would like to ask: If the abolition of the profits tax and stamp duty can attract investors and market participants, could it be that the Government should therefore abolish these tax items as well?

Madam President, what is amazing is that when there is still great demand in the major areas of spending and when there has yet to be a breakthrough in

revenue-boosting and expenditure-cutting measures as I have just said, the Government has nevertheless proposed to increase the allowances for dependent children and parents this year, and it is estimated that the Government will hence forego \$1.1 billion in revenue per annum. Together with the abolition of the estate duty which will cost the Government another \$1.5 billion, the Treasury will receive a total of \$2.6 billion less. Coupled with the \$500 million to be injected for promoting tourism, the additional equity injection of \$300 million for the two SME funds, and a provision of \$830 million for removing unauthorized building structures, the pressure for expenditure to increase is enormous.

Madam President, I do not oppose these expenditures that I have just mentioned. They are necessary as long as they are well spent. Just that an increase in these expenditures will lead to a reduction in other expenditures, and I do not see any comprehensive plan of the Government to open new sources of revenue accordingly in order to finance these new initiatives. It is easier said than done to identify ways to generate revenue effectively. Could it be that money will really fall from trees? Selling assets and issuing bonds are some of the ways out. But our fortunes will all be sold one day, and we still have to pay for the bonds issued plus interest ultimately. Besides, as we only have limited assets that are attractive to the market, we may inevitably face the risk of exhausting our treasures.

Madam President, the SAR Government which has struggled hard under a fiscal deficit in the past few years can finally see that the deficit is eased as a result of better-than-expected economic growth. The financial position will improve from a projected deficit of \$42.6 billion to a ledger surplus of \$12 billion. This is primarily attributed to land sale, which has generated more proceeds than expected. Last year, land proceeds amounted to as much as \$31.2 billion, representing a substantial increase of 2.5 times over the estimated \$12 billion. The recovery of the property market has led to an increase in rateable values as well as revenue from government rent and stamp duty. As this year's projection of land proceeds is only slightly adjusted to \$32 billion, it is estimated that at the close of accounts, there will be many pleasant surprises when a surplus instead of a deficit is registered. All the troubles pertaining to the disturbing fiscal deficit seem to be all gone now, and this is attributed to higher land price and property prices as well as increasing land proceeds.

Madam President, the Government has not proposed specific ways to effectively boost revenue and cut expenditure. What is worrying is that the Hong Kong economy still has to rely heavily on property development as it has been doing before. In times of financial difficulties, one will think of the old days and old ways. Will the Government reinstate the high land price policy from in the colonial era, hoping to eliminate the deficit using a method with which it is most conversant, in order to achieve a balance in public finance? So, it turns out that the Government has only one stroke, namely, high land price. When land price drops, we are on tenterhooks; when land price rises, we feel complacent.

Madam President, the agony and pain felt by Hong Kong people from the sliding property prices, the structural impact of the bursting of bubbles in the property market, and the negative impact on employment and consumer spending are still fresh in their mind. Some people are still living in very straitened circumstances because of the burden of their negative equity assets. No wonder everybody has become alarmed. I sincerely hope that the Financial Secretary will always bear in mind that he has said that the proceeds from land sale generated by the Government, which are subject to market volatility, cannot in the least meet the fixed expenditure of the Government in the long run. The Government must be minded not to repeat the mistake of the high land price policy.

The Government certainly will not and should not neglect the fact that public finance management plays an important role of redeploying social resources. Land is always the most precious resource of Hong Kong, and if it can be put to good use, it will definitely be helpful to projects requiring resource input and will also meet many needs in respect of the people's livelihood.

Madam President, take land proceeds which constitute a substantial part of government revenue as an example. If the Administration can introduce as much competition as possible to the market, put land to public auction and tender, enhance the transparency of land grant and avoid as far as possible granting land by ways other than public auction, such as by private treaty grant and land exchange, more revenue can certainly be generated from land sale.

In the past, about 70% of land in Hong Kong was granted not by way of public tender and auction. The price was not determined by the market mechanism through public auction and was not subject to public monitoring. If

it is estimated that 200 hectares of land will be granted this year by way of private treaty grants, and if we use a plot ratio of 5 for calculation, government revenue will increase by \$1 billion if the selling price is increased by \$100 per sq ft, and the revenue to be generated will be enough to offset the increase in the allowances for dependent children and parents.

From this we can see that if the Government has the determination to improve land planning, mismatch of resources can be stamped out and we will have more resources for injection into other policy areas which lack resources. Otherwise, if the responsible officials fail to play their part properly, the loss of public coffers will be incalculable.

As long as the Government has the determination to do so, I firmly believe that improvement can certainly be made to the current situation where developers take the lead in land zoning and extort undue gains under various pretexts at the expense of public resources.

In the final analysis, the *modus operandi*, policy and mindset of the SAR Government in land planning and administration fail to catch up with the complex and diversified needs of development in nowadays society of Hong Kong, and they are completely detached from our increasingly sophisticated and active civil society. They tend to show favour to the interest of private developers and turn a blind eye to the principle of justice and fairness resolutely upheld by the public.

I suggest that the Government must thoroughly review the existing planning policy. It should, by forging partnership with the civil society, make overall long-term planning for Hong Kong under the principle of facilitating public participation and ensuring sustainable development, in order to counteract private developers' dominance over land use. In this course, efforts must be made to explore ways to effectively and systematically institutionalize the principle of public participation in planning.

Madam President, recently, we can finally see that the Government has started to consider reviewing the handling of land lease for sites zoned for "Other Specified Uses", which involves private treaty grants. This type of land lease clearly provides for the permitted uses, and generally includes a term stipulating that if the site has ceased to be used for the designated purpose for over 12 months, the Government can immediately resume the site to further designate its

uses. This can safeguard public interest, prevent the Treasury from suffering loss, and ensure consistency in land planning, which will in turn be fair to the market. As I pointed out shortly after I had taken up the office of a Member of the Legislative Council, it seems that the Government has failed to fully exercise the power conferred on it by this term. Nor has it clearly explained why it does not exercise this power and how important public interest is in its view. I hope that this is just the first step to reform land administration, and I hope that ongoing efforts will be made to review the planning and land policies, in order to safeguard public interest.

Madam President, the Financial Secretary said that the Government would endeavour to practise the "Market Leads, Government Facilitates" principle and that it would ensure the effective use of resources and leave wealth with the people. I fully share this view. I hope that the Government will at least duly play its gatekeeping role in implementing land policies and distributing resources. It should work in an open and transparent manner and also arrange for land to be put to public auction and tender by all means, with a view to generating more revenue to the Treasury to meet other expenditures in society. This will save Hong Kong from all the troubles that would otherwise follow, enabling Hong Kong to have sufficient resources in the face of fierce competition and overcome the threats of economic restructuring and hence achieve stable development.

Madam President, I so submit.

**MR FREDERICK FUNG** (in Cantonese): Madam President, the Budget debate today is out of tune with the current atmosphere in society. Before the announcement of the Budget this year, there were all sorts of speculations about Chief Executive Mr TUNG's tendering of resignation to the Central Authorities. Then, he suddenly resigned for obscure reasons, leading unexpectedly to the need for a by-election. And, there are also many arguments about the new Chief Executive's term of office so elected. The Central Authorities have obviously decided to forego the common law tradition in Hong Kong for the sake of political expediency. What is more, the SAR Government has made a volte-face, and in a bid to overturn its previous statement that the term of office of any Chief Executive shall be five years, it has requested an interpretation of the Basic Law by the National People's Congress, ignoring the opposition from the local legal profession.

Some Honourable colleagues may wonder why I have made all remarks, and they may not understand how they are related to the debate today. Actually, my only purpose is to express the helplessness of Hong Kong people. We can see that the focus of the entire society is now on the election of the Chief Executive, and this issue has become the subject of most reports in the electronic media and the press. This should not be surprising at all, and there is nothing at all wrong about it. But the point is that in all the scenes scripted, the people of Hong Kong are not given any role at all. The case of this Budget is so very similar, in the sense that most of its proposals and measures have totally failed to answer the aspirations of the masses and pay any heed to the voices of the grassroots. It seems that government officials have just been "making a cart behind closed doors and out of touch with the mortal world", so to speak.

During the consultation on this Budget, the Hong Kong Association for Democracy and People's Livelihood (ADPL) and other organizations put forward a comprehensive range of proposals very different from those contained in the Budget, covering issues relating to the economy, people's livelihood and environmental protection. I notice that the views of these organizations and the ADPL were characterized by one common feature: a focus on alleviating poverty coupled with a series of specific recommendations. However, the Budget announced on 16 March is most disappointing, for it fails completely to answer our aspirations. In particular, when it comes to the alleviation of poverty, it is marked by a clear lack of strong and specific measures. There is absolutely little to write home about in its treatment of the economy and people's livelihood. I dare say the most notable policy of the Budget is precisely the lack of one, a policy of marking time. Worse still, there is even an attempt to play upon the economic recovery as a means of muddling through; the same mercantile mindset of old is still adopted in the management of government finances, on the assumption that the recovering economy alone can be relied upon to make the kinds of self-adjustments that will enable all social strata to share the fruit of recovery. But this is clearly out of line with the reality.

In the beginning part of the Budget, the Government gives a huge array of macro economic policies and statistics to show us that the economy has started to recover, and that we need to consolidate and strengthen this favourable trend. I do not rule out the usefulness of these statistics as indicators in various analyses to help the Government formulate corresponding initiatives. But they do not represent the whole truth, nor should they be used for white-washing.

The Budget emphasizes that our economy grew by 8.1% last year, the highest rate in four years and well above the average annual growth rate of 4.8% over the past 20 years. But we must at the same time note the rise of our Gini Coefficient from 0.476 in 1991 to 0.525 in 2001. Our Gini Coefficient is now among the highest in the world, showing the continuous deterioration of the wealth gap problem in Hong Kong. The only beneficiaries of economic growth have been large enterprises and the higher strata of society, and the common masses have practically not shared the fruit of growth.

In the Budget, the Government also stresses that the unemployment rate has fallen to a three-year low of 6.4%, and that the total employed population has also risen to an all-time high of 3.34 million people. But at the same time, we can see that as many as 550 000 employees are each earning less than \$5,000 a month. The population of the working poor and low-income CSSA recipients is rising incessantly, showing an increasingly serious situation. The economy of Hong Kong has improved and people can now earn more income, but why is there still an incessant increase in the number of people earning less than half of the median household income, that is, the number of people meeting the international definition of poverty? Why has the poor population in Hong Kong still reached 1.1 million people this year?

The Budget also mentions that with brisk local consumer demand and vibrant inbound tourism, the period of deflation is now over and the time of inflation has returned. This is a sign of economic improvement. But we may look at some statistics of the past. If we divide all families in Hong Kong into decile groups according to their household income, we will see that quite regardless of any economic changes, the median household income of the lowest group has been on a constant decline. What does this tell us? The emergence of inflation will only result in a continuous reduction of purchasing power among the lower strata of society, plunging them into increasing difficulties. In what way can economic growth help these people?

What I wish to stress is that the Budget must not be used as a means of white-washing, nor should it just be a mere array of figures, much less the exclusive property of any privileged social classes or any scheme of distributing benefits among them. Every single cent and dime spent by the Government, every single item of its revenue and expenditure should reflect its principles of administration. The Budget must consider the needs of all walks of life in society, instead of approaching all problems from the financial and economic

perspectives. I think the Government must introduce fundamental changes to its concepts of financial management. The Government, for example, often stresses the importance of economic development and expends resources on high value-added activities. But it must at the same time pay heed to conditions in the labour market and the prospects of low-skilled workers, with a view to ensuring the diversified development of our economy.

The Government has all along been adhering to a policy of "positive non-intervention", upholding the so-called "small government, big market" principle. On the surface, it lays stress on the operation of the market mechanism, but in secret, it is biased towards the interests of the commercial sector and certain competitive industries, thus leading to the development of the Cyberport and the focus on the four pillar industries, for example. Consequently, our economic development is heavily lopsided, marked by a severe lack of job opportunities for low-skilled workers. And, since the Government also turns a blind eye to the inequities of the market economy, the disadvantaged groups are deprived of equal development opportunities. All this explains the ever widening wealth gap in society.

At the end of last year, when it submitted its recommendations on the Budget, the ADPL pointed out that "The economy of Hong Kong must develop in the direction of diversification. The Government should conduct in-depth studies on the feasibility of redeveloping labour-intensive industries in Hong Kong, such as environmental industries, which have undergone rapid development in many countries all over the world, and also the planning and operation of a river loop industrial zone. Consideration should also be given to the provision of tax and land lease concessions, the formulation of the laws required, the construction of necessary infrastructure and the establishment of loan funds, so as to foster the development of these industries. .... The redevelopment of local industries will not only reduce the risk exposure of the overall economy but will also create job opportunities for low-skilled workers, thus improving the life of grass-roots people."

However, in response to our request, the Government simply reiterated that "the comparative advantage of Hong Kong lies in the development of high value-added and knowledge-based activities .... The redevelopment of labour-intensive industries in Hong Kong may not be in line with the general trend of economic restructuring. Even if it is implemented, there must be

cost-effectiveness and the Government should not be expected to offer any policy concessions."

We find the Government's response extremely regrettable. Basically, it has never changed its biased attitude, never given up its insistence on investing huge resources in developing high value-added and knowledge-based industries. In contrast, when it comes to economic diversification and the provision of concessions and assistance to labour-intensive industries such as environmental industries, the Government will come up with all sorts of excuses, saying that this may not be in line with the overall trend of economic restructuring and cost-effectiveness, that even if these industries are developed, all must still depend on market forces, and that it must uphold the policy of positive non-intervention. But why does it think that while high-tech industries should be supported, labour-intensive ones should not?

Such double standards can reflect the Government's hypocrisy, myopia and biased approach to policy formulation. Its policies are often totally biased towards the interests of the commercial sector and competitive industries. It has ignored the fact that its policies are the main factors that have created and fostered the problem of poverty in society. That was why when I moved the motion on expectations for the Commission on Poverty on 2 March this year, I repeatedly emphasized that in order to remedy such a defect of policy formulation, the Government should learn from the experience of the Sustainability Assessment System and set up a similar assessment system for evaluating the impact of policies on the wealth gap in society. Under such a system, whenever any Policy Bureau or government department intends to launch new policies or projects that may produce obvious and long-term impacts on the poverty problem in Hong Kong, an assessment must be conducted. If a project fails to pass the assessment, the department concerned must make appropriate adjustments. Naturally, all existing legislation and policies must also undergo such an assessment for the sake of preventing the aggravation of the wealth gap in society.

Besides, in the formulation of a Budget, the sole emphasis on economic factors and the mercantile mindset of the past must be discarded. Recently, the Government has been repeatedly shouting the empty slogan that "economic development must take precedence over every other consideration". And, in order to suppress people's desire for democracy, some have even argued that Hong Kong should be positioned as a city where only economic development can

be permitted. Such an argument will not only hinder the political development of Hong Kong but will also lead to one evil consequence — the thinking that any social act must serve an economic purpose. And, after education has been treated as a kind of financial investment, welfare policies are now also treated as a commercial act without any return, a kind of handout and alms. This is really myopic. Social policies of various kinds are supposed to serve many different purposes which cannot be evaluated in any monetary or statistical terms. I must emphasize that the relationship between economic policies and other social policies should be governed by equality and interaction. We must realize that social policies are meant to uphold the value of man — Madam President — the value of man.

Let me cite an example to illustrate my point. Recently, Secretary Dr York CHOW has repeatedly stressed the necessity of increasing fees for accident and emergency services and hospitalization. His intention is of course to relieve the financial pressure of the Hospital Authority and health care expenditure of the Government. But he has completely ignored the affordability of the grassroots and the fact that public health care is the only kind of assistance the middle classes can get from society. I must stress that the problem of health care expenditure can only be tackled by long-term financing arrangements. It can never be solved by any transient fee increases. And, at a deeper level, one can say that the policy of charging relatively low medical fees has in fact played a very crucial role in fostering social stability and arresting wage increases, thus reducing the costs of business operation. Furthermore, such a policy has also improved people's living and safeguarded the right to treatment of every individual. Therefore, the Government must consider all these profound effects when contemplating any policy changes.

Besides, I also wish to draw Members' attention to two issues concerning the policy address. The first one is a goods and services tax.

A goods and services tax is a form of regressive, indirect tax with a heavy overtone of inequity. Since all people regardless of their wealth are required to pay the tax at the same rate, many principles of an equitable taxation system are severely weakened. For example, the rich are basically supposed to pay more in tax and the poor less, but a goods and services tax will run counter to this principle of "more tax from those having the means", thus further aggravating the wealth gap problem in Hong Kong. Many different types of goods and services tax are no doubt found in more than 100 countries in the world, but we

must also note the developed sound and effective social security systems in these countries. The availability of a minimum wage and unemployment assistance in these places, for example, can offset the impacts of a goods and services tax on the disadvantaged social groups. However, in Hong Kong, the coverage of the social welfare safety net is much smaller in comparison with those countries where a goods and services tax is in force. Therefore, we must not completely ignore the ancillary measures in foreign countries and simply transplant part of their experience to Hong Kong. This may not be suitable for Hong Kong. The ADPL and I oppose the introduction of a goods and services tax by the Hong Kong SAR Government.

The second issue concerns my worry that the share of public expenditure in the GDP may be compressed excessively.

In paragraphs 84 and 85 of the Budget, it is said that the Government will continue to bring public expenditure down to 20% of the GDP or below, and it is expected that the percentage will drop to 20.2% in 2005-06. In Section III of Appendix A, it is even forecast that the percentage will drop to 16% in 2009-10.

I thus cannot help wondering how the Government is going to achieve the above targets. Will the Government set down any bottomline for the share of public expenditure in the GDP, so that the former will not be compressed excessively? I think that when the threat of fiscal deficits gradually fades, we must appropriately adjust our strategy of controlling expenditure instead of blindly seeking to achieve any unattainable targets. We must also refrain from compressing public expenditure to the extent of adversely affecting the services genuinely required by members of the public. I have pointed out time and again that monetary value and mere statistics should not be the only guiding principle of public expenditure. The delivery of services should be based on genuine social needs, meaning that the assistance to those in need must not be reduced on the grounds of expenditure cuts or manpower shortage.

Madam President, I so submit.

**DR PHILIP WONG** (in Cantonese): Madam President, the Budget this year is generally in line with the principle of fiscal prudence and keeping expenditures within the limits of income. It not only fits in with the present situation of Hong Kong and fulfils the expectations of different sectors, but it is also conducive to

improving the business environment and revival of the economy. The efforts of the SAR Government in tapping new resources and economizing on expenses are gradually showing results. The fiscal deficit has dropped and the administration expenditure is controlled. All of these efforts are worth affirmation. In particular, the abolition of estate duty is most welcomed by the general public.

First of all, I would like to talk about estate duty. When I first became a Legislative Council Member in 1991, my lawyer friend, Mr WONG Kin-hang, (another Philip WONG) offered me a visionary suggestion. He suggested that the Government should consider scrapping estate duty. His opinion in brief is that if the exemption of estate duty became a "usual practice" in Hong Kong, capital would start flowing back, which would stimulate the stock and property markets, increase the investment desire of investors and help turn Hong Kong into an international asset management centre. All this in turn would create more jobs for the people and more revenue for the Treasury. Considering his opinion a constructive, I held seminars at the Chinese General Chamber of Commerce, liaised with other business associations and professional bodies and expressed explicitly the opinion to the officials concerned, with whom I met and discussed the issue for many times. I am very glad that by drawing on collective wisdom, and after serious consideration, the Government has finally adopted this proposal. In the past years, many successful policies and measures put forth by the Government were made by taking on board the valuable opinions of different professions and sectors. Thus it can be seen that the functional constituencies are representative, carry a popular mandate and serve unique functions.

Secondly, I would like to say something about the sales tax. The Government in formulating its fiscal policy has to take into consideration its long-term impact on the development of the economy. Hong Kong is now at the critical stage of an economic rebound, thus the Government should insist on maintaining its simple tax regime with low tax rates, and protect its high-quality investment environment fostered by our free port. Now, the Government is actively considering whether or not to introduce a sales tax. In principle, I think introducing this new tax can broaden our tax base and balance our fiscal deficit. Yet, Hong Kong is a renowned shopping paradise. Once a sales tax is introduced, most of the trades in Hong Kong will be affected, which in turn will impact on consumer confidence. Besides, we need to seriously consider whether the administration cost of this tax as compared to the revenue from it would be more a loss than gain. Furthermore, once we decided to introduce

this tax, we should give special consideration to the needs of the low-income group, such as providing them with appropriate compensation. I hope that we can launch an extensive consultation on this issue after the new Chief Executive is elected.

Finally, I wish to emphasize that the fundamental solution to the problem of structural fiscal deficits is to revive our economy. At present, what we should advocate with high priority is to leverage on the momentum brought by the rapid economic development in the Mainland to establish a reciprocal and interactive relationship just like the saying "when the river rises the boat rises", and not by advocating the opposite. After years of intensive development of its economy, the Mainland has become "a locomotive" in the world economy second only to the United States. As the Mainland continues to intensify its reform and opening, the amount of foreign capital that is being drawn into the Mainland will only increase and not otherwise. A large number of mainland enterprises have become well established and many are putting into practice the strategy of "going out, drawing in". Hong Kong needs to properly play its springboard function to help draw foreign capital into the Mainland and to step up communication and integration with the Mainland, while at the same time, Hong Kong needs to encourage competent mainland enterprises and meritocrats to come to Hong Kong to invest, visit, hold meetings, set up offices or seek different kinds of professional services. By so doing, our stock exchange, employment market, service industries, travel industry, hotel industry, catering as well as retail industries will be revitalized. In terms of attracting investment migrants, consideration should be given to suitably lowering the present standard of \$6.5 million, so that more eligible mainland candidates can be included. Moreover, we should step up publicity and promotion on Hong Kong and improve convention and exhibition facilities and tourist spots, so as to provide quality services to investors and tourists. The most important point of all is to work hard towards building a harmonious society and to fully mobilize all positive factors to stimulate the creativity of the people of Hong Kong, so as to maintain a stable and healthy development of our economy.

Madam President, I so submit.

**MR JEFFREY LAM** (in Cantonese): Madam President, in this year's Budget, the Financial Secretary has adopted a steady approach. But still some people

have asked him why he has not increased the red wine duty and some even speculated behind his back on his motives zealously. Some guess that he may have adopted the principle of "doing less for minimizing errors", whereas others say that it may not be the right moment now to either introduce new taxes or implement any tax reduction.

Gossips in the political arena provide many interesting subjects for casual chats after meals. In fact, if we examine this Budget seriously, frankly speaking, we can see that the Financial Secretary has followed strictly the principle of keeping expenditure within the limits of revenues. During the one year since his assumption of the office of Financial Secretary, he has taken a great stride in controlling expenditure, thereby having achieved for the first time in the past 50 years or so in Hong Kong a reduction in the operating expenditure. He has achieved this through adopting a steady approach. The economy of Hong Kong is gradually recovering now. All that the Government has to do is to provide a good environment, and the market force of Hong Kong is sufficient for making the necessary adjustments. Any excessively bold move will be regarded as a return to "big government, small market".

There is no bold move in this year's Budget. It may disappoint some people as no new policy has been introduced in terms of tax concession. In fact, the Financial Secretary has already indicated that he would continue exploring ways of broadening the tax base and conduct extensive consultation among the people and different sectors in society. As regards creating a favourable business environment, what I mean by no bold move, I think it was attributable to the fact that there were too many unofficial briefings on various parts of the Budget before its actual delivery. So as a result, everyone knows the details too well that it seems the Budget contains no pleasant surprises. As a matter of fact, the Financial Secretary has been very responsive to public demands, so he has actually incorporated the aspirations of everyone into the Budget — the best example must be the abolition of estate duty.

The complete abolition of estate duty is indeed very good news to the small and medium enterprises (SMEs). In the past, many of my friends in the business sector told me that estate duty was indeed an invisible pressure to them. All through their lives, they have been working very hard, devoting themselves fully to the business of their companies without respite, while at the same time they have to take care of their families. So they absolutely do not have the time to consider the estate issue, nor the energy to conduct any research or make any

arrangement. Even if they have considered the issue, the sizes of their assets may not warrant the efforts to establish off-shore trust funds. The most significant issue is, if they unfortunately pass away, their assets will be frozen, causing a liquidity problem in their companies, thereby immediately affecting the operations of their companies. Their companies and their families will possibly be affected.

Hong Kong has always been a city where capital can move in and out freely, and this is the major reason for us to continue enjoying our status as an international financial centre. After the abolition of estate duty, I believe Hong Kong can make further headway in this direction, thus further consolidating its status as an international financial centre. We can foresee that the assets management profession will benefit substantially from this. At present, Hong Kong is striving to develop high value-added service industries. The abolition of estate duty will lead to the creation of many high value-added positions, including posts related to fund management, such as fund managers, salespersons of trust funds and bonds. Even certain jobs related to various kinds of business and landed properties will be benefited. In the meantime, SMEs will be free from hidden worries in their operations.

Although the Government accounts will incur a loss of \$1.5 billion in revenue from estate duty, it is estimated that it will bring about tens of billion dollars of new capital, and it will build up a new economic impetus for Hong Kong, thereby making Hong Kong, an international financial centre, even more competitive. It is absolutely a viable business proposition. I hope this proposal can be implemented as soon as possible, so that Hong Kong can soon become "the Switzerland in Asia".

Besides, the Financial Secretary has also said that the Government will focus on reviewing and studying the feasibility of issuing composite licences, and where practicable, introducing third-party certification or self-certification, and he also hoped that the licence issuance process can be expedited. However, as the review will only be completed by the end of this year, I think it should be further expedited because I find such progress much too slow.

The complicated licence application system has plagued SMEs for many years. Why does this problem still remain unsolved to date? Not too long ago, some shops in a new shopping mall in a busy district started their operations even before their respective licences were issued. Some of them were forced to

take this course of action because the licensing procedures had taken too long and were too complicated. If they do not wish to pay the rents without making any income, then the only alternative is to take the risk of starting their operation without a licence. This is a common practice in business. Of course, I believe that some of the shops have done it intentionally in the hope that they could get away with it. Therefore, simplifying and expediting the licensing procedures will save the SMEs from taking the dangerous path of knowingly breaking the laws. I fully understand that the licensing procedures involve public safety and hygienic, so prudence must be exercised throughout the process. However, operators in the industry have waited for many years for the introduction of this composite licence — it has been such a long wait that has nearly exhausted all their patience. To the businessmen, every minute means money. Therefore, I would like to urge the Government to expedite its review process, listen more extensively to the views of industry operators and implement an efficient licensing system as soon as possible.

In the meantime, with the aid of CEPA, more private enterprises in the Mainland will seek business development opportunities beyond mainland China. Hong Kong should become a platform for mainland enterprises "going global" and, at the same time, we will lure Hong Kong businessmen back to set up operations in Hong Kong. Both moves can create more job opportunities in Hong Kong.

In order to fully capitalize on the above rare opportunities, the Government should, apart from speeding up the vetting approval process of licences, not recklessly introduce some policies that will cause disturbances to the people, insofar as the overall business environment is concerned. Instead, the Government should strive to remove restrictions and limitations, so that it can act flexibly to enable businessmen to fully capitalize on the business opportunities. The abolition of estate duty is a good start, to be followed by other initiatives in response to market demands such as developing Renminbi business and the allocation of an additional \$500 million to various SME funds, and so on. All these measures are conducive to business operations, and can provide effective support to SMEs and boost their morale in continuing with their business development.

I have also noticed that there are many initiatives in this year's Budget which aim at improving the unemployment situation. Apart from adopting measures to facilitate employment in the most direct manner, such as

strengthening the various retraining and skills-upgrading schemes and carrying on with the Continuing Education Fund, the Government will also allocate resources to capital works projects, such as developing the Lantau Island and promoting tourism. All these initiatives, together with the impetus brought by the Individual Visit Scheme, will definitely provide unlimited business opportunities.

In addition, the Government has also proposed to promote the development of some high value-added environmental industries which I personally support. Apart from riding on the global trend of environmental economic activities promoted internationally, such industries can also provide more jobs to low-skilled workers. Coupled with its support for such industries as the creative industries and the logistics industry, the Budget will provide ample scope of development to private enterprises. All along, I have been stressing that the solution to improving the unemployment situation in fact lies in the creation of more job opportunities. This can be achieved only through adjustments by the market itself. On the other hand, it cannot be achieved through forcibly twisting the market conditions by introducing some visible measures of intervention like the implementation of minimum wages and maximum working hours.

In 1998, the maximum number of working hours in France was fixed at 35 hours per week. Yet, as the unemployment and economic problems had not been ameliorated during the past seven years, it was decided last month that the maximum working hours would be increased to 48 hours per week. They think that this is the only way to help boost their economic development and enhance their competitiveness. Hong Kong should learn from their experience. If we want to improve our unemployment situation, we must bear in mind that the only way to attain this goal is to revive our economy and enhance the employment opportunities in Hong Kong.

In conclusion, in order to maintain the competitiveness of Hong Kong and preserve the prevalent good economic momentum, we have no alternative but to allow Hong Kong to maintain freedom and flexibility in our market. In the future, Hong Kong will still meet a lot of challenges such as drastic rises in oil prices, inflation, and unstable international politics, and so on. We must preserve social stability in Hong Kong and maintain the diligence and perseverance, upon which we have built our success. In other words, it is the spirit which we frequently refer to recently, namely, the spirit of "no one can make me give up", as advocated by "Dae Jang Geum". It will enable us to win

in preserved stability. In this way, Hong Kong will be able to return to the path of economic prosperity very soon.

Madam President, I so submit.

**MR RONNY TONG** (in Cantonese): Madam President, after I had listened to the Financial Secretary deliver his second Budget in this Chamber, a question mark kept lingering on my mind: Was this Budget drafted before he knew that Mr TUNG would resign or after he had known it? If it was drafted before he knew it, had he amended it substantially so as to cope with the new political circumstances? If the Government which will govern Hong Kong in the next two years is just a transitional Government, then is this Budget also a transitional Budget? Was it due to this reason that this Budget had been rendered into one which aims at nothing but "trusting to luck", just as what I told the media yesterday?

There are lots of other examples of "trusting to luck". First of all, the elimination of fiscal deficit just relies on the sustained growth of the economy — exactly a case of "trusting to luck". The middle class had hoped that Financial Secretary Henry TANG could give them some tax concessions, but eventually he had only adjusted the eligibility age of parents downwards slightly for the purpose of claiming the dependent parent allowance. So if people belonging to the middle class want to reduce their burden, they can only "trust to luck". After Financial Secretary Henry TANG has assumed chairmanship of the Commission on Poverty (the Commission), the grass-roots people had hoped that he could adopt some innovative measures to alleviate their poverty. But Financial Secretary Henry TANG exposed his own secret by telling us that he had forgotten to include such policies for alleviating poverty into the Budget. So if the grass-roots people want to improve their own lot, all they can do is to continue "trusting to luck". With regard to the promotion of economic development, Financial Secretary Henry TANG said that "the market would lead, and the Government would facilitate" the economy. But actually, we cannot see the adoption of any powerful "facilitating" measures. The only innovative idea is that the issue of fair competition would be reviewed. But it is just staying at the review stage. If we want to see the enactment of a fair competition law, we still have to "trust to luck". However, the only group of people who can really rely on "trusting to luck" are those rich people with net

assets valued at over \$20 million because the Government has just abolished estate duty. It is a move to give a bonus to the most affluent group in society. We can say that this is indeed a case of "while alleviation of poverty yields no achievement, the rich are rewarded with an unexpected bonus."

During today's debate, it would not be possible for me to go into great details in discussing all the different subjects. I have chosen only several significant issues and put forward my viewpoints on them in the context of this Budget.

First of all, let us talk about the issue of fiscal deficit. Financial Secretary Henry TANG said that there was a surplus of \$12 billion in 2004-05. But if we deduct the proceeds from the bond issues, we still have a deficit of \$13.4 billion. Financial Secretary Henry TANG estimates that by 2007-08, the fiscal deficit will be reduced to \$2.2 billion, and we shall achieve the target of eliminating fiscal deficit one year ahead of the original timetable. However, I must point out that such an optimistic estimation is based on three assumptions: The first assumption is of course we still have the \$20 billion borrowed from the public in 2004-05; secondly, it is assumed that the annual proceeds from the sale of land can be maintained at \$30 billion or above; and thirdly, it will be all smooth sailing for the Government in disposing of its own assets in the next three years, and that events such as The Link REIT incident will not take place again. In fact, the next three years will be the peak period of disposing government assets. The income generated from "selling family assets" will constitute our major revenue. In this aspect, I would like to remind Honourable colleagues of the figures regarding the disposal of assets: \$6.1 billion in 2004-05; \$5.4 billion in 2005-06; \$18.1 billion in 2006-07 and it will be as much as \$24.7 billion in 2007-08.

The three assumptions illustrate one plain fact, that is, we still have not been able to remove our fiscal deficit problem by dispelling the nightmare of structural deficit. All that we are doing to solve the fiscal deficit problem is hoping that we can enjoy sustained economic recovery which will bring about some substantial non-recurrent revenue, such as proceeds from the sale of land. What kind of strategy is it if this is not "trusting to luck"?

Before the structural deficit is eliminated, Financial Secretary Henry TANG has already disabled his strongest weapon in the creation of structural recurrent revenue. Before the announcement of the Budget, Financial Secretary

Henry TANG once indicated that he had studied the implementation of a goods and services tax. But now he has left the final decision to the new Chief Executive. But the term of office of the new Chief Executive is only two years. So obviously, it is absolutely hopeless for the Government to boost its recurrent revenue before 2007. But estate duty, another major tax revenue, will be abolished. In that case, what is the long-term solution to the fiscal deficit?

As a matter of fact, on the abolition of duty estate, there are a lot of subjects for discussion. Just now, several Honourable colleagues have naturally expressed support for the decision. Actually there are grounds for rebuttal for each of the justifications. But there is not enough time for me to address each and every one of them today. I hope some day we can have the opportunity to conduct a detailed debate on this issue in this Chamber. However, what I want to say is, firstly, the public has not been given the opportunity to hold a comprehensive and in-depth discussion on the issue in order to come to consensus. That explains why so many Honourable colleagues have put forward some specious views on this issue, such as how much money can be made and how unfair it is, and so on. In fact, there is an answer to each of these questions.

Most important of all, I would like to mention that, after the announcement of the Budget, Ms Audrey EU had requested the Government to provide the relevant information which showed that, for 2003-04 alone, among cases with assets liable to estate duty, there were 177 cases with assets of less than \$20 million, and only 81 cases with assets of over \$20 million. However, if we take a closer look, we will find that, for the 177 cases with assets of less than \$20 million, the total tax revenue generated from them was just \$259 million, accounting for only 22% of this tax revenue. But on the contrary, for the cases with assets of over \$20 million, the tax revenue generated amounted to over \$870 million, which represented over 70% of the total revenue from estate duty of that year. This figure illustrates that the present estate duty system is operating effectively in collecting tax funds from the more affluent class of people. As a matter of fact, it is estimated that, it is most likely that the beneficiary of the estate of the rich tycoon Mr LIM Por-yen, who passed away in February this year, will have to pay an estate duty of nearly \$300 million to the Government. This bears testimony to the fact that the Government is actually robbing the poor to aid the rich in abolishing the estate duty and slashing its financial assistance to the lower classes. If the Government really intends to help the middle class, it can adjust the eligibility to a waiver of estate duty to cases with assets value of up to \$20 million, or it may propose some other reforms. We can put forward a lot

of suggestions in this regard, but due to the time constraint, I cannot propose them now. I hope in future we can have some other opportunities to discuss this in greater details. We think that introducing reforms to estate duty, instead of abolishing it altogether, is the proper way of handling the issue. Therefore, we will strongly oppose the full-scale abolition of estate duty.

Besides, I would like to discuss fair competition policy. Financial Secretary Henry TANG proposes to establish an independent committee to review the existing competition policy and the terms of reference and operations of the Competition Policy Advisory Group (COMPAG). This message impresses us as being "a little too late, a little too little". But anyway, the Government still has taken its very first step in this direction. As a Member who has always been concerned about fair competition policy, I must reiterate that the review must be conducted without any preconditions. The committee charged with the responsibility must adopt an open attitude and be honest in reviewing the effectiveness of government efforts during the seven years since the establishment of the COMPAG. Actually, during the past six month, there have been many episodes of anti-competitive behaviour. For example, the driving instructors, the laundry industry — many industries have openly called for standardizing their fees and charges. For some government tenders, there were even incidents of lawful conspiracy in collusive bidding (By lawful, I do not mean they were really legal. I mean they just did it through commissioning the lawyers), and some hawkers even bid for the stall next to theirs just for the sake of pre-empting competition. There seems to be more and more press reports on such incidents. As a matter of fact, such reports have exactly illustrated that the present fair competition policy does not work.

I sincerely hope that the Government is not making use of the review as a means of warding off public criticisms. Instead, I hope that the Government, through conducting this review, can once again show its serious concern about the subject of fair competition.

Finally, I wish to talk about Radio Television Hong Kong (RTHK), which I tune in and listen to its programmes every day. I wish to discuss the issue of reduced government funding to RTHK. RTHK is the only public radio station which does not have any commercial overtone and can claim autonomy of expression. Its survival has all along relied on government funding. But in recent years, on the pretext of tight finances, the Government has gradually reduced its funding to RTHK. This year, the budget for RTHK is \$385 million,

which represents a reduction of more than 14% over that for 2002-03. In terms of its manpower establishment, it has reduced from 632 persons in 2002 to 560 persons in 2006, a reduction of over 10%. On the other hand, while its resources are diminishing, RTHK has still allocated \$1 million to produce a total of 168 hours of national education programmes. While I am not saying that these programmes are worthless or should not be produced, the Director of Broadcasting, Mr CHU Pui-hing, in his reply to my question, admitted that the subject matters for promotion do not cover the themes of "maintaining the rule of law" or "one country, two systems". This is indeed very regrettable.

All these phenomena make me worried. On the one hand, RTHK has repeatedly been criticized severely by the pro-government faction or the leftist camp in the past due to its insistence on maintaining its autonomy of expression, and while the gradual reduction of funding to RTHK may have affected the quality of its production, it may also leave others with the impression that political pressure has been exerted on RTHK. On the other hand, we can also see that some programmes intended for promoting "one country" can receive more financial subsidies, whereas none of those stressing "two systems" can get any. Is this not illustrating that the Government is progressively tightening its grip on RTHK in order to gradually reduce its role as an independent radio station? Does the Government intend to convert RTHK into its own mouthpiece? If my assumption is true, it would be an elegy to Hong Kong's freedom of speech. I very much hope that I am wrong.

Madam President, on the one hand, this year's Budget has failed to come up with any proposal to tackle the fiscal deficit problem thoroughly, and on the other, it has left many of the pressing social problems unsolved. The incessant slashing of resources of certain departments has also induced more and more worries among the people. It is simply a reflection of the mentality of "governing by doing nothing" and "sticking to the old rut". I feel very disappointed about it, and I also hope that Honourable colleagues who are present today can think carefully whether they should support this Budget which is just "trusting to luck". Thank you.

**DR LUI MING-WAH** (in Cantonese): Madam President, in the middle of 2003, with the stimulus of Individual Visit Scheme and CEPA, the Hong Kong economy began its recovery. The consumer market was getting active, the property market flourishing, economic vitality could be seen again, and the

clouds of sluggishness were dispersed gradually. The Financial Secretary, Mr Henry TANG, announced his second Budget during his term of office in this blooming economic climate. Although there is no drastic reduction of taxes, no substantial increase of expenditure, nor is there any new and grand economic strategy, according to the survey of public views, this is the Budget with which the greatest number of members of the public feel satisfied over the past four years. We can see the social atmosphere getting harmonious and public confidence rising, and this is delightful indeed.

In fact, after six years of struggling, the Hong Kong economy is now finally on a steady course of improvement. The recent economic performance is really encouraging. With the impetus brought by the Individual Visit Scheme, the number of tourists in 2004 registered a record high of 21.81 million passenger journeys, bringing an additional income of \$6.5 billion to Hong Kong. The consumer markets relating to retail and catering industries were also stimulated, and this renders an increase of 6.7% in personal spending. Besides, the CEPA-related export trade value of Hong Kong has also increased by \$1.5 billion, while the investment facilitation policy for mainland enterprises has brought into Hong Kong some investments worth \$3.67 billion. Under the desirable economic atmosphere, the property market has rebounded, the securities market grown robust and active, and deflation come to an end. In 2004, the economic growth was as high as 8.1%, which is the highest in these four years, while the unemployment rate has come down to 6.1%. The crisis of budget deficit, which has been harassing Hong Kong, is also easing, partly due to the effectiveness of the Government's austerity work, and also due to economic recovery which has rendered an increase in government income, for a surplus of \$14.7 billion is recorded in the consolidated balance for the first 11 months in this financial year. The Budget points out that "we expect fiscal balance to be restored in the Operating Account by 2008-09 as scheduled, and in the Consolidated Account by 2007-08, one year ahead of our target". The problem of budget deficit is expected to be solved soon.

Given the desirable objective conditions, the underlying tone of the Budget has been resting and building up strength. It is pragmatic and steady. It has not proposed any substantial and significant policy. It neither gives people any shock, nor any pleasant surprises. And the Hong Kong economy thus self-regulates and recuperates. However, Financial Secretary Henry TANG has taken a firm grasp of a fundamental point, which is holding fast to the principle of financial prudence. He has not substantially increased public

expenditure in order to draw applause from the community when the economy has barely started to recover, nor has he relaxed the austerity drive. So this is worth supporting. Financial Secretary Henry TANG has only given a slight reduction in taxes in regard to taking care of dependent parents and rearing children. Although the economic effectiveness is limited, it carries a significant meaning and helps to strengthen our traditional sense of value.

Besides, the new fiscal measure of abolishing estate duty as proposed in the Budget is worth commending. Although the abolition of estate duty will incur a loss of \$1.5 billion in tax income to the Government annually, in the long run, the abolition can attract investment capital from and outside the Mainland. Not only will it facilitate Hong Kong in becoming an asset management centre, but it can also promote other service industries, such as real estate, finances, accounting, legal services, and so on. This can bring far-reaching economic benefits and also relieve the burden of the middle class, all being conducive to fostering social harmony.

Nevertheless, overall speaking, although the Budget is pragmatic and steady, its ability in creating wealth is insufficient. Two recent pieces of news warrant our deep thinking. First of all, the container throughput of Hong Kong in the first quarter of this year has been overtaken by Singapore. Hong Kong has bitterly lost its long-held "Number One" position. In fact, three years ago, I already pointed out that since the infrastructural facilities of the Pearl River Delta had been improving and the management was getting more advanced, there was rapid growth in direct export of goods. The status of Hong Kong as the entrepot centre is now wavering. We can see that among the four main economic pillars on which the SAR Government relies, the logistics industry is now facing a critical challenge. A more important point is that since service industries like tourism and logistics totally rely on external demand and are not subject to the regulation of Hong Kong, they are most fragile. Hence, Hong Kong should establish a new point of economic growth, implement economic structural adjustments and establish a stable and sound economic base. And this is a better plan in the long run.

Different countries in this world are striving forward in this highly competitive international market, with a view to improving the local investment environment and enhancing the competitive edge, with the manufacturing sector made a key area of economic development in particular. Recently, the

authorities of Shanghai, which has always been compared with Hong Kong, have decided to develop the steelmaking, motor manufacturing, ship building and electronic industries as the pillar industries. Beijing, the capital of China, has also confirmed the manufacturing sector as the main direction of development. The Senior Minister of Singapore, Mr LEE Kuan Yew, visited Hong Kong last month. When he talked about the experience of developing Singapore, he said that not a few industries in Singapore had been moved to Malaysia where the cost was lower. However, the production of the industries within Singapore still accounted for 25% of the GDP, and it was due to the fact that Singapore placed emphasis on the development of high value-added industries, and only some low value-added industries would be moved to the neighbouring areas. In the interest of sustainable development of the Hong Kong economy, I hope that the Government can reopen the gate of industrial development. When Beijing and Shanghai can have industries, and Singapore can have industries, why is Hong Kong unable to restore the force of its industries? Will the Government please consider it seriously.

During the past six years, we have already learnt a hard lesson. The Government should be conscious of crises, take preventive measures and be positive in initiating various policies conducive to economic development. In the Budget of last year, Financial Secretary Henry TANG said, "As Hong Kong gradually transforms into a knowledge-based economy, our industries need to embrace new concepts, break with tradition and move towards higher value-added outputs. The Government will proactively encourage research and development, innovation and design to help our industries move up the value chain." This was what he said. However, the Budget this year carries little coverage on industrial development, and this is most disappointing.

Madam President, the Hong Kong economy is now on the upward trend. However, it still has to face various challenges. The Government should always be positive and progressive in reinforcing our economic base, so that Hong Kong can pursue sustainable development and maintain its winner status in the competitive playing field.

I so submit. Thank you.

**DR KWOK KA-KI** (in Cantonese): Madam President, in his second Budget that he has just presented, Financial Secretary Henry TANG has presented many

encouraging statistics. For instance, the economy grew by 8.1% last year, the highest rate in four years; and insofar as this year's financial position is concerned, the Government has revised its original projection of a \$46.6 billion deficit to a surplus of \$12 billion, and he added that the deficit might be eliminated in 2007-08, one year ahead of schedule. I absolutely do not doubt the efforts made by Financial Secretary Henry TANG in meeting the target of eliminating the deficit. But I wonder if the Financial Secretary has put too much emphasis on the target of eliminating the deficit and has thus overlooked the need to care for the needy in society. First, I would like to express my views on the Budget in respect of health care spending, care for the poor, and the abolition of estate duty.

The Government's expenditure on health care services in 2005-06 will be \$29.3 billion, accounting for 13.8% of the overall expenditure of the Government. About 90% of it, or some \$27 billion, will be allocated to the Hospital Authority (HA), which is 3.3% (or about \$900 million) less than its provision in the previous year. Secretary Dr York CHOW, in response to this funding cut, pointed out that a substantial part of this reduction of \$900 million or so comes from the civil service pay cut and that government funding will, in fact, be cut by about \$180 million only. According to him, this is not a big sum of money, and so, the HA can cope with it theoretically through savings achieved by tapping new sources of revenue and cutting expenditure. But let us look at the services of the HA in various aspects. The cost of its many services has actually been reduced continuously. For example, the cost of discharging each patient in a general ward bed in 2005-06 is down by nearly 20% compared to 2003-04. Added to this is that the salary of new recruits has been cut by half. What room is there in the HA for further reduction of expenditure? I personally have misgivings about this. In fact, \$180 million is absolutely not a small amount.

This amount of \$180 million is equivalent to the cost of discharging 9 200-odd patients or the cost of coping with an accident and emergency attendance of over 200 000. We must not forget that the HA had a deficit of more than \$500 million last year. So, \$180 million is absolutely not a small amount. Given a continued increase in the elderly population, coupled with the lack of comprehensive retirement and medical protection schemes for the elderly in Hong Kong, the public demand for public medical and health care services is expected to rise continuously, and this demand is unlikely to drop. However, in this year's Budget, I entirely do not see that the Government has in any way earmarked resources to meet the demand of the people.

I certainly agree that it is impossible for public health care spending to be fully met by the Government. On the contrary, the whole community should work in concert to thoroughly study the issue of health care financing in Hong Kong. I hope the Government can show us a direction in the first report on health care financing to be published at the end of the year. But I reckon that the report, after its publication, will certainly arouse lots of discussion or debates in society. I do hope that the Financial Secretary can listen to the different voices in the community, in order that the recommendations made in this report on health care financing will not be impeded. In fact, we have waited for the health care reform for many years, and our health care services are already critically ill. As Members may recall, the Secretary had said that the services were in the early stage of cancer.

There are problems with the distribution of public health care resources. A case in point is a sharp increase in the expenditure incurred by the Samaritan Fund. According to the statistics provided by the Government to the Panel on Health Services, it is estimated that the Fund will still carry a deficit in the next couple of years, and that the deficit will increase from \$66 million in 2005-06 to \$103 million in 2007-08, representing a more than double increase. The Government has, therefore, planned to seek the approval of this Council for an additional provision of \$200 million. The objective of the Samaritan Fund is to provide financial assistance to needy patients for them to meet the expenses on new technologies, particularly the expenses on Privately Purchased Medical Items, which are not covered by public sector medical fees. But this provision of \$200 million is even higher than the \$180 million to be cut in the funding for the HA. This is precisely an important reminder to society or the Government, that it is imperative to fundamentally solve the problems relating to health care financing and erroneous health care policies. Otherwise, the public medical services will greatly affect public finance as a whole. I certainly hope that the Government can solve the problems with its policies on public health care services through appropriate fiscal measures. But this year, I do not see anything done by the Financial Secretary in this regard, and nothing is done in respect of the proposal of encouraging the public to turn to private health care services or take out medical insurance by way of a tax rebate, which he has mentioned before and which he said would not be implemented this year. I am extremely disappointed with this.

I also wish to share with Members my views on the Government's policy to alleviate poverty. Certainly, I very much support and welcome the

Government making an additional provision of \$15 million to the District Social Welfare Officers of the Social Welfare Department for providing direct assistance to youngsters in need. But this cannot be done without paying a price. The Government's expenditure on family and children welfare, community development and youth services will all be subject to a reduction ranging from 1% to 10% in the coming year. I, therefore, have misgivings about to what extent the Government actually wishes to provide assistance to children and youngsters in poverty. I have great expectations for the Commission on Poverty which is established and chaired by the Financial Secretary. But strangely enough, Financial Secretary Henry TANG has not set aside any resource to implement policies to be formulated by the Commission to help the poor. Such arrangement makes me doubt whether the Government has the wish and the ability to carry out its plan to fight poverty, or it is just going to make the Commission on Poverty another "chat shop".

The Government has offered many reasons in support of the abolition of estate duty, reiterating that the objective is to further consolidate Hong Kong's position as a financial centre. This, I certainly cannot oppose. But as many colleagues said in their speeches before, any deduction in estate duty will give the public the impression of robbing the poor to help the rich. \$1.5 billion is by no means a small sum of money. If we look at it in the context of public health care services, this \$1.5 billion can, in fact, provide better health care services to more than 10 000 citizens. Thinking that the Financial Secretary would turn away this tax revenue of \$1.5 billion would only pain me, because to many low-income earners and poor people who are desperately hoping for improvement in the public health care services, this \$1.5 billion is a huge sum of money.

The Financial Secretary has raised many issues, and stated that the Government will make ongoing commitment to health care services. However, if we just review the rate of reduction of health care spending by the Financial Secretary in the past few years, particularly that of last year, we will feel very worried. This year's expenditure on social welfare services will increase by 2.8% in real terms. Secretary Prof Arthur LI is in the Chamber now. I wish to congratulate him, for the expenditure on education will increase by 0.3%. The only exception is health care service which is subject to a funding cut of 1.1%. We all know that in the next two years, lots of resources will be required to meet the expenditure on medical and health care facilities, including the completion and commissioning of Pok Oi Hospital, the construction of the

North Lantau Hospital, and so on. All these will require substantial resource input. It is not my wish to see the Government introducing such measures as the Central Drug List, which are not in the least helpful to low-income earners and the poor, in response to calls for cutting expenditure. This is utterly disappointing to us.

Certainly, the Government has introduced some policies which I very much support. They include broadening the tax base and maintaining fiscal discipline. While the Government has vowed to do so, it seems that the Government, as pointed out by other colleagues, has done nothing at all in these two areas. With regard to the broadening of the tax base, including the introduction of some other tax items, such as the goods and services tax, and so on, no concrete action has been taken, and we still have to wait for a few years before it can be implemented. All this has made us even more worried about how we can meet the ever increasing public expenditure in the next couple of years.

The Financial Secretary said that he would have to adopt some measures to boost government revenue. In this connection, I must mention the great West Kowloon Cultural District (WKCD) development. This controversial development project, as revealed by members of the real estate sector, involves land proceeds to the tune of \$200 billion. This is not a small sum of money. If the deficit that we now face is only \$10 billion or billions of dollars, this \$200 billion will be enough to cover the deficit for 20 years and then it would be unnecessary for us to always target actions at the welfare for low-income earners and the poor. I do not understand why the Government still panders to outworn beliefs and insists on a wrong direction, insist on single tender, or insist on constructing here a grand canopy which is extremely costly and which cannot be found elsewhere in the world to serve as reference in construction. Why does the Government, in the face of financial difficulties and so many demands for different services, still refuse to make changes and insist on implementing this project which we call a white elephant project and insist on constructing the canopy? Moreover, the Government, in so doing, appears to be blatantly giving out as much as \$200 billion of land resources to the benefit of some developers. So, under these circumstances, I think asking us to endorse or accept the Budget of the Financial Secretary this year is coercing us to do what we do not wish to do. Unless the Government can give a satisfactory and reasonable explanation on the WKCD development which has aroused much

concern and controversy, we have reasons to oppose the financial arrangements and the Budget of the Government this year.

The Financial Secretary has suggested many ways to enhance or encourage local industries. I do not know how he thinks about the high land price policy which were implemented before or will be reinstated in the future. Recently, a large restaurant has closed down, and many workers have thus become unemployed. The owner and employees of the restaurant pointed out that it was all because of the developer that the restaurant had to close down. These avaricious developers have been using the high land price policy to extort undue gains. They have taken away the very meagre profits of small operators and small and medium enterprises (SMEs) and yet, the Government has remained indifferent. This has made me feel very worried.

Some time ago, in relation to the Budget, I asked the Secretary for Housing, Planning and Lands how he would address the high land price policy, which is of great concern to us, as well as the rocketing property prices. He replied at the time that he would not consider building Home Ownership Scheme flats anymore. I felt uneasy on hearing this from him. I reckon that many developers might feel exalted on hearing this reply from the Secretary, for it can give them ample room and time to push up the land price through speculation and continue to squeeze gains from it, and this will cause even more scrupulous businessmen to face the misfortune of closing down their business.

The Financial Secretary said that he would use multiple means and channels to promote self-reliance among Hong Kong people with the involvement of the business sector. But I think that the strength of the measures is utterly inadequate. Apart from the proposal mentioned by us earlier of encouraging more people to turn to private health care services and take out medical insurance through tax rebates, colleagues also mentioned ways to alleviate the plights of the middle class. They mentioned a proposal which I have discussed with the Financial Secretary and that is, the possibility of providing tax deductions to the middle class for some of their expenses on, say, education and health care services. Not only can this reduce government expenditure. More importantly, it can truly address the problem at root and provide room for the middle class to take a respite. It is because many middle-class people cannot enjoy the many kinds of welfare in terms of housing, medical care and education as enjoyed by many Hong Kong people. Earlier on, Miss CHAN Yuen-han spoke angrily about how the Government lacks both the

wish and ability to provide support to local SMEs and the local creative industry. I very much agree with her. We can now see that there are the so-called four pillars, and we also see a very thriving and booming picture painted by CEPA or the Individual Visit Scheme. I do not know when things will cool off, but it may already be too late when things are cooled off. We need to have more explicit assistance from the Government and a policy to assist and support the local creative industry as well as the many SMEs. As a matter of fact, the Budget is totally silent in these aspects.

Finally, I would like to say a few words about civic education. In the past year, the Government spent only \$260,000 on education on democracy. Compared with the \$2.5 million spending on national education, \$260,000 is, in our view, shameful indeed. I hope that constitutional reform can be taken forward and to this end, education on democracy is essential in order to make Hong Kong people care about the community.

I so submit.

**PRESIDENT** (in Cantonese): Dr KWOK, your speaking time is up.

**MR VINCENT FANG** (in Cantonese): Madam President, yesterday, the Government released the latest unemployment figure for the first three months which stood at 6.1%. This is the lowest unemployment rate since the quarter of September to November 2001. This is good news to both the community and the Government because with more people employed, it will mean that less people will apply for CSSA, which in effect will help alleviate the financial burden of the Government. Moreover, with more people falling into the tax net, the revenue of the Government will be increased directly.

Therefore, the Liberal Party always strives to promote the economic development of Hong Kong in the hope that the sustained prosperity of the commercial and industrial sectors can bring about this good outcome.

Another encouraging phenomenon is, the wholesale and retail sector, which I represent, has played a positive role in reducing the unemployment rate during the recent period of time. This is because during the past one year,

many operators in my sector have actively expanded their operations, recruited more staff and raised the their wages.

Although the Financial Secretary has not mentioned any tax increases at all in his Budget, and he even said that it would be unlikely that the goods and services tax would be introduced in the next three years, there are certain points in the Budget that will bring about extreme uncertainties to the prospects of our sector and even society as a whole.

The first gloomy uncertainty that surrounds us is the Financial Secretary's decision that the chargeable taxes of alcoholic drinks will remain unchanged. I still recall that when the Acting Chief Executive, Mr Donald TSANG, was still in office as the Financial Secretary, he repeatedly stressed that "Hong Kong can become a regional wholesale centre of red wines". However, as our wines are so expensive, even more expensive than those in the neighbouring Mainland and Macao, that our competitiveness has been reduced.

Operators engaging in the businesses of the import, wholesale and retail of alcoholic drinks said that, not only their trade had not been benefited by the Individual Visit Scheme, but even local business has become increasingly hard to do. All their hopes hinge upon the eventual sustained economic recovery of Hong Kong, so that the people can have jobs and pay rises, and should that happen, people can be induced to spend more money. The sector hopes that Hong Kong can become an exhibition and wholesale centre of wines. So it all depends on whether the Government can provide a business environment conducive to development.

What is the second gloomy uncertainty? It is the Financial Secretary's alleged intention of identifying ways of introducing a plastic bag levy or tax in Hong Kong.

Madam President, we are living on the same piece of land, breathing the same air. The pollution problem in Hong Kong is very serious, and operators of the wholesale and retail sector cannot stay aloof from it. So we are all very supportive of the environmental causes. Many companies have tried to take different initiatives, such as using recyclable paper bags and boxes in delivering goods to customers; reducing packaging materials; providing free environmental carrying bags; collecting recyclable plastic bottles; and providing cash rebates to consumers who opt not to use any plastic bags, and so on. So the purpose of all

such initiatives is to reduce the use of materials and encourage people to take measures to support the cause of environmental protection.

However, the Government is recently indicating that, in view of the difficulties involved in collecting a plastic bag tax from consumers direct, it will consider charging this tax at the wholesale level. This will undoubtedly lead to higher operating costs on the part of operators, and it will impose an extra burden on their shoulders. Of course, the operators may transfer such costs onto the consumers. Yet, as nowadays consumers are increasingly prudent in their spending pattern, so it is virtually impossible for us to transfer such additional costs completely onto the ultimate users.

The Secretary for the Environment, Transport and Works said that the Government will charge a tax on used tyres, and she also said that taxes will be charged on solid waste, batteries, electronic waste and plastic bottles. In fact, in the Budget, according to the information provided by the Food and Environmental Hygiene Department, the amount of rubbish collected had decreased remarkably last year, and it is expected that the amount will continue to drop this year. The situation is really encouraging. Is it a must for us to promote the cause of environmental protection by way of implementing some compulsory measures? If all these measures are really implemented on the pretext of environmental protection, Hong Kong will become a "paradise of multiple taxes".

Hong Kong people use a lot of plastic bags because Hong Kong is really a shopping paradise. Many people go shopping every day. For example, many elderly people go to the supermarket to buy a pack of milk every day, or go to the market to buy a catty of vegetable every day. This is different from the shopping habit of most people in Western countries where people usually go shopping only once or twice a week.

Most important of all, Hong Kong people have been relatively late in launching the educational drive to promote environmental awareness among the people. So a collective awareness has not been formed. However, the Government hopes that Hong Kong can catch up with developed countries quickly in this regard. This sort of "instant noodle approach" is manifested not only in environmental issues, but also in many new policies of the Government. For example, with regard to the implementation of a food labelling scheme,

allergen labelling requirements were implemented last year, and now nutrition labelling will soon be introduced as well. All these schemes keep people in the industry busy every year in meeting the requirements. Now they have to prepare for some other new measures that may be introduced by the Government. Has the Government ever considered that, imposing so many new regulatory measures all at once on the industry may affect the flexibility of the enterprises of Hong Kong even if they can manage to survive?

On the other hand, I have vaguely heard that the Financial Secretary is paving the way for the introduction of the goods and services tax three years later.

Last month, I attended a seminar on goods and services tax. A taxation expert from Australia said that when the Australian Government introduced the 10% goods and services tax in 2000, there were a lot of objections. In spite of that, the new scheme was eventually implemented smoothly. This successful outcome was partly attributable to the originally complicated goods and services tax regime with multi-tiered tax rates, from 5% to 35%. The new goods and services tax actually aimed at simplifying the original tax regime and standardizing the tax rates. As there were both pros and cons in the new tax, the people eventually accepted it, though not without some reluctance. Yet, in the meantime, the taxation department has to deal with tens of thousands of tax disputes.

The Financial Secretary has already indicated that an open consultation on the goods and services tax will only be conducted after he has sought the view of the new Chief Executive on the issue in July. The introduction of the goods and services tax does not just aim at increasing public revenue for the purpose of eliminating the fiscal deficit. Instead, it is introduced because the tax base of Hong Kong is too narrow, and we should not rely too heavily on the revenue from real estates and the financial market. The goods and services tax is the only new type of tax being considered by the Government for broadening the tax base. However, the tax base of Hong Kong is narrow because the economic structure of Hong Kong is inherently narrow. All along, we have relied on the high land premium policy and the robust financial investment activities as the Government's major source of financial income. The Government exercises great prudence in controlling the supply of land and residential flats. Is it because the Government wants to see that the prices of flats will rebound to the high level in the past? This will definitely increase the revenue of the

Government and enable it to advance the date for achieving the target of eliminating the fiscal deficit of Hong Kong. However, this will impose an extra burden on the wholesale and retail industry because the rents will soar incessantly.

Ever since the improvement of the market situation as evidenced by certain figures, the rents of shops have started to soar. The rents of certain shops in busy areas have gone up by 100% when old tenancy agreements have expired and new ones are signed. According to some reports, a shop with an area of less than 20 sq ft at a side street of the Causeway Bay asks for a monthly rental as much as \$70,000.

Besides, in some upmarket shopping malls, apart from asking for excessively high rents, the owners even choose their tenants — only internationally renowned brand names can stay. This will not only deprive local brand names of the opportunity of gaining access to such malls, even some less famous foreign brand names are forced to move out.

We can see that the prices of flats and the rents of shops have already rebounded to the 1997 level, and in some cases, the prices or the rents have even exceeded those in 1997. However, with regard to the overall economic conditions and the future development prospects, the incomes of the people, as well as their spending power, how does the present situation compare with that in 1997? I believe we all know the answer.

Therefore, in my opinion, the Government should improve and rationalize the economic structure of Hong Kong, so as to enable the economy of Hong Kong to continue developing steadily in the long run and to attract more foreign capital to invest in Hong Kong, instead of just encouraging the promotion of local economic activities.

With the introduction of the goods and services tax, the wholesale and retail sector will not be the only sector that will be affected. Instead, it will impact on the tourist industry which is striving hard to promote Hong Kong as "the Asian city that one must visit", as well as other roles of Hong Kong like "the international financial and trading centre" and "the international professional services centre".

During the past six months, as reflected by the sales figures, we can see that such products as photographic equipment and electrical appliances are doing a roaring trade. However, people in the industry have told me that products that enjoy the best sales are those compact products such as digital cameras, MP3 music players, mobile phones, and so on. The boom was caused by the price reduction made possible by technological advancements as well as the spending by tourists. As for larger products specially targeted at the local market, the increase in their sales volume is not significant.

Meanwhile, the number of days a tourist will stay in Hong Kong and his average spending has been declining. According to many tourists, the prices of goods are expensive and the consumption level is high. I do worry that, with the introduction of a 3% to 5% goods and services tax, if we can achieve the target of getting a \$20 return for every \$1 we invest in promoting the tourist industry.

The Financial Secretary often stresses that more than 120 countries all over the world have already implemented a goods and services tax, why can Hong Kong not do the same? I would like to quote the example of Japan for illustration. Hong Kong people like to go to Japan for sight-seeing and shopping because there are a lot of spending items, commodities and even sceneries and local specialties that cannot be found in Hong Kong. But in Hong Kong, the products available in the market can also be found in the neighbouring regions and even at lower prices than those in Hong Kong. So what are the edges of Hong Kong? I think Hong Kong is a shopping paradise with excellent goods sold at attractive prices, assured quality and wonderful services. And Hong Kong should be a society with a simple and low tax regime, highly efficient business environment and a liberal, stable and sound legal system.

Hong Kong has enjoyed many advantages upon which it has conducted business for more than half a century and such advantages have eventually enabled it to find a footing in the international arena. I earnestly hope that the Financial Secretary and the entire Government can continue maintaining these valuable advantages of Hong Kong.

The Financial Secretary has made tremendous efforts in cutting expenses. Two years later, he will be able to contain government expenditure within 20%

of the GDP of Hong Kong. I strongly commend the Government for having made such great efforts in this aspect.

However, I also understand that, with the deterioration of the problem of the ageing population, the Government's burden arising from the expenditures on health care and social welfare will become increasingly heavy in the future. Therefore, I hope the Government can implement health care financing in the next few years. This is the most opportune time for it. If Hong Kong can expedite the division of labour and co-ordination between the private and public medical sectors, it will alleviate the Government's heavy burden arising from the provision of health care services. This will be a blessing for both the people and the Government.

I so submit. Thank you, Madam President.

**MISS TAM HEUNG-MAN** (in Cantonese): Madam President, the Hong Kong economy has eventually managed to turn the corner and is back on an upswing after serious impacts brought by the Asian financial turmoil, the bursting of the bubble economy and the outbreak of SARS. Our economy even showed signs of full recovery last year. Every citizen hopes that the full recovery of our economy this time will become the starting point of another economic pinnacle. Apart from relying on the concerted efforts of various sectors of our society, we hope that the Government of the Hong Kong Special Administrative Region (SAR), as the leader of Hong Kong people, can grasp the opportunity to strive for fiscal stability by formulating a prudent fiscal policy so that Hong Kong's advantages can be maintained and its radiance as an international financial centre can be demonstrated once again.

Five weeks ago when the Financial Secretary announced the Budget in this Chamber, I believed many colleagues, as I did, cherished a ray of hope that they would get something unexpected although they had anticipated no drastic measures from Financial Secretary Henry TANG. However, after listening to his speech which lasted for more than an hour, we could say that it was a pragmatic and play-safe Budget. But we could also say that it gave us no surprises at all. I would like to ask Financial Secretary Henry TANG whether the Government has the sincerity to grasp the opportunity of recovery as the driving force of our economy.

There is a structural deficit problem in Hong Kong's public finance. The deficit in the operating account has to be covered by surplus in the non-recurrent account. In the past few years, the importance of eliminating the structural deficit has always been emphasized in the Budget. To effectively eliminate the recurrent deficit, we must do something simultaneously in both the recurrent revenue and recurrent expenditure. We appreciate that Financial Secretary Henry TANG has shown a determination in reducing the Government's recurrent expenditure in this year's Budget. However, regarding recurrent revenue, I do not think that the Government has grasped the opportunity of economic recovery to solve the recurrent deficit by trying to increase the recurrent revenue.

The Government's estimated expenditure for next year has reduced compared with last year, thus reversing the phenomenon of year-after-year increase in public expenditure. The Government has also set the target of bringing public expenditure down to less than 20% of the GDP. However, does this target tally with the principle of "small government, big market" as mentioned in the Budget? Certainly, public expenditure at 20% of the GDP is a reasonable level according to international acceptable standard. And the Government considers that it has made some achievement by suppressing public expenditure to less than 20% of the GDP. But is it really the case? In fact, the target of 20% is still a high level as far as Hong Kong is concerned.

Hong Kong is not an independent country, without the burden of defence expenditure which is an important part of the expenditure of a country. Despite that, the public expenditure of Hong Kong is still at a high level by international standard even though it does not have to bear such an expenditure. Theoretically there is room for further reduction. So I urge the Government not to slow down the pace of cutting expenses. It should also implement the principle of "small government".

Regarding recurrent revenue, the accounting profession has all along held the view that the tax base of Hong Kong is too narrow. To broaden the tax base is one of the most effective ways to solve the structural deficit problem of Hong Kong. During the past few years, the Government did not show any specific intention to broaden the tax base due to the economic depression. This is in fact very reasonable. But now, as our economy begins to recover, it is time for the Government to study proactively how to broaden the tax base. In the new

Budget, apart from the introduction of a goods and services tax, there is no other proposal concerning broadening the tax base for public consultation. In fact, should the authorities make more efforts in this aspect? I think the Government should grasp this opportunity to solve the problem of structural deficit in the long term by adopting measures to secure a stable source of recurrent revenue.

Some people may say: Since the Government has proposed to conduct a consultation exercise on a goods and services tax, is this not enough? I appreciate that the Government has eventually shown a willingness to study this tax. However, I have to emphasize that this tax is only one of the measures for broadening the tax base. There is no equivalent sign between the two. In my opinion, if the Government considers that to broaden the tax base is an important policy direction, it should conduct consultation in a proactive manner in order to collect public opinion and formulate a fair and widely acceptable proposal on the issue.

Today, the Administration pins all of its hopes of broadening the tax base on the goods and services tax and does not consider other measures for achieving the target. Is it worthwhile to do so? If complaints of people are heard everywhere and the proposal is strongly rebutted after consultation has been conducted, will the Government start it all over again by conducting another consultation and studying other methods to broaden the tax base? If so, will the target of broadening the tax base be hardly realized within the foreseeable future?

Madam President, I very much agree to the Budget's proposal of promoting Hong Kong as an asset management centre. To waive the profits tax on offshore funds and to abolish the estate duty will also attract foreign investments. Some people are of the view that to abolish the estate duty will benefit the rich at the expense of the poor. But I disagree. The abolition of the estate duty will attract investment. When investment increases, benefits will be brought to all strata of Hong Kong, including the grassroots. Can we deny that investments will stimulate our economy?

On the question of taxation, I am really a bit disappointed at this year's Budget. I have time and again demanded in this Chamber a comprehensive review of the Inland Revenue Ordinance (IRO). However, the Administration repeatedly said that it was not necessary to do so. As the Government adheres to this principle, there is no mention in the Budget of reviewing the IRO at all. The simple tax regime with low tax rates is the cornerstone of the success of

Hong Kong's economy. However, this world-renowned tax regime can only work effectively if there is a clear, simple and consistent tax law.

The IRO is the foundation of Hong Kong's taxation system and the legal basis of Hong Kong's taxation policy. Should our famous and attractive taxation system which is adaptive to changes be built on a structurally sound basis? Can the IRO, which has not been reviewed over the past 30 years, cope with the need of our economic development today in the 21st century? I am not asking for some drastic amendments to the IRO. But today, Hong Kong's competitiveness has been undermined by ambiguities in the tax law. Many companies have already moved to Singapore or Macao. Can Hong Kong maintain its position as an international financial centre in the long term? So I hope that the authorities can tell us whether our tax law can meet the needs of society. Does the Government think that such a study is not worthwhile? If the Government thinks that the existing legislation can meet the needs of society, please show us the justifications of insisting on their views.

Some people may ask, "It seems that only you, TAM Heung-man, think that the IRO should be reformed. Other professional bodies do not have any problem. Why are you making futile efforts and being so fussy?" But I can tell Members that many professional bodies and business associations are of the view that the IRO needs a review. I believe Mr Bernard CHAN, Chairman of the Panel on Financial Affairs, has received representations from many bodies, including the Taxation Institute of Hong Kong, the British Chamber of Commerce and many leading industry players. Do Members still think that I am fussy?

Talking about professional bodies, I am really worried about the communication between the authorities and the professional bodies. How much resources and efforts have the authorities expended on communicating with the accounting profession and various professional bodies? At the special meeting of the Finance Committee last week, a colleague submitted a written question on the communication between the Commissioner of Inland Revenue and the business and professional sectors. In my understanding, it was replied that there had been active communication between the authorities and the sectors during the past two years. However, I have also heard from two associations, the Taxation Institute of Hong Kong and Society of Chinese Accountants and Auditors, that the Commissioner of Inland Revenue had not communicated or met with them during the past two years. What is the truth?

Obviously the Government has simply played ostrich in this aspect, thinking that the problem does not exist if it does not face it squarely. What is the rationale behind it? Financial Secretary Henry TANG reiterated in the Budget that Hong Kong's position as an international financial centre had to be maintained. But in fact, have his subordinates implemented policies or taken follow-up actions in accordance with this principle? As I have just said, the enforcement of a tax law which is full of ambiguities has deterred many investors from making investments in Hong Kong. Do we want to see that Hong Kong's competitiveness is undermined because of the IRO? The Financial Secretary plays a key role in leading us to promote our economic development. Will he allow a situation where what is said is different from what is done?

Madam President, apart from the taxation problem, the Budget has not shown sufficient concern for the middle class. The middle class has paid most of the taxes but received the least benefits from the Government. In this year's Budget, the Government do have responded to requests from various sectors for providing children education allowance, but the public's demand has not been fully met. Although the allowance for each child has been increased by \$10,000, it does not help the middle class much in view of the fact that they have to pay several thousands dollars a month for the education expenses of their children. Moreover, as rateable values are subject to re-evaluation, rates payable will be increased. So the burden of the middle class will not be alleviated much. Can the Government show more concern for the middle class who have worked hard silently for society? I also hope that the study on health care financing can be commenced as soon as possible so that the burden of public finance in terms of health care can be alleviated while the needs of the general public met, and public spending can be cut without affecting service delivery.

The best solution to eliminating fiscal deficit in the long term is to increase revenue as early as possible and keep cutting spending by grasping the opportunity. We have to extricate ourselves from the undesirable situation where Hong Kong's public finance is supported by non-recurrent revenue. Only by doing so can we ensure that Hong Kong's financial position is healthy and the requirements concerning public finance laid down in the Basic Law are observed. I so submit. Thank you, Madam President.

**MR TAM YIU-CHUNG** (in Cantonese): Madam President, the Financial Secretary stressed that "promoting stability and development has been the theme of this year's Budget". However, as evident in the contents of the Budget, stability is obviously of primary importance and development only takes up a secondary position. As to how to promote further development of our society and economy, the Budget has not outlined any blueprint for it.

With respect to promoting employment, the Government has in fact nothing new to offer. The fact that there has been growth in job opportunities is due to the results of a number of policies adopted over the past years on promoting tourism. The Financial Secretary stressed again in the Budget that the most effective way of tackling unemployment is by encouraging economic development. However, despite the high annual economic growth of 8.1% for 2004 which was significantly higher than the average rate of 4.8% over the past 20 years, it is expected that the economy will only put up a 4.5% to 5.5% growth this year. It is estimated that this growth rate will not push the jobless rate down by any considerable extent.

Last night I went to a public housing estate in Tin Shui Wai North and held a meeting with the residents. Many residents said to me that though it seemed the economy had picked up and business looked good in some places in Hong Kong, the grassroots had not stood to benefit much. They had to bear with problems like difficulties in finding jobs, the lack of community facilities, acute shortage of health care services and high transportation expenses, and so on. All these problems have not shown any marked improvement for the few years past.

As an important tool in governance, the Budget should make use of various fiscal means to achieve the goal of improving the people's living and promoting harmony in society. Therefore, apart from insisting on developing the four pillars of our economy, the Budget should also commit a greater input of financial resources to fostering community co-operation and improving transport infrastructure, in order to promote employment among the grassroots and make the people live a better life.

*Promoting harmony at the community level*

The Financial Secretary said that fiscal balance may be achieved one year ahead of schedule and in view of this optimistic outlook in public finance, the

DAB urges the Government once again to enhance the leisure, cultural and health care facilities in new towns like Tin Shui Wai and Tung Chung, as well as community support services there.

Tin Shui Wai is a predominantly grass-roots community and its population has grown in recent years to more than 260 000. In just a matter of four years, eight public and private housing estates have mushroomed in the northern part of the district. But matching community services and facilities lag far behind this drastic growth in population. There are no basic community facilities like community halls, football pitches and parks. The Tin Shui Wai hospital which the residents there have strived for over 10 years to build remains an uncertainty. In the northern part of Tin Shui Wai, there are many families of new arrivals to Hong Kong and those earning a low income. The rate of recipients of CSSA tops the average throughout Hong Kong. As the residents face tough problems in household finance, social adaptation and those related to the growing up of their children, they feel particularly hard pressed in life.

The Commission on Poverty chaired by the Financial Secretary seems to have attached great importance to the conditions in Tin Shui Wai and the district was picked as the first district for a visit by its members. But seen from this year's Budget, in all such areas as health care, welfare, home affairs or labour, there is nothing done by the Government to increase its financial commitment to meet the needs in these areas. We hope that the Government will enhance resources for community services in new towns like Tin Shui Wai and Tung Chung and build leisure and sports facilities like parks and community halls there. These will foster harmony in these communities.

*Creating employment and spurring the growth of local community economy*

Apart from benefiting those more labour-intensive industries like the tourist industry, the present economic recovery cannot make any direct contribution to the growth in job vacancies. It is likely that Hong Kong cannot rely on growth in the economy alone to solve its unemployment problem. There is a need for the Government to make more policy commitments. However, as evident in the Budget, the Government is rather passive in terms of policies aiming at creating employment. The Government should not just rely on the DIY tours and CEPA to boost employment, it should take the initiative to create more hot spots for jobs. All along the DAB has been urging for the

implementation of the plan to set up a new economic zone at the borders, making use of CEPA and launch preferential measures to attract the returnee enterprises and boost the development of the environmental protection industry. All these will hopefully make the grass-roots workers find it easier to land jobs.

Drastic changes in the economic structure have marginalized a lot of grass-roots workers who have found it hard to re-enter the mainstream economic system. Apart from offering retraining programmes, the Government should also create more outlets for these people. One of the ways is to develop a local community economy and make use of special features in the districts to promote community employment programmes. During the past few years, there has been some practical work done in many districts to develop a local community economy, for example, the Hong Kong Federation of Trade Unions organized the Dragon Market in Wong Tai Sin. The Government should learn from these valuable examples and devise a suitable way to increase the job opportunities available to the grass-roots workers near their homes. This will hopefully contribute to community efforts in aiding the poor.

*Improving transport services, increasing job opportunities and promoting inter-district mobility*

In the future, a number of major cross-boundary traffic corridors will be completed in New Territories West, but the matching domestic transport facilities do not meet the surge in demand. After the commissioning of the Hong Kong-Shenzhen Western Corridor next year, the daily traffic throughput would be about 10 000 vehicles. The number will grow to more than 20 000 vehicles daily in 2009. However, the improvement works for the Tuen Mun Road will only commence at the end of next year and it will be completed in 2011. The construction of the Easterly Link Road which is intended to divert traffic to Route 3 is still not yet finalized. In future, a great number of container trucks and cross-boundary coaches carrying tourists to Hong Kong Disneyland will flock into the Tuen Mun Road. However, the widening works of the highway have not commenced promptly, it is feared that acute traffic jams will occur.

On the other hand, while the construction of the Hong Kong-Zhuhai-Macao Bridge will soon be launched, the local transport links are still at their planning stages and can only be completed by 2011 or later. This time lag will produce a lot of bottlenecks in traffic in Hong Kong, thus affecting the pace of our economic growth. The estimate for the capital works

programme this year is \$22.2 billion, of which highways take up \$7 billion. The scale of this category of infrastructure investment is not substantial. At this time when the financial position of the Government is robust, more investment should be made on infrastructure to provide the matching facilities and boost employment.

Another social benefit of building more roads is to facilitate mobility among districts and hence help the grassroots to find jobs. Take the example of domestic helpers, there are many opportunities for such jobs in the Golden Coast area, but people need more than an hour to travel from the nearby Yuen Long and Tin Shui Wai areas to go there. A round trip would mean three hours or more in travelling and the domestic helper can only earn a wage for three hours. Such clashes and problems in time would make many people lose the incentive to work. Apart from helping the grassroots to find jobs, the Government should try reducing the difficulties they face by doing something to reduce the transportation expenses and improve the transport links.

*Creating a stable working environment for non-civil service contract staff*

A stable Civil Service is a major factor which will ensure effective governance and delivery of public services by the SAR Government. Therefore, the rights of civil servants and staff of outsourced government services should be fair and reasonable and they should be given full protection.

The Budget stresses that continuing efforts must be made to bring public expenditure down and that the civil service establishment should be rigorously controlled. During the past few years, the Government has been using the "financial envelope" approach to stringently control spending in the departments. The departments have to reduce their establishment on the one hand and meet the ever-increasing service needs on the other. So it is common to see more contract employment and outsourcing of services. Some drawbacks are thus produced. These include the lower pay which workers of outsourced government services get. The problem was solved until last year when a minimum wage for non-skilled workers for outsourced government services was imposed.

Conflicts arising from the contract and outsourcing system are cropping up all the time. The salary and benefits between contract workers or staff of outsourced services and civil servants on pensionable terms differ greatly. When contract staff becomes *de facto* permanent, it is common to notice the

situation of equal work but different pay existing between civil servants and contract staff. Many trade unions say that staff on contract terms lack job security and promotion prospects. Consequently, they lack a sense of belonging. Therefore, a review should be conducted of the related schemes for non-civil service contract staff to adjust their benefits and change the positions to permanent ones as when necessary. A responsible Financial Secretary should consider the issue of whether or not the contracting out or outsourcing of public services should become a long-term fiscal measure and how equal work but unequal pay will not develop into labour disputes. The history of labour disputes between civil servants and the Government in the 1980s serves as a reminder to us that when problems do not receive enough attention and if they are not solved soon, they will only pile up and deteriorate. The eventual impact will only be greater. We understand that the Government is facing a deficit problem and it is trying hard to cut expenditure, but equally important is the question of how a stable Civil Service and efficiency in the delivery of public services can be maintained. This must not be overlooked too.

I so submit. Thank you, Madam President.

**DR FERNANDO CHEUNG** (in Cantonese): Madam President, the last policy address of Mr TUNG Chee-hwa, the former Chief Executive, responded to public concern, emphasizing that one of the Government's major tasks in the future is to combat poverty. This gives us an impression that the Government of the Special Administrative Region (SAR) has implemented some benevolent measures. Unfortunately, the Budget has betrayed the Government's thinking, showing that it seems to lack sincerity in combating poverty. It is disappointing.

Let us look at the Head Start Programme first. The Programme is the Government's major scheme in eliminating poverty. There is a paragraph in the policy address describing how to help the poor children aged zero to five years. But in the Budget, only \$6.9 million has been earmarked for the introduction of the pilot scheme in four communities. More surprisingly, the major share of the funds will be allocated to the Department of Health and the Hospital Authority for hiring paediatricians and psychiatric and obstetric nurses. The aim of the Programme is to ensure early identification of the needs of children. But we cannot help but ask a question: Why do the authorities employ those doctors and nurses, instead of employing social workers or similar staff

who can help promote the work of alleviating poverty to work in some education and health care centres such as the maternal and child health centres or kindergartens? Why should additional health care staff be employed?

We are talking about the 260 000 children from low-income families. Can this Programme, together with 800-odd additional after-school care service places and an additional provision of \$75 million for organizing extra-curricular activities by schools meet the development needs of these 260 000 children from low-income families? This is doubtful. We can see that the Government, without careful consideration, has introduced such careless policies rashly, thinking that it can pacify the people for the time being.

In fact, from the beginning to the end, the Government seems to have ignored some social and institutional factors which have led to the disparity between the rich and the poor. It has just simplified the causes of poverty as low individual ability or personal misfortune. Or it simply said that poverty could be eradicated by enhancing education and vocational training and promoting economic development. However, the Budget has repeatedly emphasized the importance of enhancing Hong Kong's position as an international financial centre, logistics development and promoting asset management. The Government's mindset seems to indicate that it has never made any effort at institutional and structural levels. The disparity between the rich and the poor will become more serious when our economy becomes more developed.

The most obvious example lies in the Government's written reply to a Member's question on the Budget which indicates *inter alia* that the Expert Panel on Financial Security in Old Age under the Central Policy Unit has no intention to include a universal retirement protection scheme in its scope of study. I am very disappointed at this. As we all know, the existing Mandatory Provident Fund schemes are most unfavourable to the low-income people, not to mention protection. Even though the Government may make a lot of efforts in vitalizing the economy in order to create employment opportunities for the grassroots, they cannot enjoy a dignified retirement life because they do not have the protection of minimum wage and universal retirement protection. At the same time, the Government has continuously reduced allowances under the Comprehensive Social Security Assistance (CSSA) Scheme. Under such circumstances, the grass-roots people will have no way out. They will be living in the abyss of poverty when they become old. As we can see, one third of the elderly

population are living in poverty. If the Government has the sincerity to eradicate poverty, why does it not consider the people's suggestion of introducing a universal retirement protection scheme?

It is even more ridiculous that while the Government tries to eradicate poverty on the one hand, it is introducing measures that will widen the disparity between the rich and the poor on the other. The two approaches are totally contradictory. Among various policies, the Government has adopted the outsourcing practice. Our colleagues have just mentioned that such outsourcing policies have continuously dragged the wages down. In order to broaden the tax base, the Financial Secretary is not willing to give up the study on a goods and services tax. Everyone is equal before this tax because a billionaire will pay the same tax rate as a poor person. So, for the same kind of food, the tax payable by the rich is only a small fraction of their income, but it will be a heavy burden for the poor. In other words, if such a policy is adopted, the result is the same no matter what remedy is made: Polarization in society will become more obvious.

The Financial Secretary has also proposed to abolish the estate duty because this will promote the asset management business in Hong Kong and render Hong Kong more competitive as an international financial centre. However, I am not sure whether the SAR Government, which claims to adopt the *laissez-faire* policy, knows that some so-called classic liberalists, including James BUCHANAN, a famous American conservative economist, are much in favour of estate duty because they consider that the heir of an estate profits from other people's toil, thus violating the principle of self-reliance and more pay for more work. Besides, an estate can also create unfair competition among the younger generations: the person who has inherited a large estate is obviously standing at a different starting point. However, equal opportunity of development is the premise of liberalism.

The abolition of estate duty is actually inconsistent with the Government's policy of reducing intergenerational poverty and providing equal opportunities to the poor children. Poverty is due to an unfair system and an unfair starting point. To abolish the estate duty is in principle equivalent to giving up the effort in tackling intergenerational poverty and intergenerational wealth. Furthermore, estate duty can generate a revenue of \$1.5 billion every year. Now the Government says that it lacks funds to provide benefits. But it does not blink its eyes when proposing the abolition of the estate duty.

These policies, which are full of insistencies, have clearly indicated that the Government seems to lack a consistent sense of value. As government policies are all formulated from the perspective of technical rationalism and pragmatism, it is hardly convincing that the Government can really do a good job of eradicating poverty.

In Mr TUNG Chee-hwa's policy address, there are remarks praising the social workers: "Social workers have made many contributions to foster a harmonious community in Hong Kong." and "The Government and the social work sector share the same goal to alleviate poverty and provide other welfare services." He has also pledged that the total resources allocated for social welfare will be increased. In 2005-06, the provision for the Social Welfare Department (SWD) is about \$1.3 billion, representing an increase of almost 4% in comparison with 2004-05. Among these funds, \$1.1 billion will be spent on CSSA, old age allowance and disability allowance. These additional resources are directly related to population growth and ageing population rather than being used on social services direct. As regards new resources for social services, it only amounts to \$138 million, which will mainly be spent on elderly and rehabilitation services. In detail, the funds will be used for reducing the long waiting time for some institutional care services such as the residential services for the elderly and rehabilitation centre services.

Some people may say, "Even though the Government is in deficit, more resources have been given to social services, what more can you social workers ask for?" However, please note that all subvented organizations have to bear a cut of 1% in expenditure, apart from service rationalization. The expenditure to be cut under the broad-brush approach is about \$60 million, while the amount to be cut under service rationalization is similar. By adding these two together, we can see that there will be a reduction of more than 2%. Under such circumstances, how can the Government ensure that the existing services will not be affected? Furthermore, the accumulated reduction for subvented social service organizations is more than \$800 million in recent years. A further reduction can be said to be "cutting the bones". In the past decade, the number of low-income elderly has increased by 90%, the number of unemployed has increased by three times and the number of battered spouse cases has increased by two times. More social services are required by the people. But the Government sticks to its stand of cutting the funding year after year. To say that the Government and the social work sector share the same goal is merely empty talk.

Besides, I have also noticed that the resources for family service have also continued to be reduced. Such measure actually contradicts the policy of alleviating poverty because family service agencies have to provide assistance to poor families such as single-parent families and new arrival families, and to tackle other family problems arising from poverty. The SWD has in recent years stepped up efforts in promoting integrated family service, meaning that different types of family service are provided by the Integrated Family Service Centres. Integration of services is not a bad thing. But the agencies concerned have to accept all kinds of cases. This is not important, but the resources allocated to them are inadequate. For, at the same time, the SWD has stopped to provide some related family services by closing a number of single-parent centres and resources centres for the new arrivals. Their work has to be taken up by the Integrated Family Service Centres run by subvented agencies in the same district. So their workload has become very great. Under such circumstances, the underprivileged will still suffer most.

If the Government is really sincere in helping the poor, more resources should be provided for this purpose in the policy address and policies which will cause adverse impact on the underprivileged should not be introduced. Unfortunately, many underprivileged groups will face an increase in medical charges. With the introduction of the Central Drug List, people have to pay a higher fee for medicines. Many poor people and youngsters living in remote areas have to face higher transport expenses when seeking employment in other districts. The disabled cannot take part in social activities also because of high transport expenses and insufficient Rehabus service or public transport facilities. The social service sector will continue to see that the poor and the needy are adversely affected because contracts are awarded to the lowest bidders when projects are subcontracted.

I sincerely hope that the Government will understand that the principle of public finance is not just subtraction and addition. Instead, it has to adhere to its ideals of governance. In this Budget, however, I cannot see any sense of value which is "people-based". The Government needs to step up its efforts in this aspect.

Besides, we cannot just talk about economic growth without mentioning distribution. When our economy prospers, we have to examine how best various strata of society can be assured of being able to enjoy the fruit of economic growth. This is most important. Finally, I hope the Government

can pledge that social service resources exclusively allocated to the underprivileged will not be cut and it is sincere in promoting the work in alleviating poverty and enhancing social welfare so that it becomes a partner of the social welfare sector.

Madam President, I so submit.

**MS LI FUNG-YING** (in Cantonese): Madam President, the Budget published by the Financial Secretary this year has not elicited a great deal of discussion in society, and one of the reasons is that there is nothing novel in this Budget. The Financial Secretary made it known from the outset that this Budget was prepared with social stability and economic development as the keynote. However, when preparing the Budget, any responsible government will not deviate from this keynote. The question is: What do we understand social stability and economic development? In this case, what is the keynote of this Budget? I believe the keynote of this Budget is to wait: to wait for economic development to lift Hong Kong up, including to further strengthen the measures to eliminate the fiscal deficit; to wait for the Budget to yield a surplus, to wait for improvements in the external economy and for the further integration of the mainland and Hong Kong economies to drive economic development in Hong Kong.

Will a buoyant economy uplift everything else and will an economic upturn translate into benefits for society? There is no simple answer. If this boat called Hong Kong is riddled with defects, then a rising tide will bring many dangers. If the benefits of economic growth are concentrated in the hands of a small number of consortia, it will also be difficult for society to find stability. After 1997, the financial turmoil occurred, the economic bubble burst and waves after waves in the form of the avian flu and the SARS epidemic battered us, and all strata of society have paid a price. Among them, the wage-earning class, in particular, workers at the lowest strata had borne the brunt of the impact and the unemployment rate kept rising, wages kept falling and the working hours got longer and longer. Members are already well briefed of the relevant figures and I do not have to elaborate further. At that time, the Government also put forward the reasoning that a buoyant economy would uplift everything and a good economy would translate into benefits for society, in an attempt to deflect the demands of the labour sector and society for unemployment protection, minimum wages, maximum working hours, and so on. The message of the Government was very clear: all of us should tighten our belts, put the economy

on the right track and the problems would then disappear. However, is this the reality?

According to the latest unemployment figures released by the Census and Statistics Department, the unemployment rate for the period January to March 2005 was 6.1% and over 210 000 persons were unemployed, however, that was already the lowest rate in 40 months. In the fourth quarter of 2004, over 170 000 persons in the working population earned less than \$3,000 monthly, the lowest in recent years. The average wage has even dropped 1.7% when compared to that in 2003. A survey conducted by the Hong Kong Institute of Human Resource Management in August last year shows that the working hours of employees in Hong Kong are ever increasing and they have to work overtime for 13 hours per week. Given these figures and since the Financial Secretary emphasizes in the Budget actively promoting economic growth, I cannot help but ask, "Who will benefit from economic growth?" I stress that I do subscribe to the Financial Secretary's commet that it is necessary to take measures to promote economic growth in Hong Kong, however, at the same time, it is also the duty of the Financial Secretary to take measures to enable different strata of society to share the fruits of economic growth.

I am disappointed by the failure of the Budget to put forward measures to enable different strata in society to share the fruits of economic growth. Since the economy is on the upturn, the Financial Secretary should simply adhere to the extraordinary measures designed to eliminate the fiscal deficit as formulated by his predecessor, rather than going one step further. What I mean is that the Budget this year has scrapped the predetermined operating expenditure of \$210.6 billion for 2005-06, and made a further decrease, thus slashing it further to \$208 billion.

The operating expenditure for 2004-05 will be reduced to \$201.2 billion. The goal that should otherwise be achieved in 2008-09 has nearly been accomplished. From the angle of saving resources, such a result is a cause for celebration. However, this outcome has been achieved because the team of civil servants, and even various strata in society, in particular, members of the public at the lowest strata, have paid heavy costs. These "costs" include the introduction of non-civil service contract staff, instances of same work but unequal pay in the legion of civil servants, diverse types of departure or retirement schemes which were labelled as voluntary but in which various kinds of pressure were actually applied, as well as the outsourcing of government

services, which has led to significant decreases in the wages for workers. However, the charges paid by members of the public for the services they use keep increasing. One example is the adult evening education courses, which was discussed by the Panel on Education at the beginning of this month and the exorbitant tuition fees for associate-degree programmes and Project Yi Jin programmes are already well known.

After the Financial Secretary has achieved the targets ahead of schedule, not only has he failed to heal the wounds inflicted as a result of the costs paid for this end and enable the public to recuperate, quite the contrary, he has proposed an even more stringent target. I cannot approve of this. In the Budget, the Financial Secretary stressed that it is necessary to maintain financial discipline. What does financial discipline mean? If being prodigal is at odds with financial discipline, then is going even further in being frugal with the operating expenditure, so as to achieve the target earlier also at odds with financial discipline? I do not approve of any prodigality on the part of the Administration but I also oppose unreasonable thriftiness. The operating expenditure is the expenditure required in maintaining the day-to-day operation of the Government and in providing the necessary services. Not only will making savings in this area affect the stability of the Civil Service, it will also have a close bearing on the life of the public. If the Financial Secretary sticks to the original target on the estimate of operating expenditure and sets it at \$201.6 billion, various government departments will have an extra \$2.6 billion to alleviate the pressure and improve their services.

Madam President, I am very concerned about the employment situation of employees. In recent years, when the annual policy address and the Budget were published, I would always exert my utmost and call on the Government to at least renew some of the temporary posts and stick to the original operating expenditure, so that various Policy Bureaux could consider making improvements to their services and apply greater flexibility in creating new posts. Take government services as an example, in the Budget this year, the Gynaecological Screening Programme offered by the Department of Health to women will only provide service to 100 000 women and this figure only covers one fourth of the women in the target group. Were it not for the further compression of the operating expenditure, I believe the department concerned would have had the opportunity to enable more women to benefit from the scheme.

The service objectives proposed by the Government are now at great odds with the actual situation in Hong Kong. The two are now thousands of miles apart. The population in Hong Kong is ageing but the expenditure on elderly care has been reduced year after year. There are innumerable examples of this kind in the Budget and I really cannot see any justification for the Financial Secretary to go any further in compressing the operating expenditure in order to attain the target earlier. I believe this is also at odds with financial discipline.

In January this year, the former Chief Executive, Mr TUNG Chee-hwa, announced that the Financial Secretary was tasked with establishing the Commission on Poverty. I was also invited by the Financial Secretary to serve as its member. I cannot agree with the arbitrary statement made by the Financial Secretary in the Budget concerning how to help the poor, that is, helping the poor does not mean dishing out largesse and providing financial assistance is not the best way to lift people out of poverty. This is an attempt to justify the decision not to provide resources to the Commission on Poverty. Providing financial assistance is indeed not the best way to lift people out of poverty, however, this does not mean that it is not necessary to provide financial assistance. When the Legislative Council held a debate on its expectations on the Commission on Poverty last month, I already expressed my view that the work on helping the poor has to be taken forward in two directions: one of them is to address the urgent needs of people in poverty, the other is to understand the causes of poverty so that improvements can be made to social policies.

Madam President, last week, the Commission on Poverty held its second meeting and had an initial discussion on 30 indicators of poverty. If the Chairman of the Commission on Poverty believes that financial assistance is not the best way to lift people out of poverty and therefore refuses to offer any financial assistance to people defined by these indicators as poor, I consider this most absurd. At a time when the Government has attained the target of eliminating the fiscal deficit earlier than envisaged, the Financial Secretary, who is also the Chairman of the Commission on Poverty, wants to further tighten the purse-strings and the absurdity of such a move is all the more obvious.

Madam President, I so submit.

**MR JASPER TSANG** (in Cantonese): Madam President, the Secretary for Home Affairs and the Secretary for Commerce, Industry and Technology have been sitting there for a long time, so I think I should talk about some issues which are related to them although there is nothing new.

Mr TAM Yiu-chung of the DAB commented earlier on the situations in Tin Shui Wai and Tung Chung. Obviously he has pointed out that there is a lack of cultural and recreational facilities in those newly developed areas. However, I would like to point out the imbalanced provision of such facilities in some older urban districts such as Kowloon City, Yau Tsim Mong, and Sham Shui Po. I would not say that there is a serious shortage of such facilities in those areas because there are superb gymnasiums, heated swimming pools and parks with very beautiful scenery where exotic flowers and rare herbs are grown and beautiful pavilions and pagodas are built. Residents afar are attracted to visit them. However, in some areas of these districts, particular in the vicinity of the older streets where residents are relatively poorer, the demand for public facilities is indeed much greater. The facilities in parks there are much inferior and outdated. I have seen some park benches fallen into a state of disrepair for a long time, in addition to some phenomena which can hardly be explained.

In recent years, the Government has implemented some very good measures, and that is, to provide facilities for the elderly to do exercise in some morning walkers' venues. But some of these facilities have fallen into disrepair. For instance, there is a very big park in Yau Tsim Mong in which some facilities for the elderly have fallen into disrepair, fenced up by the management for a couple of months. I do not know what it means.

I would like to take this opportunity to mention one thing. In this particular park, there is a large patch of potted plants which are looked after by a volunteer gardener who is actually a morning walker. Every morning he will show up for morning exercise with a nozzle. After the exercise, he will put the nozzle onto a hose provided in the park and water the plants. The kaifong appreciate him very much because the plants would have demised if not because of his care. Plants on another side of the park which lack attention have all withered. This is very strange because the park attendants will look on all the while without doing anything at all.

Last week, I saw that some facilities had been damaged. Instead of doing repair, the authorities just moved them away. One of them, which may be a tread mill for I have no idea of what it is, is not removed possibly because of its weight. The kaifong told me that the equipment had been there for half a year. It is most ironical that there is a very big notice next to it advising people to dial a certain telephone number should there be any damage. I do not know whether people there are all illiterate and therefore do not know how to make complaint or whether nothing has been done over the past six months even though complaints have been made. So, when it comes to leisure facilities, there is a need to catch up with the increasing population not only in the newly developed areas but also in the older ones. I am surprised by such phenomena.

More examples can be cited if I want to. For instance, many morning walkers are fond of going to the top of service reservoirs because the air is the freshest, the trees are the most abundant and the scenery is the most beautiful there. In theory, those places are opened for public access as it has been fenced up with mesh wire. But the morning walkers who have been frequenting there for one or two decades, have pryed open the mesh wire. Every morning, they would tread on some rugged paths in order to go there for morning exercise. When complaints are received, the Government will say that the place is not open to the public. But the mesh wire is not repaired for fear of causing anger. So, the elderly continue to go to the top of the service reservoirs through the dangerous path. Some senior citizens have even fallen and accidents occurred. They go there for morning exercise every day because it is the most pleasant place where they can enjoy fresh air, sunshine and green trees. Can an efficient Government which emphasizes "people-based" governance tolerate such a situation? This is the first point.

Turning to information technology (IT), I would like to talk about the utilization of IT in our day-to-day transactions. In the Budget speech this year, the Financial Secretary made this particular point. Under the title of "Reinforcing our Strengths: Improving our Business Environment", he said that the Government would continue to drive its e-government programme. The purpose is to enhance the Government's service quality and efficiency and also to promote the adoption of e-business in the private sector. In fact, in Hong Kong, as we all know, 70% of the households have computers and 65% have access to Internet service. If the IT penetration rate is used as an index, we have caught up with South Korea, Japan and Singapore as we are at the forefront in utilizing IT. In many developed countries such as the United States and European

countries, the penetration rate may not be as high as ours. In other words, the percentage of people using IT by means of computers and Internet service is higher in Hong Kong.

Let us take a look at the promotion of e-government by the Government. Are we happy with it? According to information provided by the Government, about 20% of the households in Hong Kong make use of e-Government, and they mostly browse government websites in search of information. For instance, I searched some time ago for the telephone number of a Bureau Secretary from the government homepage for I had lost it. The utilization rate of e-government to conduct daily transactions such as booking of venues, filing of tax returns and applying for public examinations, is only a single-digit figure, or only a few percentage points. Does this tally with the Government's target of enhancing service quality by promoting e-government?

Regarding the promotion of e-certificate, in response to my question on the number of e-certificates issued by the Hong Kong Post Office at the special meeting of the Finance Committee, the official concerned replied that the utilization rate of e-certificates by holders of smart identity cards in Hong Kong was 27%. I do not know how this 27% was calculated. According to my estimation, among those who have applied for smart identity cards, about 27% have accepted the one-year free e-certificate service offered by the Hong Kong Post Office. I know that free e-certificate service will be promoted to the applicants for smart identity cards. The processing fee seems to be \$10. Maybe the people are willing to apply for it. But after having applied for it, will they use it? I have asked many people, but no one, including myself, said that they had used it although they had got the certificate. In any rate, the percentage is only 27%. Some people, at being informed of such free service, do not accept it at all. Does it mean that the rejection rate is 73%? So, this cannot prove that 27% of the smart identity card holders have utilized such service. I hope the Government can clarify it later if my interpretation is wrong.

The number of e-certificates issued by the Hong Kong Post Office will be very small if one-year free service is not provided to applicants of smart identity cards. What is the reason? It proves that people seldom conduct e-business, no matter if it is purchase of goods on the Internet or other transactions, including e-Government service.

The situation in the business sector is the same. According to figures released by the Government, over 50% of the enterprises in Hong Kong, including the small and medium enterprises, have computers and 50% have utilized Internet service. However, the annual proceeds from e-business are so small that they account for less than 1% of the total business volume of these enterprises. Compared with other countries with the same IT infrastructure as Hong Kong, our percentage is very low. Some said that the utilization rate of e-government in some developed countries is also very low because the situations of different places are unique to themselves. I would like to know, according to the Government's assessment, whether Hong Kong's situation is particularly not conducive to e-transactions. If so, how can the Government continue to promote the development of e-government and e-transactions? Are we in the right direction? Are the resources devoted to this purpose value for money? These are really food for thought.

Madam President, every day we watch the Financial Secretary on the television telling the public about the theme of this year's Budget, and that is, to stabilize the community, to promote economic development and employment. If the subject of e-business I have just talked about is related to the promotion of economic and trade development, then the next subject I am going to discuss certainly bears a direct relation to stabilizing the community and promoting employment.

The subject that I am going to turn to is related to the employment problem of the ethnic minorities in Hong Kong. This is also the point I made at the special meeting of the Finance Committee. Thanks to the officials of the Labour Department (LD), some information was made available to us that gave us a more accurate understanding of the situation. The information we have about the ethnic minorities, including data concerning ethnic minorities from South Asian countries who are leading a very hard life in Hong Kong, is the findings of a survey conducted by the Home Affairs Bureau in 2000, which is the latest. In our impression, the number of ethnic minorities from South Asian countries whom we have made contact with in the communities during the past few years, in particular, those at the grass-roots level, has increased dramatically. They are really caught in a serious inter-generational poverty problem. Owing to various reasons, in particular, the language barrier, it is particularly difficult for the adults to find a job. And it is also difficult for their children to receive higher education in Hong Kong. So, I think this is a very serious and inherent social problem because their number is increasing. In fact, due to cultural and

other problems, their lives are very deprived and there is resentment among them. Moreover, they have to face the inter-generational poverty problem. I think the Government should pay special attention to them.

Regarding their employment problem, we have tried to understand the situation from the LD which has put in a lot of efforts. For instance, the Youth Pre-employment Training Programme and the Youth Work Experience and Training Scheme are particularly introduced for non-Chinese ethnic minorities, or youngsters and adults who do not know the Chinese Language. However, there are three "lows" in these programmes: low application rate, low attendance rate and low passing rate even after attendance. There are places, but the number of applicants is very small. Those who have applied do not attend the courses or dropped out before completion. So, these programmes basically cannot help them. What are the reasons? There is an employment centre in the LD which will hold briefings which will provide employment service to the ethnic minorities. However, six or seven out of 10 of such briefings attracted no attendance. The attendance is zero. For the remaining three or four briefings, the attendance was just two or three people. But nobody knows the number of users of these services after that. The LD has put in resources and efforts, but the effect is minimal. Should the Government not conduct a serious review of how best to ensure that these services can reach the target recipients? I think this is a very serious problem.

Finally, I would like to emphasize the point made by Mr CHAN Kam-lam who has spoken on behalf of the DAB. We hope to expedite urban rejuvenation. But first of all we have to expedite urban renewal. As the property market has turned for the better, I think the Government should adopt a more aggressive approach because this will also be an important means to promote employment.

**MRS SOPHIE LEUNG** (in Cantonese): Madam President, I very much share Mr Jasper TSANG's views on e-Cert, and I think such views should merit our careful consideration. Hong Kong now gives people an impression of being a city with a liking for formalism. I of course do not think that the Government should be held responsible for changing such a trend. But if Hong Kong is to achieve all-round progress, everybody must strive to eradicate such formalism.

Madam President, some Members are of the view that the overall approach of the Budget this year is prudent. But I think whether this is true actually depends entirely on which perspective is adopted. We in the textiles and garment industries will look at the Budget as the first budget since the global abolition of quota systems on 1 January 2005. But, very unfortunately, the Budget fails to offer any appropriate assistance measures to these industries, which earn \$70 billion in foreign exchange for Hong Kong every year. Therefore, people in the industries generally feel extremely helpless when faced with the severe challenges in the post-quota era.

The post-quota era is a new era, in which the textiles and garment industries all over the world have to face unprecedented challenges. Regarding China as the greatest beneficiary, all major countries affected by the abolition, such as the United States, the European Union countries, Argentina, India and Thailand, have put in place various policies to protect themselves, some common examples being special protectionist measures and anti-dumping restrictions. All countries are trying either to enhance their competitiveness in the world market or to protect their local textiles and garment industries.

The industries feel rather helpless in the face of all these country-specific measures of international trade. They also think that the Government has adopted a wait-and-see policy instead of taking any concrete actions. The plans of European and American countries to enact anti-dumping laws against China are an example. Yesterday, Secretary John TSANG was quoted by the radio as saying that anti-dumping laws would not have any significant impact on Hong Kong manufacturers with production plants in Hong Kong. He is further quoted by the morning papers of today as saying that since the actions of European and American countries are targeted on mainland textile products instead of Hong Kong ones, no measures will be implemented to assist Hong Kong manufacturers at the moment. There is nothing wrong with the Secretary's responses and he is just stating the facts, but what he has said has already caused great reverberations in the local industries, especially among small and medium enterprises, thus deepening their feeling of being neglected by the Government (as evidenced by the many phone calls I have received today). I hope that the Government can assist the industries in gaining quicker access to more comprehensive information on international commerce and trade, treat the industries as its strategic partner and establish a basis of mutual trust and co-operation. I must say that there is always a limit to what I can do as a representative of the sector. Some in the sector have said to me in a fit of

anger, "Mrs LEUNG, you do not need to do too much. You just have to scold the Government direct like other Members do. That way, the Government will do a bit more." However, Madam President, this is something I cannot do.

We must realize that in the hope that other countries will not introduce discriminatory measures against it, China has in recent months implemented a series of self-regulatory measures, such as the introduction of an export duty and a system of export permits. These measures have produced impacts on the production processes carried out by Hong Kong manufacturers in the Mainland, leading to rising costs, delays in delivery, and so on. The competitiveness of Hong Kong-made garments, especially upmarket garments, has thus been weakened in the world market.

On the other hand, once the export volume of China is restricted by European and American countries for anti-surge reasons, it will be impossible to export China-made goods from the Mainland in large quantities. This will present an opportunity to us, in the sense that China may have to shift the excess production orders to Hong Kong, because Hong Kong enjoys the advantage of being subject to no restriction on export volume and goods can be exported as Hong Kong-made products. But then, there must be enough plants and production lines in Hong Kong, and it must be able to mobilize enough workers within a short time, so as to provide the required production flexibility.

We can hence see that the impacts suffered by China in the post-quota era will in fact pose both crises and opportunities to Hong Kong. I am of the view that, in order to overcome the challenges, the two recommendations advocated by the sector over the years must be reconsidered in mapping out the utilization of public resources in the coming year.

First, a boundary industrial zone must be established as soon as possible. It can be set up anywhere in the boundary areas of Hong Kong and Shenzhen, and much can be learnt from Macao and Zhuhai, which still managed to do a good job despite the small size of their boundary industrial zone. Manufacturing plants situated inside the industrial zone should be allowed to take on mainland workers, and a favourable business environment should be created to encourage interested manufacturers to establish or retain their production lines in Hong Kong. Furthermore, the industrial zone should also serve as a platform of nurturing high value-added manufacturing industries. Over the past few years, I have repeatedly raised this request of the sector in the relevant panel and

the meetings of the Legislative Council, so I am not going to waste any more of Members' time now. Actually, the various political parties and factions are all claiming that this is an idea they have been advocating for years. I am very happy that so many people would now like to pursue this matter. So, let us keep up our efforts.

The only thing I must emphasize is that this proposal is now supported by many other industries in the manufacturing sector such as those making toys, watches and jewellery and other emerging industries like logistics and food-processing. I think this is largely due to the widespread realization of Hong Kong's declining competitiveness. Everybody now realizes that the infrastructure and other facilities of Hong Kong are no longer capable of coping with the needs of rapid economic development. As a result, they all want to build up a new advantage by developing various resources.

The second proposal is about the establishment of a fashion and design centre in Cheung Sha Wan as a means of accelerating the strategic development of fashion design into a high value-added industry. This is a request of the industry. Ever since the policy address of 1998 put forward the idea of developing Hong Kong into a world-class fashion centre, the industry has submitted several detailed proposals to the Government. But there has been no concrete progress so far.

The Budget this year mentions the establishment of a one-stop centre in Kowloon Tong. Although I do not object to the establishment of such a centre, I must nonetheless point out that it is a big mistake for anyone to ever think that the centre can be a substitute for what the textiles and garment industries have been asking for. The reason is that owing to the unique nature and mode of operation of the fashion industry, there will not be too much room for any synergy and complementary interaction between its design activities and those of other consumables. Besides, since their design processes are entirely different, I can almost assert that any clustering will not possibly help as a support service for manufacturing industries in moving up the value chain.

What can really help the industry is something similar to the Apparel Product Design & Development Centre for SMEs located in Kwai Chung. Being a miniature fashion design centre, it has succeeded in nurturing innovative fashion design concepts. If it can be expanded in scale and given one-stop support covering materials, fabrics, material sourcing, sample rooms and design

workshops; if manufacturers and suppliers of the various production segments can be assembled to provide the different materials enabling designers to translate their concepts into actual products; and, if there can be regular fashion shows to exhibit the creativity of Hong Kong fashion, then the centre will become a full-fledged fashion design centre. This will be useful in turning Hong Kong into a landmark of fashion design in the region. That way, overseas buyers and international fashion brand names will be attracted to Hong Kong, and world-class fashion designers will also come here for creativity exchanges, thus upgrading the local fashion design standards and helping us to amass experience and nurture talents. This is the only effective way of helping the industry move up the value chain.

I can still remember that when an association of SMEs and I worked together for the establishment of this centre three years ago, we managed to get a funding of some \$2 million from the Government and also the financial support of the industry. We hoped that with all this money, the centre could offer fee-charging services that could encourage more elements of design creativity in the manufacturing of apparel. Little could we imagine that just two years or so later, there is not only money left but also even several hundred thousand dollars for the work of promotion. There is even a surplus in other words. This shows the keen demand of the industry for design services. I really cannot understand why the Government has still failed to appreciate our aspiration for a fashion design centre. Actually, the centre has another achievement — making its students understand the needs of the industry and the requirements of fashion design in Hong Kong. This has enabled the students to achieve great progress and success in their studies. They are now much sought-after by the industry, much more popular than the students of a similar institution.

During my past negotiations with the Government, I advocated that the vacant factory buildings in Cheung Sha Wan should be renovated and converted into a fashion and design centre for the industry. My proposal is supported widely by the garment merchants in the area. Even now, whenever I go to the area, many people will still ask me when the proposal will be implemented. The findings of my questionnaire survey show that many shop operators have even started to question specifically when they can rent a unit in these factory buildings. I propose to select this area because a *de facto* fashion distribution centre has already emerged on its own in Sham Shui Po and Cheung Sha Wan, and many overseas and local buyers as well as individual consumers will engage in the purchasing, wholesaling and retailing of garments, fabrics and materials

over there on a regular basis. Therefore, the whole thing will be extremely easy, for a fashion purchasing centre is already readily available. That being the case, why should we still choose to rely on a largely irrelevant one-stop centre located in the deluxe residential area of Kowloon Tong, instead of capitalizing on the existing advantages?

At the meeting on the expenditure estimates last week, I learnt that the Home Affairs Bureau had taken over (or, maybe, was in the process of taking over) two industrial buildings in Cheung Sha Wan for the development of cultural and creative industries, including fashion design. I very much welcome this decision and hope that the Government can really do something concrete for the textiles and garment industries. If necessary, I will be more than happy to lead Members, government officials and all involved parties on a visit to Cheung Sha Wan. I will even treat everybody to a bowl of green bean porridge, of a recipe handed down through three generations. That way, everybody can feel for himself or herself the very unique and flourishing fashion culture and atmosphere in the area. Some of the buyers in Cheung Sha Wan come from Southeast Asia, and others may come from places as far away as North Africa. They all buy in bulk and pay in cash.

Madam President, the Budget should seek to achieve the long-term objective of fostering economic restructuring. It should also seek to resolve such problems as manpower mismatches and an imbalanced economic structure in Hong Kong.

Consequently, when it comes to resource allocation, the Government must refrain from paying sole attention to the new while forgetting all about the old. This means that it should not blindly pursue development of the still shaky new economy and neglect the consolidation of our traditional but still competitive industries. The Government must provide favourable conditions — Madam President, I am not referring to money; rather, I am saying that it must enable the traditional industries to upgrade and perfect themselves and ensure the adequacy of the various production ingredients necessary for their development, including a sufficient supply of manpower, so that the manufacturing industries can perpetuate and thrive. Most importantly, efforts must be made to sustain employment opportunities for the existing workforce of society, so as to prevent people from falling into unemployment yet again and enable more people to share the fruit of economic development. The growth of manufacturing industries will also push the development of other services in the new economy,

some examples being logistics, financial services and even tourism. I do not think that I have to dwell on the reasons. Besides, the development of manufacturing industries will also lead to capital movements, frequent capital movements, thus nurturing new industries and increasing the appeal of Hong Kong as a shopping paradise. In this way, we will be able to achieve the objectives of social stability and economic development set down in the Budget.

If the imbalance of our economic structure continues and the problem of manpower mismatches thus remains unresolved, more people will be plunged into unemployment and our welfare expenditure will continue to grow. The recipients of assistance will lose their dignity, and we will be forced to consider widening the tax base and introducing new taxes. In that case, the worst-hit will still be the middle-class people, who pay the bulk of the taxes but do not have any say and any welfare benefits. I am sure that the resultant social and class conflicts are the last things we would want to see. Madam President, at the meeting of the Panel on Commerce and Industry yesterday, the report of Government Economist KWOK Kwok-chuen was discussed. We shall follow up the relevant issues.

Therefore, even though the economy has started to grow again, I still hope that the Government can continue to control public expenditure and uphold the principle of "big market, small government", so that Hong Kong's unique feature, its simple and low taxation system, can be maintained. Specifically, the salaries tax should be restored in stages to the levels before the increases in 2002, so as to relieve the tax burden of the various social strata in Hong Kong, especially the middle classes.

Madam President, I very much agree with Mr Jasper TSANG that formalism is something not to be upheld. I also hope that in the next Budget, the Financial Secretary can introduce the concept of gender mainstreaming in his proposals, so as to cater for the needs of women in different policy areas. Thank you, Madam President.

**MR CHIM PUI-CHUNG** (in Cantonese): Madam President, to prepare a good Budget is not an easy task unless the Government is going to give away money. But even if the Government to gives away money, many people may still consider it not enough. So, the Financial Secretary or the Minister of Finance of any country cannot possibly please everybody.

The Financial Secretary of the Hong Kong Special Administrative Region (SAR) should not be solely responsible for any merits or demerits. I remember that sometime ago when a Financial Secretary was criticized by all quarters of the community, his wife came forth to defend him and said that the decisions were not made by her husband alone. So I strongly believe that this year's Budget, which is the Financial Secretary's second one in his term of office, was prepared with the support and assistance of other Principal Officials in the Executive Council and, in particular, Mr TUNG. Members of the Executive Council are collectively responsible for the government policies, no matter the policies are good or bad. And no one should be solely responsible for any mistakes or blunders while the others should reap any again.

Madam President, in respect of financial management, my view differs from the Financial Secretary's — of course, he is the Secretary — on one point. I have all along held the view that the Budget of Hong Kong has been in violation of Article 107 of the Basic Law since many years ago because it is provided in the Article that the expenditure should be kept within the limits of revenues. But in the Budget, we can only see how public money would be used but not how revenues would be obtained. Although I have a different view on this point, I am not deliberately making criticism. At the same time, my view is also different from the Financial Secretary's on another point, and that is, in respect of revenue from the property sector. We understand that revenue from the property sector has been an important sector through the years. If it is regarded as fortuitous or non-recurrent revenue, then there should be recurrent deficits in Hong Kong's Budget. So property is an inseparable asset of Hong Kong.

Madam President, I understand that the purpose of a Budget should only be aiming at reducing expenses and broadening the sources of revenue. I remember that more than a decade ago, I often said that the tax base of Hong Kong was too narrow and the Government should plan ahead and make preparations for the work required. Today, the situation is still true and the Government is still studying how to increase revenue. My personal views on this issue can be divided into three parts: first, there are 40 hectares of land in West Kowloon. It can be sold under normal arrangements and the revenue will reach as much as \$250 billion to \$300 billion if a reasonable price is fetched, not to mention the possibility of selling it at the prevailing price of \$30,000 per sq ft that residential buildings in the vicinity are asking for. If part of this revenue is used for meeting the expenses of organizing cultural activities, it will at least generate an income of \$250 billion. Assuming that this revenue is spread out

over eight years, the Government will get almost \$30 billion a year. In other words, in the eight years to come, there will be an additional income which is more than the currently estimated \$60 billion to \$70 billion. So I think the Government should face the reality courageously and plan the project anew.

Secondly, the levy of departure tax has been discussed in the past few years but not quite welcome by people. But today, our overall economy has improved and we understand that the Individual Visit Scheme has generated very good income for Hong Kong people. In contrast, spending by Hong Kong people in Shenzhen or other parts of China will undermine the competitiveness of Hong Kong. So I think this is the opportune time to levy departure tax. Assuming that the average daily number of people leaving Hong Kong is 80 000 to 100 000 and each of them has to pay \$20, the annual revenue will be several hundred million dollars, which can be used for giving subsidies or encouraging employment opportunities. Now there are 200 000-odd unemployed people in Hong Kong. But the substantial structural changes in the overall economy of Hong Kong have led to a situation where some people in some sectors are out of job while there are vacancies in others. As some colleagues have just said, the transport expenses are very expensive. So if the Government can encourage employment by providing low-income earners with transport allowance of say \$2,000 to \$3,000 a month and request the public organizations concerned to bear the other half of the costs by offering concessions which can only be used in non-peak hours, I believe it will be a well-received measure and the response will be good. If the departure tax can ease part of the fiscal deficit so that the number of unemployed people can be reduced to below 100 000, I believe that it is worth the SAR Government's effort to study this option in its next Budget. Of course, if payments in CSSA can be reduced as a result, it is quite worthwhile to encourage it.

Third, at present, apart from criminal cases, Courts in Hong Kong have to deal with many civil cases. In respect of civil cases, the judicial expenditure is fundamentally in violation of the "user pays" principle advocated by the Government. We can see that for many cases which have taken up several weeks of court time, the Government is actually paying for the basic facilities for both sides of the litigation and even all the expenses, including the salaries of the Judges. Why has the Government never mentioned this problem? As regards the sewage problem, the Government always emphasizes the "user pays" principle. I believe the sewage charge is very fair and reasonable to the public. I do not see how a study on this problem will lead to attack and objection by

various quarters of the community. A responsible government should make assessments from different perspectives in order to gain greater support from the people.

Madam President, in respect of economizing expenditure, we are concerned that expenditure on social welfare has been spiralling up. We can see that many people would commit theft or robbery in the past. But now fewer people will take a risk in desperation to commit such crimes apart from the illegal immigrants from the Mainland. What is the reason? How much money can a person get by committing theft or robbery? If it is \$100,000, it will be easier for a person to get \$100,000 a year by applying for CSSA. So why should one take the risk of committing a criminal offence? We are not criticizing or reproaching those who apply for CSSA because of difficulties beyond their control, but the Government has to think of a radical solution from a deeper level. How big should the "cake" of the Government be? Hong Kong should not be turned into a city which gives out social welfare and CSSA in an extensive manner. Instead, we should encourage these people to become self-reliant and arouse their courage to face their plights so that they can bring the fighting spirit of Hong Kong people in the 1950s into play and take it as another starting point of their lives. This is the most important thing the Government should do and encourage.

We also understand that four countries in the Scandinavia are ranked the best in the world in terms of social welfare. But we should also remember that in these countries, unlike Hong Kong where only 300 000-odd people are required to pay tax among its 3.4 million workforce, the tax burdens are equally shared by their people. Different strata of the community should get the fruits of their labour and at the same time, it is necessary to strike a balance. We should not create a hostile atmosphere. We understand that the problem of wealth gap is worsening, but we should not foster hatred between classes which was what the Community Party of China did in the past. Hong Kong should not repeat the same mistake. The Government should encourage people to strive for self-betterment by their own efforts.

Madam President, I have to talk about my constituency having come to this point. I understand that the former Chief Executive, Mr TUNG, and the Principal Officials have always mentioned turning Hong Kong into an international financial centre. I have never objected to this. But by being an international city, it does not mean that benefits should be transferred out of Hong Kong. Instead, things which are beneficial to us should be attracted into

Hong Kong. Why? If benefits were transferred out of Hong Kong, it would mean that international speculators are welcome to do whatever they like in Hong Kong and benefits will be transferred to them. According to our past experience, they are superior than Hong Kong in terms of capital, talents or many other things. So we should learn from them in order to promote the development of our financial industry rather than transferring benefits to them and allowing them to prey upon Hong Kong investors indirectly. I personally think that this approach is wrong and should be curbed. We should refrain from emphasizing internationalization all the time. What is the point of being international? We can see that some so-called international institutional investors withdrew their funds once they had made a loss in Hong Kong. So they must have come here for gains.

We should not discriminate against local participants and investors either. Today, I am going to analyse the problem of minimum brokerage commission again on behalf of the industry on this open occasion. We understand that many banks — I am not going to mention their names, but some of them are large banks in Hong Kong — do not regard stocks dealing as their major business, so they can reduce their commission to such a level that it will drive other companies out of business or is totally unacceptable. To attract customers by means of low commission, the purpose of these banks is to attract these customers to use their other services. From the standpoint of protecting local investors and brokers, I hope the authorities can be impartial and encourage fair competition and avoid vicious competition.

Besides, I also understand that local banks can engage in brokerage but are subject to the monitoring of the Hong Kong Monetary Authority (HKMA). I personally consider it inappropriate. As these banks are engaged in stocks dealing, they should be subject to monitoring of by same regulatory authority in the trade. In other words, they should, like other brokers, be subject to monitoring by the Securities and Futures Commission in a fair manner. They should not be subject to monitoring by the HKMA just because they are the major shareholders of banks. How can local banks be subject to the monitoring of a regulatory authority with a different background just because they have a different background?

As both the Bureau Director and Secretary are sitting in this Chamber, I have to give a clear and fair account on behalf of my constituency. If there is anything which is unfair and unreasonable, I have to speak out for them. The industry hopes that the SAR Government will improve its governance in future

under the planning of various Bureau Directors and Secretaries. Besides, I also hope that Members will notice that companies which have invested in Macao are exempted from profits tax because of the enormous revenue from betting duty. I do not encourage gambling, but we have to understand that Macao has got a lot of revenues from this sector. Besides, Macao will invest some of its surplus from this sector in the petroleum business in Zhanjiang. So I hope the SAR Government can pay heed to it and should not hesitate to press forward what is worth its effort because the ultimate purpose is to create more wealth and resources for Hong Kong people and Hong Kong. Under such circumstances, it should not be afraid of any unnecessary criticism. It should serve the public bravely and anything that are done in an impartial manner will earn the public's respect. Of course, it will be subject to criticism if it has any selfish motives.

Madam President, I so submit.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, Mr CHIM Pui-chung said earlier that it is very difficult to be the Financial Secretary, and it is even more difficult if he has to please everybody. This is because he is responsible for making financial allocation, and in doing so, he will easily offend certain people. I very much agree with this. The duty and role of the Financial Secretary are not to be good to certain people; rather, he has to find out how major problems in society should be solved, particularly how wealth can be made to meet society's need more rationally, effectively and fairly. He has to come up with good allocations. Obviously, those who have means should pay more. As for those who do not have the means but are in need, we have to subsidize, assist and support them. This is just inevitable. Therefore, being the Financial Secretary, I think he does not have to mind whether he will offend anyone. He only has to stick to one principle, that is, to find out how the needy in society can be assisted.

On the other hand, what I find imperfect is that in this Budget, the Financial Secretary has really failed in many aspects. Although Mr CHIM Pui-chung said earlier that the Financial Secretary might have violated the Basic Law which requires that expenditure be kept within the limits of revenues and a fiscal balance be achieved, I do not think that it should be viewed in this way. Even though this is the principle, we should not be like a piece of metal plate, sticking simply to the principle and neglecting some special problems in society.

This is very simple. For example, two years ago, during the outbreak of SARS, deep social conflicts emerged in society and many things required our assistance. We could not adhere rigidly to this principle, without sparing social resources to assist certain people to tackle certain problems. Just as it is today, we are facing this serious problem of high unemployment — despite the fact that the Government has expressed that the economy is recovering — we cannot just sit by and neglect it.

In fact, Mr TUNG made it clearly in the policy address on 12 January this year, and I believe that although Financial Secretary Henry TANG had learned of Mr TUNG's resignation before he announced the Budget on 16 March, he still embraced the faith of implementing the directions laid down by Mr TUNG in the policy address. I believe this is what the Financial Secretary thought. However, unfortunately, after going through the whole Budget, I still could not come to this. In the policy address, Mr TUNG clearly mentioned a problem which still exists now, that is, "As a result of globalization, some types of jobs have relocated elsewhere. Unemployment has persistently remained at a high level. For some low-income families, their circumstances have worsened over the past few years. They require the community's care and assistance". Mr TUNG made this point clearly. Unfortunately, having gone through the whole Budget, where is it mentioned that they will be cared for and assisted? I really cannot find it.

Rather, I can see some relaxations, giving me the feeling that the Budget is not totally satisfactory. In any case, many colleagues have criticized the Financial Secretary's Budget, saying that there seems to be not much policy, but I do not think that this is right. To be fair, the Financial Secretary is not short of policies, but what are they? He is sticking to the old way, refraining from making major breakthroughs. Of course, there is nothing wrong with carrying on with the past measures which have met no major problems, but what is the most important of all? If a lot of measures have in the past failed to assist the poor, they will have to be revamped. However, in this respect, the Financial Secretary has not put in extra efforts to bring about changes.

Although the Financial Secretary has set up the Commission on Poverty, up till now, not many meetings have been held — it seems that only one meeting has been held — two meetings? Financial Secretary, I am sorry — but directional proposals returned are still very limited. Several colleagues mentioned earlier that the Commission on Poverty in fact cannot satisfy the

actual needs of some of the poor. How can we actually address the problem of helping the poor?

The most important point of all is that we know we do not want them to rely on society or government resources. We want to help them become employed, but the problem is, has the employment problem been addressed? It virtually has not. The unemployment rate announced yesterday still stood at 6.1%. What does it mean? 210 000 people are still out of work. What saddens us more is that 190 000 households are making a monthly income of below \$5,000 — Madam President, please note this: I am talking about 190 000 households, not 190 000 people. Even if we assume that there are two members in each household, the figure is big enough. Let us say we are calculating on the basis of two members. If a family has a monthly income of below \$5,000, how is it going to meet the expenses? If there is only one member, an income of \$5,000 can barely make ends meet, but this amount is definitely not enough for two. Unfortunately, 190 000 households belong to this category. What can we do to help them? The labour sector has persistently asked the Government to provide them with the protection of a minimum wage but the Government keeps on taking no action. How can they be assisted? At present, I cannot see how the Government can actually help us address this problem.

Moreover, I feel that the Government is adding fuel to fire in many aspects. How is it adding fuel to fire? Although this Budget has not cut the funding for social welfare, there are still many areas in which reductions have been made. For example, health and education have seen a substantive \$900 million and \$500 million reduction respectively. We all know that health and education present actual problems to the grassroots, but the Financial Secretary is axing their funding. This is tantamount to increasing their pressure. Why does he have to do this? The Department of Health is now saying that charging \$100 for accident and emergency services is not enough, and is talking about raising the charge to \$200; also, a Standard Drug Formulary is to be drawn up, requiring the people to buy their own drugs. Moreover, the charges for hospital beds will rise. Increasing such fees and charges at this time is really rubbing salt into the wounds of the grassroots. Although the Government has a Competition Policy Advisory Group (COMPAG), the independent committee under the COMPAG has yet to start its work.

Everybody knows that to our grassroots, apart from their meagre income mentioned earlier, their greatest pressure comes from expenditure. As a lot of public utilities have been monopolized, we can put up no fight. If we have to get our grocery, the supermarkets have monopolized the market; small operators who originally can still have business are left with nothing, and the prices are also controlled. Turning to transport, everybody knows that fare increases are brewing, and even if fares do not rise, the existing fares are already very high. We can virtually do nothing to stop anything.

We have been consistently demanding for a law to regulate monopolization so as to prevent them from increasing the fares anytime they prefer. Unfortunately, what actions has the Government taken? For many years, we have heard of establishing a mechanism whereby fares can be increased and decreased but those are just empty words; no substantive progress has been seen. This will only render the poor people in the entire Hong Kong society poorer. In fact, we all know that the wealth gap in Hong Kong ranks fifth; that is to say, our situation is very serious. Despite this, we cannot see from this Budget that measures are in place to genuinely help us distribute our wealth properly. We really cannot see any hope in this Budget.

The Financial Secretary can perhaps say that he has done something. For example, the age for dependent parents for purposes of claiming allowance has been lowered from 60 to 55, but this is not much: while dependent parents above 60 years of age are given an allowance of \$30,000, those aged 55 are only given \$15,000. Apart from lowering the age and increasing the allowances for children — accounting for around \$1 billion — revenue from estate duty will be decreased by \$1.7 billion. In other words, tax revenue will be reduced. Of course, I agree that now, there are many problems with estate duty, especially regarding the procedures, bringing much inconvenience to people on the utilization of assets. However, if there are problems, there should be a review of the system and the procedures, rather than scrapping it and sparing the people of this tax. To many, \$1.7 billion is an amount which is not too much, but it is also not too little. If we use this money to help the grassroots and subsidize their living, this would be very good indeed; or we can use this money to create job opportunities, which is equally very good.

The problem with employment which I always mention is an example. Currently, there are still 14 000 temporary or contract posts. For the so-called temporary posts, some have remained temporary for five years, while the

majority have been there for two or three years, only that they remain to be temporary. If the Government wants to help the people, given that the posts have remained temporary for so long, why can it not turn them into permanent posts, so that they can lead a stable life, rather than being put on the tenterhooks, not knowing when their jobs will be terminated? Moreover, every year when it comes to the renewal of contracts, it appears they would have to beg. If the Government really means to help these people, why can it not give them a more stable employment environment?

Besides, our strongest criticism has been the continuous outsourcing of work by the Government. Outsourcing not only brings down wages, but also results in a natural decrease in employment opportunities. For example, it originally takes four to five people to do a job, but now, two to three people may be enough. No doubt, government expenditure may be reduced but on the other hand, when the unemployment rate rises, they instead may have to rely on the Government. What good does this do? As a result, not only will some people have to rely on the Government, but some will also find their self-confidence battered, which is more unfortunate. It is most imperative for one to have confidence in himself. However, if one has not got a job and has to rely on the Government, what will he become? The worst thing is that he may lose his self-confidence. How can we provide assistance in this respect? Conversely, we have only aggravated the problem. Therefore, in my opinion, this whole Budget lacks a direction; it has failed to point out how we can really help this group of poor or low-income people.

Of course, a lot of people will say that while on the one hand, you are persistently asking the Government to help the unemployed, yet you are opposing increases of fees and charges on the other, where exactly is the money supposed to come from? The Financial Secretary's favourite comment is this! Given that the pie is this big, how are resources to be allocated? However, Madam President, I do not think that he should make this comment. What we should consider the allocation although the pie is that big. Has it been allocated properly? Is the allocation fair? Should it be allocated sometimes?

In the past, we saw that the Government had sometimes been very spendthrift. This is particularly so in education which is distressing. For example, although it is obvious that a lot of schools are not admitting enough students in some districts, the Government still insists on building schools which are left idle upon completion. In the end, the schools have to be "cut" or closed.

Some Design 2 000 schools have to be closed after being used for less than five years because of insufficient intake. Is this not a big waste? I do not know if my memory is wrong. Recently, 120 schools have to improve their environment, but after the improvement works have been completed, they have to be closed. Such examples show how money is wasted. It would be better if we could be a bit thrifty. If I remember it correctly, such works cost around \$500 million. \$500 million may not be a big sum, but if all departments can be more thrifty, the aggregate sum should be quite substantial.

Therefore, I think today, we should neither say the pie is that big, nor the taxes or whatever must be increased if we are to do more to help the low-income group. I think they do not come hand in hand. We have to conduct reviews before drawing conclusions on a lot of issues. The operation of the entire Government leaves much room for review, even the way in which the Government spends money is worth reviewing. For example, the Government has a fleet of 612 vehicles with an average age of just seven years, but it is saying that they will be replaced. How much will this exercise cost? It will be about \$90 million. Although \$90 million is also a very small sum, the Government is at the same time cutting funding to subvented organizations by \$60 million. If the Government does not replace the vehicles and gives the money to the subvented organizations instead, there will even be a saving and the beneficiaries would get assistance. Therefore, I would not object even if the Government uses inadequate resources or keeping expenditure within the limits of revenues as the major premise, but there must be a review of the actual operations.

Madam President, I so submit.

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

(No Member indicated a wish to speak)

### **SUSPENSION OF MEETING**

**PRESIDENT** (in Cantonese): It seems that Members wish to reserve their speeches for tomorrow. Today, a total of 40 Members have spoken. I now suspend the meeting until 2.30 pm tomorrow.

*Suspended accordingly at four minutes past Seven o'clock.*