

# **OFFICIAL RECORD OF PROCEEDINGS**

**Thursday, 21 April 2005**

**The Council continued to meet at  
half-past Two o'clock**

## **MEMBERS PRESENT:**

THE PRESIDENT

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

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

THE HONOURABLE ALBERT HO CHUN-YAN

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE MARTIN LEE CHU-MING, S.C., 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 MRS SOPHIE LEUNG LAU YAU-FUN, S.B.S., J.P.

THE HONOURABLE LEUNG YIU-CHUNG

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 KONG-WAH, J.P.

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

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

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

THE HONOURABLE LEE WING-TAT

THE HONOURABLE LI KWOK-YING, M.H.

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

THE HONOURABLE LEUNG KWOK-HUNG

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

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

THE HONOURABLE CHIM PUI-CHUNG

THE HONOURABLE ALBERT JINGHAN CHENG

THE HONOURABLE KWONG CHI-KIN

**MEMBERS ABSENT:**

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

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

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

THE HONOURABLE CHAN KAM-LAM, J.P.

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 LAU CHIN-SHEK, J.P.

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

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

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

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

THE HONOURABLE VINCENT FANG KANG, J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

DR THE HONOURABLE JOSEPH LEE KOK-LONG

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

DR THE HONOURABLE KWOK KA-KI

DR THE HONOURABLE FERNANDO CHEUNG CHIU-HUNG

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

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

THE HONOURABLE TAM HEUNG-MAN

**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 STEPHEN IP SHU-KWAN, G.B.S., J.P.  
SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR

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

THE HONOURABLE AMBROSE LEE SIU-KWONG, I.D.S.M., J.P.  
SECRETARY FOR SECURITY

DR THE HONOURABLE YORK CHOW YAT-NGOK, S.B.S., J.P.  
SECRETARY FOR HEALTH, WELFARE AND FOOD

**CLERKS IN ATTENDANCE:**

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

MS PAULINE NG MAN-WAH, ASSISTANT SECRETARY GENERAL

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

**PRESIDENT** (in Cantonese): Council will now continue with the debate on the Second Reading of the Appropriation Bill 2005.

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

**MR ANDREW CHENG** (in Cantonese): Madam President, in respect of the Budget, I will speak on behalf of the Democratic Party on three aspects, namely health, transport and labour.

First, on transport. At the special meetings of the Finance Committee (FC) of the Legislative Council held last week, colleagues asked Secretary Dr Sarah LIAO whether we would be able to see the fare adjustment mechanism which would allow for increase and decrease of transport fares promoted by the Secretary being launched within her term of office. Secretary Dr Sarah LIAO replied that she was not sure how long her term of office would be, and thus could not give any definite undertaking on the implementation of the mechanism. She frankly admitted that the problem now was very thorny, and she could not make any promise. Regarding the Secretary's answer, I find her honesty adorable. Nonetheless, whoever the Secretary will be, in terms of the resources invested by the Government in the past on the study of this very complicated transport policy issue, I consider it was definitely inadequate, for we are dealing with business organizations like Kowloon Motor Bus and listed companies like the MTR Corporation Limited (though the Government is the major shareholder). As for the fare adjustment mechanism which allows for increase and decrease in transport fares, the Secretary is hamstrung by the limited resources, manpower and facilities within the Bureau, I thus think the Government is incapable of standing up to the discontent with or resistance against the mechanism presented by these business organizations despite its wish. Therefore, no matter how high

the popularity rating of the Secretary is — she may worry that she will not stay long in office — if the resources invested are minimal, I am afraid that the fare adjustment mechanism which allows for increase and decrease in transport fares may become "all talk but no action".

Madam President, in respect of the toll increase of the Eastern Harbour Crossing (EHC) which will be discussed in detail at the panel meeting to be held tomorrow, the Government has presented 12 proposals for us to study. These 12 proposals reflect exactly the stringent and complicated tunnel policy implemented by the Government in the past. I believe, since the opening of the Western Harbour Crossing (WHC), we have seen that the traffic throughput of the WHC has remained low over years. On the contrary, traffic congestion at the Cross-Harbour Tunnel is very serious. But in view of the imbalanced distribution of traffic, the Government just resorts to continual procrastination. The policy on tunnel has exactly reflected that resources invested and studies conducted by the Bureau in this respect are far from adequate. However, it is better late than never. Now, the Government must negotiate with the consortia of the EHC and the WHC to work out an effective solution to address the traffic congestion of the Cross-Harbour Tunnel and the low traffic throughput of the WHC. The Government has been late in providing the 12 proposals, but I hope it will commit more resources to studying these complicated policies on tunnel and bridges in future.

In 2001, the Democratic Party submitted a detailed proposal suggesting the establishment of an authority for tunnels and bridges. Up to this very moment, we still consider that the Government should use public money to nationalize the existing tunnels. However, I see the Secretary is smiling at me now, for she probably considers this a very controversial issue. If even the Financial Secretary does not know how long he will stay in office now, just as what Secretary Dr Sarah LIAO said earlier, how will the Financial Secretary and Secretary Frederick MA easily allocate billions of dollars to buy back the tunnels?

Madam President, the imbalanced distribution of traffic among various tunnels is costing society an exorbitant price, which has been borne by all motorists and bus passengers affected by the traffic congestion for over a decade or two. If we add up these costs, I believe the Government will see that the issue cannot be ignored. Whether or not an authority will be set up or the Government will buy back the tunnels, I believe the Government and those

tunnel companies should form a controlling company to standardize tunnel tolls and co-ordinate the traffic throughput or administration of tunnels. I believe this is a relatively powerful trump the Government has up its sleeve. Therefore, Madam President, on the several complicated policies on transport, including the fare mechanism which allows increase or decrease in transport fares, tunnel policies and transport fares mentioned by me earlier, I hope the Government will not be complacent but will continue to make an effort to put in more resources, working for the long-term development in this respect.

Madam President, on health care service, the Democratic Party considers it most unsatisfactory that the funding for the Hospital Authority (HA) amounts to only \$27.2 billion this year, representing a decrease of 3.3% or almost \$1 billion compared to that of last year. With a growing and ageing population, public demand for health care services is ever increasing. According to the established approach on population-based funding arrangement, there should be an increase of funding for the HA in the year 2005-06 by 2.2% instead of a decrease. We find it really disappointing that, despite the increase in population and the worsening of the ageing population problem, funding for the public health care system is cut by \$1 billion. But, meanwhile, the Government has generously proposed the abolition of estate duty which may cause the Government a loss of some \$1 billion revenue. Certainly, the levy of estate duty is based on another fiscal policy concept which may not be placed on a par with health care policy. However, when we see that the Government can easily give up the \$1.5 billion estate duty but reduce the funding for HA by \$1 billion, we cannot help querying whether the public policy and fiscal policy of this Government uphold the principle of people-based governance? We should pay special attention to the fact that the people of Hong Kong, in particular the middle class who have paid a substantial amount of tax, are often looking forward to good public health care facilities. Unfortunately, funding in this respect will be slashed by the Government.

The Secretary has just entered the Chamber. In the last couple of days, the Secretary has been hinting at increases in health care charges, accident and emergency service charges and hospital charges. Regarding the increase of all these different charges, we understand that the Secretary aims to restore the balance between the public health care sector and the private health care sector, so that the people of Hong Kong will not rely overwhelmingly on public health care services which are provided at a really low price. However, I would like to remind the Secretary that we do not want to see the Secretary competing with

the private health care sector in pushing up health care charges. With the exception of the grassroots and the poorest who enjoy fee waiver or concession, most people in Hong Kong have to put up with the expensive medication expenses and hospital charges. If so, the trust of the people of Hong Kong in the Government will definitely be weakened severely.

On this issue, the Democratic Party urges the Government to put forth the relevant health care financing scheme as soon as possible, and the Democratic Party has all along requested the Government to study a medical insurance system. I believe, in the long run, the establishment of a medical insurance system must head in the direction of shared responsibility among the people of Hong Kong. However, in respect of the mode of insurance to be taken out, contribution level and the percentage of contribution accounted for in one's salary, the Government should put in more resources to conduct research and actuarial studies against the background of an ageing population over the next 10, 20 or 30 years, and study how the public health care sector can cater for the needs of an ageing society. However, the problem now is that before any specific health care financing scheme is implemented, the Government has hastened to cut the funding of the HA, and more so, used this as an excuse for increasing charges. This approach will make people think that the Government is actually jumping the gun. I hope the Secretary can understand that not that the public will not accept any increase, but the Government has to produce specific, convincing and rational analyses to let the public know how they are going to share their health care burden with the Government together in future. It should not instead increase health care charges hastily, as it does now, before any definite health care financing scheme and direction for development is laid down. This is the message the Democratic Party wants to get across to the Secretary in this respect.

When the Secretary assumed office, the clearest message we got is on anti-smoking. The Democratic Party very much agrees with this. At panel meetings, the Democratic Party had proposed the imposition of fixed penalties as punishment, similar to the punishment for littering, so as to punish indoor smokers with fixed penalties. According to press reports, the Secretary seemed to agree to this, and we agree the issue should be addressed along this line. However, I hope the Government can understand that employees of food establishments in particular are worried about the enforcement difficulties they may encounter in future. Therefore, I wish the Secretary will fight for more resources in future, rather than just increasing the number of staff of the Tobacco

Control Office (TCO) to 60 as he recently proposed. In fact, for a society with a population of 7 million, it is absolutely inadequate for a 50 to 60-strong TCO to address the anti-smoking issue which is so controversial. The Democratic Party has suggested that staff of the Food and Environmental Hygiene Department should at least be included. On the prosecution of littering offences, seven government departments are responsible for law enforcement. But for anti-smoking work, if only the TCO is given the charge, this will certainly draw much criticism from the public on the determination of the Government in promoting the anti-smoking campaign. Therefore, Secretary, please take my advice. The Democratic Party urges the Secretary to increase manpower for enforcement, particularly in the early stage of the implementation of the policy.

Madam President, in the remaining time, I will talk about the labour issue. Recently, the unemployment situation has improved. However, at a special meeting of the FC, I particularly asked Secretary Stephen IP about the unemployment situation of the middle-aged and the attention given to the middle-aged under the retraining programme. Two groups of people, the youth and the middle-aged, in Hong Kong will definitely become the hardest hit victims of the serious structural unemployment in Hong Kong in the next eight to 10 years. In view of the unemployment problem faced by the middle-aged, I think the Government should give consideration to legislation against age discrimination. In this respect, I believe a consensus is gradually taking shape in the community. However, some opposing views considered that, again, the age discrimination issue will surely impose a heavy burden on the business sector. However, in many capitalist countries and developed cities, combating age discrimination has already become a common phenomenon. For the middle-aged, or even those in their fifties or sixties, they are able-bodied and suitable for work, so they should not be discriminated against. Though Secretary Stephen IP is not here today, I hope the Government will start putting in resources to examine and consider the issue seriously, for we have to look after this group of people who will be severely affected by age discrimination in future.

Then, I come to the issue of maximum working hours. I have quoted the example of South Korea many times. In South Korea, the policy of maximum working hours is implemented to ensure that more workers can join the job market. The relevant legislation started to take effect in last July. I hope the Government will set the maximum working hours at 44 hours as soon as possible, so that on the one hand we can enhance our health and have more leisure time to

take care of our health and participate in family and social activities, and on the other, more people can join the job market.

Madam President, I so submit.

**MR LAU KONG-WAH** (in Cantonese): Madam President, on behalf of the Democratic Alliance for Betterment of Hong Kong (DAB), I will speak on the transport and security issues. Though the economy of Hong Kong is on the revival trend, we still face many challenges, including the high unemployment rate in certain industries and the continual restructuring of our economy. That is why the Secretary keeps on emphasizing the importance of "consolidating our recovery". However, it is disappointing that when the Financial Secretary mentions tourism development, logistics, cultural and creative industries, and even the promotion of employment, great importance has been attached to "sustainable development" in all aspects. From the pragmatic point of view, I think the daily expenditure of the public definitely should not be overlooked. This is comparable to a bird which is merely concerned about how it can take off without paying any attention to the fire on its wings. It is tantamount to "fighting a flea with one's fist" — it will just be a waste of effort and one will stand to lose.

The tunnel toll of the Eastern Harbour Crossing (EHC) will be increased with effect from 1 May. The crazy increase of over 60% imposed by the EHC this time has already infuriated the entire community, fuelling public resentment! The incident has shown, on the contrary, that the Government is incapable of offering any help and is completely at a loss as to what it can do. Though it has presented the 12 so-called proposals with no commitment and no timetable, they are futile. Actually, if the authorities are determined to address the EHC fare hike, they should select an option which gives the Government the initiative. The DAB is inclined towards supporting an extension of the term of franchise of the EHC. Among the 12 proposals, this is the one which enables the Government to adopt a proactive and feasible approach in exchange for no increase in tunnel toll for a number of years to come, thus making the EHC fulfil its function of diverting traffic. Though this proposal may affect the future income of the Government, tolerating the two tunnel companies to increase tolls may at worst bring about a knock-on effect, inducing fare increases by other public utilities. This may finally affect our economy which has just revived, and the loss so caused will outweigh the gain. Therefore, I hope the Secretary will give more thoughts to this proposal.

Coming back to the repercussions caused by the toll increase of the EHC this time, the underlying reason is the signing of a contract by the Government and the EHC Company mindlessly. The first indication of its mindlessness is that the return to be received by the Company has not been stated explicitly in the contract, where there is only one phrase stating that the return should be "reasonably but not excessively remunerative" to the Company. However, within what extent will the return be regarded as "reasonable" and beyond what extent will it be considered "excessive"? No standard has been laid down. In case of disputes, who is going to define it? The level considered by one party as "reasonable" may be "unreasonable" to the other. The vagueness of the contract has tied toll adjustment directly to arbitration. The second indication of its mindlessness is that the EHC is allowed to increase its toll this time according to the arbitration award drawn on the grounds that the Company has not achieved a 15% to 17% return. Madam President, today, I received a letter from a professor of the Department of Finance of The Chinese University of Hong Kong stating clearly his queries on the irrationality of the reasonable return so claimed by the EHC. According to his calculation, the return of the EHC has already exceeded 17%. More so, the EHC has employed financial techniques to lower its rate of return by making a provision for enormous reserve and not distributing dividends, for the larger the reserve is the lower the rate of return will be, which will then justify its request for a toll increase. Regarding financial techniques of this kind, I do not know whether officials of the Financial Services and the Treasury Bureau have taken part in the negotiations with the transport operators, but I do hope that next time when discussions on further increase of toll are really held, this kind of financial techniques will no longer be employed as an excuse to push the rate of return to an unreasonably high level.

Actually, Madam President, shareholders of the EHC have only put in \$700 million as capital, and the company is now making an annual profit of some \$200 million. In 2003 alone, the rate of return reached 33%. Subsequently, with a fixed level of expenditure and increasing income, there is no reason that a 17% return cannot be achieved. Thus, it is immoral and unreasonable to push up its rate of return by means of financial techniques; the Government must attach great importance to this issue. Certainly, I must forward this letter to the Government expeditiously, and I hope the Government will respond to this seriously at the meeting to be held tomorrow. Madam President, I think, we definitely have to respect the contract signed, but we must also ensure that it is

working effectively. The economy of Hong Kong has just started to pick up, and transport fares are still imposing a heavy burden on the grassroots. At this very time when the public is looking forward to a fare reduction, these companies do the otherwise to increase their fares. The ridiculous toll increase imposed by the tunnel company this time will easily trigger off a series of chain reactions. Bus companies and transport companies have already indicated that their costs would increase owing to the increase in tunnel toll, so they could not but increase their fares. Eventually, even bus passengers will suffer. How can the Government just sit on the sideline without lending a hand? Between now and the effective date of the toll increase, there are only a couple of days. From 1 May, the people of the territory have to put up with this ridiculous toll increase. How can the Government tolerate a transport organization with an accumulated surplus amounting to more than \$2 billion to disregard the fate of the public? Certainly, I think the best option is for the Government to put forth a proposal for negotiations with the company, and during which, say for half a year, the Company will put on hold its toll increase pending the result of the negotiations to be reached within six months. The possibility of achieving this target within this period is an indicator showing whether the new Government is determined and capable.

On the increase of bus fares, the DAB has been advocating a "fare adjustment mechanism which allows for increase and decrease in transport fares" for years. This was suggested at the time of recession where there was room for fare reduction, but until now when the economy has recovered and entered the inflation cycle with possible increase in fares, the mechanism has yet to be introduced. I consider we have missed the best time for the introduction of a mechanism which allows both upward and downward adjustment in transport fare. If the mechanism is not introduced at a time when fare reduction is possible but at a time when an increase in fare is likely, the public surely will not accept this.

Madam President, Secretary Dr Sarah LIAO said that further negotiation was needed. Surely, we will give her more time for negotiation, in fact, I am not so anxious about this now, for it so happens that when the mechanism is to be introduced, it will be a time for fare increase. Moreover, when the fare adjustment mechanism which allows increase and decrease in transport fares was proposed last time, no consideration was given to the affordability of the public, so the mechanism though exists is reduced to one in name, not in reality.

Though various kinds of concessions have been offered by transport operators, transport expenses still impose a very heavy burden on the daily life of the general public. Therefore, the DAB incessantly requests all transport operators to reduce their fares by 10%, so as to enable Hong Kong to consolidate its recovery.

With regard to charges, I read from the newspaper a couple of days ago that the Hong Kong-Zhuhai-Macao Bridge would be completed by 2010 the earliest, and that the Hong Kong Government might adopt the build-operate-transfer (BOT) mode for the construction of the bridge. According to the estimate of some academics based on the construction cost of \$30 billion, the toll for crossing the bridge might be as high as \$200 for private cars! I am not sure whether this mode will eventually be adopted. However, Madam President, drawing on the past experience or the toll increase of the EHC this time or the exorbitant tunnel toll set by the Western Harbour Crossing, we can see that for tunnels constructed under the BOT mode, the companies concerned are quite domineering in setting the tolls to the neglect of the overall interest of the public while the Government can do nothing about it. This mode is very unfavourable to the public, so I think the Government should consider whether this is the only option. I think the Governments of these three places, Hong Kong, Zhuhai and Macao, may finance the project on a pro-rata basis, which is another option. I hope the Hong Kong-Zhuhai-Macao Bridge will not be a repeat of the Western Harbour Crossing.

Madam President, I believe the public are glad that the Government observes strict fiscal discipline and curbs its expenditures. We understand that each department has to assume the responsibility of cutting its manpower, but the adjustment of manpower of disciplined forces has a direct bearing on the effectiveness of various security policies. Take the newly developed districts as an example, the disproportionate police manpower and crime detection rates are a common phenomenon.

For the Sai Kung District in the Kowloon East Region with a population of 40 000 only, the police strength allocated or the ratio of police officer to population is 1:443, but the crime detection rate of the district was the lowest, only 22.4%, among all the districts under the Kowloon East Region last year. On the contrary, in Tseung Kwan O, a district with a population of over 300 000, the police manpower allocated is very limited. The ratio of police officer to population is 1:1667, the lowest among all the districts in the Kowloon East

District. Tseung Kwan O is a developing town with a growing population, however, the police have all along resorted to the deployment of officers from other units to make up for the shortfall of police manpower in Tseung Kwan O. But this is only a temporary measure. Actually, the constant deployment of resources and manpower from other police districts to support the special operations of Tseung Kwan O District indicates clearly that the establishment and specifications of that police district requires an appropriate increase and further upgrade. I have been making such a request for several years in a row.

Given the total population of the two districts, Sai Kung and Tseung Kwan O, which exceeds 400 000 and will probably increase to 500 000, why is an independent police district not set up? It is extremely unreasonable that the two districts are attached to other regions. Therefore, the DAB has all along been requesting the authorities to expedite the study on the delineation and demarcation of the Kowloon East Region. We request for a revamp of the constabulary duty of the Sai Kung District and the merging of the Sai Kung District under the Wong Tai Sin District and the Tseung Kwan O District under the Kwun Tong District. It is suggested that an independent police district be formed after the merger, so that adequate resources will be allocated to this new police district, thus adjusting the ratio of police officer to population to a reasonable level.

Madam President, the disaster caused by a tsunami in the South Asia last year has, on the one hand, exhibited the most caring and sympathetic dispositions of the people of Hong Kong, but on the other, given a full display of the inadequacy of the Hong Kong Government in contingency planning for major catastrophes. As such, in the initial stage of the disaster, the response of the Government was relatively slow. More so, the inadequate manpower deployed to the scene of the disaster initially rendered Hong Kong people overseas totally helpless. Though some Hong Kong people had already made world-wide emergency calls to contact the local police, their hope of being rescued vanished owing to the communication breakdown caused by the language gap. Some Hong Kong people thought that by just dialing "00852" and then "999" they would get help; however, this was again hopeless, for the line actually could not be connected.

The Immigration Department has now set up a telephone hotline, though the number has been repeated many times, I still fail to remember it. Although the hotline can be connected 24 hours throughout the day, the number is hard to

remember. The Immigration Department has reminded Hong Kong people on overseas visits to note the contact channels of the relevant local organizations and Chinese consular offices in foreign countries. But when a person is in imminent danger, he will have lost his head, how can he still remember those telephone numbers? Or, he has lost all his belongings, a simple telephone number which is easy to remember and free of charge will be timely help. Therefore, we hope the Security Bureau can set up such a telephone line as soon as possible, so that our citizens overseas can get timely assistance. Actually, the summer vacation is round the corner and many citizens will make overseas visits, we thus hope that these services or disaster contingency plans can be put in place and announced before the summer vacation.

We see that the number of Hong Kong people seeking assistance in case of danger in the Mainland surged drastically in the year 2004, a few times higher than that of previous years. In view of this, we have been urging the Government incessantly that in addition to the Office of the Government of the Hong Kong Special Administrative Region in Beijing, an office should also be established in Shenzhen, a most frequently visited place by Hong Kong people where no office offering assistance to Hong Kong people is available. I hope that the lopsided distribution in this respect can be rectified as soon as possible. We hope that the Government will set up a Hong Kong office in Shenzhen as soon as possible in the future, so that Hong Kong people in Shenzhen can receive timely assistance.

I so submit. Thank you, Madam President.

**MR LEE CHEUK-YAN** (in Cantonese): Madam President, recently, the people of Hong Kong are keen on watching the Korean television series "Jewel in the Palace". I did not quite understand why it is so popular, so I also watched a few episodes. One of the episodes described how Dae Jang Geum treated the emperor, how she took his pulse, made diagnosis, then administered acupuncture treatment and made prescription. Finally, she cured the emperor. This reminds me of the major problem now faced by Hong Kong, that is, about the diagnosis of the entire economy and financial situation in Hong Kong.

Unfortunately, Financial Secretary Henry TANG is not here now. Today, I want to criticize him as a quack doctor. His diagnosis of the prevailing

situation of the overall economy and the entire Government of Hong Kong is beset with a great problem. If the diagnosis is wrong, a correct remedy cannot be prescribed, and may even result in wrong prescription. What is his diagnosis of Hong Kong now? I think the Government is simplifying the case in saying that Hong Kong is fine and recovering now, meaning that our economy is now reviving and gaining momentum.

However, our Government has one major problem; it is not sure what is happening to our economy. The flourishing scene now is only superficial. Let us look at the daily life of the average citizens and the business of small businessmen in general. Despite the recovery of the economy, shop rentals have started to rise, restaurants are closing, and many small businessmen have stated that they can hardly stay in business. These cycles are repeating in Hong Kong and the problems are haunting us incessantly.

The greatest problem with our Government is that it never agrees to study the overall economy of Hong Kong and the disparity between the rich and the poor. The Government does not seek to help the general public to share the fruits of prosperity. It only looks for the façade of prosperity and glory for consortia, and it is contented with a set of favourable economic figures showing the economy is picking up. However, Madam President, at present, the disparity between the rich and the poor in Hong Kong has actually widened severely. On the international front, Hong Kong is one of the regions facing this problem of the greatest gravity, and our situation is comparable to some countries in Latin America. The Gini Coefficient now stands at 0.525, and the disparity between the poorest decile and the richest decile of the population is 41.2 times discounting the effect of wealth building.

If the Government does not face the problem squarely, it can never prescribe the right remedy. On the problem of disparity between the rich and the poor and the problem of poverty, no response from the Government is indicated in the Budget. With regard to this problem, the Government is indeed burying its head in the sand, merely hiding the problems behind a rosy picture.

In the chapter on alleviating poverty, not much is said. It only says that the economy has now revived, we should continue to do a good job in education and training, and should not give out money indiscriminately. I have no idea what plan the Government has in alleviating poverty apart from the establishment of a Commission on Poverty. I know that \$75 million has been set aside to

assist poor children to participate in extracurricular activities. However, these children actually come from poor families. So without any intervention to improve the overall situation of these families to enable the average grassroots to share the fruits of prosperity, the entire programme will fail to serve its purpose. On the alleviation of poverty, I am of the view that the Government is only paying lip-service — Financial Secretary Henry TANG is now here. This is meaningless. We do not need lip service. We want concrete actions.

Madam President, what is the most important function of the entire Budget? It is indeed a mechanism to redistribute resources by way of levying taxes on affordable persons and owners of wealth of society, and redeploy such resources for spending by the entire Government to provide services to the public. The function of the mechanism, to a certain extent, can be regarded as robbing the rich to feed the poor. However, the Government does the otherwise by robbing the poor to feed the rich. Take the estate duty as an example, which obviously can generate an income of \$1.5 billion. If the Government abolishes the estate duty, it is indeed foregoing the \$1.5 billion funding which can otherwise be used for providing government services. The Government often says that it will cause a lot of trouble to those who are only fairly rich if the Government imposes such a tax, however, in actual fact, this is not the case, for 70% of them possess estate of over \$20 million. Therefore, the Hong Kong Confederation of Trade Unions (CTU) adamantly opposes the abolition of estate duty by the Government, for this is robbing the poor to feed the rich.

Another point which makes me think that the Government is robbing the poor to feed the rich is its erroneous mentality as a whole. The most serious problem is that a wrong remedy is prescribed. In the last couple of years, the Budget or the Government has been putting emphasis on the principle of "big market, small government". The Government has indeed attained the goal of "big market, small government" already. The Government has put forth three targets which have also been mentioned in this Budget: reducing operating expenditure to \$200 billion by 2008-09; striving to restore fiscal balance by 2008-09 and bringing public expenditure down to 20% of the GDP. These three main targets have nearly been accomplished at the moment. The estimated operating expenditure for 2004-05 is \$201 billion, exceeding \$200 billion; as the target has indeed been accomplished. The current expenditure accounts for 20.2% of our GDP, reducing from some 23% previously to 20.2%; so the target has been accomplished again. Actually, only one single method

has been adopted in achieving these three major targets, slashing or curbing expenditures.

Some people may ask why expenditure cannot be slashed. Just now, Mr LAU Kong-wah said that the public also welcomes cuts in expenditure. However, does the public really favour cuts in expenditure, or only that they loath the Government's profligacy? Expenditure worth spending should continue to be spent. I do not understand why Mr LAU Kong-wah stated on the one hand that the public favoured cuts in expenditure, but on the other criticized the Government for cutting the expenditure of the police. Do citizens really support cuts in expenditure? Let us look at the example of health care expenditure mentioned earlier — the Secretary is here now — where funding for the Hospital Authority will be reduced by \$1 billion this year. Will citizens really prefer cuts in expenditure? The Government adopts the approach of "big market, small government", but how is it going to become a small government? In addition to cutting government expenditures, it resorts to increasing charges. For instance, Secretary Dr York CHOW is now contemplating across-the-board increases in charges for accident and emergency service, out-patient service and hospital charges. Is the seeking of subsidies from the poor and middle-income group by means of various charges a manifestation of small government? Is this what the public wishes? Now, the Government has clearly expressed that certain medication costing \$20,000 a month has to be purchased by patients. In future, patients have to apply subsidies from the Samaritan Fund to pay for these effective yet expensive drugs, or otherwise, pay the tens of thousands drug expenses out of their own pocket. This is small government.

On education, under the small government, what is the point of proposing small-class teaching? Whenever small-class teaching is mentioned, the Government will say that it cannot afford the substantial amount of expenditure incurred. On the "0-0-5" funding reduction arrangement applicable to universities, 5% has to be cut in the final year or say the third year, which is again for the sake of achieving small government. Is the public really so keen about having a small government?

Now, the social welfare sector is also facing the same problem. According to some front-line workers of the sector, some elderly people in residential homes for the elderly can only take a bath every other day because of the cut in manpower resulting from the tightening of expenditures on all aspects. The number of injuries at work has also surged. This is small government.

Despite the cut in social welfare expenditure, the Government has reduced the Comprehensive Social Security Assistance for the elderly, old age allowance and disability allowance. This is small government.

On employment, under the small government, many investors no longer invest here. In view of the serious youth problem now prevails, the Government only addresses it by allocating funding here and there. Does it have a comprehensive strategy to cater for the training and employment needs of youth between 15 and 19 years of age? Has it put in adequate resources? Under the small government approach, the Government cannot launch big initiatives because it does not have enough money. Despite the high unemployment rate in the construction sector which requires more investment on infrastructure to improve the situation, only 25 projects out of the 169 outstanding projects of the two former Municipal Councils have now been carried out. Being reluctant to carry out construction projects of all kind, this is what a small government does.

Madam President, I just want to tell Members all that this is not going to work. The effect of small government will not only affect the services enjoyed by the public, but will also turn the Government who is an employer into an unscrupulous employer. Now, more and more employees of the Government are employed as casual workers. Since no more civil servants will be recruited, non-civil service contract staff is employed on a great scale. At present, there are 14 000 non-civil service contract employees in the Government who are doing the same work as civil servants do but definitely at different pay. The salaries of these contract employees are much lower and their contracts are renewed every several months, not knowing whether they will remain employed in the coming year. The Government is taking the lead to replace permanent staff with casual workers.

The Government also takes the lead in outsourcing. Since the small government has reduced its manpower, it has to outsource its services, resulting in the exploitation of workers of outsourced services. Their wages are already on the low side — though the Government has stated that a minimum wage has now been set, it is applicable only to workers of outsourced work and the highest wage is only a little over \$5,000. Therefore, the purpose of outsourcing and privatization is indeed to save money. Actually, the Government has been quite successful in this respect now. According to this Budget, the size of the Government will slim down quickly, and the percentage of public expenditure

accounted for in government expenditures will reduce to 16%. That is to say, the expenditure level of the Government will be lowered to the level of the '80s, the colonial era, as Mr LAU Chin-shek mentioned yesterday. However, the current population has exceeded 7 million, what was the population then? At present, the population is ageing, how many elderly were there then? If the clock is turned back to the '80s, is it a good approach?

Therefore, the CTU always suggests the Government should not only focus on the "big market, small government" approach, without giving any regard to the disparity between the rich and the poor and the poverty problem. The right remedy for the situation is to enable the people of Hong Kong to share the fruits of prosperity and to resolve the problem of impoverishment. All along, we hope that the Government can on the one hand introduce a progressive profits tax to narrow the disparity between the rich and poor, and on the other cease cutting expenditures. The Government should allocate the surplus of the Exchange Fund — the current balance is \$1,000 billion, Madam President, of which \$400 billion is accumulated surplus — which has been accumulated for so many years for the purpose of training. Take the training of youth as an example, could the Government take it more seriously by investing a substantial amount of resources? Indeed, much resource can be derived from the reserves of the Exchange Fund.

In addition, I would like to ask the Financial Secretary a question. Though we have been talking about expenditure cuts and the original estimated expenditure which was \$212.2 billion has now been revised to \$200 billion, representing a saving of \$10 billion, the situation does not seem to be desirable. Since it is estimated that a certain amount will be spent, but only because everyone is trying to cut back expenditures, it finally turns out that \$10 billion has been saved. I am not saying that the Government should spend indiscriminately. But when the Government is desisting from doing anything because of inadequate resources, at a certain point of time, say in the middle or by the end of a year, should it not review whether it has extra money and allocate some of the resources to do society good? However, the Government refuses to consider it. Thus, it has now spent nearly \$10 billion less. In this connection, the Government should review why it has spent \$10 billion less.

Finally, on the Basic Law, as the Government is so keen on interpretation of the Basic Law, I have to challenge it. It is stipulated in Article 107 of the Basic Law that the Hong Kong Special Administrative Region should keep its

budget commensurate with the growth rate of its gross domestic product. What does it mean by "commensurate with"? In the past, Secretary Donald TSANG often said that with the rise in economic growth, expenditure of the Government may rise accordingly at the same rate. However, this is not the case now. The economy has grown but government expenditure has decreased. This is in violation of Article 107 of the Basic Law, as expenditure does not rise in tandem with economic growth. Surely, since the Government can appeal for an interpretation of Basic Law at will, it holds the upper hand. Only the Government but not the Legislative Council enjoys this privilege of appealing to the State Council for interpretation of the Basic Law. As the Government is the fiercest, it needs to give no explanation. However, I insist that the Government has violated the relevant provision stipulating that expenditure should be commensurate with economic growth.

Lastly, I would like to talk about the request by several political parties for a reduction of salaries tax. According to press reports, three major political parties have requested for a reduction of salaries tax. However, I think this request to a certain extent looks down on the middle class, suggesting that they are not willing to undertake greater commitment for the Hong Kong Government. But I believe this is not the case. The middle class are willing to commit, but they hope that the Government can do a better job in education and health care, and society as a whole can move on smoothly. I believe they do not really want a reduction in salaries tax. If the salaries tax is reduced, only those "super employees" paying millions of dollar in salaries tax will really benefit. Thank you, Madam President.

**MRS SELINA CHOW** (in Cantonese): Madam President, in my capacity as Deputy Chairman of the Liberal Party and Chairman of the Hong Kong Tourism Board, I must actively respond to the remarks made by Mr James TIEN yesterday on the issue of opening a casino in Hong Kong.

I have no intention to waste Members' time by repeating Mr TIEN's arguments, which were already convincing enough, in particular, the potential economic benefit such as the \$20 billion to \$30 billion revenue and 100 000 job opportunities it would bring about. That would greatly improve the employment situation of the grassroots and can definitely achieve the goal of poverty relief and poverty eradication. Of course, I understand very well the

moral arguments against the proposal, but as the pillar industry of Hong Kong, it does not make sense if our tourism industry provides no gambling facilities at all. Moreover, Hong Kong already has a sound legal system in place to regulate betting activities, why should we fear that the establishment of a casino will cause a terrible and unmanageable consequence to a city as mature and rational as Hong Kong? Besides, since the gambling facilities advocated by the Liberal Party are for tourists only, we could incorporate effective regulatory measures into the licensing conditions. All of these would address the concerns of many people who hold an opposing view.

Madam President, with regard to this issue, we understand that the resistance comes not only from within for, in fact, Dr Stanley HO and the Macao Government have also voiced strong opposition. Nevertheless, given their social standings, position and interests, we would be surprised had there been no opposition at all. However, no infrastructure facility should be monopolized or operated exclusively by a certain group of people. Today we have built the Disneyland; perhaps Shanghai will have its own several years later. Hong Kong has been holding a leading position in operating container terminals and a container port, but it has to face competition from Yantian Port. Then, why can Hong Kong not join the bandwagon after Macao's gambling industry has developed steadily? Members may recall that back in 1999, the Acting Chief Executive, Mr Donald TSANG, had proposed the establishment of a casino on Lantau Island as a means to tap new resources of revenue. If he is persistent enough, he should first convince the Financial Secretary to incorporate a casino establishment for tourists into the development plan of Lantau Island, and then launch a government-led promotion campaign to persuade all parties concerned, including the Central Government and other opposition forces. This will not only offset the threat from our neighbouring tourism competitors, including Singapore and Thailand, which have intentions to open up a gambling facility, but also help Hong Kong to cure a number of economic ills.

Madam President, the Liberal Party has all along considered small and medium enterprises (SMEs) an underpinning of Hong Kong economy, representing over 90% of total business establishments in Hong Kong. Many of the functional sectors to which Members from the Liberal Party belong are mainly SMEs. For that reason, I fully support the proposal made by Secretary Henry TANG in this year's Budget to adjust the provision for three SME funding schemes. I think it would help the development of SMEs. Nevertheless, I

think the Government should enhance its efficiency in vetting and approving the applications for these schemes and streamline the procedure. For example, it requires 70 working days to process an application for the SME Development Fund. The process is indeed unacceptably slow.

In fact, as far as SMEs are concerned, it is necessary for the Government to draw up some all-directional strategies to help them, including a substantial improvement of the business environment, a thorough removal of the unnecessary restrictions and the elimination of repetitive and inefficient red tape. In so doing, SMEs will benefit most from the reform as they do not have the support as large corporations in terms of manpower and resources. This is one of the important reasons why I have been opposing the sales tax, because it will bring tedious procedures to SMEs and waste a lot of time and efforts unnecessarily. Nevertheless, I find that the Government has turned a deaf ear to this proposal, and most of the time, it refuses to admit the reality, reluctant to acknowledge the fact that these complicated formalities and documentation may affect the sector, cause widespread public resentment, undermine efficiency and increase costs.

For that reason, I welcome the decision by the Subgroup on Business Facilitation, led by Mr TANG, to conduct a pilot study on measures to remove unnecessary restrictions currently imposed on the construction and retail sectors. Nevertheless, I consider the punch too small and the remedy too late, therefore, it is too little, too late. The Subgroup should enhance and speed up its work in order to make a revolutionary undertaking within a short period of time and to make some achievements.

As a matter of fact, the SMEs we frequently talk about are indeed very complicated, and they comprise of many different trades. They are not only different in nature, the regulatory measures required and the Policy Bureaux in charge are also different. The liberal attitude and flexibility of the relevant government department is the key to whether the needs of different trades can be met and business facilitated. In so doing, our economy can be enhanced, employment opportunities be improved and the poor can thereby become more self-reliant. However, instead of facilitating SMEs in doing business, a number of existing policies of the Government are stifling their survival. Let me cite an example here. I have in fact spoken on that many times in this Chamber. Earlier, a cineplex in Langham Place was found operating without a licence. The incident shows how inflexible and conservative the government licensing

mechanism is. In fact, this is only the tip of an iceberg. People in the industry had told me that as a record in the history of the industry, the shortest waiting time for a cinema licence application had been eight months, while the longest could be two and a half years. Although we have been complaining about that for several years, the situation persists. The Government expedited the licensing process only after the Langham Place case had been reported by the media. Should the Government do any work only after we have published all the issues in the newspapers? The way in which the Government handled such applications in the past was absolutely intolerable.

Madam President, economy and the people's livelihood are vitally interrelated, and a thriving business environment will push employment. In the past year, the economic upturn did bring us a new atmosphere, for the overall unemployment rate has dropped to 6.1%, but it remains as high as 14.7% in the construction industry mainly due to the constant dwindling of the industry. The figures show that the total value of works dropped from \$120 billion in 1999 to \$39.7 billion in last year, which was an all-time low in 10 years. The first-quarter figure this year was even worse, it was only \$2 billion, which was only a quarter when compared to the \$8.7 billion in same period last year (the first quarter), and even one eighth when compared to that of 2003.

Although Mr TANG pledged that the Government would reserve \$29 billion for public works expenditure, it is only an average actually. The realistic situation is different. This year, the Government only reserves \$27.6 billion, which is \$700 million less than that in the year 2002-03, and \$3.8 billion less than that of 2003-04, and \$4.5 billion less than that of last year.

During the economic sluggishness over the past few years, the Government told us it had no money, thus it would economize on spending. What is the situation now? The public coffers have a consolidated surplus of \$12 billion but the Government keeps on cutting expenses and refrain from making infrastructural investment. Why should the Government take the initiative to create unemployment? Why can the Government not seize this opportunity to increase investment in this respect and to launch the works which would benefit the public and meet their needs as the economic conditions permit? I can remember that almost all District Council members had complained about delay in works when they met with us in the Legislative Council. It would take two to three years for some minor delays while it would take a couple of years more for major delays, which is the common pattern one may see.

In the Public Works Subcommittee (PWSC), we frequently find that the progress of public works is always slower when compared with private projects. A private developer may take a year or 18 months to construct a small building, but it would take as many as three years if the project is carried out by the Government. There are similar cases recently. I do believe that it is necessary for the Government to conduct a serious review and study how to speed up the progress and enhance its financial commitment in this respect, since the investment in these works is tantamount to our investment in the future. Money should not be spent without returns. Besides, it may also enhance the quality of life of the public. Moreover, since the spending is already planned, the Government should proceed according to its plans and should not delay anymore.

Moreover, we also hope that the Government will help the private construction sector and property developers by supplying more lands for their development. Some developers have told me that the current land supply is rather tight, but in view of the fact that the property market is recovering and property prices are going up, they are of the opinion that the Government may adjust the land supply in order to enable the steady growth of property prices. For that reason, I hope the Government can make the adjustment as practicable as possible.

Madam President, I wish to speak on an important sector in the creative industries, that is, the movie industry. In the golden era, that is, in the '90s, the movie industry used to produce more than 200 movies each year, but we only have 65 movies this year, which are less than a quarter when compared with that of those days. Of course there are many reasons contributing to the decline, but we still have many talented people and we have the environment and conditions to create movie stars. I think the Government should really help the movie industry; it will not be adequate if we rely on fragmentary ideas advanced by the existing advisory committee. The industry needs a longer-term strategy to genuinely assist its development, so that it can access the international market and get its share. Insofar as measures are concerned, we can refer to other success examples. Let us take Australia as an example. It has put the software in place since as early as the '70s for the all-directional development of the movie industry, it has therefore become a top-notch filming location and post-production centre. Let us talk about South Korea. With regard to the movies it produces recently, I believe they have drawn much of our attention, for

their movies and television series have not only taken the entire Asia by storm, but also become a vogue outside Asia. In fact, South Korea has been vigorously cultivating the movie and television industry over the past 20 years. After years of hard effort, it reaps the brilliant achievement of today.

Actually, our Government has allocated very little funding to the industry through the existing Film Guarantee Fund (FGF) Scheme. To small-scale production houses, it can be considered a certain kind of help. The recent Entertainment Expo was an example of appropriate allocation of such resource. The occasion allowed people from the industry to get together. It was rather encouraging to have the first activity of its kind held after years of hard work. Still, it is a measure which lacks comprehensiveness and insight. I consider that the Government should change its way of assistance from a piecemeal approach to a more specialized and professional mechanism, so that a more detailed strategy could be formulated to suit Hong Kong better. This is the genuine way to rescue and promote the movie industry of Hong Kong.

Madam President, the Financial Secretary will feel strange if I do not speak on red wine duty, because red wine plays a vital part in the development of the tourism industry. I feel most strange that the Financial Secretary, having listed a number of advantages of lowering the duty, eventually said that "after taking into account the divergent views of the public", he had "decided to maintain the *status quo*". This somewhat resembles a schizophrenic way of thinking which I cannot make head or tail of. I hope Mr TANG will not make the decision of maintaining the *status quo* in order to pre-empt suspicions for the fact that he is fond of drinking red wine. In fact, red wine is very important to the service industry, catering industry and tourism industry of Hong Kong. I believe he understands the advantages of that, and for that reason, I do hope the Financial Secretary can think twice and bring us the good news when he delivers his Budget next year. Thank you, Madam President.

**MS AUDREY EU** (in Cantonese): Madam President, ex-New York Mayor GIULIANI said in his book *Leadership* that when compiling a budget, you must underpromise and overdeliver. In other words, when you make promises, the expected target should be set at a lower level, and when the actual result is delivered, it should be a bit higher than expectation. It will make you look

competent. In Hong Kong, the case is totally different. We always have a very wide difference between the Budget and the actual result.

From the last Budget, we can see that our deficit is \$29 billion less than projected. This year, the case is even worse. While the projected deficit is \$42.6 billion, we have a \$12 billion surplus in our final account. The difference is over \$50 billion. Apart from accurate computations and forecasts, a budget must be forward-looking.

I am glad to see that the Chief Secretary for Administration and Dr York CHOW, the Secretary for Health, Welfare and Food, are both present today. In fact, Hong Kong is facing two major long-term problems, namely, an ageing population and an extreme disparity between the rich and the poor.

As regards our ageing population, by 2033, the ratio of people aged 65 and above will have risen from 12% to 27%. The number of poor people has shot up from 900 000 in 1991 to 1.2 million last year. These two phenomena indicates that there will be an enormous growth in our health care and welfare expenditures and it is a problem that every Financial Secretary should deal with.

Besides, I have at hand a Final Report to the Financial Secretary by the Task Force on Review of Public Finances in 2002. It was stated in the conclusion that: the model findings show unequivocal signs that even when the economy returns to "normal" growth, the budget deficits will remain and indeed worsen. To continue the current fiscal "lifestyle" is therefore not an option. In addition, we have a structural deficit. Against this background, we should examine into each and every Budget. On reducing expenditure, in four years time, by 2009-10, the proportion of public expenditure as a share of GDP will decrease from 20% now to 16%. Taking into account the expenditure for CSSA and the Civil Service, the room for reduction is in fact very limited, and the cut is indeed drastic. Yet the Financial Secretary was so pleased as to tell us that it was the first time in 50 years that our expenditure could be reduced. As a matter of fact, as far as cutting expenditure is concerned, there is little room to go further and a number of colleagues have made complaints on this area in their speeches.

On increasing revenue, as we adopt a low-tax regime, there is also little room for raising the rates of our salaries tax and profits tax. Even if some progressive elements can be introduced in calculating profits tax, the room for

increase is absolutely limited. As such, we must consider how best to tackle the problems of an ageing population and the widening gap between the rich and the poor. I heard many colleagues express reservations about and objection to the introduction of a goods and services tax. However, as a responsible Government, it must actively deliberate on the long-term problems that Hong Kong is facing.

I feel frustrated when I see this Budget. Mr TUNG has been talking about the bursting of economic bubbles and high land prices for seven years. Since the implementation of the "85 000-flat housing policy", we have been struggling till now. However, as a result of a substantial increase in land proceeds last year, our Financial Secretary, Mr TANG has raised the revenue from land premium as a share of our GDP to 2.4% in the Budget this year. As we all know, high land premium is a two-edged sword. With the buoyant property market, our economy is back on an upswing. The property prices soared up as a result of speculation. The Arch, for example, was sold as high as \$32,000 per sq ft. Does it mean that after so many talks about economic restructuring and economic bubbles, we are only going back to square one? We have talked about a knowledge-based community for so many years, yet as far as our education is concerned, we do not feel that we are moving in this direction.

The most significant move in the Budget is the abolition of estate duty and it is proposed that it should take immediate effect. There are three main reasons for this. Firstly, Hong Kong will become more attractive to investors, thus facilitating the further development of Hong Kong into an asset management centre. Secondly, as the better-off may avoid the duty by setting up off-shore trust funds or other means, it is not a fair tax, or rather voluntary in nature. It is therefore unfair to those who do not avoid the duty. Thirdly, as the assessment of estate duty takes time, the assets of citizens, particularly operators of small and medium enterprises (SMEs), may be frozen during the assessment period, thus causing their spouse or family cash flow problems. However, are these three reasons sound justifications for abolishing estate duty?

Is estate duty indeed a major hurdle that prevents Hong Kong from becoming an asset management centre? After the abolition of this duty, how much capital can be attracted to Hong Kong? The Financial Secretary cannot give us an answer in the Budget. The Financial Secretary may of course accuse us of being fault-finding. How can he give us a figure when the estate duty is not yet abolished? However, what I do not understand is the principle itself, that is, the first reason is contradictory with the second. Since it is a voluntary

tax and paid by those who do it voluntarily, and since there are so many means for investors to avoid the duty, if he is prepared to invest in Hong Kong, he should have done so. How can people who are not prepared to invest here be attracted? I really hope that the Financial Secretary can tell us how those who do not intend to invest can be attracted otherwise to do so as a result of the abolition of estate duty. Besides, since the Government claims that estate duty is so easy to be avoided, I would like to know what kind of people cannot avoid the tax. I hope the Government can answer this question.

As I have said just now, the second argument is contradictory to the first one. What I really do not understand is why it is unfair to those who do not try to avoid estate duty while some of them do so. Some people may pay the duty voluntarily, and there may be people who do not trust others and keep the money to themselves which incurs the payment of estate duty once they have passed away. Why, according to the Government, is the situation not fair and that the duty thus imposed is voluntary?

As to the time required for assessment, I agree that it is relatively long. I also agree that it may be unfair to certain people. However, it is not the duty itself that is unfair, but the procedures involved. In fact, the administrative cost of estate duty is very low, for it only accounts for 1% of the tax which is the cheapest and lowest among all taxes.

Therefore, if the Government can make some improvement, such as employing more assessors to speed up the evaluation, the assessment process can be expedited without the need to freeze the assets involved. Besides, the allowance of \$7.5 million can be considered to be raised. As explained by the Financial Secretary in the Budget, of the dutiable cases processed, about 70% involved assets with an estate value below \$20 million.

Madam President, the Government is always very cunning in presenting figures. With these cases, the Government claims that the SMEs are adversely affected since more than 70% of the cases involve SMEs. I therefore wrote to make an enquiry and the reply given to me was that, if we talked about the amount of duty paid, the picture was completely different. It was found out that 77.2% of the total duty revenue was yielded by 20% or so of the cases. The duty revenue of more than \$800 million came from 81 cases. On average, an estate generated an income of \$10 million in estate duty. Taking into account of an allowance of \$7.5 million and an exemption for owner-occupied property, if a duty of \$10 million was paid, it meant that the net asset value of these people

worth more than \$60 million. If these people were exempted from paying estate duty, the Government would lose an income of several hundred million dollars. What can it get in return? I feel that the Government owes us an explanation. The Government emphasizes the need of consultation on a lot of matters, yet when it comes to estate duty, the abolition will take effect once the proposal is put forward.

Madam President, I do not oppose in principle the abolition of estate duty, as it is not a matter of principle. However, according to the figures provided by the Government, we are still under the threat of a fiscal deficit. When we have long-term problems yet to be resolved, such as an ageing population, health care financing, and the strong opposition against the introduction of goods and services tax, the Government should not act rashly without any signs of increasing income and in the presence of a structural deficit. Even if the Taxation Institute of Hong Kong suggested the abolition of estate duty, it did not mean it to take immediate effect. I hope the Government can study and conduct consultations in a thorough manner before proceeding to effect the abolition, so as to make sure that the move will only bring about tax reduction but not any consequential increase.

Madam President, on education, a number of Honourable colleagues have talked about this subject. While the Government claims that it will invest relentlessly on this, I would like to ask the Government to be more realistic — put your money where your mouth is. If it really means to promote education, it should indeed invest more resources. Nevertheless, we see that the saving of \$3.3 billion in the 2003-04 fiscal year has been transferred to the public coffers. We also have a saving of \$3.8 billion in 2004-05. The revised budget for primary education is almost \$1 billion less compared to the original budget. The Government is again being cunning in providing us with figures and disclosing information. For example, it tells us that small-class teaching involves an additional expenditure of \$3.1 billion, but the fact is, with the decreasing population, if small-class teaching is implemented now, it will not involve any additional resources. The implementation of small-class teaching has in fact a very close bearing on reducing poverty. To improve the plight of poor families, the most effective way is to educate their children, so as to enhance their competitiveness in the community in future. This is the most radical way of eliminating poverty. If we allow the polarization of basic education, such that rich people can go to Direct Subsidy Scheme schools and international schools, while poor people can only send their children to primary

and secondary schools with 30 to 40 students in each class, the gap between the rich and poor will be further widened, equal opportunities will become a dream and the problem of intergenerational poverty will aggravate.

Also, about green taxes — I think I have no time to talk too much on education, such as the tricks played on the training of kindergarten teachers, I do not think we can discuss them in this session, Madam President. On green taxes, through the years we have all along been urging the Government to introduce this tax. It was not until this Budget did we see the Government talk about green taxes for the first time — the proposal of a tax on plastic bags. However, as I heard from some government officials, in particular Secretary Dr Sara LIAO, the Government seemed to have held back, saying that the proposal was not practicable. I urge the Government to publish a consultation paper as soon as possible to implement green taxes, in particular a tax on plastic bags and taxes to promote manufacturers' responsibilities in environmental protection. According to the Budget, no matter how desirable our proposed measures are, it will be difficult to achieve meaningful results without the community taking ownership and contributing positively to the effort. I want to add that, no matter how willing the community is to take ownership, without suitable legislation and support measures, it will be difficult to promote environmental protection with a good will alone. It will be as difficult as pushing a large piece of rock up the hill.

Madam President, I also hope the Government can reconsider introducing the Boundary Facilities Improvement Tax. It is not only in line with the "user pays" principle, but also a tax to be paid by those departing on ferries and flights. As we have invested over \$14 billion in providing boundary facilities, I hope the Government will reconsider this.

Finally, I would like to talk about our foreign exchange reserve. We have accumulated a foreign exchange reserve of \$1,000 billion to defend our linked exchange rate system. On the other hand, the Financial Secretary is being tight with the budget of Policy Bureaux and keeps on cutting spending. The foreign exchange reserve is in fact public money, so it should be spent on subsidizing government expenditure. If the 5% yearly return of our foreign exchange reserve can be transferred to the public coffers, with an additional income of \$50 billion, the Government will no longer have to worry about our expenditure.

In brief, I hope the Budget each year should not focus only on our prevailing problems and take a longer-term view instead, such as considering the problems of ageing population, health care financing, the disparity between the rich and the poor, and so on. Also, more resources should be committed to education. Thank you, Madam President.

**MR ALBERT CHENG** (in Cantonese): Madam President, as an independent Member of the Council and one who fights lonely battles, I have to cover every policy area in this Budget. Therefore, I can only comment on it in a rough and general way. However, if the Government is interested in the views I am going to put forward, I can of course submit a detailed report later. The Budget presented by the Government this year is commonplace and insipid. No pleasant surprise is in store for the middle class people. It offers no relief to the poor. I do not know if this is due to the uncertainties that hang over the macro political situation that the Financial Secretary has become hesitant and indecisive, or if the Government has long lost its direction in financial management.

Ever since the financial turmoil of 1997, Hong Kong has experienced years of economic downturn with government finance sinking always deeper into the red and jobless figures remaining high. The Government has been at a loss to tackle the problem. What it knows is only to make deficit elimination its financial target. As a result of frugal public spending, the grassroots have been having a very rough time. They are so helpless. And now they have come to the end of the tunnel at last. Since last year our economy started to move out of the doldrums. Before this Budget was announced, the Government had been stressing that fiscal balance had not yet been restored this year. I thought it was like the cry wolf tactic employed by some Financial Secretaries in the past, and the authorities would bring some pleasant surprises to the people when the Budget was delivered. However, at a time when a \$12 billion surplus is recorded in the books this year, the Budget has not brought any hope to the public as expected. The cry wolf story is heard no more. With this the tiny amount of entertainment that used to go with the Budget is gone.

With respect to public revenue, I think that the tax regime should be based on the principle of equity. A commonly accepted principle of equity is those who can afford will pay more. This means those who have a greater income should pay more tax. This is not the kind of egalitarian game that the Government wants to play, and as it always says, that all people should pay taxes.

Now there are 300 000 people who pay the salaries tax in Hong Kong, of whom 50 000 pay the bulk of it. The Government thinks that this is not fair and it wants more people to pay tax. But this is a fallacy. First, the tax rate in Hong Kong is lower than that of other developed countries and our neighbours. There is no question of unfairness for those who need to pay the salaries tax. The reason why a small proportion of people pay a large proportion of the tax is the serious problem of the disparity between the rich and the poor in Hong Kong. Many salaried people do not have to pay any salaries tax because their income is barely enough to meet their basic living expenses.

We think the progressive principle should be applied to the salaries tax to make the tax regime fair. As the existing salaries tax practises the standard rate system, those earning a high income pay a low tax rate in practice. We suggest that the standard rate be abolished and the highest marginal rate of taxation be kept at 17%. The profits tax rate should also vary according to the size of the companies concerned. A rate of 16% should be levied on small and medium companies with an income of \$5 million or below. Those large companies earning an income of more than \$5 million should pay the tax at a rate of 20%. In this way, an extra \$3 billion of revenue can be generated.

As for concessions in salaries tax, some political parties have asked that the salaries tax be reduced this year. This I cannot agree. Since the grassroots have suffered so much during the previous years when public expenditure was cut, to lower taxes at this time when only a slight improvement has been seen in public finance will only exert pressure on government spending and public services. The result is self-destruction. I think this year is not the right time to reduce salaries tax. There would be room for a tax cut when public finance fares better and the unemployment rate drops considerably.

In addition, I suggest that the Government should study into other measures to increase revenue, such as introducing a tax for luxury flats, that is, transactions involving luxury flats valued at \$10 million or more would be taxed. I also agree to the introduction of "revenue neutral" green taxes to achieve the aim of "polluter pays" and thus reduce the environmental costs caused by pollution. As for our foreign exchange reserves, as they are owned by all the people of Hong Kong and the investment return should be credited to government revenue to better take care of the benefits of the people, I think that the amount now credited to government revenue is too small and it should be

increased. At the same time, I support the suggestion made by the Hong Kong Jockey Club (HKJC) to change the tax levied on it from gambling duty to profits tax as this will result in greater dividends payable to punters and hence more bets would be placed. The most important point is that this will enable the HKJC to meet the challenges posed by off-course betting companies.

Besides, the proposal to abolish estate duty and company registration fees will encourage Hong Kong people to transfer their assets back to Hong Kong. It will also attract companies registered overseas but operating here to move their domicile back to Hong Kong. This is also a wise move to be made by a government with foresight. Unfortunately, I am speaking after Ms Audrey EU for she has used a lot of time to oppose the abolition of estate duty. However, I beg to differ from her view. Some political parties think that the estate duty is a tax on the rich, but this is total ignorance of the real picture. They do not know that the practice of transferring assets to foreign places as a tax avoidance practice has been around for a long time and very popular. To maintain the estate duty is not only short-sighted but it will also lead to more losses than gains.

Over the long run, a sales tax will make those earning a high income but do not have to pay any salaries tax to contribute their share to public spending. But the situation of the lower strata in society must be taken into account if this tax is to be introduced. If the Government decides to go ahead with this sales tax, I urge that the low-income families, that is, for example, those with an annual income of less than \$120,000, be given a full tax rebate.

As for government expenditure, I think gradual improvements should be made to social welfare and education. But in the Budget this year, the relevant expenditure does not point clearly to such a direction.

Insofar as social welfare is concerned, I think every citizen should have the right to receive social security and the Government should pay special attention to the disadvantaged groups. Now the problem of the disparity between the rich and the poor is acute. The Gini Coefficient is as high as 0.525 and it is worsening. But the Government has put up the excuse of eradicating the deficits to slash CSSA payments and welfare spending. The problems will only get from bad to worse. One example is the problem of the elderly. The number of the poor elderly is worsening rapidly. For the past decade, the proportion of elderly CSSA recipients against the entire elderly population has

risen by 120%. Hence the Government is obliged to accord priority to care for the elderly.

On the other hand, the number of unemployed people remains large and the unemployment rate stands at 6%. The Government should therefore set up an unemployment relief allowance and this should be paid out to those unemployed for a short period of time so that they can get some kind of financial and mental support, thereby their mind can be put at ease as they go out to find a job. The Government should also commit resources to improving child care and elderly services. This will facilitate women and single parents who have to take care of children and the elderly to re-enter the labour market. The root of the problems is that the Government has been reluctant to set up a poverty line. Such a poverty line will imbue transparency to the problem of poverty which is like cancer eating into the fabrics of our society. Actually, the setting up of a poverty line can offer guidelines to the Budget and it can also enable the general public and non-government organizations to take part in the related discussions and make decisions.

In education, with the ageing of the population, both primary and secondary schools are placed in a situation which they have never experienced before as the number of classes continues to shrink and schools are forced to close down. The economizing measures adopted by the Government are speeding up these processes. However, we should bear in mind that education is a kind of social investment and what the Government should do is to seize the opportunity to introduce small-class teaching, improve the quality of education and train up talents. The advantages brought to society would include sharpening our competitive edge, something which cannot be measured by figures in the account books.

When the Government implements the "3+ 3+ 4" academic structure, it should at the same time inject resources to implement compulsory education for 12 years. This will enable all the young people of Hong Kong to receive uninterrupted basic schooling and get themselves equipped before they enter the labour market. This will not only alleviate the worsening problem of youth unemployment but also offer a chance to nurture and shape the young people and develop their potentials. Besides, the Government should increase the number of Direct Subsidy Scheme schools to provide a pluralistic education which will cater for the needs of students with different abilities. This will enable more effective utilization of public resources.

Now the major road links in Hong Kong are often congested. This will not only waste our time but also affect our productivity. The main cause of this is excessive competition among the various means of transport, occupying the trunk roads. The authorities concerned are not able to apply any effective co-ordination, leading to wastage of other road facilities. A telling example is the Cross-Harbour Tunnel in Hung Hom which is constantly congested while the Western Harbour Tunnel has a scanty traffic flow. As the Government is powerless in preventing the Eastern Harbour Crossing from raising its tolls drastically, it is inevitable that this imbalance in traffic flows in the three tunnels will worsen. In addition, the high transport fares are dealing a heavy blow to the people and the grassroots find this an obstacle to their job-hunting. This is because high transport fares will make workers earning a low income reluctant to look for a job outside the district where they live. This will intensify unemployment in certain districts and also the associated problem of poverty there.

I therefore propose to set up a "Traffic Authority" tasked with the administration of cross-harbour tunnels, the Mass Transit Railway, the Kowloon-Canton Railway and the buses. This will prevent the lack of co-ordination as the various transport operators mind only their own interests, causing traffic congestion and thereby wasting our resources and lowering productivity. With respect to transport companies which are privately-owned, the Government may resort to acquisition. After this "Traffic Authority" is set up, the Government should revise the tolls charged by the three cross-harbour tunnels to encourage more drivers to use the Western Harbour Tunnel and hence relieve congestion at the Cross-Harbour Tunnel in Hung Hom. The Government should also emulate the practice adopted in Singapore, London and Toronto of dividing up the city into different districts and passengers can enjoy unlimited rides and transfers on different modes of public transport within the same district. This will offer great convenience to passengers and raise the efficiency in transport.

About half of the health care services in Hong Kong are provided by the Government and the Hospital Authority (HA) now and these are financed by tax revenue. Health care expenditure takes up 13% of the total government expenditure. Health care expenditure is expected to grow with the longer life expectancy of the people and hence the increase in the elderly population. In view of the financial restraints, I think that there is a need for the Government to

impose a ceiling on the appropriation of funds from the government account to that of the HA. This ceiling can be say, \$30 billion, as the expenditure on health care services found in this Budget is \$32.24 billion. The problem of health care spending in excess of estimates can be addressed by restoring the imbalance between public and private sector services or adopting extra financing or economizing measures. Such measures may include a revamp of the health protection system for civil servants, introduction of open tender or practising the principle of "having the money following the patients". By this last principle, patients are given an allowance with which they can use to consult private medical practitioners. This will ease the burden on the public health care system as it is now the case. For those patients who have taken out medical insurance, including accident and private health care services, the HA should charge the underwriting insurance companies concerned on a cost-recovery basis. Private medical practitioners should also be allowed to practise in public hospitals and this will have the benefit of enabling patients with common illnesses to have access to more effective services.

In addition, the Government must speed up its review of health care financing and study into a universal medical insurance system. Consideration can be made to taking out a certain percentage from the voluntary contributions made to Mandatory Provident Fund schemes as the premium, at a rate of say, 2% of the contributions, or requiring additional contributions. In this way the insured will get a certain degree of medical insurance protection. The Budget this year is compiled before any health care financing review is conducted. If the situation goes on, it is like dumping taxpayers' money into a bottomless pit.

In respect of housing, in this fiscal year the Government will face two lawsuits filed by residents of public housing estates on issues related to rentals of public housing flats and the listing of The Link REIT. Some time ago when representatives of some political parties spoke, it was found that there was an attempt to attribute the blame of fiscal deficits in the Housing Authority to those residents of public housing estates who filed the lawsuits. This is in effect causing division in society and misleading the public. As we know, the three major sources of income for the Housing Authority are sale of public housing flats, the rentals of public housing flats and rentals collected from commercial facilities. After the onslaught of the Asian financial turmoil, government housing policies were in great confusions and the long-term housing strategy just demised. As a matter of fact, the so-called "SUEN's Nine Strokes" are the

causes of fiscal deficits in the Housing Authority. It is most unfair to put the blame on public housing tenants now.

The proposal to sell government assets as endorsed by the three major political parties is just a move to use non-recurrent revenue to meet recurrent expenditure. This is an extremely short-sighted strategy of financial management. The sale of the shopping malls and carpark of the Housing Authority to The Link REIT will only cash in about \$32.2 billion. This is like selling public assets at dirt-cheap prices and making fool of the people of Hong Kong. On top of it, this is foregoing a steady source of rental revenue to the tune of \$3.4 billion per annum, somewhat like killing the hen to get the eggs and drinking poison to quench one's thirst.

To put things right, the Government must conduct a review of the financial arrangements with the Housing Authority, stop this contingency plan of selling assets to cash in and formulate anew a long-term housing strategy. Only by doing so can our housing woes hope to go away.

For years the financial management philosophy as embraced by the Hong Kong Government is conservatism. Over the years the Budgets have been underestimating revenue and overestimating expenditure. After the reunification and as Hong Kong has been caught in an extended recession, the Government has to juggle with the scanty resources at these times of financial hardship. The result is ordinary members of the public, especially those from the lower social strata, are forced to bear burdens that could have otherwise been avoided. At this time when the economy has started to pick up, the Government must forego its miser mentality and put in resources to help the disadvantaged. It should also seize the prevailing momentum and spur economic recovery. This Budget as I see it is devoid of any bold attempts to launch any reform in the tax regime or make any commitment by the Government to welfare and education. Nor has it any plans to conduct a review of the issues in health care and housing financing. All these talks about consolidating reforms and rising to the challenges just fall flat and I can hardly concur with them.

Madam President, I so submit. I will vote against this Budget. Thank you.

**MR CHEUNG HOK-MING** (in Cantonese): Madam President, in less than a month after the Budget was published, a new breakthrough came out of the Hong Kong-Zhuhai-Macao Bridge (the Bridge). Experts recommended that the bridge to land in San Shek Wan of Northwest Lantau in the east, and in Gongbei/a Perola in the west. It is estimated that the construction of the bridge can be completed within four years.

Just as the Budget pointed out, Lantau would play an important role in the future development of Hong Kong. In the Concept Plan for Lantau proposed by the Government earlier, one of the development themes was economic infrastructure and tourism. It could be said that the two are vitally interrelated. The DAB is especially concerned about the fact that the Bridge should be developed in tandem with other matching external and internal transport links; otherwise Lantau will only end up as a semi-isolated island.

I wish to expound views of the DAB on four interrelated issues about Lantau: the transport network, the toll of the Bridge, environmental issues of Lantau and the hospital on Lantau.

Firstly, I wish to speak on the transport network on Lantau. At present, visitors can reach major scenic spots on Northern Lantau only by the railway or surface transport in the north, or they can reach Southern Lantau by ferry. Nevertheless, scenic spots on Lantau scatter across the southern and northern shores of the island. If one wishes to visit every part of the island, he can only rely on Tung Chung Road which runs through the island from the southern shore to the northern shore. However, Tung Chung Road cannot meet the standard of a present-day road and it is a closed road which only vehicles with closed road permits can access. This virtual lack of a south-to-north link is not conducive to the overall development of Lantau at all.

Madam President, the number of inbound tourists reached 21 million person trips last year and the overall spending was more than \$90 billion. It is anticipated that there will be constant growth in the number of inbound tourists after the opening of the Hong Kong Disneyland on 12 September this year, and this will benefit Hong Kong's tourism industry. Moreover, it is expected that the Tung Chung Cable Car system will be commissioned early next year, and it is believed that Lantau will be swarmed with sightseers as a matter of course.

Moreover, the Bridge is expected to be completed within four years. Some experts have estimated that the traffic flow of the Bridge will approximately be 12 000 vehicles daily, which will increase to 60 000 vehicles after six years and 120 000 vehicles ultimately. Although the Government has a preliminary plan to solve the traffic congestion problem, that is, to use traffic control as a means to divert vehicles to make a stopover in Lantau, thereby restricting them from entering the city direct. This practice will only be trimming the toes to fit the shoe. We should pinpoint the crux of the matter by improving the ancillary transport infrastructure. If the Government fails to address the problem properly, it is almost certain that coaches will never get through in future. Who would be willing to get stuck in a traffic jam for almost a whole day before getting two hours' fun?

For that reason, the DAB considers that the Government should allocate funds as soon as possible and take the development of certain spur lines into consideration, such as a spur line linking Tai O in the south and the Tung Chung New Town in the east, so as to enable the natural scenery, road networks and servicing facilities to complement each other. Moreover, upon the completion of the Tung Chung Road widening works, the road should be opened to all vehicles and should not be limited to road users with closed road permits. At that time, I believe it will attract more tourists to visit Lantau.

Besides a complementary transport network, the DAB considers that the Government should conduct planning on the infrastructures in Northwest New Territories, so as to match the commissioning of the Bridge, such as the prompt construction of the Tuen Mun Western Bypass and link roads between Tuen Mun and the airport, so that the pressure of traffic congestion on Tuen Mun would be alleviated as the traffic flow is diverted away from central Tuen Mun.

Secondly, I wish to talk about the toll of the Bridge. Mr LAU Kong-wah mentioned the concern of the DAB earlier, because the National Development and Reform Commission had stated that the Governments of Hong Kong, Zhuhai and Macao would not make capital injection in the construction project. It is believed that the project would be financed by consortium in the private sector. As far as investors are concerned, the profit-based perspective would give no cause for much criticism. Nevertheless, the recent acute toll hike by the Eastern Harbour Crossing and Western Harbour Crossing have imposed an

additional burden on the general public, but the Government can do nothing to mediate the dispute. This incident is so vivid as if it just happened yesterday.

We should learn from the experience in order to avoid the recurrence of the nightmare. The DAB considers that the Governments of the three places should share part of the construction costs so as to maintain a role which would be critical to the determination of the operation and toll of the Bridge in future. Meanwhile, we also consider that a mechanism should be established in the three places to monitor the operation, toll and expenditure of the Bridge. For example, we can take reference from the Mainland by establishing a price control administration to determine the toll level according to the spending power of people, utilization rate and cost-effectiveness.

Thirdly, I hope the Government can strike a right balance between economic development and conservation of the nature in the course of developing Lantau, so as to ensure that the natural ecology will not be damaged. Earlier, 19 environmental groups requested the Government to withdraw the plan of building a logistics park and container terminal on Lantau, since they were concerned that the relevant projects would jeopardize the ecology of Lantau. The DAB hopes the Government will carry out the environmental impact assessment before implementing any development project, so that the public would be informed of the impact of such project. The DAB also urges the Government to provide us with adequate data, so that we can weigh the pros and cons before deciding whether or not to support the relevant project.

With regard to the environmental problem of Lantau, I hope the Government will promptly deal with one issue, that is, the air quality problem of Tung Chung. In last September, the Environmental Protection Department (EPD) recorded an air pollution index (API) of 201 which had reached the "very unhealthy" air pollution level. It was undoubtedly a warning no matter to the residents in the area or tourists.

Meanwhile, we are concerned that the problem would be aggravated upon the completion of the Bridge. When the Bridge is completed, motorists will only need to take a 30-minute ride to travel from Zhuhai to Hong Kong, which will reduce the travel time by two hours when compared with the original route from Zhuhai to Hong Kong via Shenzhen. Some people from the container transportation industry have estimated that the commissioning of the Bridge will

attract more mainland manufacturers, in particular those in Guangxi, to dispatch their cargoes to Hong Kong via the Bridge before the goods finally reach our container terminals where they would carry out the port activities.

It can thus be anticipated that the air pollution problem on Lantau will become a regional issue, and we cannot rely on the control of vehicle emission in Hong Kong to achieve the target. For that reason, the DAB considers that the Government should enhance its co-operation with Guangdong in the enforcement of vehicle emission legislation, so as to reduce the total emission in the Pearl River Delta Region, improve the air quality and alleviate the smog problem.

Fourthly, I hope the Government will build a hospital on Lantau as soon as possible. The Government originally proposed to build the North Lantau Hospital in Areas 13, 22 and 25 of Tung Chung, but the siting has yet to be finalized so far. Meanwhile, when replying to my question in the Legislative Council, the Government expressed that once the site was determined, it would apply to the Finance Committee for funding in 2006 and the works could commence in 2007. According to this progress, the hospital is expected to be completed by 2010 or 2011 and services would be provided in phases.

Madam President, at present, a resident in Tung Chung can only get the necessary medical attention at Princess Margaret Hospital if he is suffering from an acute illness. This will cause great inconvenience to the patient. Meanwhile, since the Hong Kong International Airport is situated in Chek Lap Kok, medical facilities at the airport area may not necessarily meet the need in case of an emergency. In addition, the opening of the Disneyland this year will also make Lantau unprecedentedly crowded. For this reason, we urge the Government to expedite the construction of a general hospital to meet the need of the local community on Lantau.

Madam President, consultation on the Concept Plan for Lantau was completed only at the end of this February. The Financial Secretary also mentioned in this year's Budget speech that there were strong and divergent views in the community on the subject. He stressed that the consultation had only started and hoped that the public could keep an open mind and continue their discussions on the Concept Plan and it was not necessary to jump to any conclusion. Nevertheless, I wish to point out that Lantau has embarked on a development highway; I hope the Government will speed up the consultation in

order to pre-empt a shortage in complementary measures, which may make it an example of a planning blunder.

Madam President, I have spent a lot of time making a lengthy discourse on my concerns about the development of Lantau. I wish to take the opportunity of the Budget debate to urge the Government again to open up and develop our Border Closed Areas. I have explained in my speech on the last policy address that the development of the Border Closed Areas would bring us a number of benefits: We can fully utilize idle land resources, create employment, expedite economic transformation and facilitate further economic co-operation between Hong Kong and Shenzhen.

The DAB proposes that the development zone can accommodate three different industries, namely manufacturing, tourism and business service industries. Although some people have questioned that the costs of developing Border Closed Areas would be rather high and not cost-effective, we consider that we can adopt a flexible development mode. For example, the Hong Kong Government can offer the lands which have been levelled as its share in a joint venture with international consortium, or it can adopt the BOT mode of development.

Madam President, the DAB notes that although there is constant improvement in Hong Kong's unemployment situation, it is still quite severe as far as the low-skilled working class is concerned. For that reason, the DAB hopes that we can take the opportunity of developing the border areas to increase employment. According to a conservative estimation by the DAB, the development zone can provide 130 000 to 140 000 new jobs, which will account for 4.2% of the total employment of Hong Kong and over 50% of the total unemployed population. We consider the best way to help the poor is to provide them with job opportunities, which would help the grass-roots people to become self-reliant. I hope the Government will take our proposal into consideration prudently.

I so submit. Thank you, Madam President.

**MR JAMES TO** (in Cantonese): Madam President, perhaps I should say at the outset that I have submitted two amendments to the Budget, and I may be speaking on this in detail later. In brief, since I have already put forward these arguments for many years, I will not repeat them here.

A Complaints Against Police Office independent of the Police Force is, in my view, a more creditable system. Whether to the police or members of the public, the conclusion drawn would be considered more convincing. As a related issue, I received on 24 January this year the Government's reply to a letter from the Panel on Security. It was said that the police do not maintain statistics on admission statements rejected by the Court. Why did we ask for these statistics? In fact, this can serve as an indicator of abuse of power by the Police Force. We have sought these statistics from the Government for years, because these statistics will help monitor the trend. How can they help? It is because very often, there may be cases of using torture to obtain confessions or cases in which the defendant gives a statement under duress and the statement is used as evidence against him which ultimately leads to his conviction. So, if these statistics are maintained by the police, that is, statistics on cases of the defendant having been "beaten up into confession" or cases of the statements being rejected, we can see the frequency of these cases of abuse and hence prevent them. These statistics are particularly important to a lawyer disputing an admission statement.

The Government said that the conviction rate is indeed very high and that there are not many cases of rejection and so, this is proof that abuse of power by the police is rare. But as we all know, we expect improvement. Also, in many cases, prosecution did not involve an admission statement at all, and even the crimes as stated in the admission statement were not contested by lawyer. So, what we wish to dig up is cases with defence by lawyer in which the admission statement was used as the major basis for prosecution. We wish to find out the number of cases in which the admission statement was rejected after it had been professionally challenged, because we can see from this the situation of abuse of power. I hope the Government and the police can maintain the figures on these cases to facilitate monitoring.

The second amendment concerns the item "reward and special services" in the Budget, which includes informants' fees. This item, which involves tens of millions of dollars, still has not been handled with a greater degree of transparency despite many years of pursuit by us. What is most shocking to me is that in reply to the question asked by the Finance Committee this year, the Secretary said that no consideration would be given to reviewing this item and no consideration would be given to finding ways to introduce greater transparency without affecting the law and order situation in Hong Kong by, say, providing a breakdown of the figures. I hope the Secretary will remember what the then

Secretary Mrs Regina IP said on 9 April 2003. She said, "Of course, I heard Honourable Members express their wishes for further disclosure by the Government" — we were then discussing the R&SS, which stands for reward and special services — and added, "I would like to reiterate that the review exercise is ongoing. We also have the intention to, upon the completion of the review of the interception of communications, give across-the-board consideration to how far further disclosure can be made in terms of security work."

Obviously, this is an undertaking made by the Government. But I wonder if Secretary Ambrose LEE is really unaware of this or if it is because his subordinates had not briefed him on this beforehand when he outrageously said in the meeting of the Finance Committee this year that they had not undertaken to review "reward and special services". I am most enraged. Does it mean that the undertaking made by the then Secretary for Security is already repudiated, or have there been changes in the policy? I think he needs to give us a detailed explanation.

Generally speaking, the expenditure on security is generally considered appropriate, but I still wish to comment on some details. Firstly, about the Police Force. Yesterday, the Government published a document (which should be this pile of documents on the table now). It is the Director of Audit's Report. A chapter of the report is about the Police Force, and it is pointed out *inter alia* that the reception areas of many report rooms are not manned by police staff, giving the public the wrong impression that the police will not take them seriously even if they lodge a report. But this is not the case. Just that when many people are waiting in the report room, they will be handled in a way similar to the triage system in the accident and emergency department of hospitals, and some people can leave as soon as their questions are answered. So, in some very busy police stations, such as the Mong Kok Police Station, it may be necessary to deploy receptionists to the report rooms for the triage work during certain periods of time. I will not discuss the triage arrangement any further, because my colleagues will speak on this later on. But in general, I think this problem should be related to the cutting of funding, and I think that the problem pinpointed in the report may not be the most serious problem in the Police Force. Why? It is because if the police really have to cut its expenditure, the Commissioner of Police naturally has to think about how it can be done so that the work of the police will be least affected. Making members of the public wait in the reception lobby of police stations for a longer while or

perhaps asking them to think that the time so spent is for them to tour around the police station will not create any serious impact normally. On the contrary, additional manpower should be deployed for patrolling on the streets and law enforcement. That said, after the situation is brought to light by the report, we can still see some management problems and the need to improve the services of front-line staff deployed for answering enquiries.

Moreover, the purchase of launches by the Marine Police recently can give us some insights. What are the insights? Recently, the Marine Police have submitted a paper to the Finance Committee to seek approval for a vote of hundreds of millions of dollars for purchasing launches. After an extensive review for several years, actually some fundamental changes have been made to the work of the Marine Police. Marine Police launches used not to patrol the boundary areas but subsequently, after redeployment of manpower and given changes in the strategy, large launches are no longer used in operations. When orders are received or in response to radar signals, small three-seat vessels are used instead to chase the target. Such a change can reduce the manpower requirement by about 200 staff members out of an establishment of some 1 000, and of course, this will be achieved in stages. What does this mean? It means that even though the police or other disciplined forces are provided with \$10 billion or billions of dollars to meet their expenditure, there is still room for expenditure to be cut in many areas through redeployment of work, changes in the mode of enforcement and changes in strategy. I am saying this not only to the Financial Secretary, who does know that a colossal sum of money is involved. I am concerned about the policy on security. Certainly, it is not my wish that the Financial Secretary will cut the security spending lightly. But I hope the Secretary for Security will appreciate that there is, in fact, ample room for a review to be conducted in this regard.

I happened to discuss this with a number of colleagues earlier, and we all share the view that there is still plenty of room for civilianization of posts in the Police Force. I hope we can draw on the above experience, and I hope the Secretary can, with reference to the provision of \$10 billion to \$20 billion or even \$20 billion to \$30 billion to organs under his charge, re-examine the operation of some major departments to find out what changes can be made. However, the Secretary must bear in mind that excessive funding cuts may leave certain job types paralysed, and this is happening now in the Independent Commission Against Corruption (ICAC) which I am going to talk about.

As there are only a few hundred investigators in the ICAC, if a reduction of funding is necessary, the scale of reduction should not be the same as that for the police, or else it may be catastrophic. Recently, we have heard that the ICAC has a series of problems. Why is there a sudden increase in complaints within the ICAC? Many of its staff have even pointed out that hundreds of ICAC investigators have the intention to apply for the post of Inspector in the Customs and Excise Department or the Immigration Department, for they no longer wish to work in the ICAC. I have deduced a few points after looking into this. Firstly, in recent years, there has indeed been an increase in the caseload, particularly given the phenomenon of "having only nine lids for 10 containers" after the economic downturn. Many fraud cases have emerged, and conducting investigation into such cases is tough work. However, the officers recruited by the ICAC basically have a very strong sense of commitment and mission. So, I think their job must be extremely exacting, or else there would not be so many investigators wishing to switch to jobs which they think carry a more manageable workload.

If the private market is considered attractive, then the ICAC can actually be considered lucky, for it has managed to recruit in recent years quality talents, some of whom even possess various professional qualifications. It is because sometimes the ICAC is indeed no match for the private market. These officers may be making some \$10,000 to \$20,000. But if they take up jobs in the private sector, they are likely to make an income of over \$20,000 or \$30,000 or even \$40,000. When the market is good, many professionals in the field of computer technology or accountancy will be absorbed and so, it is difficult for the ICAC to compete with the private market.

But if ICAC officers wish to apply for jobs in other government departments, as far as I understand it, and from my understanding of these officers after they joined the ICAC subsequent to the selection process, I trust that they actually have no other alternative. I really wish to find out whether their workload has exerted such a big impact on them. In any case, these substantial changes are extremely unfavourable to their work in fighting corruption.

Moreover, I appreciate that the management may think that as many quality talents have been recruited in recent years, they, therefore, adopt the policy of not renewing contracts with mediocre staff. In the past, mediocre staff would still have their contracts renewed. But as there are more talents

now, the mediocre staff will have to be sacrificed. They will have to be warned and then dismissed. If I, being a legislator, oppose this policy of the ICAC of encouraging staff to be more judicious in their work and to show better performance, my attitude would seem to be weird. In fact, I think if a policy of the management will involve hundreds of staff and will lead to problems in the stability of the department, then the ICAC has to be careful. I hope the Financial Secretary will look into whether their workload has reached such a level as to be forcing them to quit their job.

I also notice that since 2004, the provision for the Action Committee Against Narcotics (ACAN) has been reduced from the original \$4 million to the \$2 million now. I hope the Secretary can explain why there was such a hefty cut in its provision during the past two years. I used to be a member of the ACAN. As far as I understand it — and I also believe it is the case — this amount of provision is indeed very small compared with the proliferation of soft drugs and the problem of drug abuse among youngsters. I think it is entirely disproportionate to the remedial measures that we will be taking in the future. I hope the Government will not cut too much of its funding unless it has strong justifications to do so.

On the other hand, concerning the problems faced by my constituency, namely, Kowloon West, I listened to Mr Jasper TSANG's analysis yesterday. The problems faced by Kowloon West include ageing cultural and recreational facilities, and the unemployment rate among ethnic minorities in the district being far higher than the average figure in other districts. I entirely agree with his analysis, and I think the Government should find ways to tackle the problems.

Concerning urban renewal, I would like to say that this is a problem faced not only by Kowloon West, but also by other old districts in the territory. Property prices have now started to stabilize and even rise. I had been a member of the Land Development Corporation (LDC) for many years. I understand that if the Government is genuinely more committed to extending the scale of urban renewal, it could not only settle old scores since many of the 20-odd projects announced in 1997 have not even commenced, particularly those of a larger scale which have long been stalled by the Government. The Government should also look ahead and kick-start more projects. I think this can facilitate renewal and redevelopment of buildings and enhance building safety (for instance, there are always incidents of objects falling from height in old districts), and even solve the law and order problem faced by many old districts which will in turn benefit from the land price or other benefits derived

from increased commercial activities. If we look at it from a more macroscopic perspective, the benefits will not be confined to those generated from the site, for it will also have significant effects on the surrounding environment. Let us look at Mong Kok, for instance. The construction of the Langham Place, which has been completed recently, started during the times of the LDC and spanned over a decade. But we can see that it has caused the value of buildings in the entire neighbourhood of Mong Kok to go up. In fact, everything in connection with it, the roving values, commercial activities, jobs, and so on, should all be taken into account before the cost-effectiveness of the entire urban renewal scheme can be truly gauged.

Unfortunately, Secretary Michael SUEN disagreed when he answered our question at the meeting of the Finance Committee. He said that he would not inject more resources, and in other words, he considered that resource was not the biggest problem. Yet, he did admit indirectly that resource was a problem. Earlier on Mr LEE Cheuk-yan said that the Financial Secretary is a "quack", or a doctor with poor medical skills, and that is why it is difficult for him to cope with the current economic development and changes in strategy. I think his comments are correct. The Financial Secretary, who is a man of vision, should give some thoughts to this, instead of just backing off, thinking that by asking the Urban Renewal Authority to renovate certain buildings and if these buildings can thus be saved, no public coffers would need to be spent on their redevelopment. But in that case, society would remain stagnant. In fact, many activities that can boost the economy, achieve a roll-on effect, and induce a multiplier effect in economic gains will be made possible through work in this area.

**MR ANDREW LEUNG** (in Cantonese): Madam President, promoting stability and development has been the theme of Financial Secretary Henry TANG's Budget this year. Although there is nothing exciting in the entire Budget, it still carries a rather pragmatic approach to strive for progress on the premise of stability. We have returned to the principle of "keeping the expenditure within the limits of revenues" laid down in the Basic Law, thus the financial condition of the Government will be on a healthy track. We in the business sector consider that the general direction is correct. Our business environment can be more competitive only if we have sound and healthy financial and monetary systems. Nevertheless, in today's highly politicized society, it would not be easy to persevere with one's duty. We will wait and see whether or not the Government has the courage and resolve.

It is necessary for us to note several policies of great importance in this year's Budget.

Firstly, Financial Secretary Henry TANG acknowledged that his prime task was to cut spending and reverse the rising trend of operating expenditure. The Federation of Hong Kong Industries (FHKI) and I consider that positive and will render our support. The Hong Kong economy has actually recovered. Due to a rise in land premium and revenue, it is expected that a balanced consolidated account can be achieved in 2007-08, which will be one year ahead of the schedule for eliminating budget deficits. However, I have to raise a warning here, we should not rashly increase spending in view of the economic upturns and should not think that we can forget the difficult days of budget deficits over the last few years. In fact, there are uncertainties in Hong Kong's economy in the next couple of years, such as high oil prices, interest rate hike and increasing competition with neighbouring regions. For that reason, the Government should maintain a firm position in cutting spending, controlling operating expenditure in a more stringent way, streamlining the civil service structure and optimizing the use of public resources and thus achieve the principle of spending the necessary money and saving the unnecessary spending.

With regard to operating expenditure, the Government had successfully laid down a reasonable but stringent target for Policy Secretaries to work on during the past year, thus a reduced government operating expenditure was achieved for the first time in 50 years. The public expenditure has been reduced to 20.2% of GDP. It is expected that it will further drop to 16% by 2009-10. Nevertheless, while the Government has delivered in bringing spending under control, will it be able to provide quality and reasonable services to the public? This I worry very much. The time has changed; the public will make demands on the Government. We are not asking the Government to spend public monies indiscriminately, but it is duty-bound to provide quality service to the public. If the sole purpose of the substantial resource and staff cut is to whitewash the account, then it is something not a responsible government would do as it will cause a setback in the service quality and pledge to the public. For that reason, the Government should handle the issue with additional caution. After all, a government's duty is to serve the people, so please do not put the cart before the horse.

Secondly, the Financial Secretary proposed a bold abolition of estate duty; I consider this an unwavering decision which merits our support. In fact,

during the last two years, the FHKI and various trade associations have been striving for the abolition of this duty. We believe that the abolition will be conducive to consolidating Hong Kong's position as an assets management centre. It will also make Hong Kong the base of wealth accumulation, which in return will enhance our competitive edge as a global financial centre.

Some Members, perhaps not understanding the underlying benefit, opine that the Government's intended abolition of estate duty is a move in favour of the rich. It is not correct at all. In fact, according to the number of cases handled by the Inland Revenue Department (IRD) last year, only 258 cases were required to pay the estate duty, which only accounted for 0.7% of the territory-wide death rate, in which only 80 cases involved assets over \$20 million. It would be unreasonable indeed to retain this outdated duty for the purpose of levying it on a minority group of people, since it will not only impede Hong Kong's development as an assets management centre but also waste tremendous manpower and resources of the IRD in processing the cases.

After the Budget was announced, economists and people who have studied macro-economy rendered support to the Government's proposal vigorously as they considered that a major breakthrough and a correct move. One should therefore be able to conceive that the policy is not slanted to the rich; instead, it is a measure which would bring enormous benefit to the overall economy of Hong Kong.

Other Members consider the abolition of estate duty an unwise move as the public coffers would collect \$1.5 billion less. Nevertheless, I consider that a brilliant proposal which would bring surplus out of diminution. According to government statistics, the so-called surplus out of diminution was based on the fact that the abolition of corporate interest tax in 1989 had attracted a total of \$140 billion offshore deposits to return to Hong Kong.

At present, Hong Kong is making an effort to develop high valued-added service industries, so the abolition of estate duty would attract some financially strong international investors. The influx of capital, in addition to our mature investment environment, will certainly give a boost to all trades and businesses and help create numerous high value-added positions. Investments in the property and stock markets or the setting up of companies may require more quality accountants, lawyers, fund managers; or it would even instigate the

opening up of fund management-related posts to provide services, such as fund managers, trustees, funds and bonds sales representatives. Besides, other service industries such as tourism, catering and retail industries would also benefit from booming financial and property markets. I hope Members would look at the overall economic development from a broader perspective.

Thirdly, the Financial Secretary was amazed that each citizen would dispose of nearly five plastic bags daily on average, that is, we threw away over 33 million plastic bags on a daily basis, thus he proposed to introduce a green tax. He floated the idea of a tax on plastic bags and waste tyres with a view to encouraging the public to reduce waste production. With regard to this proposal, of course I will render my wholehearted support. It is not only a policy consistent with the "user pays" principle, but also a pragmatic move and a shortcut to educate the public of the need to protect our environment and to stop using and giving away plastic bags abusively. However, in levying the green tax, the Government should prudently consider the burden of users. It should use the proceeds on the promotion of the recycling industry.

Nevertheless, the introduction of the green tax is only one of the many policies to protect the environment, just as we pointed out in the motion debate on the recycling industry on 23 February, what Hong Kong needs is a package of policies for the recycling industry in addition to a concept of waste recycling, since it would be the most comprehensive environmental protection policy and the ultimate solution to our solid waste problem.

The SAR Government always gives the public an impression that it will adopt stop-gap measures or act in a "piecemeal" manner, lacking in any overall plan at all. As far as environmental protection policy is concerned, the Government should let the public see the general direction before introducing the policy in a gradual manner according to priorities. This will enable the industry to have a clear look of the Government's stance, thus enhancing its confidence in participation. I have been advocating the introduction of a green tax on top of the establishment of a scientific research and resource centre on environmental protection all along. I mentioned in the Legislative Council meeting this February that if the Government was determined to develop the recycling industry, it should collect heaps of information and conduct a lot of studies; it should collect the latest information on the pioneers of the environmental protection industry in order to assist the industry to produce high value-added green products. Government support and supplementary measures in this

respect are necessary. The Government should also consider launching an obligatory policy to require manufacturers to switch to bio-degradable plastic materials gradually, to adopt a scheme to separate waste, to develop advanced technology in bio-treatment and create a sizable market for green products.

Moreover, if the Government is able to promote the recycling industry through the taxes collected, several tens of thousand jobs would be created, which is a way out for the persistent unemployment problem. According to conservative estimates, it will also bring more than \$10 billion in revenue. This is the reason why we need to promote the environmental protection industry and recycling industry in a synchronized manner. The development of the environmental protection industry will not only regularize the recycling procedure, waste recycling, waste management and delivery, it can also help to promote the industrialization of environmental protection consultancy and engineering, environmental protection facilities and environmental protection certification, which would form a ring of environmental protection industries and help the diversified development of Hong Kong economy.

Nevertheless, some traders in the plastics industry told me that they were concerned about the impact on the plastic bag and packaging industry once the plastic bag duty was launched as they worried that their businesses would be obliterated. They wished to urge the Government to think twice about that. I understand their concerns. At present, there are a dozen of plastic bag factories in Hong Kong, while there are several hundred plastic bag factories owned by Hong Kong manufacturers in the Pearl River Delta (PRD) Region. It will impact on the trade once the policy is implemented. For that reason, I hope the Government can exercise more flexibility in this respect, such as considering whether or not to offer certain tax waiver to manufacturers if they use bio-degradable materials in the production of plastic bags. Another example is granting manufacturers certain subsidies or other forms of assistance if they recycle plastic bags voluntarily? I hope the Government will avoid an "across-the-board" approach in the levy of the duty, since it will do no help to alleviate the impact on the industry at all. We only wish to encourage the trade to adopt more green concepts.

Madam President, as an advocate of the recycling industry, I can only see that the Government always talks about the levy of tax. With regard to the development of the entire recycling industry and matters relating to the

implementation of the Recovery Park project, it has been nothing but sheer talk. I have therefore become a little bit impatient. I hope the Government will gear up and announce the details of the project as soon as possible, in order to make the green tax and the recycling industry a perfect match. It should also enhance public education on the concept of environmental protection, with a view to achieving sustainable development and making Hong Kong a real environmentally-friendly world city.

Moreover, since Hong Kong is moving towards a high value-added economy, it is therefore necessary to enhance our capacity of design and research and development (R&D), with a view to enabling software and hardware to complement each other. On behalf of the industrial sector, I have been urging the Government to formulate a reasonable incentive programme for many years, with a view to speeding up the trade's pace of investing in R&D. For that reason, I propose that the Government should consider granting the trade a three-tiered tax exemption in respect of design and R&D expenses. At the same time, the auto parts R&D business in Hong Kong which has potential for development may take advantage of this concession, as members of the trade may be attracted to make more investment in R&D programmes. Madam President, just as the furniture expo you and I attended earlier today, you might have found a number of creative designs. We await the Government's resolution of enhancing the R&D and creative industry of Hong Kong, instead of making encouraging slogans without taking practical actions of support over a long period of time, which may have let another good opportunity slip away.

Lastly, I wish to mention that the business sector has been urging the Government to enhance the business environment in Hong Kong and remove unnecessary restrictions by eliminating hindrances not conducive to business. Mrs Selina CHOW has expounded on this issue earlier. I hope the Government can expedite the progress instead of stagnating at a stage where it keeps on studying the matter over and over again. I hope the Government will show consideration for public sentiments and enhance and facilitate the business environment, with a view to making a comprehensive move to complement the pace of the current economic development.

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

**MR ALBERT CHAN** (in Cantonese): Madam President, this is the second Budget published by the Financial Secretary, Mr Henry TANG. Since he took office only last year, I did not hold any expectation for the Budget published by him last year, particularly in view of the fact that he came from the upper class in society and the people with whom he comes into contact are mostly upper class. I think that he has little understanding of the sentiments and plights of the public. In formulating policies, what assistance has he offered to members of the public in the middle and lower classes? I did not have any expectation on him last year and I do not have any this year either, since in the final analysis, the background of a person will affect his way of thinking and values.

However, since he is a representative of the business sector and has been involved in the business sector and the manufacturing business for so many years, basically, I expected he would come up with something original or make some contribution to taking forward the Hong Kong economy, however, what I got was only disappointment. I wonder if he had readily settled into the rut, that is, the bureaucratic practice of "do less, err less" on assuming the office of Financial Secretary, that is, the best thing is to do nothing and stick to the old rut. If he goes on working like this, it will be very difficult for him to be selected the Chief Executive. He must show his talent in leadership and assist Hong Kong in emerging from the trough, rather than trust everything to luck and rely on favours bestowed by the patriarch in solving the problems in Hong Kong. Therefore, I am greatly disappointed by this Budget as a whole.

Moreover, I believe that this Budget is basically devoid of any human element. Very often, public finance management is a matter of fund allocation and the allocation and redistribution of public resources. Through financial means and strategies and taxation arrangements, the wealth in society is adjusted. Basically, by means of tax revenue, the money of the rich is used to assist the poor, otherwise, there will be no one to take care of the latter.

Without looking at the sufferings of Hong Kong people over the past seven years, it will perhaps be difficult to understand what the problems are if we merely look at this Budget. However, if we look back at the past seven years, and at the sufferings that the public experienced under the incompetent rule of TUNG Chee-hwa, including bankruptcies, unemployment, economic hardships, and so on, and then look at this Budget again, we will get the impression that no focus has been given to addressing the problems encountered by the public as a

result of economic difficulties, nor is there any intention to help them. We can see that a lot of figures are set out in page 2 of the Budget and it sounds as though the good times are flowing again in society and everything is upbeat. I can tell the Financial Secretary, who is not here at the moment, in very clear terms that the situation described by him is distorted and wrong.

The Budget also mentioned that the number of people with negative-equity assets has fallen drastically. This is the present figure, however, people with negative-equity assets who have had difficulties in the past seven years are still experiencing many problems relating to their financial burden because of the difficulties they have encountered in the past seven years. Many of these people are still unemployed and caught in financial hardships because they have gone bankrupt. However, he did not mention anything about this. Nor did the Financial Secretary consider the fact that many members of the public, although their properties are no longer negative-equity assets, are still spending a large share of their income on paying the mortgage on their properties. In recent years, their incomes have fallen significantly, however, since they have to continue to pay the mortgage on their flats, they are caught in the plight of barely being able to feed themselves.

We can see that the number of applications for bankruptcy in 2003 was 22 000 and although the number fell to 12 000 for the entire 2004, if we look at the cumulative figure for the past four years, there were close to 100 000 cases. That is to say, 100 000 members of the Hong Kong public were affected by bankruptcy in four years. We have to understand that bankruptcy is not just a personal problem. It is not just individuals who are affected by bankruptcies; their family members who live together with them, that is, their children and wives and even their brothers and sisters, relatives and parents are also affected. Since an individual may have borrowed a great deal of money from many of their relatives and friends before going bankrupt, so he or she may have also landed their relatives and friends in financial difficulty. Therefore, the number of Hong Kong people affected by these 100 000 bankrupts may be in the order of hundreds of thousands and even millions. However, I cannot see how this Budget is going to assist this group of people who are affected by bankruptcy and living in hardship.

On the subject of unemployment, the Financial Secretary declared jubilantly that the unemployment rate had dropped from the original 8.6% to

6.4% and the working population had jumped significantly to 3.34 million people. We have studied these figures in detail. In fact, these figures convey a great deal of suffering. Why have the number of unemployed people decreased and the number of employed people increased? If we look back at 1997, the number of working women was 1.2 million and in 2005, the number of working women has increased to 1.5 million, whereas in 1997, there were 1.9 million men in the working population but in 2005, the number of working men has decreased to 1.8 million. It is obvious that in the past seven years, the usual mode of men working in society and women taking care of their families has changed to one in which housewives are compelled to work in society because of the downward adjustment in income, thus leading to an increase in the number of working women. Concerning job vacancies, the number of low-income jobs is on the increase. It is true that there has been an increase in jobs, however, it is only the number of low-income jobs that has increased. Last year, over 20 000 people found jobs through the direct placement service provided by the Labour Department, of these people, 63.7% found jobs paying less than \$6,000. On the whole, income is still dropping. In December 2004, the real wage of low-level employees fell 1.3% compared to the same period in 2003 and the general trend is also one of downward adjustment.

If we review the past seven years, under the governance of TUNG Chee-hwa, several problems have occurred. The first is incompetence in governance, which I will not repeat here. It is because of his failure to identify his inadequacies that the problems occurred. The second is the aggravation of collusion between the Government and business. Together with economic restructuring, under these three scourges, the problem of negative-equity assets occurred, the number of bankruptcies increased, the unemployment rate went up and there is an increasing number of low-income families. The amount of CSSA payments was slashed, the construction of HOS flats halted, the number of public housing flats to be built was reduced, public utilities charges were increased, medical charges and fees were increased, all these have imposed an additional burden on the already onerous burden borne by the public and their life was bitter beyond words. However, what has the Financial Secretary done this year?

If we take a further look, while members of the public in the lower class were in agony, the large consortia are raking in money. The Cyberport project yielded handsome profits and property prices have surpassed the peak in 1997 in the recent surge. Luxury properties are selling at more than \$30,000 per sq ft.

To members of the public at the lower strata of society, this is indeed inconceivable. Under these circumstances, not only has the Government not created more job opportunities for the lower class, quite the reverse, it privatized an even greater number of public assets, outsourced its services, and so on, so that consortia could continue to establish more subsidiaries and sub-subsidiaries to take over government services and continue to extract outrageous profits. The wages of members of the lower class keep going down and after outsourcing, their wages have all decreased. The pay for some jobs is only one third of that for their counterparts in the Civil Service, however, the work nature, duties and requirements are exactly the same. The profits have been transferred to the consortia. Again, what has the Financial Secretary done? We can see the consortia encroaching continually on the interests of the public in various strata and extracting outrageous profits from them. However, the Government has slashed public expenditure in other areas at the same time. In particular, the actual expenditure on housing in 2005-06 has been reduced substantially by 27%, that is, close to 30% and ultimately, the victims are the people waiting to move into public housing.

Infrastructural construction has also decreased by 13.8% compared with last year and the unemployment problem in the construction industry will only deteriorate. The minimal increase in expenditure on social welfare is attributable to increases in CSSA cases and in other areas and to the effects of inflation, and I believe he dares not resist the need to increase it.

We can find many problems. Basically, this Budget has not addressed the agony that this group of miserable people is suffering. In the past, before the publication of the Budget, in particular, in the past two years, I submitted a number of proposals to the Government. Since the Government has recently proposed the idea of "small government, big market" so that the market can play a greater role, I have also made some proposals on the creative industries, in the hope that local creative industries or theme parks with a historical background can be established in Hong Kong. Secretary Stephen IP is well aware of this. I have made proposals concerning the Cheung Po Tsai Cave and the Silver Mine Cave and the establishment of a volley-ball training base at Cheung Sha and a Fishermen's Wharf on Cheung Chau. I have submitted the proposal to the Government but the reply of the Government is only that they are infeasible. Take the Baomoyuan in Panyu as an example, it has been in operation for 20 years and is still making a profit. The people concerned adopted a concept

conceived on the Mainland and launched the project back then. In contrast, the Hong Kong Government just keeps saying that everything is infeasible. However, the Commissioner for Tourism has spent \$1.6 million to prepare a report on building a holiday resort without conducting any consultation or holding any discussion whatsoever beforehand, nor do we know when the resort will be completed.

We can see that the Hong Kong Government lacks originality in promoting local industries in Hong Kong, nor has it deregulated the system to give Hong Kong consortia an opportunity to carry out development. For example, the Hong Kong Government claimed that the plans relating to the Cheung Po Tsai Cave and the Silver Mine Cave are infeasible, so I invited two consortia to carry out studies privately one after another and they both conceived a large-scale plan. However, they do not want to disclose the plans and also think that the Government does not have the sincerity in implementing them. They think that it is a waste of energy to discuss any further with the Government. However, when the Government says that something is infeasible, individuals will be able to play a role.

Therefore, I wish to make an appeal to the Financial Secretary and hope that he will really demonstrate some leadership and lift Hong Kong from the trough if he is still interested in standing for the Chief Executive in future. Donald TSANG will probably secure the next term of office and the Financial Secretary probably does not have any chance, however, it is necessary for him to show his flair to establish his reputation, otherwise, if he is only a yes-men who sticks doggedly to the rules and a miser with no achievement, no one will support him even if he becomes the Chief Executive.

Concerning the Budget prepared by the Financial Secretary, it is even worse than the Liberal Party in caring for the lower class in society. The Liberal Party knows how to ask some billionaires to buy and give away spectacles to people and both Mrs Selina CHOW and Mr James TIEN have also given away toys in the streets and distributed free gifts to local residents, since they have gone through the test of direct elections and are aware of the situation at the local level. However, the Financial Secretary has nothing to offer to members of the lower class. The abolition of estate duty alone has made the Government forego \$1.5 billion in revenue. I just feel all worked up at the mention of estate duty.

Madam President, if the economy were good and the poor could lead an acceptable life, then I would have no views on abolishing the estate duty. However, we are now talking about foregoing \$1.5 billion in revenue. In the past, we mentioned that in many new towns — and whenever Tin Shui Wai is mentioned, my blood will start to boil — some years ago, I already made the request that public facilities be provided in Tin Shui Wai, including swimming pools, libraries, pitches, and so on. At present, the population in Tin Shui Wai stands at 150 000 but there is not even one single seven-a-side hard-surface soccer pitch or a basketball court built by the Government, none whatsoever. It is now planned that a seven-a-side hard-surface soccer pitch will probably be built this year, however, in area 107, which is the size of Victoria Park. Although this is a very grand plan, it is not known when this plan will be implemented and the Government just keeps saying that there are no resources. When I discussed it with Secretary Dr Patrick HO, he said that there were no resources to implement the plan, however, on the other hand, the Financial Secretary has given up \$1.5 billion in tax revenue, so that the well-to-do do not have to pay estate duty. It will only cost some \$800 million to implement the many plans in Tin Shui Wai, including building the libraries, swimming pools, and so on, and only half of that \$1.5 billion is required to put in place all the recreational, cultural and sports facilities in the entire Tin Shui Wai. However, the Government has perversely maintained that there are no resources to build them, yet it wants to abolish the tax. I really cannot understand what sort of value judgement this is.

As I have said, public finance management is the allocation and redistribution of resources. At present, the only allocation that has been made is to exercise the power to abolish estate duty, so that the family members of deceased rich people can be benefited, whereas people who are alive got nothing in their communities. They have to join very long queues when seeking treatment in clinics. People who seek treatment at the Tin Shui Wai Clinic also have to join a very long queue and people who go to the Tung Chung Clinic also have to join a very long queue. Tomorrow, I will make a petition together with residents in Tung Chung precisely because of that clinic in Tung Chung. The residents there have to spend over \$200 to take a taxi to Tsuen Wan to seek treatment.

The irrationality and absurdity in resource allocation has reached shocking proportions. The Financial Secretary fails to appreciate the agonies facing members of the lower strata at all. The Financial Secretary is totally oblivious

of their problems. Maybe he can say, "Hard luck if you perish. The problem in inheritance that my friends are facing is serious. Every time I meet my pals, I am chided by them: Will you please reduce the estate duty quickly? Otherwise, when my old pa dies, I will have to pay estate duty." It is only this type of people whom the Financial Secretary comes into contact with, whereas none of the people whom I come into contact with have demanded a reduction in estate duty because none of them have to pay estate duty. The people whom I get in touch with are residents in new towns. Every time they meet me, they will complain bitterly about the problems that they are facing. Therefore, if the Government goes on this way, I believe the anger of the public will only mount.

Every time we go to other places in the Pearl River Delta Region, we can find theme parks in each area and theme parks are being developed in the region all the time. Of course, there is also the Disneyland in Hong Kong, however, it is not something local. In fact, facilities premised mainly on the history of Hong Kong or local characteristics should be developed in Hong Kong. Mr LAU Wong-fat strongly supports the construction of a Hakka village to attract visitors and I have also made many proposals, however, the Government has always maintained that they are totally infeasible. If the Hong Kong Government continues to lumber on so slowly like a great white elephant, not only will Hong Kong be overtaken by Macao, even places like Nanhai, Panyu and Shunde will also overtake Hong Kong. This is what is so pathetic about Hong Kong. This pathetic state of affairs is attributable to the lack of awareness in some officials and their inability to lead Hong Kong out of the trough, open up a new vista and create new wealth. All these are attributable to the blunders of officials.

**MS EMILY LAU** (in Cantonese): Madam President, the speech given by Mr Albert CHAN was really entertaining, since the debate in these two days has been rather boring and there is nothing controversial in the Budget prepared by the Financial Secretary. However, it is still necessary to have a debate on it.

The Financial Secretary published the Budget on 16 March, whereas the State Council accepted the resignation tendered by Mr TUNG Chee-hwa on 12 March. Madam President, we know that there will be a "new" Chief Executive and perhaps "new" policies. However, we have also heard that the Central Authorities had requested that not too many changes be made. I believe the authorities have to explain if there will be a new Chief Executive. However,

Madam President, the worst thing is that the new Chief Executive has not yet been selected and there is only an Acting Chief Executive at the moment and the Chief Executive will be selected only in July. Recently, I have heard many professionals and members of the business sector ask what is actually happening and if there will be a shift in policy. I believe that as long as the Chief Executive has not been selected, there can be no telling. However, the authorities should understand that the public have their concerns and their own ideas and want to know if the policies will continue or will be changed.

Madam President, personally and frankly, of course I hope that there will be a shift, otherwise, there would have been no need for TUNG Chee-hwa to step down. In any event, I believe the resignation of TUNG Chee-hwa is already a response to public anger, however, how can public anger be addressed? I agree with what Mr Albert CHAN has said. He mentioned collusion between the Government and business and Mr TUNG also mentioned it in his policy address. This is a very serious problem that has given rise to the wealth gap.

Madam President, some figures have been cited many times but I have no hesitation in citing them again. I found that in the statistics of a survey on 2004 published by *The Economist*, Hong Kong ranked 17th in the world in per capita GDP and the figure is over US\$23,000. Insofar as the largest economies worldwide are concerned, we ranked 26th and the total value was US\$161.9 billion. However, if rated according to the wealth gap — this survey was not conducted by *The Economist* — we ranked the fifth, after Mexico, Uruguay, Chile and Costa Rica. Why is the problem of wealth gap so serious in Hong Kong? My impression is that Hong Kong is very wealthy and it is the 26th richest city in the world. In fact, the wealth has all gone into the pockets of a small bunch of people. In the Budget prepared by the Financial Secretary this time, I fail to see any measure taken to address this situation.

At present, the Financial Secretary is the Chairman of the Commission on Poverty and two meetings have been convened so far. Madam President, I am sorry that I will not attend the meeting here next Wednesday because I will fly to Geneva to observe the hearing to be conducted by the United Nations Committee on Economic, Social and Cultural Rights, so I will not be here to cast any opposing vote. The SAR Government will also dispatch a team to attend the meeting. I believe the SAR Government will also explain to the Committee that the SAR Government has established a Commission on Poverty and a lot will be done.

Yesterday, Dr Fernando CHEUNG raised many issues which I fully agree with, but I am not going to repeat them here. The question is whether we are still unwilling to do more to help the poor even though we are sitting on so much wealth. What more can be done? The authorities have also pointed out that one of the most important things is education. Some Honourable colleagues do not agree with this, but I agree very much. What is the situation this year? Last year, there is a surplus of \$3.8 billion in education. I find that streamlining should be carried out and savings should be made in some areas, whereas in other areas, large amounts of resources should be committed, particularly in respect of basic education. Even a lot of people in the education sector find this very lamentable.

Madam President, I have said for many years that even kindergarten teachers should be degree holders, and perhaps even doctorate degree holders. Recently, a parent came to see me and said that he had conducted a study on the Scandinavian countries, in particular, Finland, and found out the reason why education there was so excellent. He found that even kindergarten teachers in those countries hold doctorate degrees. What is our Government now doing? It wants to slash the funding for the Hong Kong Institute of Education so that there will be only 200 places left. Originally, even these places will be dispensed with. The Secretary asked why it should matter. People can just go elsewhere, look for and enrol into some self-financing programme. However, if kindergarten teachers earn only \$3,000 to \$4,000 monthly, how can they possibly have the money to take these self-financing programmes? Therefore, Madam President, I find this most regrettable.

Secretary Dr York CHOW is very nice and he is also seated here today. I wish to follow the example of Mr Jasper TSANG and say that since the Secretary is seated here, I also want to say a few words. However, even if the Secretary is not present, I will still say them. The Secretary has mentioned the problem of an ageing population and the Report of the Task Force on Population Policy tells us that last year, the number of people aged over 65 numbered over 800 000 and the figure for 2011 will be 910 000, over 1.4 million for 2021 and over 2.1 million for 2031.

Concerning these figures, many Members in the Finance Committee have asked quite a number of questions, one of them being how many elderly people are receiving health care benefits. I believe this is the symptom of an early stage of cancer, as the Secretary put it, and it is necessary for society to face it

squarely. More and more elderly people have to depend on welfare payouts and health care subsidies, however, what have we done? Are we willing to commit resources to this area? In view of this, I have the impression that we are sitting on large amounts of money but doing nothing. I fully support the Secretary in doing something on health care financing and I hope that the Secretary can convene a meeting with the eight political parties for discussions. I believe Honourable colleagues will be happy to make a concerted effort and hatch a proposal together for him. Secretary Dr York CHOW must not follow the footsteps of the former Secretary and think that by holding discussions with political parties one by one, he can take them out one by one. Doing so will eventually lead to a deadlock. And what good will this do? This will not do any good to the Secretary or Hong Kong society as a whole.

Madam President, yesterday, I was happy to hear some Honourable colleagues raise certain issues. What were they? I was particularly pleased to hear the three major political parties, namely, the Democratic Party, the Liberal Party and the DAB suggest that the Financial Secretary should use the accumulated surplus in the Exchange Fund and transfer the funds (to the general revenue account), so that more funds will be available to meet the expenses. Madam President, this accumulated surplus has always existed in the Exchange Fund and it is the profits made using the Exchange Fund. As of the end of last year, the accumulated surplus stood at a whopping \$423.4 billion. Madam President, as regards our fiscal reserve, how much do we have? This is a separate sum. According to the Budget prepared by the Financial Secretary this year, as of 31 March, our fiscal reserve stood at \$287.3 billion, which was equal to 14 months of government expenditure. The Financial Secretary predicted that in the next five years, the fiscal reserve will be maintained at \$270 billion to \$340 billion, which is equal to 13 to 17 months of expenditure. However, if we turned the clock back to 2003-04, according to the calculation done by the then Financial Secretary, Antony LEUNG, in the Budget, there was only \$239.1 billion in the fiscal reserve and he predicted that it would stand at \$190 billion to \$240 billion in the next five years, which is equal to nine to 11 months of government expenditure. Therefore, if we compare these two years, we will notice a great difference and an increase in fiscal reserve. Back then, the Financial Secretary, Antony LEUNG, drew the line at 12 months but now the line has been drawn at 17 months.

Yesterday, the Democratic Party pointed out that regarding the fiscal reserve, if Financial Secretary Henry TANG agreed with the recommendation of

his predecessor, Mr Antony LEUNG, and drew the line at 12 months, Madam President, in what way can the excess be used? Of course, it should be allocated as expenditure. In this case, two sums of money will be available for disposal. Earlier, the Democratic Party proposed that \$30 billion should be apportioned but the Liberal Party disagreed and proposed that the amount should be calculated according to a percentage. I believe the Democratic Party will readily agree to this. The DAB also said that it was necessary to consider the surplus in the Exchange Fund, that is, the accumulated surplus that we have been talking about. We have been following this up in the Panel on Financial Affairs. On 23 March this year, the Administrative Assistant to the Financial Secretary gave us a reply, saying that as far as she knew, some Members in the Panel had proposed that part of the accumulated surplus from the Exchange Fund be credited to the general revenue account according to section 8 of the Exchange Fund Ordinance, however, the Financial Secretary had no intention of invoking section 8 and the position of the Government remained unchanged. If Members are still interested, the Financial Secretary can give a briefing on the state of the Hong Kong economy in June, as well as recapping and explaining the Government's position to Members at the same time.

Madam President, we will hold a meeting on 6 June. I hope the Financial Secretary will take on board the views of various parties and the insignificant advice of humble people like us. There are huge amounts of funds in the fiscal reserve and in the form of accumulated surplus and it is not our intention to exhaust them. Joseph YAM said that we wanted to spend all the money. If I meet him, I will give him a dressing down. I have never said that I wanted to spend all the money. However, since we have money — and this is our money, as Mr MA Lik has said, this is Hong Kong people's money — and the public has huge demands in education, health care and welfare, why can we not put the money to good use?

Last Friday, I made a visit as a Justice of the Peace to the Kwai Chung Hospital, which is a psychiatric hospital. Madam President, I believe the staff is working very hard under very difficult conditions. I hope the Secretary will also find an opportunity to go there and have a look. We have put the views on paper. It was very crowded in the hospital, however, some of the wards were left vacant. In order to implement the Enhanced Productivity Programme and reduce manpower, the wards could only be left vacant and the affected patients were transferred to the wards still in use. In addition, the patients were idling

in the wards. I have sympathy for the workers there, who are having a hard time, however, I have even more sympathy for the patients there. I think that given the affluence of Hong Kong nowadays — Hong Kong ranks 26th in terms of financial affluence — we definitely have the means and ability to do more to help the disadvantaged.

Madam President, next, I wish to talk about employment. I am a member of the Economic and Employment Council headed by the Financial Secretary. This year, the Financial Secretary has earmarked a large sum of money for the tourism sector. Next Tuesday, we will go to the Hong Kong Tourism Board (HKTb) to see how it is using this sum of money and whether its use has been monitored. The HKTb has released many figures and the number of visitors to Hong Kong. We hope that the Audit Commission can take a closer look to examine if these figures are genuine or not. We believe that since money has been spent, there must be value for money.

In addition, another approach conducive to increasing employment opportunities is to clamp down on illegal workers. In fact, these people are not at fault and the problems lies with us. The present unemployment rate has reached 6.1% and over 200 000 people are unemployed, and even the number of underemployed people stands at over 110 000. Therefore, we have to take care of our own people and this is blameless. I have read a reply to a question on the Budget and the question was on what the Government had done to clamp down on illegal workers. The reply from the Commissioner of Police was that in 2004, over 5 600 persons were arrested and in January and February this year, 871 persons were arrested, that is, over 400 persons were arrested each month. Madam President, I believe this figure is just the tip of the iceberg. The trades involved were catering, interior decoration, retail, waste recycling and foot massage. I believe that if we ask other Honourable colleagues about this matter, they will be able to cite even more trades.

In addition, we have also asked another question, namely, how many people are in charge of the work in this area. The reply was that there were 153 field labour inspectors in the Labour Department, and one of their duties is to combat illegal workers. The Director of Immigration said that he intended to implement seven or eight measures, such as stepping up immigration control, educating the public, dispatching undercover agents, and so on. Madam President, the implementation of all these measures requires redeployment of resources within the departments concerned. Of course, I support the

redeployment of resources in order to save money, however, I want to ask if Hong Kong people will have more employment opportunities if more is done to clamp down on illegal workers. I call on the Administration to pull no punches in this regard. It must not pull any punches and must deliver.

Finally, Madam President, I have attended the meeting of a committee relating to the retail industry under the Economic and Employment Council. The retail industry, in particular, businessmen in the food business, hold the view that the Administration often conceives regulatory measures, such as the regulation of volatile organic compounds and the requirements on food labelling, which create a lot of hassle for them. They are just small businessmen and do not know how to deal with the authorities. The only thing they know is to ask why the Government does not fix the economy. In fact, they also wish to comply on certain matters, however, they know too well that they are incapable of fully complying with what is dictated by a huge bureaucratic structure. Therefore, in the end, when the relevant legislation has to be enacted, they will come to the Legislative Council to make a scene. Therefore, these small businessmen have bade me ask the Financial Secretary to think about this issue further and discuss with various Secretaries how the business environment can be improved, so as to create more employment opportunities.

I so submit.

**MR LI KWOK-YING** (in Cantonese): Madam President, I would like to speak on health care and legal matters on behalf of the DAB. I will express my views on health care services first. Under the Government's guiding principle of controlling overall expenditure, the funding for public health care services has been cut on a year-on-year basis, from close to \$30 billion in 2003-04 to the estimate of \$27 billion in 2005-06, representing a 10% decrease over a period of three years. While the subvention from the Government is decreasing, we do not see a decrease in the expenditure of the Hospital Authority (HA) at the same time. The fiscal deficit of the HA will rise from \$300 million in 2003-04 to a forecast of \$670 million in 2005-06. With insufficient resources, it will inevitably affect the services of the HA.

Compared with other policy areas, the negative impact of funding cuts on public health care services is more deeply felt by the public. The community

also understands the urgency of working out some new arrangements of health care financing. The DAB all along holds the view that any discussion on health care financing should not start from opening up new resources. Instead, we should review the existing public health care services, with a view to repositioning them. With limited resources on the one hand and great demand from the public on the other, we have to reach a consensus on issues related to the scope of services and our targets of aid, so as to understand better the trend of expenditure and thus work out an option on financing. It is the only meaningful and sustainable approach.

The DAB notices that after taking office, Secretary Dr York CHOW has put forward some new directions, including developing family medicine and repositioning our public health care services. The Secretary has, on a number of occasions, mentioned that there are four priorities in the provision of public medical services, including accident and emergency services, services for the low-income groups and the underprivileged groups, commitment to treatment of high-risk diseases at expensive costs and which require advanced technology and input of multi-disciplinary medical professionals and training for medical, nursing and other health professionals.

Madam President, the DAB considers that the repositioning proposed by the Government has addressed to a certain extent some of the problems faced by our medical system, and created a premise conducive to discussion. While the repositioning of our public health care services involves the benefits of the entire community, the SAR Government cannot draw up plans behind closed door even if it has proposed a new direction. It must extensively consult the public. Therefore, before the discussion on health care financing is launched, the Government must conduct public consultations on the repositioning of public health care services, so as to reach a consensus before implementation.

Madam President, I will raise a few points on the basis of our health care services. The DAB is of the view that, apart from the four priorities put forward by Secretary Dr York CHOW, the public sector should take up the work on the professional development of Chinese medicine (CM) practitioners and the collaboration between CM practitioners and Western medicine (WM) practitioners. I noticed that more than \$15 million has been earmarked for the setting up of three more CM clinics and that at least five local CM graduates will be employed in each clinic. Nevertheless, comparing to the existing situation

where more than 300 medical graduates are totally taken up by the HA to undergo clinical training each year, the opportunities given to 80 or so CM graduates each year are far from adequate. In fact, the resources invested in the CM clinics are only \$10 million or so each year, so its share is insignificant as opposed to the \$30 billion subvention received by the public health care sector. Yet, the provision of additional CM clinics can provide more opportunities for local CM graduates to obtain clinical experience which is vital to our inexperienced young CM practitioners. As such, the Government should not emphasize the need for the public sector to train medical personnel on the one hand, while treating the CM practitioners second-class on the other, leaving them to face the problem of inadequate clinical training alone.

Besides, the DAB is always of the view that the development of CM is related to the benefits of the community at large. So apart from expanding the out-patient service, CM in-patient care service should also be developed. In addition, the Government should include CM in our existing disease prevention and surveillance system, to develop CM in a holistic manner. However, the Government has all along been reluctant in developing CM in-patient service in the public sector. It maintains that since most of the CM practitioners are providing community care at present, there is no need to develop the in-patient service.

Madam President, the DAB does not subscribe to the Government's view. As the status of CM practitioners was not recognized in Hong Kong before the reunification, they simply could not develop in-patient service. To provide out-patient service has been their only option. From the experience of CM development worldwide, we can see that enormous emphasis has been put on in-patient service. Even insurance agencies in foreign countries acknowledge that, in terms of the cost for curing certain diseases, CM is more effective than WM and therefore allow CM treatment to be covered, so as to reduce their paid-out claims. I have pointed out repeatedly in this Council that, apart from the provision of in-patient service, the development of CM hospitals is also an essential element in training professionals, scientific researches, clinical verification, developing CM specialties and CM/WM collaboration. The Government may be unaware of the importance of CM in international health care development and thus takes an evasive approach. As such, a gradual and holistic development of CM is both beneficial and constructive to our health care system in terms of disease prevention and cost control.

Madam President, I also wish to talk about the commitment to treatment of severe illnesses. The public health care sector is providing protection for the poor to a certain extent, and I also believe that those who have the means are willing to bear the medical expenses for minor diseases. However, in the cases of some severe diseases, such as cancer and organ transplant, even those in the middle class will find it difficult to meet the full cost. As such, it is correct for the Secretary to propose providing medical treatment of high-risk diseases at expensive costs and which require advanced technology and input of multi-disciplinary medical professionals. Nevertheless, it seems to be another story when it comes to implementation. The HA published the Standard Drug Formulary (the Formulary) last month to exclude certain drugs with proven effectiveness in curing and prolonging patients' lives from the list and require patients to buy them on their own on the pretext that they fall outside the scope of subsidy. Although the Government has reiterated repeatedly that the needy can seek help from the Samaritan Fund, unfortunately, the approving and vetting mechanism of the Fund is based on the median income. As a result, many people of the middle class are ineligible for protection by this safety net. Also, the Samaritan Fund adopts a rigid approach and refuses to provide subsidy for drugs not in the Formulary, regardless of the conditions of individual patients. A number of patient groups have complained to me that patients taking Gilvec are spending tens of thousand dollars on medication. Even those comparatively well-off families find it difficult to meet the expenditure on a long-term basis. Some patients are forced to stop taking the medicine so as not to burden their family members, or take alternative drugs with lower efficacy.

Madam President, there is a saying that a minor illness is a blessing. While this is disputable, a severe illness is definitely a disaster which involves the whole family. The subsidy of the Government is not only timely assistance to high-risk patients, but also a hand that saves many lives and families. If the Secretary considers that the priority of public health care services is providing services for high-risk diseases which are expensive, then he should keep his word and include all drugs with proven efficacy in the Formulary. The self-contradictory excuses, such as falling outside the scope of subsidy, should no longer be used to make patients go on suffering.

Madam President, I also wish to talk about the upward adjustment of medical fees and charges. The Government has on a number of occasions hinted that the medical fees and charges will be adjusted upward to address the imbalance of services provided by the public and private sectors. The DAB has

misgivings about the effectiveness of such an adjustment. Apart from worrying that the disadvantaged groups will be deprived of the required medical services, we are also doubtful that it can achieve the desired effect. The accident and emergency services, for example, compared with the case before the fee revision, have seen a reduction by more than 10% in the total utilization rate. Also, the number of non-urgent cases has dropped significantly. However, at the same time, in studying another figure, we found that among the total attendance rate of 2 million, close to 500 000 attendance were granted waivers. Among these people, how many of them were categorized as semi-urgent and non-urgent cases under the triage system? If the ratio was high, even with a further upward adjustment to \$200 or more, the problem of misuse can still not be resolved in a large extent. As a result, apart from failing to making additional income, the attendance rate is still standing high.

Besides, the Government has all along held the view that the imbalance could be addressed by narrowing the gap between the fees charged by the public and private health care sectors. However, the Secretary has overlooked the fact that a ship rises with the tide, so an upward adjustment in the fees level of the public sector will inevitably stimulate an increase in the private sector. At that time, the medical fees and charges of the public sector may be subject to pressure of further adjustments.

In addition, there are also other complicated factors involved in the charges and fees of public health care services and the disparity with the private sector is only one of them. Other factors, such as the scope of service, the opportunity for the public to seek alternative service, the confidence in the public sector, and the transparency of the fee charging system of the private sector, and so on, will also affect the public in making their choices. As such, the Government should fully understand the different factors involved when studying the subject, and to explain to the public its relevant grounds. Otherwise, the fee revision will arouse public objection.

Also, I would like to express my views on judicial and legal matters.

The SAR Government has been playing an important liaison role in promoting CEPA. However, it has not done enough in helping the mainland authorities to exchange views with our legal profession and to understand them better.

The constitutions and practices adopted by the Mainland have all along been different from the common law system in Hong Kong. Hong Kong lawyers will inevitably encounter various difficulties when practising and developing business in the Mainland. Besides, as the market for legal services in the Mainland has not been fully liberalized under CEPA, our legal services professionals are encountering certain constraints in developing businesses in the Mainland. For instance, the existing requirement for Hong Kong law firms to associate with their mainland partners instead of forming partnership is a major obstacle in the northward development of the profession. The DAB hopes that the SAR Government can step up publicity and education, enabling our legal professionals to better understand the constitutions and practices in the Mainland. Also, it should initiate discussions with the mainland authorities on further liberalization of the market, including the relaxation of the restriction on partnership, so that Hong Kong law firms can be free from the present restraints in operating in the Mainland.

Furthermore, the requirement for Hong Kong lawyers to sit the state judicial examination before they can practise in the Mainland is not only difficult, but also unnecessary. The DAB is of the view that since their business in the Mainland is mainly related to foreign affairs, it is not necessary for them to obtain a lawyer's practice certificate in the Mainland. While Hong Kong lawyers should not be ignorant of the laws of Mainland, the DAB suggests relaxing the requirement for Hong Kong lawyers whose major business is foreign affairs to pass the examination, to allow them, for example, to pass a benchmark test on basic legal knowledge of the Mainland, or only pass the relevant subjects in the practice certificate examination.

To facilitate and promote the future development of our legal services profession and to ensure that both Hong Kong and the Mainland can expand their markets through CEPA, the DAB thinks that the Government should step up continuously the liaison between legal practitioners of both places. Also, by gauging views on the implementation and improvement of CEPA, it can promote the liberalization of the legal services market in the Mainland and facilitate the expansion of business opportunities in the mainland market for Hong Kong lawyers in the next phases of work in promoting CEPA.

Madam President, I wish to talk about the discussions between the SAR Government and the Mainland on the mutual legal assistance issues concerning the surrender of fugitive offenders or sentenced persons.

Since 1999, the SAR Government has been holding talks with the Mainland on the arrangements of rendition. From 2000 onwards, views have been exchanged on a number of occasions between the two places on the arrangements of transferring sentenced persons. The legal systems and social conditions between the two places are not only different, but also complicated in nature, however, the discussions over the years have enabled both sides to understand each other better and should be helpful in formulating the relevant mutual agreement.

At present, there are on average more than 4 000 mainland prisoners under confinement in Hong Kong prisons every day, accounting for more than 30% of our prisoners and exerting considerable pressure on our prison capacity. The DAB hopes that the authorities can draw up as soon as possible a timetable on reaching consensus concerning the mutual legal assistance issues. If the scope and parameter of the mutual assistance agreement can be drawn up earlier, it will not only resolve the overcrowding problem of our prisons, but also save substantial public expenditure.

Madam President, I so submit.

**MS MARGARET NG:** Madam President, the existence of an independent Judiciary is the single most important feature in the rule of law in the Hong Kong system. We must guard it jealously. But mere lip service will not do. We must put our money where our mouth is, and make proper financial provisions. Otherwise the quality of justice will suffer, and the independent Judiciary will be robbed of its practical force in maintaining the rule of law.

Under the cumulative budgetary cuts over the past two financial years, we can already see signs of strain. Major efforts to save money at different levels of Court are beginning to run into difficulties.

One notable example is the closure and merger of Magistrates' Courts to ultimately reduce the total number from nine to six. The Magistrates' Courts at Western and at North Kowloon were closed in January 2004 and January 2005 respectively. The closure of Tsuen Wan Magistrates' Courts, originally scheduled for January next year, is being postponed: The present remaining Courts are finding it difficult to cope given the increased share of caseload.

A table provided by the Judiciary Administrator to the Panel of Administration of Justice and Legal Services (AJLS Panel) shows substantial increases in the number of cases in nearly all the Magistrates' Courts in 2004 as compared with 2003. The increase in Eastern was from 18 663 to 44 037; in Kwun Tong, from 25 830 to 31 386; in Sha Tin, from 12 143 to 19 404; in Fan Ling, from 18 865 to 22 159; in Tsuen Wan itself, the increase was from 23 511 to 26 298. Overall, the total number of cases increased from 197 419 to 219 212: an increase of 22 553 cases.

Yet on the provision side, we see a reduction of supporting staff as well as Magistrates and Deputy Magistrates. Although most of these are clerical staff and the reduction is largely a result of rationalization, there is a net reduction of the number of Courts and of Magistrates.

Not surprisingly, the strain is reflected in longer waiting time for trial. As of March this year, the average waiting time is three months, with even longer waits for Eastern, Sha Tin, and Kowloon City. Nor does this fully reflect the delays, it shows the date fixed for trial, not the day on which trial actually began or ended. The experience of practitioners is that increasingly, trial cannot start on the date fixed because other cases have overrun.

At the other levels of the Courts, there are also signs of grim struggle. I note that the planned waiting times for all types of cases in 2005 are significantly longer than the actual waiting times in 2004. The explanation given by the Judiciary Administrator to my question was that in 2004, the Judiciary did better than the target. However, "Given that there is no evidence that the number of cases will come down in 2005-06, and in the light of financial constraints, it is prudent to set the planned waiting times in 2005 at the same level as our performance pledges". In other words, because of underprovision, the Judiciary must expect to do worse than 2004 across the board.

Time taken from the conclusion of a hearing to the date of giving judgement is a matter of great concern to the public: Justice delayed is justice denied. But information supplied in answer to the Honourable Albert HO's question shows that in civil cases, more judgements in the Court of First Instance (CFI) and the Court of Appeal are taking longer. In another answer, we see that the appointment of external Deputy Judges of the CFI has been reduced to one in 2003, and to zero in 2004 and 2005. Appointing Deputy Judges from within means they are Judges or judicial officers taken from other Courts, when there is really no spare capacity anywhere within the Judiciary system.

The Chief Justice told us, in his speech at the Opening of the Legal Year that in order to cope with the serious budgetary constraints, the number of Deputy Judges will be reduced and some judicial posts will be left vacant. Capital projects have been shelved. Redeployment exercise is extensive. And of course, much judicial time and energy have to be expended on it. No wonder the Chief Justice warned that "there is a limit to what the Judiciary can properly do to cope with budgetary constraints".

Yet the Judiciary has taken new initiatives because these must be taken if the Courts are to continue to meet the changing needs of the community. Pilot schemes have to be launched to incorporate mediation into matrimonial disputes — this may have the important effect of reducing a cause for domestic violence; a resource centre has to be set up for the growing number of unrepresented litigants; the modernization of civil procedures must go ahead; Judges should have the opportunity of special training in matters such as labour disputes so as to be more effective. This community has the highest expectation of the Judiciary. Our Courts do not sit isolated in the backwaters of a provincial town. They determine international commercial disputes of enormous values and fundamental constitutional principles under the "one country, two systems" principle. The legal community, including judicial personnel, from China and other parts of the world come here regularly to observe how the common law functions. It is imperative that judgements issuing out of our Courts be of a quality on a par with the highest Court anywhere in the world. This is not only our tradition but vital to our future as a world class city.

Yet how cavalier is the executive towards the needs of the Judiciary! The total budget for 2005-06 for the Judiciary is \$944 million. By comparison, the budget for just the Department of Justice is \$882 million. But the Judiciary Administrator, contradicting his other answers, and against all the facts, says the budget provision is "adequate". The Judiciary Administrator, though answerable to the Chief Justice, is a member of the executive. He is the official from the Administration to hold the Judiciary's purse strings. It is time for this Council to look into the autonomy or the lack thereof of the budgetary arrangements for the Judiciary.

In a research report by the Research and Library Services Division of the Legislative Council Secretariat, the Hong Kong system is compared with that of the United States, the United Kingdom and Ontario in Canada. This is not the time or occasion to go into the details, but it is plain that we lack the safeguards

present in those jurisdictions. There, the remuneration of Judges are protected by constitution against reduction, and the judicial budget is defended by either the Judiciary (as in the United States system) or by the Lord Chancellor, now transformed into the Secretary of State for Constitutional Affairs in the United Kingdom. In the Hong Kong Special Administrative Region, the Judiciary's needs are screened by the Financial Secretary. It is not clear who is there to fight for the Judiciary. Traditionally, the Chief Secretary for Administration has that role. But I wonder if the incumbent recognizes this. He has in fact told this Council that the Standing Committee of the National People's Congress, not the Hong Kong Courts, is the more reliable venue to resolve a legal dispute on the terms of the new Chief Executive, which office the whole of Hong Kong knows, is his aspiration. The implication is daunting. For the immediate future, we must oppose any further reduction of the Judiciary's budget. For long-term security, a fire wall must be built to protect the independence of the judicial budgetary arrangements. If the quality of justice suffers, the rights of the ordinary people in Hong Kong as well as Hong Kong's standing in the world will suffer.

Legal aid holds the key to access to justice for the vast majority of the public in Hong Kong. In theory, no upper limit is set on the budgetary provisions for legal costs incurred. In reality, a stranglehold can be exercised on just claims or defences simply by the Director of Legal Aid taking a restrictive view on merits. One of the most notable cases is the refusal of legal aid for The Link REIT challenge on the basis of merit. This refusal has been a subject of judicial comments in the Court of Appeal. The refusal was successful appealed against. It should never have been rejected. The swift grant of legal aid would have greatly cut down on the waste of time. This is only one example. The majority will remain unknown. The Director of Legal Aid is a civil servant reporting to the Director of Administration, who is responsible to the Chief Secretary for Administration. We have raised the question of the independence of legal aid many times. We should raise the question again.

Of course, I recognize that any legal aid cannot be unlimited, but in the view of the legal profession, the Government can do far more without significantly increasing the present provision, by expanding the self-financing supplemental legal aid. Indeed, to expand supplemental legal aid may well have a beneficial effect on standard legal aid, by taking care of some of the demands.

Finally, budgetary constraint is no answer for unfair payment of legal services. The fees in criminal legal aid cases cry out for reform. There is obvious unfairness in payment for only one day's preparation work no matter how complex a case may be, and when the thorough preparation will save the Court's time and therefore taxpayers' money. The case of review is made even more obvious by the fact that the Department of Justice pays the prosecution for preparation work. I understand the Hong Kong Bar Association and The Law Society of Hong Kong are reviewing existing legislation to identify the necessary amendment. But this administration should not push onto others that which is its duty to do. Any increase in fees will be more than set off by the long-term value gained by keeping more experienced practitioners in criminal defence.

I would like to make two points about the Department of Justice. First, court prosecutors. It has long been the stand of the legal profession that the virtual monopoly of Magistrates' Courts prosecution by court prosecutors who are not qualified lawyers should be phased out, and that a greater part of prosecution work should be briefed out to lawyers in private practice. The principles involved are well understood on both sides. We do not ask for the abolition of this post, but instead for its gradual phasing out through promotion, redeployment and natural wastage. We are told at present there are 101 court prosecutors, of whom 25 are legally qualified and are therefore qualified for appointment as government counsel. They should be considered for promotion when vacancies next occur. At present, the Environmental Protection Department still maintains its own prosecution unit with departmental staff. It is far more desirable for the prosecution work to be transferred to existing court prosecutors, and let people trained for environmental protection to return to their proper business. This redeployment will result in a much more rational arrangement without significant increase in expenditure.

The second point I wish to make is overseas training and exposure for law draftsmen. This has been discussed in the AJLS Panel recently. The Panel was of the view that to freeze recruitment and reduce training on expenditure grounds will be false economy.

I would like to address the proposal to abolish estate duty. Views in support and in opposition of abolition have been expressed to me. Obviously, interests is involved on both sides. This is in itself natural. What counts is the reasoning and the evidence. The position of the four of us from the Article 45 Concern Group is that we oppose abolition at this time because the Government's priorities are wrong. When we are still looking at cuts everywhere due to

budget deficit — Judiciary, Legislative Council, social services, university education, and so on, moreover, refraining from greater tax relief for the general public while contemplating a new goods and services tax, we should not be writing off \$1.5 billion in estate duty without a more holistic approach or at least cogent evidence that this is beneficial not only to the rich but to the public as a whole.

I would direct Members' attention to an article written by the revenue law expert Prof Andrew HALKYARD with Prof Wilson CHOW, in which he advocated reforming the estate duty instead of abolishing it altogether. There is no time to go into this. Thank you, Madam President.

**MISS CHOY SO-YUK** (in Cantonese): Madam President, on behalf of the DAB, I rise to speak on two policies in the Budget, namely, the environment and home affairs.

Tomorrow is the International Earth Day. The theme this year is "Protect our Children, Protect our Future". One of the foci of discussion is building a fresh and clean environment for our children to grow up healthily. Throughout the Budget just released, it is obviously lacking in this area and the direction of the policy concerned is yet to be adjusted. If anything goes wrong, our precious environment and its resources will be at stake, and the sustainable development of Hong Kong society jeopardized. By then, we can hardly absolve ourselves of all the blame for endangering our next generation.

First of all, in the policy address presented by the Chief Executive early this year, some new directions were announced concerning the work of environmental protection, which include implementing mandatory product responsibility schemes, adopting a green procurement policy by government departments and developing renewable energy resources. I stated at that time that these are excellent policies which we fully support. But the problem is these policies have in fact been discussed for numberless years and a consensus has been clearly reached in society. There remains only the Government's sincerity in implementing them. We can see that the Government basically has not laid down any concrete measures or timetable for implementation. All we can find in the policy address is a slogan, but nothing specific on the directions, proposals, ways of implementation and timetable. We cannot help but worry that the Government is paying lip-service again and only wishes to make things more presentable by presenting these policies.

After the release of the Budget, the situation is clearer. As far as the promotion of environmental protection is concerned, the Budget devoted only as little as four paragraphs to it, in which things with substance are reduced to two points, namely, a levy on waste tyres and plastic bags. In other words, not a word is said in the Budget on how the Government will provide for other environmental issues that society cares about, such as speeding up improvement of air quality, formulating effective conservation measures, preventing farmland in the New Territories from becoming illegal dumping sites and protecting water resources. Thus, in terms of taking forward the work of environmental protection, the Government is employing delaying and avoiding tactics where less is done the better.

Other than the scope of the Budget being too small in response to the needs of the general public, the DAB worries that when the waste tyre tax and plastic bag tax, which are major policies mentioned in the Budget, are implemented, they will deviate from their original aim and intent.

Our worries are not unfounded. Some time earlier, with regards introducing a refuse charge, the Government preliminarily opted for imposing a uniform refuse handling charge of \$30 on every household. This uniform charge which takes no account of the amount of refuse produced fails to provide economic incentives to families to reduce their refuse. Thus in reality, it will only increase treasury revenue but fail to achieve its original intent of reducing refuse.

The same logic applies to the waste tyre tax. If the tax is to achieve waste reduction, one of the critical factors is the authorities providing financial incentives to car owners to take the initiative in returning waste tyres to recyclable waste collectors. Only by so doing can we truly alleviate the burden of landfills. The simplest mechanism is that the Government should implement the tax in the form of a deposit. The amount of surcharge received less the administrative cost of the Government will be returned to motor companies and recyclable waste collectors through the waste recyclers. If not, we shall only see an increase in treasury revenue, but little effect in reducing the number of waste tyres at landfills.

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

When we mention a wrong policy direction, we have to mention the problem of incinerators. The DAB opposes using incinerators as the major solution to the waste problem. We advocate using a lucid mechanism, adopting the "polluter pays" principle to reduce waste production. Meanwhile, waste separation and recovery should be carried out, which should include source separation and central separation procedures. Waste that cannot be separated or reused should then be handled by incinerators or dumped at landfills. Unfortunately, from our observation, it seems likely that instead of adopting waste reduction and waste separation and recovery options, the Government will opt for the expensive option of using incinerators to handle 60% or even 80% of our waste. What the Government needs to do now is to design a sound mechanism to promote different kinds of waste reduction and waste separation methods, rather than promoting the simple but expensive incinerators or gasification furnaces. Actually, I hope the Secretary would be glad to hear what I said just now. What we are saying is that the Government should promote a proposal that can increase government revenue and minimize expenditure. Incinerators are expensive investment items, and their operational costs are equally expensive. By promoting waste recovery, the Government will not only gain revenue but also reduce the expenditure of landfills.

Madam Deputy, we reiterated several times in the past that whether or not efforts in environmental protection would bear fruit would very often hinge on three factors: first, whether or not the policy is steering in the right direction; second, whether or not the Government is determined; and third, whether or not they can gain public support. Judging from the present situation in Hong Kong, public support is almost unquestionable. We can see that the public will very often overwhelmingly support any issues relating to environmental protection. In fact, many efforts in environmental protection rely on the public to initiate and start all the way upwards. The DAB hopes the Government will take advantage of the positive situation now, and the fact that today is the "International Earth Day", to immediately adjust to the right policy direction and take active actions to build a healthy and clean environment for the growth of our children.

Madam Deputy, the external environment is indispensable to the growth of a child, but equally important is edification of the child's mind. Unfortunately, problems that have emerged in the work of environmental protection are found in other areas, the most obvious one being the development and promotion of the creative industries.

A Korean drama series that has taken Hong Kong by storm reveals the inadequacy of Hong Kong's creative industries. Ever since the drama series "Jewel in the Palace" (大長今) became a hit, the Korean culture has flooded into Hong Kong. All of a sudden Korean drama series, Korean stars, Korean movies, Korean food culture and even the Korean history have become a matter of interest to the people of Hong Kong. Korea's achievement in promoting their cultural industries not only fills us with envy, but also wakes us to the recognition that we need to review and find out their key to success. Many marvel at the reason why Korea, being a country of not much predominance, can ignite the world by their culture and their food, while we cannot do the same despite our Chinese culture of ancient origin and long development, and of great profundity.

On the surface, it seems that Hong Kong movies and television series fail to accurately hit the taste of local viewers, and fall short of advocating the virtue of human nature and bringing out an optimistic view of life. They mostly are programmes on love, sex and violence. But Madam Deputy, perhaps from the data below we can find another answer behind the problem. After setting up the Cultural Industry Bureau in 1998, the South Korean President, Mr ROH Moo-hyun, resolved in mid-2003 to further develop its cultural industries, including television programmes, motion pictures, animations, cartoons, comic strips, music records, and so on. The corresponding budget also increased generously from more than HK\$100 million in 1998 to HK\$1.5 billion in 2003. Under their Government's active promotion, it is estimated that the amount of exports of the cultural industries will surge from HK\$4 billion in 2002 to HK\$80 billion in 2007.

As compared to the ambitious Korean budget, ours appeared much too conservative, with the most concrete commitment of the Government being the continuation of the Film Guarantee Fund only. Even so, the total budget allocated for the Film Guarantee Fund together with the Film Development Fund is only \$50 million. No matter how talented our local artists are, they are "talented wives" who cannot "cook a meal without rice", are they not? The DAB considers it is better late than never to mend the fold. The Government should establish a high-level framework on cultural creativity to co-ordinate and help the cultural industries to better cope with the division of labour and resources between professions among the industries. Meanwhile, the Government should provide financial guarantees for movies with great potentials, so as to promote the development of the movie industry. Moreover, it should inject resources into training of production talents of television programming, so as to nurture high standard and creative producers in the area.

Madam Deputy, Hong Kong was once an influential movie hub in Southeast Asia during the 1960s, with over 200 productions each year. Actresses like LIN Dai, LE Di and YOU Min are superstars known to everyone in Southeast Asia. Unfortunately, such passion is gone and the reason lies partly in destiny and partly, which is an equally important reason, in the fact that we lack a good environment to attract creative talents from all parts of the world to come to Hong Kong to develop their career.

In the short run, we can make use of the advantage of Hong Kong being an international metropolis to attract the attention of talents around the world by holding more international creativity design competitions. In the long run, the Government should expand the Admission of Professionals Scheme through its population policy and use the right of abode and right to work in Hong Kong to attract more outstanding creative talents to come here. After all, creativity originates from daily life. A city that is used to observing custom without change, that sets too many restrictions on itself and encourages not creativity can never make its creative culture take root, even by holding similar competitions for 10 times or so. Take the West Kowloon Cultural District, which is a major development project with the slogan "an icon for culture and leisure" as an example, we cannot find anything that is actually creative in it other than infrastructure like museums, art centres and some other beautiful hardware. Neither can we find out how the Government can use this project to promote creative culture, or to support local artists. No wonder this project has been criticized as lacking in creative perspective and content. The DAB considers creating a good environment for the creative industries an unshirkable responsibility of the Government. The response to this aspiration is the key to the healthy development of the creative industries in Hong Kong.

Madam Deputy, judging from the overall development of Hong Kong, we are in the process of economic restructuring. There is an urgent need to raise the education level and wealth creation capacity of the people. To this end, other than having proper education, economic and employment policies, a good living environment and a pluralistic cultural and creative life are equally important. Only by so doing can we retain talents; and more importantly, attract more investors and talents to come and live in Hong Kong; and only by so doing, can Hong Kong become a genuine international city.

Madam Deputy, I so submit.

**MR ABRAHAM SHEK:** Madam Deputy, I speak in support of the Appropriation Bill 2005, although clearly, I think there is still room for improvement.

Madam Deputy, the tone of the Financial Secretary's second Budget speech could be characterized as pragmatic, cautious and conservative. Except for the courageous step of abolishing estate duty, the Secretary has proposed practically no new economic or fiscal initiatives. At present, I agree that there is little room for reducing taxes or initiating new tariffs if we take into account the slow and unpredictable economic upturn. But I strongly feel that the Budget suffers one significant inadequacy: The Financial Secretary has been too lenient, for yet another year, in exercising determination to keep government expenditure under control. It is a worrying trend that the Secretary's idea of reducing the deficit is to rely on the economy improving itself and the traditional sources, like land-based revenues, instead of reining in government spending. Fortunately, Emily LAU is only the Chairman of the Finance Committee of the Legislative Council and not our Financial Secretary, or else, our financial reserves will evaporate into the thin air very quickly.

Our fiscal position may be slowly improving, but it is far from being healthy. The fact is our Government still cannot make ends meet. If we brush aside the \$26 billion worth of borrowed money from the two very successful bond programmes, the *de facto* deficit would still stand at \$13.4 billion for the year 2004-05. Plus, there would be an estimated deficit of \$10.5 billion for 2005-06 as well. The Government should really concentrate its priorities on further cutting its expenditure and promoting economic growth. The Secretary needs to staunchly adhere to his principle of "big market, small government".

Let me further discuss the issue of fiscal discipline. In the light of the structural deficit problem, the Financial Secretary has proposed rightly not to reduce salaries tax rates, despite pressures from friendly parties. Mr Secretary, for this, you must be given credit. The revenue from salaries tax will account for more than one quarter of total government tax revenue for 2005-06. Until our tax base is suitably broadened, the Administration will have no choice but to count on salaries tax as a steady and reliable source of income.

As for reducing our reliance on the highly volatile stream of land/property-based revenue, there is practically a need to introduce a goods and services tax in the near future. I am glad to see that the Financial Secretary has

adopted an open attitude to this issue. However, if the Government wants to introduce the tax three years from now, it must spell out its proposal to the public at once and begin the consultation and consensus-building process as soon as possible.

On the expenditure side, the Secretary proudly explained that government spending has now fallen to only 20.2% of Gross Domestic Product (GDP). Although this move may be positive, it is still much too high for a territory without any national defence spending. Moreover, about 70% of government expenditure has gone to various kinds of public sector employees. In this regard, there is still much room for improving efficiency and reducing wastage. Take the Housing Department as an example. The headcount in 2000 was 12 000 people. After strenuous effort, less than 3 000 posts were eliminated by 2003. However, the number of housing units completed fell at the same time, from 89 000 to 29 000 units per year. Therefore, it is reasonable to believe that there is still a large number of sinecures in the establishment.

The Government has also been quite slow when it comes to cutting the unreasonable allowances of civil servants. Yet, when there is a hike in property prices, the Government would quickly raise the residential mortgage payment allowance enjoyed by the same civil servants. Other essential reforms, including the introduction of a pay adjustment mechanism and an improved post-retirement employment mechanism, are proceeding at a snail's pace. Such a lack of fiscal discipline not only breeds discontent from the public, but also casts doubt on the Government's resolution and ability to bring public expenditure down to 16% of the GDP by 2009-10.

Although the number of civil servants is now trimmed down to 163 000, this may be a red herring because it does not include extra employees hired on contract terms. In effect, the reduction in the Government's workforce is rather limited. I hope the Secretary can take a hard look in this area to achieve a better fiscal discipline.

In the area of tax relief and economic growth, the most important initiative in this year's Budget is to abolish estate duty. The public greatly welcomes this proposal. Although the public coffer may lose about \$1.5 billion a year, this amount may prove to be a relatively insignificant amount when the long-term economic gains are taken into account. Once the tax is abolished, Hong Kong will become even more attractive to investors. In

addition to the property sector, other service industries, such as finance, accountancy and the legal sector, will benefit as well. Perhaps more importantly, we will be one step closer to our aspiration of being a regional asset management centre, or in other words, the Switzerland of the Orient.

An increase in child allowance and dependent parents allowance also won much applause in the community. It will undoubtedly be supported by this Council.

Furthermore, it is encouraging to read in the Budget that the Secretary intends to strengthen our competitiveness as a financial centre, as well as a hub for tourism, logistics and the cultural and creative industries. We all understand that our manufacturing sector cannot be as competitive as our neighbours up north. I therefore fully endorse the Secretary's vision to develop and expand areas in which we have a competitive advantage.

He obviously also understands fully the role of small and medium enterprises (SMEs) in maintaining our social and economic stability. The additional funding of \$500 million to help the SMEs has my full endorsement.

On the other hand, there are shortcomings in this Budget, and I cannot hide my disappointment at the Government's failure to readjust the Comprehensive Social Security Assistance (CSSA) payment to the elderly and the handicapped. In this regard, the Government has been miserably stingy in its treatment of this underprivileged group. Now, I would like to touch on the subject of infrastructural spending.

To boost the economy, the Government has also pledged to invest substantially in building our infrastructure. However, such provisions for 2005-06 only stand at \$26 billion. The construction industry is deeply disappointed that the Government has yet again failed to honour its financial commitment in infrastructural items. My colleagues may be interested to know that against its promise to spend \$29 billion per annum, the Government only spent \$23.1 billion in 1998-99, \$24.6 billion in 2002-03 and \$25.9 billion in 2003-04. Indeed, the five-year average of actual spending on infrastructure is \$25.4 billion, instead of \$29.2 billion as the Government claimed. The latest jobless rate among construction workers stands at 14.7%, Mr Secretary, or 22% of the total unemployed population. This means that for every five jobless workers, one of them is from the construction sector. Is this government response a proper answer to this distressed sector?

One feasible solution to speed up project delivery is to outsource more infrastructural projects, and simultaneously create more capital projects through private funding. The private sector is ready to fund, build and operate these projects. Only bureaucracy is preventing them from greater participation. One case in point is the two private sector funding pilot projects under the leadership of Secretary Dr Patrick HO. They were first proposed in the 2003-04 Budget, but after a lapse of two years, the Government said it could not even provide a definite timetable for the tendering. Enlighten me, Mr Secretary, if this is not bureaucracy, what is bureaucracy and inefficiency? A more disappointing thought is the possibility that the Government simply has no intention to introduce new private finance initiative projects in the near future.

As regards revenue from land sales and premium which has played a significant role in reducing last year's Budget, I urge the Government to adopt a more proactive attitude in understanding the needs of the market and be guided accordingly. The Application List system is working well, but there is room for improvement in that the Government should place more smaller sites on the Application List to encourage small to medium-sized developers to participate in the property development industry, thereby creating competition and more jobs and employment to alleviate the high unemployment rate which I spoke of earlier. Premium assessments must be made in tune to the market, and not to dampen and stagnate the growth of the property industry.

Prior to my concluding remark, while I fully support the Government's initiative to encourage the growth and development of an entertainment, leisure and spa resort, I cannot support the proposal given by some of my colleagues here that we should be another casino city of Asia.

Madam Deputy, we are proud to build Hong Kong into what it is today — a world-class city in Asia, and we did it without the need of casinos. It is the resilience and diligence of Hong Kong people which make our success. With these words, I now conclude. Thank you.

**MR ALBERT HO** (in Cantonese): Madam Deputy, at present, the Hong Kong economy is indeed showing signs of recovery and we can also see that the target of eliminating the fiscal deficit will be attained one year earlier than originally scheduled. I think that it is time the Government reviewed some of the policies that were formulated in the past few years but are perhaps no longer appropriate or need to be changed nowadays.

First, an excessively conservative policy to rein in expenditure will indeed create or give rise to repercussions and undesirable consequences for Hong Kong society. On the one hand, the rolling back of the expenditure on many public services, welfare, and so on will raise doubts on whether our Government still cares about members of the public who are in straitened circumstances, in the greatest need of care and the most impoverished. Can our society still be described as one that attaches importance to being just and civilized?

Second, the continued reduction in expenditure on education and health care also makes people wonder if the Government lacks far-sightedness and is unwilling to invest in the fundamentals, such as the grooming of talents. It is worthwhile for us to carry out an immediate examination and timely reform in all these areas.

In addition, in respect of the fiscal policy, we feel that in the past the Government has slowed down or deferred many projects in the pipeline because of the fiscal pressure. Now we believe the Government has the ability and a need to relaunch these projects as soon as possible and bring forward their completion dates, so as to satisfy the needs of many communities for basic facilities. Mr Albert CHAN has conveyed with great vividness and immediacy the needs of the more than 100 000 people in Tin Shui Wai North for some very basic cultural and recreational facilities. In addition, the expenditure on these projects will further accelerate economic recovery and help lower the unemployment rate. In fact, if the Government allocates some resources to these projects, many facilities will become available after the completion of these projects, while some of the money spent on CSSA for the unemployed can thus be saved and used to pay the wages of workers. However, it is a pity that in the Budget published by the Government this time around, we could not get the impression nor are we assured that the Government will review its policies. I heard Mr Abraham SHEK criticize Ms Emily LAU, saying, "Oh dear, if we do as Ms Emily LAU suggested, our money will evaporate into thin air very quickly." His words reminded me of two lines in a poem written by a famous Chinese poet, GONG Zizhen, "The fallen petals are not insensible/They become the soil to nurture the plant in spring". Please do not think that after the flowers have withered, nothing will come out of them. In fact, this is not the case. After the flowers have fallen, they become the soil and nurture the tree which has begotten them, providing more nutrients to the tree so that it can grow even more luxuriantly in the future. Therefore, if we commit resources to essential

facilities, the nurturing of talents and the fostering of social stability, our society will become more cohesive and our community as a whole will be benefited. In the long run, this will enable our economy to recover on an even better footing and make the long-term development of Hong Kong even more powerful.

The Government has given us the impression that the only things that it is willing to put in a great deal of effort to implement and accomplish at an astonishing speed are the measures that it claims will improve the business environment, for example, the abolition of estate duty and profits tax for off-shore fund investments. All these measures will be accomplished at high speed. Concerning the issue of estate duty, Honourable colleagues have asked if the Government could provide more data to let us know if it is worth the money to forego \$1.5 billion in revenue. What do we get in return and how much? So far, we have not yet received a lot of highly persuasive figures in support of the measure. Of course, I hope that the Government will continue to make an effort. However, the most controversial point in the Budget is why the Government reverses the priorities that it accords to many types of expenditure.

In the entire Budget, \$1.5 billion is not a large sum, however, I found that the Government has slashed many types of public expenditure, in particular, the expenditure on providing support and help to people in need, including the old age allowance, CSSA for the disabled, and so on. It appears that the Government is in very straitened circumstances and has to be stringent on everything. In view of this, many people are asking, "Given that the Government is going to abolish estate duty to bring more income to Hong Kong, to which area will the public funds be committed? Will it really be used in areas in society where resources are urgently needed, or where everyone wishes to see the resources committed, for example, in education, health care or perhaps helping the poor? Will this be the case?" There is a big question mark over all these. Nowadays, the poverty situation in Hong Kong is certainly serious and the United Nations Committee on Human Rights has already expressed its concern and requested us to tackle the problem of poverty among elderly people seriously. Meanwhile, the impression conveyed by this policy is that the policies are further skewed in favor of the rich, so not only has no improvement been made to the problem of disparity between the rich and the poor but the problem has worsened instead.

If we merely look at the figures, many people will say that the majority of people who have to pay estate duty have probably only inherited \$20 million and

this amount has just slightly exceeded the threshold for paying estate duty. At present, the non-dutiable ceiling is set at \$7 million and many people have only inherited between \$10 million to \$20 million and they cannot be considered very rich. Of course, this is a matter of personal opinion. Many Honourable colleagues from the Liberal Party or other Honourable colleagues, including Mr Albert CHENG, have queried if these people can be considered rich. This is a matter of personal opinion. To people living in poor areas, they may have totally different perceptions. However, let us put this point aside for the time being.

In fact, at present, those who will benefit from this policy are not the so-called beneficiaries of estates who have to pay duty but the many rich people who are spending hundreds of thousands of dollars each year to evade paying duty. Through a large number of trust companies, fund managers and numerous means, they are evading duty and enjoying the benefits. Madam Deputy, it is not the case that I do not wish to see others get the benefits, nor am I of the view that abolishing estate duty will be unfavourable to the establishment of an asset management centre. I believe that it will be favourable. Therefore, the Democratic Party will not oppose this proposal immediately. However, I hope and here I sincerely request the Government — the Financial Secretary and the Secretary for Financial Services and the Treasury are both present — to do some more work. Firstly, tell us what can be gained by abolishing estate duty and what the supporting figures are; secondly, whether there is room for improvement in the many areas that require the commitment of resources and thirdly, do we have any corresponding policy to make up for the loss of \$1.5 billion, and do so in an equitable manner?

I already pointed out to the Financial Secretary the other day that the Government could in fact raise the salaries tax and Mr Albert CHENG has also raised this point today. I am in favour of this. We should introduce a more progressive tax rate so that people with high pay will pay more tax. The same should be done with regard to profits tax. That the tax rate for multinational companies should be the same as that for small and medium enterprises is utterly unreasonable. There is definitely room for tax increases. Of course, I am not saying that all taxes should be increased in one go but that the tax rates can at least be increased by two to three percentage points to make up for the loss in estate duty. Such a taxation policy will also be more equitable. In this connection, I hope that the Government can give this matter some consideration. Even if it cannot do so this year, I hope the Government can make a pledge and

tell us that it will head in this direction. Otherwise, there will be a lot of internal disputes. Today, Members have all heard that originally, many Honourable colleagues intended to express their support but they have eventually expressed their opposition. Therefore, I hope the Government will really give this matter some serious thought.

Madam Deputy, concerning the problem of poverty, I believe many Honourable colleagues have already expressed their views. The Government's policy on helping the poor can be described as lacklustre. We really must have a poverty line that will serve as an indicator for our work. Concerning the problem of poverty encountered by elderly people and the disabled, the Government should accord priority to them and take improvement measures as soon as possible. In recent years, their subsidies have been slashed by 11%. I hope the Government can abolish this policy and revert to the level of subsidy offered three years ago. In this way, the life of this group of people will see significant improvement.

The Head Start Programme on Child Development is a large-scale programme aimed at helping children in two or more districts, however, only \$10 million has been allocated to the programme. In fact, the other day, when the Commission on Poverty held its meeting, we also asked the Government how it would handle this matter when it spends \$10 million to assist and screen the children in need. Would they be referred to certain organizations and if so, would the organizations have the resources to cope? At that time, the official who made the reply said that they would try to consider what to do in due course. Is this an answer acceptable to us? I believe the answer is obviously in the negative. In fact, we should allocate more resources to this area, otherwise, as some Honourable colleagues have said, the situation of impoverishment and wealth gap will worsen and deteriorate.

On medical fees and charges, we have discussed this in a panel of the Legislative Council a number of times. There should be no question of any deficit as far as the Hospital Authority (HA) is concerned. The provision of medical services is the responsibility of the Government. If the HA does not have adequate reserves to meet its expenses, the Government is duly-bound to inject funds to support our medical services. Of course, if there is any area in which savings can be made, then we should sort this out together. However, there is no way that various types of fees and charges, in particular, additional

charges on drugs should be introduced or increased before a comprehensive set of policies on health care financing has been put in place. That is to say, some very expensive drugs with high efficacy not included in the Standard Drug Formulary may have to be removed. Not only will this move affect patients suffering from chronic diseases, even people in the middle class may end up penniless after suffering from some serious illnesses. We find such a situation unacceptable. We believe it necessary to first put in place a comprehensive set of policy on health care financing. We are willing to study this together, however, before a consensus has been reached on the introduction of such a plan, it is indeed not advisable to make these structural changes in fees and charges and impose a heavy burden on a large number of people.

Concerning university education, a number of Honourable colleagues have mentioned that small-class teaching is getting nowhere, and instead, many schools are being left vacant. I really feel sorry about this. As regards the reduction in funding for master degree and sub-degree programmes, many people have come to seek our assistance, saying that they had invested a great deal of money in obtaining their sub-degrees, however, due to the present problem in funding, it was impossible for them to pursue their studies further. On the one hand, the Government urges the public to pursue continuing education, yet on the other, it has slashed its funding for evening secondary schools.

Madam Deputy, concerning the Judiciary, Ms Margaret NG has already talked about many issues and I believe it is not necessary for me to dwell on them any further. I only believe it necessary to examine seriously if the expenditure for the Judiciary should be dealt with together with that of the Government. We should make reference to the experience overseas and establish an independent fund for our Judiciary, with funds allocated once every few years. It is even possible to consider a new arrangement, that is, applications for allocation of funds to the Judiciary should be made separately to the Legislative Council rather than included in that made by the executive authorities. Only in this way can the independent operation of the Judiciary be truly ensured. Of course, it is necessary for the Judiciary to account publicly for its expenditure and subject itself to the oversight of the Audit Commission and the scrutiny of the Legislative Council. Ultimately, it should be independent of the Government's operation and I very much hope that the Government can carry out a study in this area and establish an independent fund for the Judiciary. Thank you.

**MR LEUNG KWOK-HUNG** (in Cantonese): Madam Deputy, Mr Albert HO has quoted from a poem by GONG Zizhen and I think there are also two lines that is also an apt description of the present situation: "May I entreat Providence to bestow on us all kinds of talents for the purpose of enlightenment". We have been discussing where Hong Kong goes from here. Members will deliver their speeches and then a voting will be carried out. Even if the voting is not carried out this evening, it will be done in the future. A legislature in which only half of the seats are returned by direct elections is in fact just a forum. When it comes to voting, certainly it is the people who are pro-government and those who are returned through functional constituencies who will prevail. This is a fact that all of us can see. Ever since I was elected a Member of the Legislative Council, in this legislature, on subjects ranging from minimum wages to whether CSSA should be slashed, public opinion has always been distorted. In this legislature, even if public discontent has been relayed, it has not been resolved. Many people ask: What does two years or five years matter? This cannot keep our stomachs full. What does it matter if there is universal suffrage or not? It cannot prevent you from going hungry. It is not rice dumpling. However, I believe the majority of members of the public will understand that in saying "May I entreat Providence to bestow on us all kinds of talents for the purpose of enlightenment", GONG Zizhen was lamenting the corruption and decadence of the late Ching Dynasty.

(THE PRESIDENT resumed the Chair)

Today, in attending the meeting here, little could I have anticipated that after I have been a Member for half a year, Mr TUNG is now attending banquets thrown to celebrate his departure and he is bingeing so much that his legs do not ache any more. Amid the well wishes of many people, he has been promoted to an official in the Central Authorities. Therefore, the Budget that we are discussing today can be described as banal and I wish to portray the situation with a doggerel written by me: "The monkeys fled as the tree toppled/Yet officials the biddings of businessmen still follow/Public institutions have into private hands fallen/And silently many lives has it claimed.". The monkeys fled as the tree toppled. We can see that when Mr TUNG was in power, every time I criticized him here, as a rule, I would have to take a barrage of invectives, that is, what some would call backfire. Today, good old Mr TUNG has gone to Shanghai to live there and gone to Beijing to hear the plaudits from other people,

however, those people who originally shine his boots have changed tack in droves. From being suspicious of the new lord, the monkeys have again gathered round the new tree after a blessing was given by the overlord. What is the name of this tree? We may as well call it "the tree of collusion between the Government and business". The monkeys have again gathered round this tree to sing, dance and heap praises on it because this large tree offers good shade and there are also a lot of plump fruit to feast on.

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, I have to remind you that our present question is the Appropriation Bill 2005.

**MR LEUNG KWOK-HUNG** (in Cantonese): What I have said is in fact relevant.

**PRESIDENT** (in Cantonese): Please speak to the question as far as possible. Sometimes, you have strayed too far.

**MR LEUNG KWOK-HUNG** (in Cantonese): This tree is the Budget, which has been prepared in advance and included in the policy address delivered by Mr TUNG, which is now considered void. This Budget tells us that there are many tasks that need to be done. Let me first spell out one of them and, that is, the goal of helping the poor. Mr TUNG tasked the Financial Secretary, Mr Henry TANG, to put on the armour and go into battle. He has assumed several posts. He is the cashier at the till and is also the one who go to the doorway to give away the leftovers. If we think about it, the person who is the cashier should surely be able to provide a bowl or two of leftovers. Perhaps not just leftovers but something even better.

However, in pages 70 to 72 of his Budget, I really cannot find anything that tells us he will execute Mr TUNG's last will or last wish. This indicates that things are all the same no matter if Mr TUNG resigns or not. I will not blame him, since he will do so by nature. I only want to condemn the Government in very strong terms because it has not considered cleaning up its acts after Mr TUNG has left office and still continues to implement an erroneous policy as in the past.

Since Financial Secretary Henry TANG is the cashier, he should do some soul-searching on what he is offering others as food and how much money he should allocate to enable people to achieve self-reliance and self-salvation. He should spell out his fiscal philosophy clearly and how much he will allocate. How will the money be used? He only wants others to concur with him that dishing out largesse would not do. Who does not understand this rationale? Of course, it will not do to just eat, it is also necessary to go to the toilet after eating, or else, this will lead to death. This ongoing debate is meaningless because the concepts have been substituted and he is only saying that dishing out largesse will not do. I wish to ask the Financial Secretary: If the Government does not hand out money and those people do not even have the money to feed themselves, how can they possibly have the money to pursue further studies? If kids cannot even get themselves spectacles as a result of the Government's reduction of CSSA and other subsidies, how can they pursue their study? This is a question that the Financial Secretary should answer and I believe he will do so.

Secondly, by continually substituting concepts, the intention is to exaggerate the government expenditure spent on education and social welfare. I have in fact exposed these tricks of concept substitution many times. The tactic is to emphasize the proportion that these areas account for in government expenditure instead of considering them in the light of the GDP or domestic income. We only have to go to the OECD and check the figures to know that compared with other slightly more developed countries, apart from being slightly more favourable in the comparison on expenditure on education, the expenditure of the Hong Kong Government in all other areas, including public funds spent on nurturing talents, providing facilities and social security, in fact account for only a very small share of the GDP. What is the reason for this? Secretary Frederick MA will surely know. This is because our tax rates are very low. If we ask rich people for only a little money, how can we have the money to do anything? The Government is in fact playing a numbers game and is unwilling to ask the rich for money. Say, there are four cakes out there and the Government gets hold of one, saying, "Let me give you this share, Long Hair. This cake is very large and you can have it all." However, the issue is that there are actually four cakes out there.

If the problem of wealth gap is expressed in terms of the Gini Coefficient, among developed nations, the problem in Hong Kong can almost be considered the most serious. Given such a figure, the Government is still claiming that it has got no money. Many people have said to me, "Long Hair, over 30% of the

fiscal reserve is now gone. Do you want to exhaust the reserve?" Of course, I do not want to use up the reserve. I believe the problem is in fact very simple. If we want to do something about this problem, first, it is a must to introduce progressive profits tax; second, it is necessary to levy a capital gains tax and third, estate duty must not be waived. At present, it seems that all tax increases and reductions are glamorous clothes tailor-made for the rich. They are beautiful, unfortunately, should emaciated poor people like us put on anything, it looks as though this were a big deal.

I wish to talk about his fiscal philosophy. I can see that Financial Secretary Henry TANG has left and will not give me audience. On the last occasion I met him, I told him this philosophy and bade him to remember it, but he said, "Mr LEUNG Kwok-hung, this is totally irrelevant." He refused to discuss it and only requested me to confine myself to the subject under discussion. I remember that Ms Margaret NG wanted to put in a word, querying why was it that when someone wanted to say something, he was barred from doing so. If it is on some sort of philosophy, then so be it. Since the Financial Secretary wanted to stand for the post of Chief Executive at that time, he then said that he wanted to discuss his fiscal and social philosophies and also said that it was not possible for the Financial Secretary to win any applause.

Now that the patriarch has indicated that no horse racing was allowed and the winner had to be predetermined, he is immediately maintaining again that he had no concept of fiscal management or any grand plan and has merely offered us the usual fare to get the job done.

It is a pity that he has left. I originally wanted to dedicate a poem to him. I found a poem called "Looking On During the Cutting of Wheat" on the Internet, written by the poet BAI Ju-yi — it is about the cutting of wheat, not the cutting of wrist. The poem reads, "With her right hand the dropped wheat ears she gleaned, on her left shoulder a worn basket was slung. She related her circumstances and with sadness were bystanders overcome. To pay tax she sold her farmland, now with gleaned wheat only could she her stomach fill. What deed have I done to deserve my share? Never have I a farmer or a silkworm grower been. With 300 *dans* of grain for an official, excess food have I every year. Ashamed I was at this thought, and will this for the rest of my life remember." When the great poet, BAI Ju-yi, was serving as the District Defender of Zhouzhi County, he found that the populace was leading a very difficult life but he was receiving a remuneration of 300 *dans* (one hectolitre) of

grains. (Mr LAU Chin-shek, meaning "Mr LAU thousand *dans*", probably wants to get a thousand *dans* of grain.) Although he was just a petty official receiving 300 *dans* of grain, when he came upon such a sight, he felt ashamed.

In fact, Financial Secretary Henry TANG is a rich man and his sight is not set on his salary of over \$200,000. However, has it ever occurred to him that since he has taken up this post, he should not tell me that he does not care about the \$200,000 and he is only serving the public. The responsibility he has assumed is to rescue the poor and the wage earners in Hong Kong from the abyss. However, what has he done? If he does not increase the progressive profits tax but introduces the commodity duty, then he will be introducing a regressive tax, which will put the poor people in a disadvantage. As it is, the poor do not have any money and should this duty be introduced, they will have to pay duty even if they simply have a plate of rice with barbecued pork. But he still wants to introduce it all the same. He should remember that his annual salary is \$3 million, not 300 *dans* of grain.

Therefore, I consider it a waste of breath to say anything. I believe that in this legislature without democracy and still dominated by businessmen or small-circle elections, although we can express our opinions, we will never win. I hope all wage earners will not feel let down and think that they can stop asking for democracy, go home, have a sleep, watch the television and the drama "Jewel in the Palace", and learn to put up with everything docilely like "Dae Jang Geum". This will not do.

Ladies and gentlemen, I do not know if you can see me today. I hope everyone will pluck up their courage and continue to strive for democracy in Hong Kong, for a Government elected by "one person, one vote", for a system returned by "one person, one vote" in which people can express their wishes and in which a platform for all people to take their fate into their own hands is provided. I am a social democrat. Here, although the viewpoints I have expressed may not be mainstream, without democracy, all political views are just bull because there is no power. Therefore, I hope everyone will fight valiantly for this ideal and I also invite everybody to join the rally on 24 April. The rally on 24 April is intended to demonstrate that Hong Kong people will not submit themselves to oppression by a small number of rich and powerful people and will take the opportunity to step forward and express their views. I will meet all of you in Chater Garden at three o'clock.

Members, I still wish to raise one last point. Hong Kong has come to a stage in which a muddle-headed leader has been replaced and the person who will assume office is a relentless official who knows how to serve his master even better. If we put up with this any more and remain silent, this will only subject us to another seven years of "the supreme reign of Donald" or "the reign of chaos of Donald". I oppose this Budget and I call on all Honourable colleagues to oppose this Budget like I do. What is more, I also call on all members of the public to oppose this Budget. Thank you, Madam President.

**MR KWONG CHI-KIN** (in Cantonese): Madam President, when the three Members from the Hong Kong Federation of Trade Unions (FTU) met the Financial Secretary to discuss the Budget, he mentioned the issue of wealth redistribution which can be achieved by taxation arrangements.

While the Financial Secretary's words were still ringing in our ears, he said again there is a need to look into the possibility of introducing a sales tax in order to broaden our tax base. I believe everyone knows that introducing a sales tax will increase the burden of the people, particularly the grassroots. Let us consider the situation of workers earning \$4,000 or \$5,000 a month. They can have almost no savings but have to use all their salaries on spending. If the sales tax is set at 5%, the actual tax rate that they will have to pay is 5%. But for those earning \$100,000 a month, as they will not spend it all, they will have the capacity to save money. Say if they spend \$60,000 a month, and the sales tax is still at 5%, they will only need to pay \$3,000 in sales tax. So compared with their \$100,000 salary, their actual tax rate is only 3%. That is why many academics regard the sales tax as a regressive tax. The better-off pays less and the poor pays more. Such a concept runs counter to that of wealth redistribution, but it is also coming from the Financial Secretary.

From what the Government has disclosed on the sales tax proposal, we know that its preliminary idea is to grant concessions to the lower strata by increasing CSSA payments, or issuing cash coupons and pre-paid coupons to those who do not need to pay tax, so as to ease their burden. If the Government really adopts these concessions, the burden of sales tax will fall on the middle class. Some accountants have estimated that if the sales tax is set at 5%, a family earning \$360,000 a year will have to pay \$9,711 in sales tax. The middle-class families already carry a great burden in terms of providing for their

dependent parents and children. If they have to pay some \$10,000 in sales tax, they will have to reduce their family spending, and thus their living standard will drop.

The Government estimated that the sales tax can bring in \$18 billion to \$20 billion in revenue. But many economists have commented that this is over optimistic because consumers may not necessarily spend locally and they may spend money elsewhere such as the Mainland. The goods and services in the Mainland are cheaper than Hong Kong, and transport is convenient. If we introduce the sales tax, will they spend even more in the Mainland? The Government may defend by saying that this will only be the case right after the sales tax is introduced. But the problem is when more and more boundary crossings are built, and travelling across the boundary is getting increasingly convenient, may I ask the Secretary what measures can be put in place to encourage our people to spend in Hong Kong? Moreover, with online transactions becoming increasingly common, we can now easily order books online. However as the commodities purchased through electronic trading services are not purchased in Hong Kong and for legal reasons, the transactions are also not conducted in Hong Kong, thus no sales tax is payable. Hence, the sales tax will only boost electronic trading.

The Secretary always emphasizes that the introduction of sales tax is not meant to reduce the budget deficits, but rather for providing a stable source of revenue to the Government. But considering the fact that consumers can go elsewhere to spend money and they do not need to pay the sales tax when purchasing online, is taxing on consumers' spending really a stable source of revenue as the Government has said?

For many years, the FTU has lobbied for a progressive profits tax regime. The Government replied that it is against the principle of having a simple tax regime. But what the Government said is somewhat contradictory in nature. If it wants a simple tax regime, why implements a sales tax now? Sales tax is actually far more complicated than a progressive profits tax regime. For example, the authorities need to give tax rebates to tourists, and it is necessary to issue pre-paid coupons to the lower strata if concessions are granted. All such minute but complicated administrative procedures will involve expensive administration costs. Has the Government made an evaluation between the expenditure and the revenue and see if it is cost-effective?

The FTU has all along held the view that only by implementing a progressive profits tax regime can we truly realize the principle of vertical equity, meaning the more profit a company makes, the higher should the tax be. According to information given by the Inland Revenue Department, less than 10% of the companies in Hong Kong accounts for more than 80% of the profits made by Hong Kong. Large corporations and multinational companies that make profits in Hong Kong should have the responsibility to pay more in profits tax, so as to contribute back to society. A progressive profits tax will better meet the principle of equity and justice than the regressive sales tax for which the poor pays more.

Regarding the abolition of estate duty, the FTU opposes it. Estate duty brings more than a billion dollars in revenue each year, making it one of the stable sources of government revenue. According to the Government, abolishing estate duty is for the purpose of attracting more assets into Hong Kong. But the problem is, if the Hong Kong market is really that lucrative, investors will not mind redirecting their capital into Hong Kong no matter there is estate duty or not. Let us look at other international financial centres like London or New York, or trust business centres like Switzerland or Luxembourg, where estate duty is in place. Since these places have many attractions, it is not important whether they levy estate duty or not. The Government cited places that have abolished estate duty as examples, such as Australia, Malaysia and Macao. But these places are not the same as Hong Kong, for they are not international financial centres. This is exactly the reason why they have to abolish estate duty, so as to attract more assets management business. But as an international financial centre, how can Hong Kong be compared with them?

Yesterday, Mr WONG Kwok-hing mentioned the problem of the "fruit grant" and we saw the written reply by the Health, Welfare and Food Bureau. In the written reply, the authorities stated that abolishing the restriction on the permitted period of absence from Hong Kong will add an extra \$1.17 billion to government expenditure. If the Government does not abolish estate duty, the \$1.4 billion to \$1.5 billion of estate duty will be more than enough to offset the \$1.1 billion "fruit grant". As the duty will only be levied on estate exceeding \$7.5 million, why can people who are rich enough to be eligible to pay estate duty enjoy this preference from the Government when old people who only get a few hundred dollars from the "fruit grant" have to face so many restrictions?

Madam President, tax is also an important means to regulate commercial behaviour other than bringing revenue to the Government. Many products in the process of production will cause serious pollution. However, since the cost of pollution will be borne by other people and our next generations, the producers do not take it seriously. It is necessary that the Government should use tax as a means to reduce pollution caused by commercial products.

However, Hong Kong performs badly in recovery of recyclable material and the recyclable waste collection sector is not doing comprehensively enough. For example, the recovery rate of glass bottles is only 1%, that of plastic is 26% and that of waste paper is only 53% which is also not satisfactory.

Let us take beverages as an example. It is increasingly common for beverages to use plastic or glass bottles, causing a great burden to landfills. However, the Budget only proposes to impose a "green" tax which only covers plastic bags and used tyres.

In fact, the Secretary can consider imposing a tax on the glass bottle and plastic bag industries, through which the Administration can at the same time promote the recycle and recovery business. This business is labour-intensive and it needs lots of manpower in collecting, washing, transporting recyclable materials and doing the buying and selling processes which do not require special skills and are very suitable for the unemployed in Hong Kong. This could be a way out for the problem of structural unemployment. I hope the Government can give it serious consideration.

Madam President, I so submit.

**MR MARTIN LEE** (in Cantonese): Madam President, the Government announced in end 2004 a new policy on nature conservation and a specific implementation programme. The main proposal is to carry out conservation in the first batch of 12 sites identified of substantial ecological value by employing administrative measures like executing a management agreement, public-private partnership (PPP), and so on. However, when the Government is to implement such a new nature conservation policy, there is no financial commitment made specifically for that purpose. It is known that the Government now requires the Environment and Conservation Fund to set aside a few million dollars — and that

is all — for application from conservation bodies and non-governmental organizations (NGOs) so interested in taking part in the management agreement. Just imagine there are 12 sites where conservation should be carried out and the land involved may be more than 100 acres in area, how can this sum of a few million dollars be used effectively for any conservation work there? Even if the green groups or NGOs want to enter into a management agreement and provide their expertise and skills free of charge for the conservation of these places with significant ecological value, the resources are insufficient to sustain any conservation work. The Democratic Party is of the view that the Government should greatly increase its financial commitment so that conservation work can truly be effective, so that it is more than window-dressing devoid of any substantial value.

In terms of PPP, the existing arrangement is for the Government to dish out a big favour to the developers, that is, land which does not have any value for development can now be developed under this scheme. And for the Government, it can of course levy a regrant premium. So this could well be another kind of collusion between the Government and business. Those green groups or NGOs joining this scheme may just play a window-dressing role and may even be accused of being bribed by the developers. The Democratic Party opines that when PPP is launched, the green bodies and NGOs should, other than taking part in conservation work, also play the role of a watchdog over the long term by informing the public of the progress made at these conservation sites and should see to it that the developers can honour the pledges made in conservation. The Government should devise penalties and punish developers who fail to honour their conservation pledges.

According to figures released by the Government, the recovery rates of various kinds of recyclable waste last year were on the low side and there was no marked improvement compared with figures in 2003. It is expected that the situation will be similar in 2005-06. For example, the recovery rate of glass bottles in 2004 was only 1%, much lower than other countries in the world such as Australia where a recovery rate of 45% was achieved. This shows that there is a need to enhance waste recovery and recycling work in Hong Kong. Apart from setting aside more resources to cultivate an awareness of waste recovery among the people of Hong Kong, the Government should place more garbage bins in the staircases of public housing estates to collect different kinds of waste for recycling purposes. The practice can later be extended to private residential

buildings. In addition, the Government should vigorously promote the development of environmental protection industries in Hong Kong. When environmental protection work makes good progress, the people will be encouraged to recover waste and useful materials can be recycled. This will relieve the pressure on the landfills and defer their saturation. Green parks can be set up to lease land for use by the recycling industry at low cost and long tenancies, in order that the growth of the recycling industry can be truly fostered.

As early as in 2001 the Democratic Party already suggested that a green tax be introduced. We welcome the commencement of a government study into a product responsibility scheme. Green taxes have been introduced in other countries for a long time, and they have been very effective in curbing the use of products damaging to the environment while also improving the environment. Therefore, the Democratic Party urges the Government to speed up the pace of this study, solve the technical problems related to implementation and launch this green tax as soon as possible.

In fact, the Democratic Party conducted a poll recently and the findings show that the public is very supportive of the levy of a green tax. For example, with respect to the use of plastic bags, more than 5% of the interviewees said that they would support the introduction of a tax on plastic bags; 60% of the interviewees said that if there was such a tax, they would certainly use less plastic bags. We therefore hope that work in this respect can be carried out by the Government expeditiously. As for the principle and scope of levying such a tax, the "polluter pays" principle should of course be applied. The green taxes and rates should be determined by the extent of damage done by the materials concerned to the environment. Apart from taxes for used batteries, waste tyres and plastic bags mentioned in the Budget, other possible green taxes are those on computers and foam plastic products. We know that lunchboxes made from foam plastics is more damaging to the environment than plastic bags.

The Democratic Party also urges the Government to use all the revenue collected from green taxes on supporting and promoting such green efforts as recycling industrial and electronic wastes, purifying effluents, food and environmental hygiene, and so on. We believe that the public will welcome a tax which can generate revenue to the public coffers while also enhance environmental protection and raise the quality of life.

Madam President, I would now turn to tobacco duty. This year the Financial Secretary has not increased the tobacco duty. I read a letter in the newspaper criticizing him for not doing that. This letter is written by some friends in support of environmental protection. As recommended by the letter, I read a report and perhaps I would now read it out (in English):

*Curbing the Epidemic: Governments and the Economics of Tobacco Control*, first printed in May 1999 by the World Bank.

Now, I will read some excerpts from this very useful report. In the Foreword, it says, "With current smoking patterns, about 500 million people alive today will eventually be killed by tobacco use. More than half of these are now children and teenagers. By 2030, tobacco is expected to be the single biggest cause of death worldwide, accounting for about 10 million deaths per year." It is about one in six, and it says, "Most smokers start young. In the high-income countries, about eight out of 10 begin in their teens." The next paragraph, which I propose to read, concerns raising taxes as a weapon. "Evidence from countries of all income levels shows that price increases on cigarettes are highly effective in reducing demand. Higher taxes induce some smokers to quit and prevent other individuals from starting. They also reduce the number of ex-smokers who return to cigarettes and reduce consumption among continuing smokers. On average, a price rise of 10 percent on a pack of cigarettes would be expected to reduce demand for cigarettes by about 4 percent in high-income countries and by about 8 percent in low- and middle-income countries, where lower incomes tend to make people more responsive to price changes. Children and adolescents are more responsive to price rises than older adults, so this intervention would have a significant impact on them. Models for this report show that tax increases that would raise the real price of cigarettes by 10 percent worldwide would cause 40 million smokers alive in 1995 to quit, and prevent a minimum of 10 million tobacco-related deaths. The price rise would also deter others from taking up smoking in the first place. The assumptions on which the model is based are deliberately conservative, and these figures should therefore be regarded as minimum estimates." The report concludes that, "for the time being, policymakers who seek to reduce smoking should use as a yardstick the tax levels adopted as part of the comprehensive tobacco control policies of countries where cigarette consumption has fallen", like Hong Kong. "In such countries, the tax component of the price of a pack of cigarettes is between two-thirds and four-fifths of the retail cost." Now, of course, one of the reasons always given is that if we increase tobacco tax, we are encouraging smuggling, and this is what they have to say: "higher taxes will lead

to massive increases in smuggling," that is their third concern, "thereby keeping cigarette consumption high but reducing government revenues." And the report says, "Smuggling is a serious problem, but the report concludes that, even where it occurs at high rates, tax increases bring greater revenues and reduce consumption. Therefore, rather than foregoing tax increases, the appropriate response to smuggling is to crack down on criminal activity".

**MR MARTIN LEE** (in Cantonese): Madam President, tobacco traders are most resourceful. They can resort to many channels, including Members of this Council, using all sorts of ways and means to lobby government officials not to do anything to take money from their purses. That is why these arguments are often put forward.

We all know that smoking is harmful to our health. When drafting the Basic Law, there was a subgroup which had four members who were chronic smokers. Once when we were having tea, I said to them that we should state in the Basic Law that smoking was prohibited. They said to me whether I was mistaken and as I always talked about human rights, why I was saying such things on that day. I said in reply that they were right and we should state in the Basic Law that residents of Hong Kong might smoke but they would not be allowed to exhale smoke. This is because exhaled smoke would harm one's dear ones, friends and colleagues.

Actually, the Government has really let a golden opportunity just slip away. This is because the Smoking (Public Health) (Amendment) Bill 2005 would be introduced to this Council soon and the object of the Bill is to impose a full smoking ban on the indoor areas of all restaurants. If the Government raises the tobacco duty at the same time, this two-pronged approach will certainly lead to better results. Such a move will not only make young people stay away from this bad habit but also help those who have such a bad habit kick it as cigarettes will be sold at higher prices after the tobacco duty is increased.

Therefore, I hope that even if the Government does not raise the tobacco duty this year, it must do so next year because currently tobacco duty in Hong Kong only takes up about 50% of the retail price of cigarettes. However, according to the report which I have just read out, tobacco duty should at least take up 66% to 80% of the retail price of cigarettes. I therefore hope that the Government can make some progress in this respect next year. Thank you, Madam President.

**PRESIDENT** (in Cantonese): Today, 19 Members have spoken on the motion. When this number is added to the 40 Members who spoke yesterday, a total of 59 Members have spoken on this motion.

**MS MIRIAM LAU** (in Cantonese): Madam President, I move that the debate on the Second Reading of the Appropriation Bill 2005 be adjourned to the meeting of 27 April 2005.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the debate on the Second Reading of the Appropriation Bill 2005 be adjourned to the meeting of 27 April 2005.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Ms Miriam LAU be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

**PRESIDENT** (in Cantonese): Council will continue with the debate on the Second Reading of the Appropriation Bill 2005 at the meeting to be held on 27 April when public officers will respond. If the Bill receives its Second Reading, its remaining stages will also be proceeded with at that meeting.

**NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 11.00 am on Wednesday, 27 April 2005.

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