OFFICIAL RECORD OF PROCEEDINGS

Thursday, 23 March 2006

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.

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

THE HONOURABLE LEE CHEUK-YAN

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

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

THE HONOURABLE MARGARET NG

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, S.B.S., J.P.

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI, J.P.

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

THE HONOURABLE WONG YUNG-KAN, J.P.

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

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

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE LAU KONG-WAH, J.P.

THE HONOURABLE MIRIAM LAU KIN-YEE, 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 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 VINCENT FANG KANG, J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

THE HONOURABLE LI KWOK-YING, M.H.

DR THE HONOURABLE JOSEPH LEE KOK-LONG

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

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

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

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

THE HONOURABLE LEUNG KWOK-HUNG

DR THE HONOURABLE KWOK KA-KI

DR THE HONOURABLE FERNANDO CHEUNG CHIU-HUNG

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

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

THE HONOURABLE CHIM PUI-CHUNG

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

THE HONOURABLE ALBERT JINGHAN CHENG

THE HONOURABLE KWONG CHI-KIN

THE HONOURABLE TAM HEUNG-MAN

MEMBERS ABSENT:

THE HONOURABLE ALBERT HO CHUN-YAN

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

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

THE HONOURABLE LAU CHIN-SHEK, J.P.

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

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

THE HONOURABLE CHOY SO-YUK, J.P.

THE HONOURABLE ANDREW CHENG KAR-FOO

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

THE HONOURABLE MA LIK, G.B.S., J.P.

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

PUBLIC OFFICERS ATTENDING:

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

THE HONOURABLE WONG YAN-LUNG, S.C., J.P.
THE SECRETARY FOR JUSTICE

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

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

THE HONOURABLE DENISE YUE CHUNG-YEE, G.B.S., J.P.
SECRETARY FOR THE CIVIL SERVICE

CLERKS IN ATTENDANCE:

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

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

PRESIDENT (in Cantonese): A quorum is not present. Will the Clerk please ring the bell to summon Members to the Chamber. Only 28 Members are present now.

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

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

BILLS

Second Reading of Bills

Resumption of Second Reading Debate on Bills

PRESIDENT (in Cantonese): Council will now continue with the debate on the Second Reading of the Appropriation Bill 2006.

APPROPRIATION BILL 2006

Resumption of debate on Second Reading which was moved on 22 February 2006

MR LEUNG YIU-CHUNG (in Cantonese): President, with regard to the Financial Secretary's Budget for the current year, we see one feature, namely, the return of budget balance for the first time since the year 1999-2000. A handsome surplus was even scored last year. The Financial Secretary is certainly well pleased. However, having read the Budget, we worry if the public will really accept it. At the same time, the Neighbourhood and Workers Service Centre (NWSC) finds the whole Budget — sorry, Financial Secretary — to be below par from both the macro and micro perspectives.

President, we hold that the most important role of the Government in managing finance is not just to effect appropriate redistribution of society's wealth and look after the disadvantaged groups. What is more, it should be able to make use of financial operations to further social investment and economic

growth. It is, however, a pity that this Budget gives people the impression that it does not differ much from those days under colonial rule prior to the reunification, with emphasis mainly placed on efforts striving for fiscal balance. There is no consideration whatsoever for any attempt on long-term social investment. Such a conservative mentality, in our opinion, just cannot keep abreast with the trend of overall economic development in our society; nor can it stand up to the big challenge arising from the present restructuring of our economy.

President, perhaps it is because our Chief Executive Donald TSANG only has a little over one year left in his term of office. Hence, this Budget, because of the tenure constraint, cannot make long-term policy plans; nor can it draw up a blueprint for the future. We have the impression that the Budget is apparently tailor-made for the Chief Executive, and is not really for the sake of the overall interests of Hong Kong people and for economic growth. In the Budget, the Financial Secretary points out that ours is an externally-oriented economy and thus highly susceptible to external impacts. As our economy is also subject to cyclical fluctuations, there is all the more reason for us to provide against a rainy day when the economy is strong, or else we will have little room to introduce relief measures for our community during a downturn.

President, these words appear to be sound. However, reference to the situation in other countries makes me disagree with the Financial Secretary. As a matter of fact, according to our observation, the economy of Singapore, our competitor, is similar to ours, also externally oriented. In 1997, Singapore too came under the impact of the financial storm, and in 1998 also brought in measures of retrenchment. However, the situation was different in 1999 when its economy made a V-shaped upturn. On scoring an economic growth of 7.1%, Singapore increased public expenditure to 12.5% in its 2000 budget. One of the reasons was that there was an increase in infrastructure and social investment. With that, not only economic growth was fostered, but massive investments were also made to develop every industry there, including the technological and pharmaceutical industries. It can be seen that Singapore has been quite good at promoting socio-economic development since then. Furthermore, the investment amounts are very large. So, we notice that the development of Singapore appears to be far better than Hong Kong in many aspects nowadays.

As a matter of fact, we notice that apart from the example of Singapore, the situation in certain countries is similar. Take as example the case of

Finland, which has been named the most competitive country in the world for three consecutive years. After the disintegration of the Soviet Union, its exports once did suffer a fall of 30%. Even in times of economic downturn, the Finnish Government has continued to invest in manpower development. For education, it has also implemented the small-class teaching that we have often called for, and greatly expanded its tertiary education. It has implemented all these without cutting its expenditure. By now, it can be said that the scientific and technological research development in Finland has already outpaced England's and is catching up with that of the United States, producing many brand name products used by us.

So, it is, of course, important to achieve fiscal balance. Yet, how to use the Budget to invest in the community and develop the future represents an even taller task. It is a great pity that in this year's Budget, the Financial Secretary has only earmarked $29 billion for infrastructure projects to get on with the outstanding projects of the former Municipal Councils and continue with some repair works here and there. The decision on launching the projects of the Hong Kong-Zhuhai-Macao Bridge and the North Lantao Highway Connection was in fact made some time ago. Building the Central Government Complex and Legislative Council Building at Tamar is probably the sole new project. Fresh economic projects with development potential are nowhere to be found. At the same time, projects for which the people show great concern and in which they want to invest, such as small-class teaching, are, in particular, nowhere to be found. This is very disappointing.

Madam President, Article 107 of the Basic Law stipulates that the SAR Government should strive for fiscal balance and keep the budget commensurate with the growth rate of its Gross Domestic Product (GDP). However, following an increase of 8.6% in 2004, our GDP registered a growth of 7.3% last year. Yet, the share taken up by public expenditure has fallen below 20% since the year 2004-05. This obviously goes against the spirit of the Basic Law.

In fact, even though our economy has revived, have all sectors of the community been benefited? From the data of the Social Welfare Department, we see that the latest figure of CSSA applications is 0.6% higher than that for the same period of last year, totalling some 300 000 cases. The NWSC has put to the Financial Secretary the request that CSSA be restored to the levels of 2003. It is a pity that not even such a request has been met. It is even a greater pity that in the Budget, the Financial Secretary only earmarks an annual grant of $220

million for some patch-up measures to help the disadvantaged groups. Such poverty alleviation work for those in the lower social sectors is just like scratching an itch from outside one's boot and is hardly commendable. It is no wonder that many Honourable colleagues keep saying that the Budget is "stingy" and mean.

Furthermore, at the Special Meetings of the Finance Committee, I asked the Government to a response on the situation regarding permanent posts. The answer received, however, is disappointing. I am disappointed because the Government is going to cut 1 527 permanent posts in anticipation of a saving of $155 million. Among them, the Leisure and Cultural Services Department, the Hong Kong Police Force, the Water Supplies Department and the Education and Manpower Bureau have to take the greatest cuts, losing 314 posts, 216 posts, 175 posts and 103 posts respectively. Yet, we notice that the Government is creating more and more non-civil-service contract (NCSC) posts. This can be noted from the papers presented to this Council by the Government. In 2001, there were 11 244 full-time NCSC posts. By 2005, the number actually increased to 15 661 posts, representing an increase of almost 40%. We notice that the Government, on the one hand, cuts back on permanent posts, but on the other, creates some non-permanent posts. The purpose is to cut expenditure. However, to employees, such a practice has impacts on benefits and wages. Is it fair to do so? Is it reasonable for employees to be treated in this way when the economy is growing? It is very much our worry that the Government will keep cutting permanent posts and converting those posts into NCSC posts, or getting additional manpower through outsourcing. Then the stability of the Civil Service may be jeopardized, and there may be the problem of different pay for identical work, which may adversely affect civil servants' morale, thus their service to the people. In fact, we did put to the Financial Secretary the request that the Budget should stop tackling the problems of the Civil Service by means of creating NCSC posts or outsourcing. The response, however, is disappointing.

Now the economy is picking up, and the Treasury also has surplus. The present time is the optimum moment to deal with the problem of outsourcing. Consideration can also be given to the question as to how to make certain posts permanently stable. Unfortunately, the Budget makes little effort and says little in this respect. We are greatly disappointed. It is our hope that the wealth gap can see distinct improvement at a time of economic upturn. We are, however, well aware of the economic situation in Hong Kong. For a long time, the

wealth gap has been very very big. How are we to use the Budget to solve these problems? It is a pity that the answer is nowhere to be found.

President, under such circumstance, I find it very difficult to accept this Budget. I am, therefore, not going to support this Budget.

President, I so submit.

MR JASPER TSANG (in Cantonese): President, I notice that in their reports on this Council's Budget debate of yesterday, most of the mass media today used the title that reads "Four major parties in Legco jointly bombard the Budget". A few newspapers even showed special interest in reporting on the criticisms and comments made by Members from the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) when speaking on the Budget yesterday. I would like to make it clear that the DAB supports the Budget as well as the passage of the Appropriation Bill.

We notice that, generally speaking, opinions held by members of the public regarding the Budget appear to be far more moderate than the negative views expressed at the meeting yesterday. The majority of the people are in fact in favour of the Budget. The purpose for which this Council holds the Budget debate is, after all, to let Members make comments on any shortcomings in the Budget or express any differences in opinions on public finance management and economic policies between them and the Financial Secretary. Such purpose will be lost if we just briefly reiterate our agreement with the Budget or what is said in the Budget. So, in fact it was in such a spirit that DAB colleagues presented views on the Budget.

One of the more fundamental problems, in our opinion, is the question about the role that the Government ought to play in promoting economic and social development. It is hoped that the Financial Secretary can elucidate this in his response. As pointed out by DAB Chairman MA Lik yesterday, we still are not quite clear about the meaning of "the role of a vigorous market facilitator" mentioned by the Government. Surely, the principle of "big market, small government" that we now talk about has been stated many times. It seems that there are no major differences in opinion. It is, however, our belief that even a government most supportive of free economy still cannot have zero involvement in the market. It has also been noted that the Government all along has great

reservations about supporting the development of certain trades or providing policies of special preference. If it is up to the Government in picking the winner, there is the worry about what to do in the event of having placed the wrong bet. However, is it that absolute? Just as pointed out by some Members, how about Disneyland? Have we not had the worry about placing the wrong bet? As we all know, the success of Disneyland has much to do with the offer of certain special terms by the Government.

For instance, we all call for the offer of support to the environmental protection industry. We all know that it is not easy to get started without appropriate supporting policies. Here, must the Government, for the sake of equal treatment, refrain from giving special treatment to the environmental protection industry, a very crucial economic element for sustainable development? It is said that Hong Kong is especially qualified to develop creative industries. If so, should the Government not provide some preferential measures for the development of creative industries?

Yesterday, quite a few Honourable colleagues made the criticism that Hong Kong lags behind others in technology innovation. Obviously, Hong Kong does not have national defence industry as a driving force for the advancement of technology innovation. If so, is there anything that the Government can do in remedy? The DAB worries that if we hide the problem behind the shield of positive non-intervention or that of "big market, small government", and do nothing, then we will gradually lose our edge. It is especially true at a time when the Government released this year's Budget, delegates attending the National People's Congress and the Chinese People's Political Consultative Conference in Beijing were keenly discussing the nation's 11th Five-Year Plan (FYP). As pointed out by the Chief Executive on different occasions, it was for the first time that the country incorporated Hong Kong's economic development into the overall framework of the nation's Five-Year Plan. This is, of course, for the reason that Hong Kong is a Special Administrative Region (SAR) of China and thus, it can be noted that our economy and social development are already inseparable from the overall planning of the country. Another reason has something to do with China's departure from the past concept of planned economy. The country is, therefore, in a position to incorporate into its economic planning the Hong Kong SAR and Macao SAR.

However, we cannot help feeling worried on reading and comparing the section on Hong Kong with the sections on other parts of China outlined in the

summary of the 11th FYP. Let us take a look at the parts on the development of the country's agriculture, industries, and service industry as well as other reform measures. They are abound with ideas of innovation, reform, improvement and refinement, embracing a very proactive and progressive attitude. However, when referring to Hong Kong, we only come across words like maintaining, keeping, supporting and retaining.

Speaking at the conclusion of the two meetings, the Premier, in order to hearten the people of Hong Kong, stressed that Hong Kong could maintain its advantageous position as an international financial centre, and would not be replaced. To be irreplaceable and thus maintaining its position is already hard to come by. If we hold such a mentality, then I wonder what will become of the country's development over the next five years, the period covered by the 11th FYP — China's development has drawn worldwide attention during the past five years (that is, the period covered by the preceding 10th FYP). Judging from the contents of the summary, much can indeed be expected. Given this, is Hong Kong just to hang on to maintaining its advantageous position?

Even though the Financial Secretary made no direct reference to the 11th FYP in his speech, we are glad to notice that at different points he did refer to the development on the Mainland when talking about our economic development. It is especially so with regard to certain areas that have really grasped the new trends of China's economic development during the years of its 11th FYP. For instance, in his Budget speech, the Financial Secretary strongly emphasized the development of financial services, even saying that we had the ability and conditions to suit mainland enterprises and serve as their best launchpad for "reaching out". "Reaching out" has indeed become the development strategy of mainland enterprises during the years covered by the 11th FYP.

At the two meetings in Beijing, we noticed that even mainland deputies and committee members also agreed that in the future Hong Kong could function and have a role to play in the "reaching out" strategy of mainland enterprises. So, it is very important for us to grasp such opportunities.

The Financial Secretary also made mention of expanding Renminbi (RMB) business, especially making reference to the strategy in the coming year, including several strategic directions for the further development of RMB business in Hong Kong, for example, to let people open with Hong Kong banks RMB accounts — sorry, it should be to settle cross-boundary trade transactions

in RMB, and to establish a RMB bond issuance mechanism in Hong Kong. We think all these can indeed closely link up with the country's development.

We notice that the Budget speech, when coming to logistics, particularly links the development of our logistics industry with the development of South China or even with that of the Pearl River ports. It can, therefore, be noted that the SAR Government does have a vision, namely, to make use of the opportunities offered by the national 11th FYP. We, however, think this is still not enough. What major impacts will be brought on China's economic development over the next few years as a result of the 11th FYP? How do we face up to the new opportunities and possible fresh challenges? What measures do we have to meet the changes? How can we make a head start to seize the opportunities and emerge victorious from the transformation without being marginalized? We think further study and discussion in this respect have yet to be made. Also, given the fact that it has been pointed out by our state leader that some deep-rooted problems in our economic and social development have yet to be resolved, we think the SAR Government should conduct some studies here.

The Financial Secretary also made mention of the problem of deep-rooted conflicts. He particularly pointed out in his speech that the more advanced and affluent our society becomes, the higher are the public's expectations of the Government. According to the Financial Secretary, the Government would have preferred to provide more welfare to the citizens, just as what several Honourable colleagues said yesterday. The Financial Secretary, however, reminded us of the need to consider one question, namely, where to get the money. We cannot practise welfarism, and we cannot compare ourselves with the welfare states in Europe because we cannot maintain a high tax regime. The Financial Secretary made further elucidation on other occasions. We in fact know that in many more developed countries, such as the 36 countries within the Organization for Economic Co-operation and Development (OECD), the total government revenue from tax may account for 40% of the GDP on average. For instance, it is more than 40% on average in European countries. It exceeds 30% in England. In the case of the United States, their federal tax revenue also exceeds 20%. No matter by what standard it is being judged (even with the exclusion of military spending), their tax revenue is double that of Hong Kong or more; that is to say, it is equal to two to three times of our tax revenue.

I notice that today there are some comments negating certain views. Also, it is said that it is wrong to link the development of democracy with economic

prosperity, and that many democratic nations are also economically prosperous. I, however, believe that we should not bundle political development, democratic development and government policy on public finance together for consideration. For countries that are quite advanced in democracy or countries that have, for a relatively long time, had governments elected by universal suffrage, their revenue invariably takes up a higher share of their GDP, as high as 40% or more. At the same time, public expenditure also takes up a higher ratio. Is that not just a coincidence? When we progress towards universal suffrage, can the Government refrain from taking a path leading to high tax and high welfare, as in the case of those Western countries?

Yesterday, Mr LAU Chin-shek raised this question by way of query, and asked how much tax we are prepared to shoulder in order to provide care to the needy in the community. He did not spell out his thoughts. In his speech, the Financial Secretary only pointed out the problem, saying nothing about the trend of future development.

Perhaps some people will say that the Basic Law already directs us to keep expenditure within the limits of revenues and so the problem is already solved, that we need not worry about some politicians issuing blank cheques when campaigning. Even though there are already restrictions prescribed by the Basic Law, and Members know the Basic Law well enough, yet in the course of the Budget debate, Members who speak invariably still ask the Government to bring in tax cuts, and increase the spending on welfare and various items of public expenditure. With us going along this line, I just wonder how to resolve such a conflict. According to the Financial Secretary, this is a deep-rooted conflict. I hope that the Financial Secretary can speak on the SAR Government's view on this issue currently when giving his reply.

MR ALBERT CHENG (in Cantonese): President, given the fact that he is brave enough to be fearless, manages to overcome every difficulty, stands firm on being a money-grubber in total disregard of pressure from public opinions and political parties, refuses to yield easily on the issue of tax cuts, and thus manages to eliminate the fiscal deficit ahead of schedule, and even paves the way for huge surplus in the days to come in order to provide for a rainy day and counter the probable negative impact from a crisis of avian flu, I should have sung Financial Secretary Henry TANG praises. However, the Financial Secretary would rather collect $2.7 billion less, symbolically "handing out a piece of candy" in a

bid to please the middle- and lower-income taxpayers than set aside $1.5 billion to improve the living conditions of people with disabilities and the disadvantaged groups. With this year's estimated expenditure amounting to $245.6 billion, the said sum represents less than 1% of the total expenditure. It is actually 0.61%, just a drop in the ocean. So, I have to take back my praises originally intended for Henry TANG.

The third Budget presented by Financial Secretary Henry TANG since his assumption of office is practical and balanced. There is none of the much anticipated pleasant surprises — huge tax cuts. Thus it has triggered criticisms from the mass media and public opinions. It is said that the Financial Secretary is "stingy" and not generous with money for the benefit of members of the public. Members championing the interest of the public are also not satisfied with the Financial Secretary's failure to increase social welfare for the benefits of the disadvantaged groups. Those obsessed with the theory of political conspiracy, in all seriousness, hold that Henry TANG dare not introduce substantial tax cuts only because he is under the thumb of Donald TSANG, who is looking forward to running for another term as Chief Executive next year. In order that Donald TSANG can totally win over the people and get another term smoothly, it is necessary to wait till next year even if there are "candies" for distribution.

If we always set out from the standpoint of conspiracy or political motive, then even if the Financial Secretary, in compliance with public opinions and the requests of politicians, did try to please every sector of the community by being generous with money, those with ulterior motives would still make endless irresponsible remarks on the issue concerning the so-called Chief Executive's second term or electioneering. If this Budget is measured against the Government's ongoing principle of "managing public finances with prudence and keeping expenditure within the limits of revenues," we have to acknowledge that the Financial Secretary has discharged his duties aptly. The target of eliminating fiscal deficit has been achieved three years ahead of schedule, which is gratifying and praiseworthy, and which should be duly acknowledged. More important, the Government under the pledge "to pursue excellence in governance" has not given up its principle in a bid to please the mass media, public opinions and politicians, and dare to go against public consensus sedulously fabricated by the mass media in advance. That is what a responsible government should do, really doing things that ought to be done.

In fact, even though the Financial Secretary forecast an operating surplus of $5.8 billion for 2005-06, that does not come by easily. The reviving local economy is one still wobbling. Given the fact that the future of the international economy is not clear, and there exists an imminent crisis of a major outbreak of avian flu, I wonder who can guarantee that Hong Kong, dependent on the competitive edge of having the Mainland as its hinterland, can maintain its economic revival and growth. Given our existing financial set-up, one entirely dependent on recurrent revenue from salaries and profits taxes, it is not possible to achieve fiscal balance without the non-recurrent revenue from the proceeds of land sales and profits from the Exchange Fund, and the fiscal deficit will stay on like a phantom that refuses to go away. Furthermore, the aforesaid items of revenue are all related to the cyclical performance of the economy. How can the Government afford to make indiscreet suggestions of substantial tax cuts when it is not in a position to ensure continuous growth in the economy in the days to come? What is more, prior to the release of the Budget, even the International Monetary Fund called upon the SAR Government not to talk about tax cuts indiscreetly. So, it is altogether excusable for the Government to adhere to the principle of prudent management of public finances.

However, according to the latest figure released by the Government, the first 10 months ending on 31 January already scored a surplus of $19.6 billion. Even if the last two months of the current financial year do run into the red, the amount, on the basis of experience gained over the past years, can only be in the region of a couple of billion dollars. In other words, the budget surplus of the current year is bound to exceed the Financial Secretary's forecast. The Government is definitely in a position to improve the living conditions of those in the lower strata of the community.

Even though the Government has a substantial increase in surplus, I am still against injudicious tax cuts. In my opinion, consideration should, first of all, be given to improving the living conditions of those in the lower strata of the community, such as to alleviate hardships by bringing disability allowance and CSSA payments back to their original levels so as to narrow the wealth gap. Now the Financial Secretary proposes to lower the marginal rates of the third, second and top tax bands by 1 percentage point to benefit nearly 1 million middle- and lower-income taxpayers at a cost of some $1.5 billion. Together with the $1.2 billion cost to the Government as a result of extending the validity period for home loan interest deduction by a further three years, the total amounts to $2.7 billion. To these people, that is better than nothing.

However, if the money is used to restore disability allowance (about $300 million) and CSSA payments (about $1.2 billion) to their original levels, there are bound to be more direct benefits for those in the disadvantaged groups, which is definitely conducive to social harmony.

I do not oppose all tax cuts. In my opinion, the cuts have got to be for good reasons and able to generate economic benefits. If I were to criticize the tax cut policy of the current Budget, I should say that Henry TANG has not got the courage to substantially reduce the duty on red wines and the First Registration Tax for vehicles even though such reductions may foster favourable conditions for Hong Kong to develop into a red wine centre and for the catering industry, the automobile business and related service industries to revive. These are areas calling for government action, yet nothing is done. The former tax issue is obviously a personal political consideration, the reason being that the Financial Secretary is widely known as a red wine connoisseur with a huge collection of wines stored abroad. A cut on red wine duty will inevitably invite a scandal. To avoid doing things likely to arouse suspicion, Henry TANG, though well aware that a cut on red wine duty may create business opportunities, refrained from doing that in order to steer clear of misgivings. Has he ever realized that there will, on the contrary, be public acclaim for him if he speaks frankly and acts impartially? The latter tax issue is perhaps due to the shadow of the controversy over the car purchase incident of Antony LEUNG. As a result, the Financial Secretary has not got the courage to be realistic and practical enough to suit a remedy to an illness by pumping in some economic momentum into the long-ailing automobile market.

Also, in paragraph 45, the Financial Secretary says that the Airport Authority is considering establishing a gold depository at the airport. He should have demonstrated boldness of vision and proposed specific tax cuts for its materialization, explicitly showing Hong Kong's determination to develop into a gold trading centre. This can make people see that the Government is really doing something practical for the betterment of our economy.

The tax cuts that I oppose are those made under the brazen claim of "leaving wealth with the people," a hackneyed theory put forth by supporters of the school of free economy. Oblivious of reality, they blindly advocate the idea that tax reduction by the government may result in a return of wealth to the people, which in turn may spur economic growth. They fail to realize that such a worn-out idea, which seeks to whip up public opinions and hijack the middle

class, is just ignorant of the fact that tax reduction may not encourage spending. Most likely it may just encourage people to go and spend money north of the border. As a matter of fact, the basic way to reinvigorate economy is to create employment opportunities. Moreover, given the fact that the rates of our profits tax and salaries tax are almost the lowest in the world, further cuts can only render our fiscal structure more unhealthy. Ultimately it will be necessary to bring in the sales tax regime, something harmful to our economic development. It goes without saying that the middle class, being the product of economic prosperity, is naturally obliged to pay tax in a bid to repay the community. It should be understood that sales tax is not only an even par tax which may aggravate the wealth gap, it can also utterly destroy the foundation stone upon which our success depend, namely, our simple tax regime. Because of it, we will be deprived of our long-held relatively competitive edge. Our reputation as a "Shoppers' Paradise" will certainly be gone for ever. What is more, the impacts on tourism and other related consumer businesses will be immeasurable.

In fact, having the fiscal deficit eliminated ahead of schedule is not the only thing commendable. We must also admit that over the past few years there has indeed been achievement by the Government in cutting expenses and containing public expenditure, with public expenditure's share in the GDP restored to the present level of 18%. However, to be fair, Henry TANG should not be given all the credit. The reason is that if Antony LEUNG had not planted well in advance all the measures for cutting expenses and containing public expenditure, probably it would not have been possible for Henry TANG to reap the fruits and claim success.

However, with regard to the meagre spending on health care available to Hong Kong people, Henry TANG, while managing public finances with prudence, is still prepared to increase recurrent funding, providing for an annual increase of about $300 million over the next three years, and converting last year's one-off grant of $650 million to recurrent funding. This is a good policy that deserves approval. The grants can improve the Hospital Authority's current financial position and ease the pressure for hikes in public health care charges. What is more, with regard to the imminent outbreak of avian flu, that can probably nip the devil in the bud.

President, although this year's Budget is plain and insipid to the great disappointment of many politicians trying to please the public with claptrap and

seeking to cut taxes and increase welfare at the same time, it is, nevertheless, practical and acceptable. At least it has not deviated from the principles of "managing public finances with prudence" and "keeping expenditure within the limits of revenues", thus rendering it possible for our economy to grow steadily. The sole shortcoming is that the Financial Secretary would rather "hand out a piece of candy" to please taxpayers than give the disadvantaged groups in the lower strata of the community adequate care by alleviating their hardship while the economy is reviving. For this reason, unless he is prepared to mend the fold in time by accepting the request that disability allowance and CSSA payments be restored to their original levels, I am unable to vote for this year's Budget even though I do acknowledge Henry TANG's achievement.

It has been reported that, according to an opinion survey on the Budget by the Central Policy Unit, 75% of the people approve of it and think that the Legislative Council should endorse the Budget. If political parties or Members go against public opinions and vote against it, they are just like "stepping on dog droppings" themselves. There is the possibility of evoking a backlash from the people. However, President, we have to plead for the people with disabilities and the disadvantaged groups and request the Government to give more funding to improve their living conditions. If the Government does not accede to this, then I cannot but "step on dog droppings" myself and, so to speak, go against public opinions by voting against it as a matter of course.

Thank you, President. I so submit.

DR PHILIP WONG (in Cantonese): Madam President, following the release of the Budget, the Hong Kong Chinese General Chamber of Commerce (CGCC) held special meetings to collect views from fellow members. Generally speaking, CGCC members applaud the Government's ability to achieve fiscal targets ahead of schedule by recording a surplus in the Operating and Consolidated Accounts for the year 2005-06. I would like to present three viewpoints.

Firstly, I approve of the Government's prudent management of public finances and efforts made within its means to ease people's hardship. Last year, with our economy recovering, the Government's accounts began to record a surplus. This is a hard-earned achievement. On the one hand, it has

something to do with a series of measures made by the Central Government in support of Hong Kong. On the other hand, it came as a consequence of the two preceding prudent budgets. This makes it clear that a budget that is far-sighted, pragmatic and sure-footed can have positive impacts on economic development.

At present, Hong Kong still faces the challenge from the globalization of economy. The "treasurer of the family" should keep a clear head, be prepared for danger in times of peace and save up for a rainy day. Besides, our financial set-up is still relatively fragile. There is no guarantee that the Government's revenue can keep growing steadily. Furthermore, with the population ageing, the Government's health care and welfare commitments are growing. There are also problems such as a possible spread of avian flu, a continuous rise in oil prices, and fluctuating interest rates. Therefore, in my opinion, the various proposals made by the Government in the Budget are consistent with the financial management principle of "sharing wealth with the people where practicable", with suitable adjustments made to salaries tax and welfare spending. Such an approach is prudent and appropriate. There is a saying that "In all matters, preparedness leads to success whilst unpreparedness leads to failure." It is hoped that the Government can face up to the aforesaid problems and look for proper solutions as soon as possible.

Secondly, in considering broadening the tax base, it is necessary to preserve the principle of simple tax regime. With regard to broadening the tax base, the Government proposes to launch a nine-month consultation exercise to gauge the people's views on whether or not to introduce a Goods and Services Tax(GST). I must applaud this. The scope of the tax to be introduced, its administrative cost, its effect on our simple tax regime and low tax rates, and its impacts on tourism and our reputation as a "Shoppers' Paradise" are aspects of greater concern to me. It is hoped that the Government can proceed with care, and provide more adequate data and practicable suggestions on the aforesaid issues when conducting public consultation. The CGCC is going to consult fellow members extensively and then respond to this.

I suggest that the Government, in addition to considering introducing GST, look into other feasible options from different perspectives and standpoints so as to bring in more revenue for the Treasury. The mainland economy is flourishing and my forecast is that faster, more stable and persistent growth can be maintained over the next five years. The Government may consider opening up more investment avenues, including making strategic investments in selected infrastructure projects on the Mainland that are viable.

I am in favour of the Budget's proposal to turn Hong Kong into an asset management centre and exempt off-shore funds from profits tax. This proposal will have the full support of the industrial and commercial sectors.

Thirdly, the Government should tie in with the nation's 11th Five-Year Plan (FYP), seize the opportunity, put in all efforts, and speed up development.

Compared with the previous FYP, the 11th FYP, for the first time, put forward concepts like initiating innovation and changing modes of growth. Henceforth, the country is going to make full efforts to co-ordinate the regional economies, enhance the industrial structure, and go on a path of new industralization so as to build a resource-efficient and environment-friendly society featuring sustainable development. The 11th FYP gave expression to "government for the people" and "the concept of scientific development," winning high praises from all deputies and committee members attending the two meetings and people around the nation.

For the first time too, the 11th FYP incorporated Hong Kong and Macao into the overall economic framework of the nation, clearly defining a positioning for the course of development for Hong Kong. The Mainland is going to maintain our prosperity and stability, supporting the development of our financial, logistics, tourism and information services, and maintaining Hong Kong's position as an international financial, trading and shipping centre. It can thus be envisaged that enormous development will emerge on the Mainland in such areas as high technology, creative industries, finances, logistics, education and culture, medicine and health, and social security, thereby offering unprecedented opportunities to various trades and industries in Hong Kong.

In fact, as a result of 30 years' development, the volume of our economy is already very big, above the peak reached before the reunification and probably on a par with Guangdong Province. Our economy has a high degree of freedom. The legal system is in better shape. The market is very mature. With these conditions, Hong Kong can face changes with flexibility and strive for better development prospects. It is hoped that the Government can look into certain issues in detail so as to make comprehensive consideration from a higher level. These issues are: How to make good use of the opportunities brought to Hong Kong by the 11th FYP; how Hong Kong is to play a better role in line with the Mainland's development in "bringing in" and "reaching out"; and how Hong Kong is to bring into full play its merits and yet get rid of its shortcomings in the nation's overall economic plan. I have two expectations:

First on our financial market. Since the year before last, our capital raising power has surpassed that of Japan. Given the extensive market on the Mainland and the strong support from the Central Government, the forecast is that it will not take long for our capital raising power to catch up with that of the United States. In the future, more international corporations will actively take part in the capital raising activities of mainland enterprises by making use of the launchpad here. For that, a lot of professionals will be required. I call upon the Government to give weight to this issue. In addition to the Quality Migrant Scheme, there must be measures to train and retain local professionals.

Second, the various major infrastructure projects of Hong Kong should be finalized and launched as soon as possible. Over the past few years, on account of complex screening procedures, or because of interference from political disputes, a few major projects have been delayed. As a result, it has not been possible to use up the money earmarked by the Government for infrastructure expenditure. The unemployment problem of construction workers remains unsolved. I call upon different government departments to progress with time, and assume a stronger sense of responsibility and urgency so that concerted efforts can be effected for infrastructure projects. The earlier commencement of infrastructure projects may help in enhancing domestic demand, creating more jobs, inducing more spending, and boosting trades like logistics, transport, tourism and retail. It may also help in speeding up the process of convergence with the Mainland, thus laying a firm foundation for further economic integration.

In sum, the Budget sticks to the principle of managing public finances with prudence and taking effective measures to contain expenditure, as a result of which, the fiscal deficit has been averted and the vitality of our economy revived. Though not able to satisfy everybody, it still deserves much support. It is hoped that in future the Government will keep upholding the concept of "big market, small government" and accurately seize the good opportunities of the country's economic development by having exchanges with the Mainland in order to make up for each other's deficiencies with their respective strengths. While dovetailing with the 11th FYP and taking part in the national construction, we must also be able to enhance our competitiveness, strengthen our unique competitive edges, and maintain long-term economic growth.

Madam President, I so submit.

MR TOMMY CHEUNG (in Cantonese): In the Budget, the Financial Secretary shows concern for the business environment of SMEs, and pledges to speed up the study on ways to improve the licensing system of food premises. I am glad to hear that. With the introduction of a composite licence for ready-to-eat food, I, being the representative of the catering industry, am looking forward to hearing from the Government more good news, such as that of streamlining and speeding up the catering industry's licensing system in respect of liquor licence, factory canteen licence and outdoor café licence.

It is, however, lamentable that whilst the Financial Secretary is, on the one hand, making all the noise to cut red tape for food premises, the Food and Environmental Hygiene Department (FEHD) is, on the other hand, going in the other direction, proposing to toughen the Demerit Points System (DPS) in respect of food premises. According to the current DPS in respect of food premises, once 15 points have been registered against a food establishment, it will have to shut down for seven days. However, under the latest proposal, the period can be as long as 21 days. In Hong Kong, not a single food establishment can afford to shut down for three weeks. This is tantamount to telling those food premises to wind up their business, not giving them a second chance. I must warn the Government, once such a harsh system is implemented, the whole catering industry will be turned upside down!

The current DPS in respect of food premises really needs review but there is no need to tighten it up completely. Impractical items which have nothing to do with food safety and against which demerit points are registered should be done away with. Under the current practice, if the spot where an electric rice cooker is placed is different from that shown on the plan originally submitted, then demerit points will be registered. If a metal window is replaced because it has turned shaky or rusty, demerit points will again be registered if it is repaired before a plan is submitted to notify the FEHD. What do all these have to do with food safety for the people?

As a matter of fact, current measures and systems monitoring and regulating food premises are already very stringent and strict. However, all that the Government knows to do is to punish with a cane. Often times, just because of one single incident, the Government would seize the opportunity to tighten up the systems similar to "looting a burning house". This is in fact no solution, not at all helpful to assuring food safety for the people. Members of the catering sector will not poison the people on purpose. They only act out of

ignorance or have a slip. The Government should follow the example of experience abroad by making arrangements for health inspectors on inspection rounds to teach workers in detail, according to individual circumstances on site, on how to improve their work. This should be more useful than the stereotyped training courses for Hygiene Managers and Hygiene Supervisors run by the Government for those in the trade, which only last for a couple of hours each. Also, no additional commitment of resources and manpower is required. Earlier on, I made the suggestion to the Secretary for Health, Welfare and Food, Dr York CHOW, and the Director of Food and Environmental Hygiene, Mr Gregory LEUNG respectively. They both concurred. It is hoped that the Government, instead of just muddling through the matter, will act on it right away.

Besides, the monitoring and regulating of food sources are crucial to food safety too. However, our systems for monitoring and regulating food sources still have room for improvement. For instance, carcinogenic malachite green and sea water are being monitored and regulated in ways leaving much to be desired. Yet under such circumstances, food establishments and the food retailing industry are still being required to shoulder the legal responsibility of all food safety. It is really unfair to members of the industry. This is my advice to the Government: Before alloting additional resources for the establishment of a Centre for Food Safety, the Government, in order to be really able to cut red tape and bring benefits to both the community and business sector, must adopt a new positioning for the policy on food safety and change its mode of monitoring and regulating, and the one-sided approach directed at the food industry, retailing industry and food establishments must be changed. Resources should be deployed to beef up the work of monitoring and regulating food at source as well as the efforts on education.

In recent years, the catering industry has indeed been subjected to suffocating control. The Government has recently "changed its stand again" and is bent on implementing the scheme for the central slaughtering of poultry. To put it bluntly, the scheme for operating slaughtering houses for chilled poultry is a white elephant project. Eventually, chilled chicken offered for sale in the market of a central slaughtering house — because all slaughtered chicken will have to be chilled — simply cannot compete with the low-cost chilled chicken from the Mainland, just across the river. Then tens of thousands of workers in that chain of production covering farms, wholesale and transport business, and retailers or hawkers in wet markets will be stripped of their means of living instantly. If we are frequent customers of certain restaurants well

known for their fresh chickens, fresh ducks and fresh geese (there is one nearby, just in Central), we can notice that their renowned roasted geese are a far cry from those in the past. Is it true that the Government will not be satisfied until we are driven to our wits' end and Hong Kong's reputation as a "Gourmet's Paradise" is damaged?

Members of the trade are not oblivious of the threat from avian flu. However, at present the chances of having an outbreak of avian flu in Hong Kong is a billion to one. Why sacrifice the means of living of tens of thousands of trade workers just for the reason of a moment's fear? For the sake of the rice bowls of trade workers and the economy of Hong Kong, I implore the Secretary to use his influence to reverse the Government's decision. A physician as the head of a bureau sometimes tends to be very subjective on certain matters. So the Secretary really should put in some effort. If possible, let us reverse back to the original trial scheme on regional slaughtering and divide each regional slaughtering house into shop stalls for allocation, with priority to be given to existing live poultry retailers in each region so as to help them switch to other businesses. This should be the best way out.

The catering industry all along takes in from the local labour market a lot of those with low skills and low education, including some of the new immigrants who are arriving here from the Mainland at a rate of 150 persons a day. However, according to experience abroad, a total smoking ban is bound to affect the business of upper-floor food establishments, bars and karaoke. If the Government is bent on imposing a total smoking ban without considering any buffering measures, a heavy blow is bound to be dealt to our food establishments' investment. The rice bowls of many middle-aged women and young people will also be rendered precarious. The Government should expeditiously accede to the request of those in the trade, and make amendment to the legislation for a total ban on smoking so as to grant exemption to nightclubs, sauna establishments, mahjong parlours, cigar bars, and karaoke establishments. Permission should also be given for bars to set up smoking chambers installed with separate ventilation systems in order that there is room for "manoeuvring" for members of the trade.

Similarly, the policy of setting a minimum wage and standard working hours, and even the five-day week recently promoted by the Government is meant for the protection of wage earners only on the surface. In the long run,

that can only add to the operation cost, and render it unbearable for SMEs. The recent protests staged by students in France that keep growing in intensity can serve as a warning to us. If we were to give up the adjustment mechanism of a free market, and rely too much on legislation, as in the case of France, for the protection of workers' rights and interests, our economic development in the long run will suffer, resulting in serious unemployment. It would be too late if we finally came to our senses. The reason is that labour groups would not easily give up whatever protection entrenched by legislation. Hong Kong would then become a replica of France, unable to move on or pull back and for ever in social turmoil.

With regard to taxation, Financial Secretary, I can tell you that I am strongly against the introduction of the Goods and Services Tax (GST). In the first place, GST is a complicated tax involving an enormous administrative cost. There is administrative cost not just on the part of the Government. Individual business operators have to shoulder administrative cost too. In the second place, it is going to seriously dampen consumer sentiment, which will inevitably slow down the pace of economic revival and aggravate the business downturn already affecting food establishments and the retail sector. It is, therefore, hoped that the Financial Secretary will give the matter second thoughts.

In fact, the first and foremost task for the Government is to encourage people to spend. Reducing the duty on wines can boost consumers' incentive to drink wines. There is no reason for the Financial Secretary to be ignorant of this; nor is there reason for me to have to remind him every year. It can help Hong Kong become the wine centre of Asia, thus bringing benefits to the tourism, catering and hotel industries. As so many parties stand to win, the Financial Secretary should not just sit and listen. Real actions should be taken.

I have to mention in passing that members in the trade want the Environment, Transport and Works Bureau to expeditiously finalize the report on the appeal mechanism and review of the trade effluent surcharge so that the mistake made over the past decade in over-charging the catering industry in trade effluent surcharge can be rectified and do members of the industry justice. It is my hope that the Financial Secretary can go along with that. In the event that there is a proposal for revision, it is hoped that the Financial Secretary can give support even though there may be an impact on revenue as a result of a momentary drop in the surcharge.

Finally, President, I do not think that the Budget, on the whole, has brought much pleasant surprise to members of the industry. On the contrary, it carries many undercurrents, making it hard for members of the industry to set their minds at rest. It is sincerely hoped that the Government can really recognize the difficulty that the catering industry is facing, thoroughly consult members of the industry when formulating policies affecting them, and avoid listening to one side only. Different departments should co-ordinate their policies with omni-directional thinking in order to actually achieve the goal of cutting red tape to facilitate business operation and stimulate economy. Only by so doing can wealth be returned to the people, and society enjoy harmony.

President, I so submit.

MR CHIM PUI-CHUNG (in Cantonese): President, given the current deep-rooted socio-political situation and after 68 months of deflation, it is really not easy for the Financial Secretary to draw up a Budget that can be applauded by all. I would like to offer my comments on each of the paragraphs written by the Financial Secretary.

In paragraph 2, the Financial Secretary mentioned "Market Leads, Government Facilitates". I would like to ask the Financial Secretary: What does the Government facilitate and what does the market lead? It should be changed to "The Government leads and the consortia follow" because under the current situation, if the Government facilitates instead of taking the lead, it may facilitate collusion between business and the Government. When businessmen's requests are granted by the Government, there will be criticisms against the Government. So, the Government should say that it would take the lead and the consortia would follow. The second point I would like to discuss is "Prudent Management of Public Finances", which also implies that the expenditure should be kept within the limits of revenues. I have always held out that the wordings of "keeping expenditure within the limits of revenues" are absent in the Budget. No body knows when and how much revenue the Government will get after it has spent. On the other hand, revenues are merely fabrication of figures. So, the Financial Secretary should not say that he follows the principle of "Prudent Management of Public Finances", meaning that expenditure is kept within the limits of revenues. Rather, he should say an aggressive approach is adopted whereas revenues will exceed expenditure. This principle will be adhered to as long as the revenues exceed the expenditure. While the Financial Secretary

always emphasizes that the Basic Law should be observed, I maintain that the Budget has violated the Basic Law. Of course, it is not necessary to argue on this.

President, in paragraph 60 of the Budget, the Financial Secretary said that $29 billion would be earmarked in the future and it is estimated that some new jobs would be created in the coming year because of the commencement of some projects like the Hong Kong-Zhuhai-Macao Bridge, North Lantau Highway Connection to it and the Tamar project. We wonder how can the Hong Kong-Zhuhai-Macao Bridge project be commenced because there is no response from the Guangzhou authorities yet. Concerning the Tamar project, approval has not been granted by the Legislative Council. In other words, it is just empty talk by the Financial Secretary.

President, in paragraphs 30 to 36, our Financial Secretary places a lot of emphasis on the importance of financial services, which is a topic I wish to discuss. In paragraph 35, our Financial Secretary said that the Securities and Futures Commission (SFC) had suspended a levy in order to reduce transaction costs. This is misleading to the investors and the public. Since it is stipulated by the SFC that the transaction compensation fund cannot amass more than $1 billion, the Financial Secretary should not say that the suspension of the levy is for the purpose of reducing transaction costs. The Financial Secretary also stresses that the levy on trading in futures would be reduced by 20%. But in fact, the rate is reduced from 0.005% to 0.004%. It is true that it has been reduced by 20%. But this is because when the SFC has accumulated a sufficient internal reserve for two years, it cannot charge the levy at the original rate which has to be reduced as a result. So, this is also misleading to the investors who may think that the Government has offered them a lot of benefits. In fact, these are too trivial to mention. Basically, the Government has to implement the relevant measures. Mr Donald TSANG, the incumbent Chief Executive and the former Financial Secretary, has undertaken to my sector that the stamp duty will certainly be scrapped should commissions be adjusted. As I said in the last Session, it is now impossible to request the Government to abolish the stamp duty. However, the Government has to admit that it has failed to take care of the investors and the industry.

Having said that, I cannot help but express my views on the government policies. We understand that the Chinese Government attaches great importance to Hong Kong as a financial centre, especially Premier WEN, who

has mentioned three areas. He particularly protects our financial industry, pointing out that Hong Kong as a financial centre is irreplaceable and urging us to set our mind at ease. Let us remember that the Central Government is very concerned about Hong Kong's edge as a financial centre, but the SAR Government's policies are offering advantages to overseas funds and foreign broker firms. So we cannot help but ask a question. In the past, someone had to engage in prostitution in order to raise an orphan. Today, the SAR Government has engaged in trading our stocks in order to benefit the financial plunderers. With such an attitude and under such a policy, is it fair to the Chinese brokers? What the Central Authorities are trying to do is to protect Hong Kong instead of allowing foreign investors to take advantage of Hong Kong people and turning Hong Kong into another kind of colony.

I have said time and again that I have to tell the truth when I have no interests because I am a representative of my sector despite many people's dislike of my doing so. I will neither turn a blind eye nor remain silent to unreasonable things. It is true that seven out of 15 unofficial Executive Council Members, or almost 50% of them understand the operation of the financial sector. I dare to challenge the seven of them: Do they really uphold the rights and interests of all Hong Kong people? At the same time, I would like to tell the Financial Secretary that I have actually offended many people because of warrants. I have made a lot of efforts to strive for my goal during the past decade or so but I must admit that I have achieved nothing. So, I can say that I am not competent. But the Government has to be responsible to all Hong Kong people and all investors.

As we can observe in the past few years, many foreign funds and broker firms took advantage of Hong Kong's policies and launched a lot of warrants. What are warrants? They are the exploiting class. When a company has issued a share, these major broker firms will issue warrants on its behalf in order to earn the price differential. Of course, many people do not understand that. But we have to understand the revenues of the Hong Kong SAR Government. First of all, we have salaries tax and profits tax in Hong Kong. Apart from that, we have betting duty. Insofar as the Hong Kong Jockey Club (HKJC) is concerned, the average betting duty rate for the HKJC and the Government is 20% and the lotteries generate revenue at 25%. And for football betting which is the most popular recently, the duty rate is almost 40%. Although people dislike such duties, they still tolerate them as the HKJC is a charitable

organization and treat them as another kind of taxes. However, the warrants are basically a kind of casino. Has the Government imposed a levy on it? No, not even stamp duty. Under such circumstances, I hope all Hong Kong people and investors will hear from the Government that a review will be conducted. If the Government failed to conduct a review, I hope and I urge the Central Government to hear my voice and cease to stress that Hong Kong is a financial centre. Let me reiterate that this is basically "trading our shares to feed the financial plunderers" who make money from the trading of shares. President, under such circumstances, the Government should conduct a formal review. We very much hope that Hong Kong is a fair and just society. If we allow something unreasonable to continue, I really do not know what I should say to the Financial Secretary.

I am not trying to be the enemy of the Government. Neither do I wish to make life difficult for it. On this issue, I think I have to tell the truth even though I have not spoken much in the past month. This is because it is difficult to differentiate the police from the bandits in Hong Kong lately. Politically, one does not know who is his friend and who is his enemy. Nor does he know whether a policy is right or wrong. Of course, I am very worried that the Budget may not be right although the Government will certainly assert that it is.

President, recently the Stock Exchange has adopted a lot of policies which are detrimental to stock brokers and investors. In the past, the Stock Exchange was criticized as a private club for all brokers because its policies looked after their benefits. But after its listing, we can say that it has turned into a club for funds, leaving all brokers unattended. All the funds have controlled the interests of Hong Kong and many measures are unfavourable to investors. Under such circumstances, the Chief Secretary for Administration pointed out that Hong Kong might be on the brink of marginalization. In my personal opinion, if the government policies fail to address the problem, we will be on the brink of becoming beggars instead because we will no longer be able to earn any income. So, I hope we should be on the alert for being on the brink of becoming beggars in future when Hong Kong is threatened by marginalization.

President, paragraph 63 describes what the Government will do in order to help the poor. It is true to say that the government policy in this aspect is between adequate and inadequate. I received a letter from a mother who

refused to apply for CSSA. I held deep sympathy for her after reading her letter which had detailed her situation. At the same time, bedspace apartments in Hong Kong are a symbol of the poverty problem. I would like to challenge the Financial Secretary. If the bedspace apartment problem cannot be dealt with properly — this is of course a problem facing the Government as a whole and involving the Budget — it is all in vain for him no matter how many times he has led his winning horse and how much red wine he has drunk. I very much hope that the Financial Secretary can completely solve the bedspace apartment problem because this can best illustrate his political wisdom. To make use of the Budget to completely solve the bedspace apartment problem is the most effective way for the Financial Secretary to curry favour with the public because this problem has been identified by the whole world as concrete proof of our failure to beautify Hong Kong. Of course, he cannot achieve this on his own. But he can lead the whole Government by means of the Budget and we will give him full support so that he can curry favour with the public. Of course, whether it is successful or not will all depend on him alone.

President, in paragraph 84, the Financial Secretary made it clear that the same fiscal policy would be pursued in the next five years. If so, I can tell Members that he may hold office up to next year. If he is interested in serving for five more years, or no matter he will serve for five more years or just one, we need not place high hope on Hong Kong's fiscal policy because he has already stated the direction in the next five years. However, I very much hope that he, as the controller of public finance, should lead the advancement of the community rather than being pulled by the nose. We can see that the Singaporean Government has allocated 30% to 33% of its revenue or around HK$48 billion for the purpose of national defence. Hong Kong is very fortunate because expenditure on national defence is totally borne by the Central Government. As we need not bear such a huge expenditure, the funds can be earmarked for other purposes. This is something we should treasure. Of course, you may say that expenditure on national defence can give impetus to technological advance of society as a whole. At any rate, we understand that it is necessary to co-ordinate various policies in different aspects. A very successful person will adopt a conservative attitude. If he is not a spendthrift, money can be saved for his posterity. However, a government is not a private individual. A reasonable government should be one with deficit every year and only such a government can be regarded as an aggressive government.

I cannot help but talk about Goods and Services Tax (GST). I startd working as a legislator in 1991, and I have since expressed time and again my views on this and criticized the narrow tax base in Hong Kong. Should such a situation persist, the pressure will be very great due to political aspirations and the demands from politicians. As our economy is undergoing restructuring towards being totally service-based, it will deal a severe blow to the community as a whole if a mandatory GST is implemented in such an economy. The Financial Secretary has given the public a nine-month buffer period during which consultation will be conducted in order to decide whether or not such a tax be launched. However, the Government is in a dilemma whatever the decision. We Chinese people are very adaptive. If a 3% GST is imposed, people will be encouraged to evade tax. Alternatively, some businessmen will not charge their customers the 3% levy although their commodity prices will have already been raised by 3%. If the Government does not charge the businessmen the 3% levy, it will not get the revenue. If it charges too much, the overall economy will be adversely affected.

In a nutshell, I hope the Government can consolidate the views of all quarters and keep abreast of the times instead of being led by the others.

President, I so submit.

MR LEUNG KWOK-HUNG (in Cantonese): President, last year, I met with Mr Henry TANG, the Financial Secretary, to discuss with him about how the Budget should be drawn. I remember that Ms Margaret NG was also present at the meeting. I told Mr TANG, as the Financial Secretary, he should be far-sighted and let Hong Kong people clearly know what the Hong Kong Government would do in the future. Hearing my words, he looked very impatient.

This year, he appears to be far-sighted and has talked a lot about the Hong Kong Government's views on Hong Kong's future and policies to be pursued for the construction of Hong Kong's future. In fact, this is also a tragedy because Mr TANG's predecessor, Mr Donald TSANG, was engaged in economic affairs. Under the reign of Mr TUNG, Mr TSANG could say nothing and specialized in being a screen doctor, engaging in window-dressing and rescue operations for the market. Nevertheless, everybody knows that there is a punch about "Christmas TSANG" because he stressed that the economy would recover before Christmas. He also said that it was difficult for Hong Kong to be poor.

Our Financial Secretaries always make mistakes whenever they forecast the future or predict the performance of our economy. This is precisely why we have such a tragedy because they need not be responsible, or be given votes before they are crowned and empowered. As a result, Mr TSANG had induced incidents after incidents. After the Cyberport incident, he was fortunate enough to have Mr Antony LEUNG to hold office for a short period of time.

Mr Antony LEUNG said that we needed paradigm shifts and we all needed to undergo paradigm shifts then. Whoever failed to do so would face redundancy. No matter what he said, it is a very simple rationale, and that is, when the economy does not fare well, the community as a whole should cut costs, including transaction cost. What is it for? It is for upgrading our competitiveness. We did it. And we have done so for so many years. What we can see now is salary cut and staff retrenchment.

We have made it. We have succeeded and our economy has rebounded. But today, our Financial Secretary keeps telling us that paradigm shifts are not necessary and the previous practice should be adopted. He has even painted a worse scenario, saying that there are long-term disputes over our taxation system as to whether a Goods and Services Tax (GST) be imposed. Eventually, Financial Secretary Henry TANG said that GST should be imposed because he considers that it is a civic responsibility to pay tax. Because of this reason, it is necessary to impose GST. This is a moral preaching. And this is his personal opinion.

Let us not talk about the most straightforward slogan of the middle class, "No vote, no tax". It is needless to mention it because Hong Kong people have got accustomed to it. They do not mind paying taxes even though they do not have the votes. Let us just forget about it. Has he considered why there are so many people who do not have money to pay tax or are not qualified to pay tax? In Hong Kong, a person with a monthly income of around $8,000 has to pay tax even though he may not be a bachelor. So, on this problem, it has fully reflected that the Budget this time around is a political statement rather than a technical adjustment.

I feel very angry with the Financial Secretary's remark that many people, as many as 60%, agree to the Budget. I do not know how he got the figure. Nor do I know whether he has paid a visit to the housing estate I live and other

areas. He said those who oppose his Budget are just like stepping on dog shit. This should be the original version of his remark. I do not know whether it has been distorted by the reporters.

It is just like writing an article which is full of words concerning human excrement. This is really shit. Let me tell the Financial Secretary one thing. Paris is well-known for dog shit being easily found everywhere. When you take a stroll in Paris, you are most likely to step on dog shit. The French Government is not popular and therefore steps on dog shit because it oppresses the working class, particularly the low-income young workers. This is merely dog shit. However, why will we step on dog shit?

Let me tell you, Financial Secretary Henry TANG, please take a look here. The dog shit you mentioned is right here today. Honourable Members, Financial Secretary Henry TANG has threatened us that those who oppose his Budget should be mindful of stepping on dog shit. Financial Secretary Henry TANG, you are not paying attention to my speech and just reading other papers instead. Do you want me to throw a lump of dog shit on you? Do you want it? What is dog shit? Dog shit is regarded as trash, useless. Our Government has treated those who have worked very hard for the prosperity of Hong Kong and created wealth for Hong Kong as dog shit. They are really like dog shit. They are just like the Parisian Government, walking to the left then jumping to the right, with the consequence of stepping on dog shit when seeing a trench. We, public housing estate residents, are just like dog shit, being trampled on by you. Whenever you mention economic recession, you always say that it is Hong Kong people's fault.

Let us take a look at what happened after the change of sovereignty. We plunged into an economic recession. As for our civil service system — I have to make it clear that I am not pinpointing anybody — despite numerous changes, Hong Kong is still being run by the same team of people. Rafael HUI had returned before James BLAKE when the Kowloon-Canton Railway Corporation was out of order. BLAKE is really an ironic name because the Cantonese transliteration of it "伯樂" refers to a famous horse trainer in Chinese history. But BLAKE failed to monitor Siemens, which is just like an untamable horse, resulting in the payment of millions of dollars in compensation. This is what we have for our reform. You said we stepped on dog shit. It is you who have treated us as dog shit. Shit! You're full of shit!

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, I will not criticize you if the English word you just mentioned refers to a real object. But the sentence you then uttered is full of problems. You should not say such words. You should deliver your speech in another manner.

MR LEUNG KWOK-HUNG (in Cantonese): President, I have justification for my words. A person's thought is reflected by his act and appearance. When a person keeps talking about shit, he must be full of shit himself. Otherwise, how could he blurt it out when answering reporters' questions? I do hope that it was a slip of the tongue. In fact, I have given due respect to Financial Secretary Henry TANG rather than passing a personal judgement on him.

In fact, in this highly-respected Legislative Council, we should mind our language. However, this Financial Secretary Henry TANG, in front of the reporters outside, said that whoever opposed the Budget would step on dog shit. He is the one who first mentioned such words. I do not intend to offend him, nor do I intend to offend the President. A person without self-respect will be offended by the others. As a Western saying goes, you are what you eat. A person will be made of what he eats. From this, we can understand that what you see and what you think will constitute what you say.

On this issue, let us look at what Financial Secretary Henry TANG has done. I have made a rough estimation and asked Secretary Dr York CHOW a question. But he did not give me a reply. He once said that according to statistics, Hong Kong's total investment in social welfare, including medical and health care, social welfare and education, accounts for less than 11% of our Gross Domestic Product (GDP). This is why the Government keeps performing conjuring tricks and saying that medical and welfare expenditure accounts for quite a large portion of our Budget and there is a year-on-year increase. The problem is that such expenditure only accounts for a very small percentage of our GDP. This is why we have to cut expenditure, reduce the number of civil servants and many other expenditure items because of the so-called deficit. Which component of our system has got wrong? It is in fact the unfairness of our taxation system.

With such a small amount of social wealth for the accomplishment of a government's targets, our Government will certainly be in a difficult position just

like a deft housewife having no rice to prepare a meal. If a housewife, whose husband has indulged in patronizing prostitutes, gambling and drinking and does not give her money, maltreats her children instead of advising him to support the family, is she reasonable? This is the most important point. Although I have asked a lot of questions, no one in this Chamber will give me answers.

Why are we living in a place which is even better off than France, a country in Europe, in terms of GDP, still being subject to such constraints? Why are we still being criticized by the Financial Secretary that if we do not follow the global trend of spending the wealth created by society on social causes, we will step on dog shit? If so, I would rather step on dog shit.

I feel honoured but you may think that I am despicable. Now I would like to quote somebody's words. Can I speak in English? It is a sentence from Eugene Victor DIPPS, a candidate for four presidential elections in the United States. What did he said? Facing a trial, he said, "I said then, and I say now, that why there is a lower class? I am in it." It means that he said time and again that he belonged to the lower class, a class of the poor.

Now we are being described as dog shit. Those who oppose the Budget are stepping on dog shit. Let me read out some statistics: the GDP at money of the day was $1,314,800,000 and $1,383,000,000 in 2000 and 2005 respectively, representing an increase in those years. Our statistics also reveal that the top 10% of population with the highest income own 41% of the wealth in Hong Kong. Yes, it is 41%. And the 10% of the people with the lowest income possess less than 1% of the wealth. Have Hong Kong people been treated fairly under such a taxation system and practice? Have we been treated fairly when we utter the slogan every day that "Hong Kong people are really smart and tough. Let us get rich together." Yes, we have been through the hard times.

Today, the Financial Secretary still said that retrogressive tax should be imposed. Why? The Financial Secretary said that he is no politico. I do not know whether he is a politico and whether he will run in the Chief Executive election. Financial Secretary, you said that you will not draw up the Budget for kudos. This is what you said. But how did you boast of yourself? You boast that you have put the percentage between government expenditure and GDP under control. In other words, it is in compliance with Articles 107, 108 and 109 of the Basic Law. You are submitting your homework to a handful of people who can manipulate you and grant you a high position. No matter how

rich Hong Kong is, no matter how great the gap between the rich and the poor is and despite the fact that the poor are suffering from starvation, this is your policy and this is the applaud you want. You enjoy applaud in the National People's Congress, the Chinese People's Political Consultative Conference and the Executive Council, while we the poor are still starving.

Honourable Members, under such circumstances, I urge all colleagues who have conscience to veto this Budget. You should not refrain from doing good just because it is trivial. Many people told me, "'Long Hair', it cannot be vetoed. Our words are powerless. What is the use of your vote?" . However, this is a show of our attitude. We should voice our objection to such a government. Honourable Members, the Democratic Party, the Civic Party or other Members, please consider whether you should vote for such a mean and unfair Budget. Politics is a total reflection of economic performance. Who has told us that we should prefer rice coupons to votes? Is it the Democratic Alliance for the Betterment and Progress of Hong Kong or the Federation of Trade Unions? Today, we can see that a government without the monitoring of election lacks conscience. In fact, it is just like dog shit, the same as dog shit.

MR ALBERT CHAN (in Cantonese): The speech just delivered by "Long Hair" was full of passion. During those 15 minutes, Financial Secretary Henry TANG spent 14.5 minutes reading his documents, and half a minute chatting and joking with staff members sitting next to him. I wonder if this is the attitude of Financial Secretary Henry TANG towards Members of the opposition in this Chamber? I am speaking and yet he is still reading his documents. Such behaviour is disappointing. I hope Financial Secretary Henry TANG..... Could he watch and listen when Members speak, and read his documents later? President.

President, would you direct Financial Secretary Henry TANG to listen to Members' speeches and read his documents later, President?

PRESIDENT (in Cantonese): Mr Albert CHAN, when you speak .....

(Mr Albert CHAN wanted to sit down)

PRESIDENT (in Cantonese): You may keep standing. You need not sit down. You only have to face the President when you speak.

MR ALBERT CHAN (in Cantonese): President, would you ……

PRESIDENT (in Cantonese): I am not in a position to reprimand others present here for their expressions. Please continue with your speech.

MR ALBERT CHAN (in Cantonese): President, I only made a request. Of course, you have the right to reject my request. This is just a polite request. In my opinion, it is impolite of him, as a Secretary of Department, to keep reading his documents and subsequently leave his seat when a Member is speaking. I here make a strong condemnation. Financial Secretary Henry TANG now gets out of the Chamber. I, more still, have to make a strong condemnation. I think it reflects a total lack of political tolerance. A Secretary should not behave like that. President, I have to put this on record. This is a piece of historic document.

Financial Secretary Henry TANG is not here. It is hoped that the other Directors of Bureau will listen to my opinions. Thank you all for paying close attention to my speech. I thank Secretary Michael SUEN, Secretary Prof Arthur LI and Secretary Denise YUE.

President, with regard to this report by Financial Secretary Henry TANG, I basically think that it can be described in these words: "Lacking in measures for economic development; feeble and inept in alleviating poverty". There is only continuation of collusion between the Government and business and transfer of benefits. The unfair economic system keeps exploiting the poor and bullying the disadvantaged. In terms of economic policies, directions and measures, it can be said to be the weakest Budget in all these years. Basically, it is stagnant, utterly devoid of novelty. Callously, nothing whatsoever is done about the sufferings of the disadvantaged groups.

I wonder if it is true that under Chief Executive Donald TSANG's pledge to pursue excellence in governance, the Chief Executive is pursuing excellence in governance whilst there is no room whatsoever for the Financial Secretary to

exert himself. I wonder whether or not institutional and personnel changes have turned Financial Secretary Henry TANG into a "tortoise hiding its head in its shell", and left him with no room to exert himself. Or is it true that Financial Secretary Henry TANG, considering himself to be hopeless in the 2007 Chief Executive Election, has no heart for the fight and is only interested in walking champion horses at the races as there is no room for him to exert himself politically? I think his visits to the districts are fewer than the occasions for him to walk champion horses at the races. For recently he has not been seen meeting any groups in any district. I wish him continuous success at the races but I must, on behalf of the lower strata of our community, strongly denounce him for lacking the spirit to fight and lacking conscience in total disregard of the needs of the people.

With regard to the Budget as a whole, the only thing commendable is the absence of ignorant remarks such as those made by former Financial Secretary Antony LEUNG encouraging Hong Kong people to go north to start business, to look for employment, or to start business in Hong Kong. The reason is that in recent days, I have come across many people in the street and learned that, on hearing encouragement from the Government urging them to start business, some small businessmen tried to do so by spending all they had or even by borrowing from relatives and family members sums amounting to $100,000 or $200,000. In the end, however, they lost every single dime. Not only were their shops repossessed, but also they might have run into huge debts. Not only did they run into huge debts themselves, but they also got their families into huge debts. Probably because of difference in background, Financial Secretary Henry TANG understands the perils in business since he started his career as a businessman. But Antony LEUNG derived his wealth from speculation in foreign exchanges. The mentality of a speculator is somewhat different.

President, I would like to point out that in this Budget, two figures alone already show that this Budget is full of problems, and that it is full of fanciful but deceptive figures.

In paragraph 8 of the Budget, there are a lot of data, among which are figures from the third quarter of 1995 and the third quarter of 2005, showing that the ratio of high-salaried full-time employees has been growing continuously and that the number of low-salaried full-time employees ever dropping. It sounds good. However, let us look at some objective figures — obtained by us after looking up some records. If a comparison is made with the number of full-time

employees in the labour force of the same period, there emerges a very big problem. In 1995, the number of full-time employees totalled 747 869 persons. By the third quarter of 2005, the number of full-time employees totalled 1 120 723 persons. Between them is an increase of 374 000 persons — sorry, this is actually about non-full-time employees. President, I missed one word in the heading. It should read "non-full-time", not "full-time". Let us go back to the figure of non-full-time employees. There was a sharp increase of 374 000 persons between 1995 and 2005. According to Financial Secretary Henry TANG's Budget, a comparison between 1995 and 2005 shows a drop in the number of low-salaried employees. With a sharp drop in the overall figure, this is only natural. With 370 000 full-time employees gone, there came 370 000 non-full-time employees. Such an increase is quite alarming. Precisely because of the entire financial and economic situation, many people in Hong Kong cannot get full-time employment. As a result, there is a sharp drop in their income. It also plunges many families into hardship. Yet the Government ridiculously claims this drop in the proportion of low-salaried full-time employees to be a positive financial and economic phenomenon. This is utterly absurd, and indicative of his absolute inability to understand current social hardship, especially that of low-income and under-employed people. Upon seeing this figure, one can just heave a sigh in despair.

Besides, according to paragraph 60 of the Budget, the Government will earmark on average $29 billion every year for infrastructure projects. It has been so said for years, not put forward by him only. The former Financial Secretary also kept saying that. It, however, has been noted that the figure for the current year is only $24.3 billion, a drop of 10% when compared with that for the year 2005-06. The cuts made to certain departments are even more alarming. So, representatives from the engineering functional constituency will definitely vote to say no.

Last year, the allocation for the Architectural Services Department was $7 billion. It is $5.1 billion for the current year, representing a drop of 27%. In the case of the Civil Engineering Department and Territory Development Department, it goes down from $1.1 billion to about $400 million. The Civil Engineering Department's site formation works goes down from $4.15 billion to $2.7 billion, showing a drop of 35%. The drop just mentioned with regard to the Civil Engineering Department is 60%. In the case of the Drainage Services Department, there is a drop of 20%, going down from $4.1 billion to $3.2 billion. All these are actual figures from the Government. Yet he tells us that the

economy is now picking up, that the Government is very concerned about the issue of unemployment, and that we have to stimulate employment by providing more public works projects. All along it has been so said by the Government. However, the things said, not tallying with the facts, are in essence lies. Compared with corresponding figures for last year, all the allocations in question have seen sharp cuts, not receiving one dime more. To us, the Government expressed great concern. If it is so, and there is a wish to take them forward, should not more resources be set aside for them? Compared with last year, there are no additional resources. On the contrary, there are sharp cuts. In the case of some departments, the cuts amount to as much as 60%. Yes, 60%.

So, President, I am disappointed and infuriated on reading these figures as well as on knowing the mentality of the Government and seeing the behaviour of high officials, especially that of Financial Secretary Henry TANG, who is only interested in walking champion horses at the meets but has not come up with any specific measure to alleviate poverty.

President, at a meeting with the Financial Secretary early this year, I gave him a set of budgetary proposals. The heading of the set of budgetary proposals that I gave him reads: Hope that the forthcoming budget can bring about a fair community and eliminate hardships of the people. It is because in the district, the clients I meet every day for interviews are, almost invariably, either broke, or suicidal or unemployed. There are many such family tragedies. This morning, I spent three hours meeting people. 70% of them fall into this category, being individuals conned or pressed by "loan sharks" for loan repayment, or terrorized by debt collection agencies hired by financial companies. Among them are those who are nearly cheated of their CSSA payments after being deceived into signing contracts with consortia or telecommunications companies. The telecommunications companies under certain consortia cheat old people on CSSA into signing contracts and then state that if the debts are not settled, collection agencies will be hired to press for payments. In the district, such ridiculously absurd incidents are simply innumerable.

With regard to the so-called help for the disadvantaged groups, the Financial Secretary gives a most rosy account in the Budget, saying that from 2006-07 onwards, funding will be increased by about $100 million a year to beef up the support for rehabilitation, families and children. How many areas are here? A sum of $100 million is to be used to beef up the services for rehabilitation, seniors, families and children. Here four areas are involved.

There is, however, just a sum of $100 million. Included is an additional allocation of $30 million to enhance out-reach services of Integrated Family Services Centres. The $100 million is to be put to so many uses. He probably thinks that an allocation of $100 million can already help those families solve problems. His mentality and sense of value are, therefore, very clear. Last year, HSBC made a profit of $100 billion. Last year, the CLP also made a net profit of $10 billion. The MTRCL made a profit of $8.4 billion. How many billions of dollars are there if the profits made by these three consortia are put together? He thinks that $100 million can be put to many uses for the relief of the poor and the disadvantaged, does he not? If he raises profits tax by 1%, then the Government can get $1 billion to $2 billion in revenue. Budgets and budgetary planning are meant for the distribution or redistribution of resources in the community. I have been harping on this for some 10 years. This is a basic concept of finance or public finance. It has never occurred to him that some people are in such plight whilst some are so well-off. "Long Hair" has already spoken a lot on this. Yet all that this Financial Secretary cares about is to protect those high above, who are making billions and billions of dollars in profit, and to let them keep on reaping immense profits and enjoy special privileges. For the disadvantaged groups, only a sum of $100 million is allocated to, so to speak, improve their livelihood. This is indeed an unscrupulous, ignorant and, to a certain extent, shameless Budget.

President, if there are still Members voting in favour of such a disappointing Budget, I just wonder who are "stepping on dog droppings" or "eating dog droppings".

According to Premier WEN, there are in Hong Kong some deep-rooted problems. Quite a few left-wing Members, especially Mr Jasper TSANG, have written several articles on this issue. It, however, seems that the Government has not grasped Premier WEN's message. Take a look at the 11th FYP recently discussed at the NPC. Obviously, the NPC very much took the peasants into consideration. Attempts were made to find specific ways to help peasants grow rich, improve their means of living, and enhance their economic power once problems in society were brought to light. This is the duty of a government.

The Hong Kong Government is well aware that the people are poor. The Commission on Poverty established has held a few meetings. Many people have been contacted. However, it is still like "a pile of droppings". I am quoting the Financial Secretary's words. He made "a pile of droppings".

Then someone stepped on it. Yet he did not say he made this "pile of droppings", but only said that someone had stepped on "dog droppings". Such a government can only plunge Hong Kong into a mess, totally devoid of vision. Nor can it understand the real conditions of the community.

Here, I would like to make a final appeal. Surely, many political parties/groupings have established standpoints. As this is the worst Budget that I have ever seen, it is hoped that it is also the one getting the most opposition votes.

Thank you, President.

MR JEFFREY LAM (in Cantonese): Madam President, I am not an actor. I do not have any props. I know not how to sing, nor do I know how to act. This place also is not a grand theatre. I, therefore, think that I should seriously do the thing that we Members ought to do here, namely, to deliver my speech on today's Budget.

Madam President, it so happened that the Financial Secretary released the Budget a month ago on the day when Guanyin (Bodhisattva) was to open her coffers in the evening. I know that many worshippers had gone to the temples where they burned incense sticks to pray for prosperity and good luck and to borrow from the coffers. It is the wish of many people that our "Money Lord" can answer all requests, just like Guanyin. However, our "Money Lord" is not Guanyin. He is our "chief shroff", responsible for monitoring and controlling the balance of accounts. In fact, our economy resumed growth last year. What is more, the Government has managed to contain expenditure and the Financial Secretary has managed to lead Hong Kong out of the red three years ahead of schedule, with a lot of positive impact on the overall situation. The business sector treasures "stability". A government capable of maintaining long-term stability offers a major index of confidence for foreign businessmen to invest in Hong Kong.

I understand that some people are disappointed when the Government fails to response to every request of the people even though a surplus is recorded. Our "Money Lord" claims that ours is an externally-oriented economy, and that at a time when the economy is just picking up, there can be impact from many unknown external factors, such as high interest rates, rising oil prices and an imminent outbreak of avian flu. It is not all together inexcusable to adopt a

prudent approach in managing public finances and keeping expenditure within revenue limits. However, it begs the question whether the "Money Lord" has underestimated this year's revenue, and thus made the Government hold back some of its strength and refrain from making every effort to respond to every request of the people.

In order that the Government can have enough revenue to entertain all the requests from the community, it is, in the long run, imperative to provide Hong Kong with a business-friendly wealth-making environment. This is most pragmatic. According to a recent study released by the Chinese Academy of Social Sciences the day before yesterday, of the 240-odd cities that include Hong Kong, Macao, Taiwan and those on the Mainland, Hong Kong for the time being still ranks first in terms of competitiveness. However, the growth of our competitiveness almost comes to the "end of the line." This makes members of the business sector feel very concerned and ashamed. Undoubtedly, this sounds the alarm for the future of our economic development.

The Liberal Party, therefore, all along has been calling upon the Government to look squarely at our competitiveness and growth rate. Otherwise, Hong Kong will soon be outpaced or marginalized by other cities. Whether or not we can enhance our competitiveness depends entirely on the Government's macro-economic policy and determination to pursue improvement. However, in recent years, the progress made by the Government in certain areas, for example, infrastructure, has been relatively slow. There are even signs of "retreating two steps after advancing three steps". This is indeed a cause for concern.

At present, according to many people, there will not be many major moves by the SAR Government prior to the conclusion of the election of the next Chief Executive. I hope that this is just the guess of some individuals. It is my hope that in the coming year the Government can beef up our competitiveness. Do not be "sluggish in words and actions". In some cases, discussions drag on for years and years, and then there is still no schedule for submission to the Legislative Council for examination and endorsement. This year, the Government has made it known that a sum of $29 billion will be earmarked every year for infrastructure projects. It is hoped that the Government can make arrangements to launch the projects as soon as possible. In particular, there should be early implementation of the plan to build the long-awaited Hong Kong-Zhuhai-Macao Bridge. Also, discussions should be held with the Mainland

as soon as possible for adopting at all boundary crossings co-location of clearance so as to tie in with the ever-growing traffic flow between Hong Kong and the Mainland and the development of the Logistics Park by making the immigration formalities simpler and better arranged.

Regarding enhancement of competitiveness, perhaps we should take a look at neighbouring nations, such as South Korea and Singapore. In respect of economic policies, their governments provide a lot of support. After being heavily hit by the Asian financial crisis, the South Korean Government immediately reviewed and adjusted the country's industrial structure and provided holistic support to enterprises in identifying products of information and communication for development, thus successfully establishing several world-famous brand names in the field of communications. The total export value of Korean IT products for the last two years amounts to US$74 billion, representing 30% of the country's total export value. According to a report by a securities firm, South Korea has been chosen as one of the world's Next Eleven BRIC-like economies. Its development potential in the world has been duly recognized.

Madam President, with our "leverage on the Mainland and engaging ourselves globally", Hong Kong economy has managed to progress steadily in the last few years because of our geographical and historical advantages. If there are clear guidance or support from the Government's policies, then it is like giving a tiger wings. As a matter of fact, given the strong support from the Central Government and the proactive study and advocacy of the Hong Kong Government, CEPA has been successfully brought into operation, even becoming an important locomotive for our economy. This proves that in order to succeed, many policies in the SAR need the Government to serve as a catalyst. It is, therefore, hoped that the Government can remain open and flexible in its thinking and attitude, and take the initiative to formulate more promising policies to enhance our competitiveness.

The industrial and business sectors have long been the comrades in arms for Hong Kong. In times of economic downturn, we worked our way out in the teeth of hardship. In the wake of economic revival, we have been actively creating business opportunities so as to provide jobs and make it possible for the Government to manage public finances and run the administration more flexibly with healthy financial support. Benefiting from CEPA, SMEs have found bigger scope of development in the mainland market. At present, the SAR Government has only one office in Beijing, and another in Guangzhou. New

offices will be consecutively set up in Shanghai and Chengdu in the near future. I very much support the setting up of more offices on the Mainland by the Government. It is also hoped that more resources can be deployed to help more SMEs solve problems. Recently, many SMEs have told me about crimes such as robberies, blackmailing and cases involving "car-crash gangs" often taking place on the Mainland. Some are victims themselves. In their opinion, these problems are likely to scare investors away and upset social stability. It is, therefore, necessary to carry out stern crackdown and impose severe punishments so as to protect people's property and personal safety. Otherwise, there is going to be immense impact on development.

With regard to measures impeding business operation, it is hoped that the Government can, as soon as possible, "cut red tape and streamline procedures". Early this year, the Government set up the Business Facilitation Advisory Committee to study the licensing system in detail. I call upon the Government to speed it up. Do not spend another year or two on studying the relevant report.

Moreover, last year, the Government provided an additional funding of $500 million to the SME Marketing Fund and the SME Development Fund, and reduced the assumed default rate under the SME Loan Guarantee Scheme. These schemes are most welcome by the SMEs. But these three measures are due to expire next year. The SME Mentorship Program, which has been in operation for several years, will also end this August. This year's Budget also mentions that SMEs, still affected by rises in rents and other costs, have yet to benefit from economic recovery. It is, therefore, hoped that the Government can expeditiously review the effects of the various schemes so as to make improvements or bring in new measures in order that there can be continued support for SMEs.

According to the Financial Secretary, in three months there will be a consultative paper on bringing in Goods and Services Tax (GST). I am in favour of looking into the issue and consulting the people. As we all agree, the structure of government revenue is less than healthy, and the tax base is much too narrow. For instance, in the year 2003-04, 1% of the enterprises had to pay 60% of the profits tax. Take a look at salaries tax. In the year 1996-97, 5.8% of the people were on standard tax rate. In the year 1998-99, the year following the financial crisis, those on standard tax rate dropped to less than 1%. It can

be seen from this that, because of a narrow tax base, there can be serious impact on revenue going into the public coffers once the economy turns sour. So it is necessary to find, as soon as possible, a radical solution to deal with the problems arising from a narrow tax base.

Now on environmental protection, when we look out of the window or walk in the street, the vision is invariably hazy, which shows how poor the air quality is. The Budget, however, has not pinpointed the issue of air pollution for the purpose of funding or introducing measures. It is hoped that the Government will consider the plan long advocated by me, that is, providing incentives to encourage members of the industry to bring in environmentally-friendly vehicles. Experiments conducted by the Government have shown that environmentally-friendly vehicles, compared with petrol-driven vehicles, use 50% less fuel, and discharge 40% less emissions. There is bound to be some favourable impact on air quality at grade. Also, while the Government considers introducing levies on tyres and plastic bags, thought should also be given to committing all the revenue thus collected to environmental protection purposes to improve the overall environment, especially air quality, so as to bring quality living conditions to Hong Kong.

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

DR FERNANDO CHEUNG (in Cantonese): President, I would like to describe this year's Budget with these words: "sufficiently prudent but hardly enough to alleviate hardship".

Hong Kong have experienced many economic ups and downs since the reunification. Be it the Asian financial crisis or the impact from SARS in 2003, the economy has been dealt a relatively heavy blow. We notice that the Government has, in a bid to curb fiscal deficits, resorted to curtailment of expenditure or even some very conservative measures. In the light of the principle of prudent management of public finances, the Government, I believe, is expected to be conservative in this respect. However, over the past few years, because of the tightened spending, the grassroots have been suffering the most, and the burden on them has been the heaviest. The impact on them has also been the greatest.

As a matter of fact, over the past two years, our economy has been picking up, even showing signs of a rebound. Last year, our overall surplus amounted

to $21.4 billion. Even in the current year, there is, as we can see, also a surplus of $4.1 billion in Financial Secretary Henry TANG's Budget. The economic climate has changed; so has the people's expectation with regard to public expenditure. The people have tightened their waist belts during the past few years, with those of grassroots being the most tightened in particular. Now, we do not expect the Government to let the tap turn on generously or dole out rice from the storehouse. However, the approach to management of public finances must respond to the grassroots' needs. At least, they should be provided with basic care.

In fact, this year's surplus budget is perhaps somewhat conservative. According to the estimate of many outside economists or those in the relevant industry, there is a possibility for the actual surplus to exceed $10 billion. I have even heard that a few government departments, not wishing to leave too much surplus in the interim, are trying very hard to spend their money these days.

The management of public finance must solve social problems and look after all sectors of the community. As mentioned by our leader, the Hong Kong SAR has some deep-rooted problems that have yet to be solved. I very much agree with what Mr Alan LEONG said. This Budget should directly respond to these deep-rooted problems. These problems obviously cover various aspects, one of which is undeniably the wealth gap. We have a group of grassroots who are facing adversity with no sight of a way out in the future. We notice that middle-aged people and seniors experiencing employment problems and youngsters with relatively low educational qualifications indeed run into obstacles everywhere when looking for a way out or developing their careers. What hope can this Budget give them? Any answers? It can be noticed that this year's Budget really does not say much about the disadvantaged groups. There are also very few significant moves. On the contrary, the reduction of salaries tax and the extension of the validity period for home loan interest deduction together cost the Government only $2.7 billion. However, on taking a close look at these two major relief measures, one just wonder who will benefit from them. Even though lowering the marginal rates of salaries tax only involves $1.5 billion, those to be benefited are, in fact, mainly people with higher incomes. By doing a little calculation, we can see that those earning more than $50,000 a month, representing less than 4% of all the "wage earners", are going to get 45% of this $1.5 billion.

We note that CSSA was slashed in 1999, and that it was further reduced in 2003. It is hoped that the Government can consider helping those most needy in the safety net when the economy picks up. On the one hand, we say it is necessary to help the poor. On the other hand, it seems that once there is mention of CSSA, we tend to hold that the system should not be too lax, or allow people to stay lazy. It is also said that it is necessary to observe a mechanism. Why are we today asking the Government to bring CSSA back to the old levels, especially for the aged, the disabled the widowed, and the lonely and helpless? The reason is that when the Government cut down on CSSA in 1999, the relevant mechanism was in fact not observed. It was not based on inflation or deflation. At that time, this aspect was not the consideration. The reason at that time was that there was downward revision of wages, especially the downward revision of wages of certain junior positions. So CSSA payments had to be lowered. There were further cuts for big families, the reason being that they could afford to be more money efficient. The rates of the cuts now referred to ranged from 10% to 20%. There was a further cut of 11.1% in 2003.

We put forward the request this year because the Government previously did not proceed in accordance with the mechanism and, thus, ruined the benchmark. Let us not talk about the amounts of CSSA payments. However, CSSA must be able to provide people with minimum protection of living. Today's CSSA payments, however, are based on the minimum living requirements set by an internal study conducted by the Social Welfare Department (SWD) itself in 1996. The study was conducted 10 years ago. We ask the Government to conduct another objective study so as to revise this set of basic requirements. Here are some examples. Ten years ago, kids did not have to go online to do home work. It is now different. Not too many people had mobile phones 10 years ago. Now the fee of a mobile phone is probably cheaper than that of a fixed line phone. A lot of basic requirements have changed. Is it possible to conduct another study? The Government, however, is unwilling to do so.

Then, let it be conducted by the civil society. As noticed by us, an organization as representative as the Hong Kong Council of Social Service conducted a study and, upon its completion, submitted the findings to the Government. But the Government refused to acknowledge it, and even remarked that the study was impractical. I think the Government should be

more reasonable. In order that our safety net can help the people, we ask for an objective consensus in society. It is hoped that there can be a concrete response from the Government with regard to these few aspects at least.

Following the family tragedy that happened in Tin Shui Wai two years ago, the Government appears to have paid more notice to the problem of domestic violence. There is also mention in this year's policy address. It has come to my notice that the Budget somehow does respond to that. However, such a response falls far short of tackling the current problem of domestic violence. It can be noted that incidence of domestic violence rose from some 900 cases in the 1990s to the current level of 3 000-odd cases. What is more, according to a recent study by the University of Hong Kong, cases disclosed probably only represent the tip of the iceberg. The portion of cases disclosed is just 1%. The fact is that 99% of the cases have yet to be disclosed. The motion on domestic violence moved by Ms Margaret NG the other day was unanimously endorsed by Members. The amendments to the motion include requests for the Government to target domestic violence and expeditiously take forward work in 12 areas. This has long been the consensus of the community. Is the Government willing to listen? Although motions passed by this Council have no legislative effect, the Government, or even the Chief Executive, has promised to carry out or heed the consensus reached by this Council. If it is really so, then I hope the Government will make real efforts to carry it out. We can see that to date there is not even a 24-hour hotline for domestic violence. According to the SWD, there is a SWD hotline, but in the evening it is handed over to an NGO, the Family Crisis Support Centre.

However, a short time ago, the media discovered that as high as 76% of incoming calls to this so-called hotline for domestic violence had to be transferred to a voice mailbox because the line was busy. Let us refer to the reply given by the Government yesterday in response to my written question. It can be noticed that in 2005, 44% of such calls had to be transferred to a voice mailbox as no social workers could answer them, and 16% of the calls could not even leave messages. In fact, those actually answered by social workers only made up 40% of the calls. Please give this some thought. If these are emergency calls concerning domestic violence, the callers are already in critical situations. Yet 60% of such calls went unanswered, thus getting no immediate response. How can we claim that we have already tried our very best to provide services regarding domestic violence? Why is it called a zero-tolerance policy?

For the current financial year, can the Government set aside more funds to set up one-stop support services regarding domestic violence so as to provide hotline, out-reaching, urgent referral, law enforcement and medical care services? Members of the sector have in fact had discussions on such services. The funding so required only amounts to $18 million.

Besides, it is hoped that the Government can make available some resources for the establishment of regional domestic violence prevention teams at places badly hit by the problem, for example, Yuen Long, Tin Shui Wai, Kwun Tong, and Kwai Tsing, so as to ferret out families in crises of domestic violence and offer them timely assistance. Many centres previously providing special services to families with such need, for example, single-parent centres and service centres for new arrivals, were all closed after being operated by the Government for three years. Those services in fact did not require much funding. It was some $10 million a year for more than 10 centres. Given the fact that the entire Budget is about some $200 billion, I wonder if we can include these services, for which the community has a relatively pressing need. Regarding one-stop anti-sexual violence services, we all know that the mode of service of RainLily is effective and has even earned acclaim from every sector as well as around the world. There is no indication from the Government for the continuation of financial assistance for the service of RainLily, already in the fifth year of its operation. Its annual cost only amounts to $2.2 million. Can the Government pay a little attention to the needs of those victimized by sexual violence?

Now on care for the community. We notice that the Government has additionally set aside $20 million to strengthen home care services for the elderly. It has, however, come to our notice that nowadays the waiting period is very long. In some cases, it can be as long as nine months. On average, the wait takes four months. In the case of household cleaning, the wait, on average, even takes more than one year. In some situations, it is even necessary for an applicant to get only one hour's integrated home care services every two weeks, or take a bath every four days. Is the appropriation of $20 million enough?

In the area of domestic violence, some psychiatric social workers are in fact able to provide further assistance. Can the Government lower each worker's caseload from 90 cases to 60 cases? Is it possible to set up some funds

for the prevention of domestic violence in order that further focused services can be provided by certain NGOs?

The community support for people with disabilities is clearly insufficient. There is also an acute shortage of residential homes. Take the homes for the severely mentally handicapped as an example. Up to the end of last March, applications made in October 1996 were still being processed. It means that waiting takes as long as nine years. As the wait takes years, some families, finding it hard to wait any longer, have to send the applicants to private homes. I have personally inspected the conditions of those private homes recently. They are indeed awful. The Government has recently promised to formulate legislation on licensing as a long-term solution. I wonder if there can be, as a follow-up step, arrangements for immediate service. It is hoped that the Government can carefully consider the needs of those among the most disadvantaged groups in society. They are the most helpless and in no position to represent themselves to fight for anything.

I would like to put forward in this Council these requests of the grassroots. It is hoped that there can be proactive responses from the Government. Finally, I must point out that under the lump sum grant arrangement, the current funding criterion has already deviated by 9.3% from the criterion undertaken by the Government then. In order to meet the spirit of agreement, I call upon the Government not to cheat our NGOs. Do not lower the criterion by 9.3%. It is hoped that there can be positive responses to the aforesaid requests. It is very difficult for us to support this Budget unless there is a positive response from the Government with regard to care for the disadvantaged groups and domestic violence. President, I so submit.

MR KWONG CHI-KIN (in Cantonese): Madam President, following the release of the Budget by the Financial Secretary, there has been a lot of criticism. There are reasons for the strong backlash. In the first place, the Financial Secretary made the people cherish the hope of tax cuts by saying repeatedly "May your wishes come true". In the second place, it reflects deep-rooted problems, that is, the people's dissatisfaction with and non-acceptance of the taxation system.

On learning of the people's strong backlash, the Financial Secretary made a reply that now has become a famous quote: "Throughout one's life, one must

pay tax and die." That did not defuse our dissatisfaction with the taxation system. On the contrary, it even added fuel to the flames. It is, of course, a citizen's civic responsibility to pay tax. We, however, have the right to express displeasure and make criticism if the taxation system is unfair and cannot bring into play its function of wealth redistribution.

Our taxation system was set several decades ago. There has never been a comprehensive review. The Financial Secretary may argue that an Advisory Committee on New Broad-based Taxes was set up in 2001. However, the work done was just consultation, not a comprehensive review. It arose from the Government's need to bring in new taxes following a drop in its revenues. What is more, the consultation topic was the broadening of tax base. With such a default already set, the ultimate conclusion was one in favour of bringing in Goods and Services Tax (GST). It has always been the view of the SAR Government that the tax base is not broad enough. In this year's Budget speech, the Financial Secretary again said that "the Government's tax base is also too narrow: for example, only one third of the working population pays salaries tax." Is the problem with our taxation system just that the tax base is not broad enough? The answer is surely in the negative.

Here I would like to point out that while the Financial Secretary is indulging himself with the idea of broadening the tax base, the local wealth gap is getting worse and worse. In 2001, our Gini Coefficient was 0.525, more or less as a par with those of Zambia, Africa and Argentina, South America. Every year, multinational enterprises or super-rich businessmen are earning billions and billions of dollars. A tip-top employee also makes several million dollars a year. However, in the case of wage earners, no matter how hard they work, every month they can only earn some ten thousand dollars each. They are naturally full of grievances.

As a matter of fact, in the modern society, a company will use its profits on payment of interest or dividend to shareholders. It is even more ridiculous in the case of public utilities. Huge though their profits are, they still increase their tariffs, and thus, add to the people's burden. Members of the labour force can share none of the fruits of the economy. It is comparable to a situation in which fellows eat at the same table, one guy only has a bowl of rice whilst the one next to him has fish and meat. How can the middle or lower strata of the community agree to pay GST under such circumstances?

Is it necessary to comprehensively review our taxation system? The first issue to study is: Who have reaped "money" from Hong Kong? This is what ought to be considered first. In the past, Hong Kong people could be certain that so long as they were prepared to work or try hard, they need not worry about making no money. For example, a factory worker was quite handsomely remunerated even though it was tough to work day and night in the factory. Making money themselves, the people did not mind paying tax. It is now different. A job with daily working hours in excess of 10 hours is just being paid several thousand dollars. Some young people work as salespersons for big companies in the street. Even that is part-time in nature. There is no job security and the pay is low.

Members of the middle and lower strata are being marginalized gradually. Many business ventures are monopolized by multinational enterprises and tycoons. As a result, they are pocketing most of the money. Why does the Government not start with these super-rich businessmen to get more revenue from them instead of wielding the axe at the middle and lower classes? In fact, Hong Kong all along has no capital gains tax. Those speculating in real estate or stocks need not pay tax even after making a lot of profits. Even estate duty has recently been abolished and there goes government revenue amounting to more than $1 billion a year.

There are many ways for the rich to evade tax. So, basically they need not pay much in tax. In the case of people from the middle or lower strata, there is a tax even on one lunch box. Apparently, sales tax goes against the principle of vertical equity. As sales tax is so unfair, the Hong Kong Federation of Trade Unions (FTU) is definitely against its introduction.

According to a study, every 1% of GST can yield about $1 billion in revenue for the Government. However, to tourists, especially mainlanders, our main targets in recent years, Hong Kong's main attraction is still shopping. I wonder how big the impact on our tourist industry will be upon the introduction of sales tax. Shanghai is going to build a Disneyland. Prices in Hong Kong already are not cheap enough. How do we compete with Shanghai? Its adverse impact on local people's incentive to spend will be felt right away too. By then both the catering industry and retail sector will be suffering from sluggish business. Who are to pay taxes?

In fact, everyone in Hong Kong is shouldering a heavy tax burden, that is, land prices. One who is a little better off is already not eligible for public housing, and has to rent or buy a flat. Their hard-earned money mainly goes to the Government or real estate developers. In fact, we are paying real estate tax in a disguised form. Given the fact that a lot of tax has already been paid in terms of housing, further taxes on health care, food and transport are likely to make our tax burden heavier than those of Europe and America, countries with the highest tax rates!

Madam President, I would like to switch to another subject, namely, the Government's procurement policy. The Government's procurement policy is alienated from the current situation of the community. Take the construction industry as an example. The Government spends $29 billion a year on public works projects. However, for years, the unemployment rate of the construction industry has remained at a double-digit level. Why? It is because many public works projects are using prefabricated components. It is not uncommon even for formwork makers, masons and workers installing aluminum windows to be out of employment. The money spent by the Government goes entirely to the developers. On the other hand, however, the workers become very disgruntled. Not earning enough money for them to support their families, workers are forced to act against their will and apply for CSSA. Yet the Government has been drawing up different plans to force CSSA applicants to go out and look for employment.

The Government spends money on engineering works, and still has to spend money on CSSA payments. In addition, money has to be spent to get those on CSSA to go out and work. From this one can see how absurd the Government's policy is! The Government's procurement in other areas, such as printing and uniforms, is no different, bringing no benefit to local workers even after spending the money. The Government actually should review guidelines on procurement so as to bring in locally made elements. As a matter of fact, under the framework of CEPA, the Mainland gives our products tariff concessions. However, according to a stipulation, 30% of such products has got to be manufactured in Hong Kong. This is meant improve our industrial structure, and to provide Hong Kong people with jobs. Even the Central Government has taken this into consideration. How come our SAR Government, in total disregard of this point already considered by the Central Government, does not make full use of the leverage available under CEPA? Therefore, CEPA so far has not been able to bring its inherent functions into full play.

In the opinion of the FTU, the Government should review its current policy on procurement, and make reference to CEPA stipulations so as to include in the guideline the requirement of locally made elements in order that money spent by the Government can, in varying amounts, be earned back by the people. If so, the efforts to alleviate unemployment and reduce CSSA are going to be less costly or bothering to the Government.

Madam President, at the debate on the policy address of last year, I spent 20 minutes talking about the procurement agreement of the Government. It was learned that it had drawn considerable attention from the Government. A senior government official told me in private that the pivotal issue probably was not related to that international agreement, and that it was due to the Government's procurement policy. According to the current mainstream thinking of the Government, the underlying principle is to procure at a very low price as public funds are being used for government procurement. The Government does save some money by procuring goods and services at low prices. On the other hand, local workers become unemployed because of the Government's procurement policy. As a result, they have to apply for CSSA. On one side there is gain. On the other side there is loss. Is the Government spending more or is the Government spending less? The Government should look into this. If the money saved is not enough to cover the extra amounts spent on CSSA, then are the gains not being outweighed by the losses?

It is hoped that the Government will carefully review the existing policy on procurement. To create employment opportunities for local workers, rules should be set to the effect that prefabricated components of government construction projects, government publications and even uniforms for the disciplined services must be manufactured locally.

According to paragraph 65 of the Budget, and I quote, "The Government will assist further in the development of social enterprises." (End of quote) According to the latter part of the said paragraph, and I quote, "Social enterprises will also be able to enjoy the support services now generally available to SMEs. Subject to the principles of transparency, fairness and value for money in government procurement, we will facilitate participation by social enterprises in tenders for government contracts." (End of quote) I applaud what is being stated in paragraph 65 of the Budget. It can be noted from this that the Government does understand that government contracts can support and help some disadvantaged groups and social enterprises. It is hoped that the

Government can indeed use government contracts to create more employment opportunities for local workers as well as local disadvantaged groups.

Madam President, I so submit.

MS MARGARET NG (in Cantonese): Madam President, in this year's Budget speech, the Financial Secretary, made clear to us four main themes at the outset, namely, Recovery, Enhancement, Commitment and Sharing. During the debate over the last two days, many Honourable colleagues debated extensively on the "Recovery" of our economy and the directions of "Enhancement" promoted by the Government. Being a Member representing the legal functional constituency and a member of the Civic Party formed last Sunday, I would like to speak on "Commitment" and "Sharing", two main themes espoused by the Financial Secretary.

The Financial Secretary said and I quote: "While formulating our economic development and fiscal policies, we should address them with the best interests of our community at heart. This is the Government's commitment to the people of Hong Kong." (End of quote) Helping the disadvantaged groups is precisely one of the Government's commitments for the current year. The Civic Party holds this vision and I quote: "(We believe) in the creation of sustainable communities and in the improvement of the quality of life as a common goal. We believe economic development should be pursued in that context and not for its own sake. We believe in protecting public resources which belong to the entire community for the enjoyment of present and future generations." (End of quote) We all agree that alleviating poverty and helping the disadvantaged groups are in the long-term overall interest of society. What function should the Government perform in this matter? How big a role should the Government play in society? To what extent should the Government help the poor and the disadvantaged groups?

The population of the poor in Hong Kong is an alarming figure. It does not matter whether it is 950 000 as claimed by the Financial Secretary, or 1.25 million as claimed by the Hong Kong Council of Social Service. Amidst words echoing "Commitment" and "Sharing", the Government, as an *ex gratia* gesture, only adds a meagre $100 million to help the disadvantaged groups, and earmarks an additional $150 million for use over the next five years to strengthen district-based poverty alleviation work. We hold that the Financial Secretary's

funding for poverty alleviation in the Budget falls far below people's expectations. Compared with the Government's forecast surplus for the next five years, the sums set aside to alleviate poverty and help the disadvantaged groups are utterly inadequate. It is believed that quite a few Members have touched on this point in their speeches. According to Financial Secretary Henry TANG, it is necessary to make sure that the subsidies are put to good use as it is something involving the use of public funds. I truely agree with him on what he said about putting money to good use. There is a common saying that goes: "Use (money) on the edge of a knife". It, more or less, means putting to good use. I, however, think that it is most applicable to social problems that are very pressing and imminently urgent, and involve matters of life or death. Madam President, many people are indeed running for life from the edge of a knife. I am referring to abused women and children badly suffering from domestic violence and constantly living in fear.

Things have order of priority, some being more urgent than others. What goes first? Who is to enjoy priority? With the Government holding all the resources, I would like to ask the Financial Secretary to give careful consideration to this. Besides committing additional funds to poverty alleviation, he should expeditiously earmark additional resources for use by the Family Court in dealing with domestic violence cases in order that corresponding complementary services and legal aid can be provided as soon as possible and the victims taken care of and assisted by the departments concerned. Saving a person is just like combating a fire. Nobody likes to see the recurrence of the Tuen Mun family tragedy, in which one whole family died.

Two weeks ago, when we moved a motion on making amendments to the Domestic Violence Ordinance, 25 Members spoke, unanimously supporting the motion and all showing ardent concern over the matter, which is indicative of the fact that this is a very pressing and critically imminent social problem. It is not just a social problem. It is also a law-enforcement problem. Why? As pointed out by me that day in summing up, it is, of course, important and logically justifiable to have the legislation. However, unless it comes with other complementary arrangements, such as a specialist Court, free legal advice, streamlined procedures and eligibility requirements for legal aid applications and appropriate support services from social workers, it is still going to be useless. The reason being that if a simple but urgent case of domestic violence has to come before different Courts for different proceedings because there is no specialist Court to deal with it, then it is apparently a waste of money and

manpower. Given the current waiting time for trials, it is possible to visualize the mental and physical torments being experienced by a badly abused woman. It does not matter whether the waiting time is 172 days in the case of civil cases, or 152 days in the case of criminal cases, or an average of 37 to 63 days in the case of Magistrates' Court proceedings. With regard to legislation, it was disclosed by Secretary Dr York CHOW at the last debate that legislative proposals would be submitted in the second half of the year. With regard to complementary arrangements, it is hoped that there can be proactive responses from the Government.

Madam President, as stated by Mr Alan LEONG at the debate on 8 March, some time ago he provided some very useful information on the very successful Specialist Domestic Violence Court Programme of the United Kingdom. The establishment of the Family Court can (1) enhance the effectiveness of court and support services for victims; (2) streamline the proceedings and speed up the processing of cases; (3) make information sharing easier because of the pooling together of cases; and (4) improve victim participation and satisfaction. This precisely is the full utilization of resources. Therefore, do not think solely along the line that the establishment of a specialist Court will require additional funding and incur extra spending. It is indeed possible to save money if the effectiveness of the Court is enhanced, the victims are satisfied, and the services of supporting staff are centralized and correctly delivered as a result of the funnelling and consolidation of a multitude of functions and services. This is indeed people-oriented governance. Here I would like to make another call to the Financial Secretary and Secretary Dr York CHOW. It is hoped that they can expeditiously respond proactively to the people's request for an early establishment of a Family Court so as to fully realize the policy of "zero tolerance". As for the details, there is mention in the speech just delivered by Dr Fernando CHEUNG. I am not going to repeat those complementary arrangements.

Madam President, superficially the current year's provision for the Judiciary has an increase of 8.2% (that is, 7.28 million). However, if a comparison is made with the Budget for the year 2005-06, there is an increase of only 3.4%. As stated by me again and again, we have to carefully guard our independent Judiciary. In order to act on this, it is necessary to give proper and adequate financial support.

Even though the Judiciary has shelved the closure of the Magistrates' Courts in Tsuen Wan, and is going to appoint more Deputy Magistrates and

judicial officers, and recruit more supporting staff, the reality is there for us to see. The waiting time of court cases is longer than six months. It is really unbearable. It is not just that there is much room for improvement. What is more, improvement has got to be made urgently. Take as example the Interception of Communications and Surveillance Bill that we have been examining in recent days. For the time being, leave alone the contents of the said legislation. Still there are bound to be issues concerning resources. Currently, Judges and judicial officers are already not enough. It can be foreseen that, upon the implementation of the Ordinance, the shortage affecting court resources and manpower will worsen. We regret that up to now, the Government still refuses to give us an assuring answer to the question as to how much supplementary resources it is prepared to put in for the Courts on the excuse that the Bill has yet to be passed. In fact, this is quite puzzling. Given the fact that the Government has tabled the legislation, Why can it not let Members know at the same time the manpower and resources involved with regard to the said proposal? Has the Government not made any estimate? Surely, Madam President, we do understand that the question as to whether or not the legislation can be passed will ultimately determine how much resources are going to be involved. It is, in our opinion, only reasonable that, when putting forth a proposal, the Government should do some calculation in advance to see how much resources will be so involved. This is, in fact, a very normal step. Thus it is inexcusable not to inform us as late as now.

Next, I would like to talk about the work of civil servants. I believe that the civil service establishment can indeed, as stated by the Financial Secretary, be reduced to 160 000 by the end of March 2007. At the same time, however, temporary posts in the public sector and the contracts of contract staff will be further extended. Does it mean that, following a heavy cut on the civil service establishment over the past few years, the Government is experiencing manpower shortage in coping with normal departmental operations or certain additional government services? If the goal is just to achieve fiscal balance, then it is just like burying one's head in the sand to trim the size of the Civil Service at all costs in total disregard of practical needs and the adverse impact on the services to the people. Here is another potentially probable situation also very much worth noting, namely, the outsourcing of more and more government jobs. It is by itself a way to enhance efficiency, improve service quality, exercise effective management and control operating expenditure. However, over the past few years, there have been quite a few incidents concerning contractors pocketing workers' wages. Also, last week there cropped up the

case concerning the leaking of Independent Police Complaints Council data. Judging from these, the Government should immediately strengthen its regulation and supervision on outsourcing and review the scope of outsourcing. If outsourcing is purely for the purpose of "creating" outsourcing, then it is going to be an obstacle to the efforts to make effective improvement to the overall quality of government services.

Here comes another issue worth noting. This is the one referred to earlier on by Mr LEUNG Yiu-chung, namely, the Civil Service hiring more and more contract staff. For reasons of history and on account of recent market reality, all contract staff are being paid far less than their pensionable counterparts in the departments, thus leading to a situation of "different pay for identical jobs". Is the Government going to let such a state of affairs continue indefinitely or has the Government already formulated a set of strategies? It is hoped that the Government will not wait till the problem has worsened before taking immediate actions to look for a remedy.

As a matter of fact, ever since the implementation of the ministerial system in 2000, the morale of our civil servants has been poor. The original purpose of the accountability system is to enhance the Government's transparency and boost the Government's governing power. It is, however, a pity that the accountability system has, according to many people, become a "system of evading accountability". Many policies have not been well implemented. On the surface it seems that it is due to half-heartedness on the part of civil servants enforcing the measures. In reality, it is the idea and bearings of the policies that run counter to public opinions. I just wonder how these policies can possibly be enforced successfully. Most civil servants have no job satisfaction. Yet they have to encounter more and more demands from the people. It is only natural for them to feel overburdened. In recent years, government-run services have again and again run into blunders. The fact that civil servants of middle and junior levels are negligent and duty-shy should, of course, be duly addressed and examined. However, often the root of the problem is that the bearings taken by policies are not in line with public sentiment or public opinion. As a result, enforcement frequently runs into resistance, getting half the result with twice the effort, wasting public funds and, at the same time, giving rise to internal conflicts of governance. If the Government is to achieve strong governance, then both the morale of the Civil Service and the culture of administration have got to be improved. This brooks no delay.

Coming back to the question of Government's outsourcing, in the case of the Department of Justice, at present some prosecution cases are also briefed out to lawyers in private practice. For years I have been echoing fellow lawyers' view with regard to the issue concerning Court Prosecutors, who are now taking charge of most of the prosecutions at Magistrates' Courts. According to information from the Director of Administration and Development of the Department of Justice, of the 98 Court Prosecutors now serving, only four have barrister or solicitor qualifications. Although it is believed that neither barristers, nor solicitors nor Court Prosecutors should be asked to convict defendants at all costs, the conviction rates at Magistrates' Courts are relatively low. Is it true that many of these cases should not be brought to prosecution at all?

Madam President, according to the Financial Secretary's Budget speech for the current year, the fiscal deficit has already been successfully eliminated. We, however, still have to take a look at the price being paid for the elimination of fiscal deficit. It is hoped that the Financial Secretary will listen to the views expressed by Members. Thank you, Madam President.

MR TAM YIU-CHUNG (in Cantonese): President, the Government pointed out in the Budget that we "should capitalize on the present opportunity and further develop Hong Kong's economy". The DAB strongly agrees with this and we have therefore developed a full awareness of possible crises in Hong Kong's long-term development. The report released by the Chinese Academy of Social Sciences concerning the competitiveness of China shows that Hong Kong ranks first among 200 Chinese cities, which is indeed a recognition of our present achievements. Yet, we are the third last in terms of the growth index. Even the Chief Secretary openly said two days ago that Hong Kong should avoid being marginalized, so it can be seen that our development is under immense pressure.

The Financial Secretary proposes that Hong Kong has to move forward in tandem on many fronts. To achieve this end, the DAB suggests that the Government should focus on the development of new industries, which is comprised of three levels: First, new industries in the international market, especially high-technology and high-skilled industries; second, high value-added industries, and third, upgraded traditional industries. With regard to the

specific measures, it is imperative for the Government to change its mindset of governance to devise policy initiatives to nurture those industries; to formulate long-term targets and strategies for developing new industries; to capitalize on the technological advancements of the Mainland; to nurture local talents and attracting foreign ones to Hong Kong, as well as to supplement Hong Kong's edge with the strengths of the Pearl River Delta Region at a deeper level, and so on. The DAB organized a seminar on this topic in February and received very encouraging responses. Members of the trade or academics who engage in the study of industrial development pointed out that, in order to enhance its competitiveness, it is important to develop innovation and technology, which must be backed by industries, high-technology industries in particular. It is because technological advancements cannot be commercialized without industry. Therefore, we hope that the Government will address the hollowing-out problem of Hong Kong industries as early as possible, and enhance our competitiveness.

In relation to industries which have comparative advantages at the moment, the Government should take advantage of the first possible opportunity and expeditiously implement measures that have been in fermentation for years. Take the example of the development of the logistics industry, despite that the logistics industry is one of the pillar industries of Hong Kong economy, our competitive edge in this respect is actually dwindling. According to government statistics, the accumulated cargo throughput of Hong Kong in the first three quarters of 2005 has only increased by 2% over the corresponding period in 2004, while that of the ports in Shanghai and Shenzhen recorded double-digit growth. The throughput of Singapore has even exceeded that of Hong Kong and resumed its leading position. Furthermore, so far as container throughput is concerned, Hong Kong has fallen behind those three cities. With rapid development and expansion, Hong Kong's neighbouring ports have also surpassed Hong Kong. In view of this, we need to expeditiously decide on the construction of the Tuen Mun Western Bypass, which connects the Hong Kong-Shenzhen Western Corridor and the Deep Bay Link, and the Tuen Mun-Chek Lap Kok Link, as well as to speed up the construction of the Logistics Park and Hong Kong-Zhuhai-Macao Bridge, with a view to sustaining our leading role in the shipping industry. The implementation of such measures that promote the development of industries will enable Hong Kong to have sufficient employment opportunities to relieve the unemployment problem.

Revitalizing the overall Hong Kong economy helps to redress the grievances of society and reduce the financial burden of social welfare.

Statistics of Hong Kong show that there were changes in household income during the seven years from 1997 to 2004. Apart from the 250 000 families earning more than $50,000 per month, the household income of the remaining 1.95 million families has decreased while the proportion of families earning less than $10,000 per month has increased from 17.6% to 28.7%. This is a very dangerous signal because it implies that the middle-income families, which contribute most to social stability, have become worse off. Furthermore, if the dividing line is set at 50% of the median household income, 200 000 more families in Hong Kong will be living in poverty, and this explains why society has so many grievances. Despite that Hong Kong economy is now on an upward trend, but since we are undergoing economic restructuring, the wealth gap is unlikely to see improvement. So, as far as the Government is concerned, more efforts should be put on revitalizing the overall economy so as to improve the quality of life of people.

With regard to specific welfare measures, the Budget this year has allocated an additional $100 million per year for helping the disadvantaged groups, whereas the allocation for employment support will also increase by $230 million in the next five years, among which $150 million will be set aside for strengthening such support services at the district level. As such, long-term CSSA recipients will be granted, on a trial basis, an extra one-off allowance of $1,500 to help them adapt to the early life after returning to work. Besides, such initiatives as the provision of transport subsidy for people living in the remote areas will be implemented. We welcome these initiatives because they respond to the suggestions made by the DAB earlier.

In case of poor families, the greatest problem to them is employment. So, in order to be effective, poverty alleviation measures should begin with boosting or encouraging employment so as to enable everybody to become self-reliant and break out of poverty, and provide their children with better conditions of learning and constant improvement of their lot. As far as welfare policy is concerned, we opine that the Government can introduce the following two improvement initiatives.

In the first place, the current CSSA system must be reformed. With its wide coverage, the Government always resorts to the CSSA for assistance in solving various kinds of livelihood problem. It therefore appears that the system is broadbrush, lacking flexibility and target. For instance, the "low

earnings" category of the CSSA Scheme is the only arrangement under the welfare system of Hong Kong that provides assistance to the working poor, where up to $2,500 monthly earnings can be disregarded without geographical restrictions under the low earnings CSSA Scheme. In other words, low-income CSSA recipients who live and work in Tsim Sha Tsui can have monthly earnings of up to $2,500 be disregarded, while those who live in Tin Shui Wai but work in Tsim Sha Tsui can likewise have disregarded earnings of up to $2,500. This is indeed unreasonable. Therefore, the DAB suggests that the Government should first consider adjusting the calculation method of disregarded earnings so as to increase incentives, for instance, to increase the transport subsidy with a view to encouraging eligible low-income people facing high transport costs to maintain employment.

The other day, the Health, Welfare and Food Bureau stated that there was not a great need to adjust the limit as the majority of the recipients under the disregarded earning arrangement have yet to reach the $2,500 limit. However, this has precisely reflected the need to adjust the limit upwards so as to give greater incentives. In the past, the DAB has repeatedly suggested a uniform increase in disregarded earnings from the existing $2,500 to $3,500, and the basis of calculation is: The first $800 of earnings is totally disregarded; the next $1,500 will have a 75% disregard, which is then followed by a 50% disregard of the next $3,150. Following this calculation method, people earning less than $5,450, that is 50% of the overall median income in Hong Kong, are eligible for the relevant government assistance. There is also an incentive mechanism to prevent their alienation from society. The Government should, therefore, further consider this suggestion.

Second, the unemployment assistance must be separated from the existing social security system with a view to implementing the whole re-employment support scheme and establishing unemployment assistance, where eligible applicants may receive an amount equivalent to 50% of the median income for a period of six months. Eligible CSSA applicants who are unemployed may apply for the CSSA again, and vocational retraining must be provided to people under the scheme for a period of three to 12 months. The experiences of countries around the world show that this approach can help CSSA recipients to rejoin the labour market with a view to achieving the target of welfare-to-work, and also to prevent the unemployed CSSA recipients from losing the incentive to work after falling into the safety net for a prolonged period of time. In fact, the measures implemented by the Government in respect of CSSA assistance under

the unemployment category are moving in this direction, and yet, they should go deeper so as to reduce the negative stigmatization that "CSSA nurtures lazybones".

Similarly, apart from the CSSA Scheme, the Government should also consider formulating self-reliance schemes to provide assistance to the low-income people on a need basis, such as the provision of free public health and medical services, so as to relieve their financial pressure and the social impact of working poverty. The DAB finds it encouraging that its proposal on providing short-term travel support for Tin Shui Wai, Tung Chung and North District residents who are financially needy and have completed full-time courses with the Employees Retraining Board will be implemented by the Government. It is hoped that the proposal will be implemented as early as possible and will follow the abovementioned direction, so as to further expand the scope of support to encourage people to work.

Finally, I will turn to the civil service policy as this year's Budget has little coverage on it. The DAB hopes that the Government will conduct an objective review of civil service pay, to fully consult its staff and apply it more carefully, so as to maintain the morale of civil servants. The substantial downsizing of the Civil Service in recent years has created enormous pressures on front-line civil servants, in particular the professional grades. And, in order to save resources, many government jobs have been outsourced. According to reports received, however, certain jobs relating to enforcement were also prepared to be outsourced to the private sector, for instance, the approval of building plans in accordance with law. The situation has become a cause for concern because it may result in unfairness in enforcement and even a decline in the level of government supervision. Therefore, it is hoped that the Government can proceed cautiously.

As regards the benefits of civil servants, free medical service is an important benefit which the Government undertook to provide to them when joining the Civil Service. However, the demand for public medical services has been increasing in recent years, so the waiting time for various specialized services has become very long. And yet, there is not any queue exclusively for civil servants. Even the quota for out-patient services has been reduced in some clinics. Furthermore, after the compilation of the Standard Drug Formulary by the Hospital Authority recently, some civil servants cannot get the medicine they used to take and have to buy it themselves. As a result, the level of benefits has

undoubtedly declined. Therefore, it is imperative for the Government to maintain the level of medical benefits to avoid the building up of grievances among civil servants, especially those junior civil servants. I think the Government should correspondingly attach importance to the matter.

President, in spite of the views and suggestions raised, I will support the Budget for the sake of the overall interests, stability and harmony of the community.

MR LEE CHEUK-YAN: Madam President, this Council is full of song and shit, and I hope what I am going to say is a song to the Financial Secretary and not shit.

PRESIDENT (in Cantonese): Mr LEE Cheuk-yan, as I told Mr LEUNG Kwok-hung earlier, the English word which you have used……

MR LEE CHEUK-YAN (in Cantonese): President, that is a real object.

PRESIDENT (in Cantonese): Although it may be a real object, I do not think there is such a real object in this Chamber. Please be careful with what you say and you should withdraw what you have said just now.

MR LEE CHEUK-YAN (in Cantonese): All right. I will do so. No problem. I was only being humorous and that is all.

PRESIDENT (in Cantonese): I do not think we can be humorous about such matters.

MR LEE CHEUK-YAN (in Cantonese): President, I hope you could appreciate my sense of humour.

PRESIDENT (in Cantonese): I do not think I can.

MR LEE CHEUK-YAN (in Cantonese): Then let me continue. President, the Hong Kong Confederation of Trade Unions thinks that there are two major problems with this Budget. First, there is nothing in it that is any achievement in macroeconomic terms. It is like a miser billionaire who tries to do something perfunctorily on helping the poor. When the Financial Secretary talks about the economy in his Budget, I have an impression that he is merely trying to whitewash. All he does is to paint a rosy picture, saying that the Hong Kong economy has recovered. But he has not resolved the conflicts deep inside.

On the question of in-depth conflicts, it is not like what Chief Secretary for Administration Rafael HUI has said, that he is worried about Hong Kong being marginalized under the 11th Five-Year Plan as there are threats to our competitive edges. However, I wish to point out in particular that the greatest problem of competitiveness facing our economy is not the need to compete with the Mainland, but that there are fundamental problems with the economic structure of Hong Kong and they are caused by our own Government. The macro policies adopted by the SAR Government can rightfully be said to be welfarism for the consortia. It is always robbing the poor to help the rich and then robbing the rich to help the mega rich. It is exploitation at different levels of the pyramid. This is a snapshot of our society as it is. This kind of pyramid exploitation is in fact pushing up the prices and the costs. And costs in Hong Kong are made skyrocket high. What makes people furious is that after costs and prices in Hong Kong have been pushed up, it is said that the competitive edges are low. Workers in Hong Kong are wrongfully accused of having high salaries which make Hong Kong uncompetitive. Actually, it is the workers who are the victims and it is unfair that they are wrongfully accused after being exploited.

Why do I say that this is pyramid exploitation? Members can just look at the trades and industries. In the construction industry, for example, the primary contractor wins in a tender for a government project and the primary contractor is exploited by the Government as the tender will go to the bidder who offers lowest price. The tender price offered by the primary contractor will not work at all, and so he has his eyes set on the subcontractor and the subcontractor will try to take advantage of the sub-subcontractor. The sub-subcontractor will do the same with his subordinate contractor and finally the workers will suffer

when they are owed wages in arrears. What then can the workers do? As their wages are in default, they cannot shift the risk to others and so they have to bear it. And so their families suffer. This may lead to domestic violence. This is what I call the pyramid of exploitation in the construction industry.

Then how are things like in the restaurants and retail trade? Though it is said that business in the restaurants and retail trade has become better, the rents for the shops will soar once business has improved. When the owners in the restaurant and retail business want to think of a solution, what will come to their mind? Workers. The crisis will be shifted onto the workers. They get a low wage and work long hours. Restaurant workers now work 13 hours a day. Financial Secretary, what should we do? They work 13 hours a day and they only get $6,000. This is how things are like with workers. In the end they have to bear all the problems created by this kind of pyramid exploitation.

Taxis, tomorrow we will discuss problems associated with taxis again. Now a taxi licence costs some $3 million all of a sudden because of the rampant speculative activities. The price of liquefied petroleum gas has risen from $1.7 to $3.5. The taxi drivers cannot make ends meet and so they grumble. They think it is the light goods vehicles which rob them of their rice bowls. So there are disputes between them. This is very unhealthy. But, why can a taxi licence cost some $3 million? What kind of a system is this? Is this not pyramid exploitation?

On the container industry, people talk about logistics very often these days and the container handling fees in Shenzhen are lower than those charged in Hong Kong by a large margin. But that does not mean that our container truck drivers get a good pay, only that monopolization exists in the terminals. As a result, prices are high and the costs are transferred to the consignors and they in turn will transfer the costs to the transportation companies which will do the same with the truck drivers by asking them to become self-employed. The workers are caught in such a mess. How are we going to solve this structural problem?

With respect to public utilities, now the whole community is saying that electricity tariffs are expensive, the transport fares are expensive and the tunnel tolls are expensive. What can the Government do? Nothing. All it does is to waste time and wait. Prices in these areas are high and this increases the overall

costs in Hong Kong and the competitiveness of the territory is threatened. But these problems cannot be solved and people are just waiting while the workers are being exploited. For the Government, it keeps on outsourcing and The Link REIT is one such example. Secretary, you are here. After the listing of The Link REIT, the commercial tenants in Tin Shui Wai went to the Complaints Division of the Legislative Council to lodge their complaints. They said that the rent used to be $29,000, but then it was raised to $40,000 and the rate of increase is staggering. They said they could not afford to pay the new rent. You people do not care about this and so things have become what they are. Rents in the entire district of Tin Shui Wai have gone up. There is something odd with Tin Shui Wai, I am not sure if the Secretary knows it and that is prices in the Tin Shui Wai market are remarkably high. Those who live in Tin Shui Wai are the poorest people, but they have to pay the highest prices when they shop in the market. And they will need to go to Yuen Long to buy things in the market. Why? Because The Link REIT has made prices very expensive. Perhaps this is because you had not done a good job about the rents when you were at the Housing Department and so the prices of everything have gone up.

Talking about the civil servants and the Government, the situation is likewise a bloated top and a skinny bottom. What the Government has all along been doing is to cut the establishment. But the posts slashed are actually all at the lower levels. The newly created posts are at the top and there is one more level of employees as well. I know that Secretary Denise YUE knows I am unhappy about the appointment of people on non-civil service contract (NCSC) terms. Previously, the Government wanted to freeze the number of civil servants and recruitment was forbidden. All the departments were not allowed to recruit any staff. But more staff were required. And so they invented this so-called NCSC system. One example is the library assistants. There are some 300 of them presently and there is no such kind of staff in the Civil Service. The title of this post was also invented and it was a title created ingeniously. Some 300 people were appointed on NCSC terms as library assistants. Their salary can never be increased. There are no increments and benefits. But they do the same kind of work as the civil servants and they have no job prospects.

Now there is a 20% wastage rate. But the Government just sits back and does nothing. I am very happy to hear Secretary Denise YUE say there is a half-year review period and this is at least better than Joseph WONG who said

this for so long but did not conduct any review. What will happen after the review? Will Ms YUE say that as the service is being reviewed, these people cannot be converted into civil servants? She may also say that business has changed. I think these words are deceptive and subject to their interpretation all the time. What is meant by a service under review? You can say that the library service is under review and the Government is thinking of contracting out that service and so a review is being conducted. It would be all right if they say so. If reviews are being conducted all the time, does this mean that they are going to be cheated all their lives? This is not fair. I hope the Government will consider this problem and stop asking the grass-roots people to pay all the prices all the time while the vested interests of the consortia are protected.

On this issue of outsourcing, when the Government itself engages in outsourcing, this is in fact doing harm to the workers in Hong Kong. It is also taking the lead to push wages down to a low level. Even though the Government is now trying to impose a minimum wage in the outsourced services, the amount is only $5,000 and it is even trying to play smart. Maybe Secretary Dr York CHOW should pay attention to this. How does the Food and Environmental Hygiene Department (FEHD) want to play smart and do tricks with numbers? Street cleaners used to be required to work 17 hours a day and now two hours are taken away. The morning shift now is changed to nine hours and the night shift to six hours, that is, from four o'clock to 10 o'clock and there is no meal break. Wage is of course paid for six hours of work. Though a minimum wage is set, only six hours of work are counted every day. These workers used to work seven to eight hours a day, now they are asked to work six hours and their income is instantly slashed. Then the problem of poverty comes in. Would the Secretary just think, if their working hours are reduced, will the street cleansing service be affected and the income of the workers fall? So what is the point? Why should calculation be done in this way? Could the Secretary discuss this with the FEHD to see if there is a need to be so mean? So if the Government does nothing to change this system of pyramid exploitation and if it does not think about how to intervene and launch some policy to assist the disadvantaged, and if it only knows to turn around with the prices, this situation will never improve. There is hope for Hong Kong only when the Government stops giving favours to the consortia and condoning their monopolization.

There is one thing I want to settle scores with and that belongs to the policy area under the charge of Secretary Michael SUEN. Are you practising a

high land price policy now? Of course, you will deny it. But just look at the rents for offices in Central, they have returned to the 1997 level and likewise, the prices of luxurious flats have reached their former peak. Then you said there would be no land available in the Application List for the developers. Maybe you would say that you do not want to sell land at dirt-cheap prices. But I would think, if you say that land is so affordable and even as developers have triggered land from the Application List, an auction exercise would have to take place. Then let the market decide. Of course, it would be terrible if there is no competition in the market. It would be terrible if there is collaborative price fixing. Then you need to study whether you should make land available at cheap prices for the developers to trigger from the Application List and then put the land to auction. If you want to auction the land, will there be any collaborative price fixing? If there is really such a thing as collaborative price fixing, then it is proof that a fair competition law should be enacted. If there is no fair competition law, then there is no way to conduct investigation, and how can we know if there is any collaborative price fixing? But you may say that there is no such thing as collaborative price fixing for the reason that if land is parcelled up into smaller portions for sale, there would be no such problem when the small and medium-sized developers can bid with the giant developers. If you are saying this, then why do you not put the land out for auction? The only reason is you want to practise a high land price policy, right? If you want to explain that you are not practising such a high land price policy, then you should let the developers trigger the lots they want and then auction them in the market. If the price of lots triggered is too low, then theoretically the price will be pushed up by someone, for you have said there are market forces in operation. But I do not see why you do not offer land for sale now. In the end, the prices of things will only get higher and higher.

President, the structure of the entire society is like this. How can this be? Lastly, I would like to devote some time to the poverty alleviation policy of the Financial Secretary. Financial Secretary, you know that I am very disappointed with you because I fail to see what you have done as the Chairman of the Commission on Poverty (CoP). Now this time around, you set aside $100 million for poverty alleviation work and that is the only thing you have done. With respect to society as a whole, I do not know what your priorities are. There are so many low-income people and so many poor and disadvantaged groups in society, but your are willing to set aside only $100 million to take care

of them. Last year, there was a surplus of $4.1 billion and there is $600 million this year, and you are willing to reduce the tax payable by the middle class and the loss in revenue amounts to $2.7 billion, but why is so little money earmarked for the poor? In 2003, the CSSA for the old people was slashed by 11% and the disability allowance also by 11%, why can you not help them now so that they can live a bit better?

Of course, there is one thing, Financial Secretary, you have accepted half of my suggestion about a transport subsidy. But why is the scope of eligible persons so narrow and only $2.3 million is set aside to be given only to those on retraining programmes? I do not think the Financial Secretary would feel at ease when he sets aside this sum of money. I know that you hope to do something and I am discussing the matter with the CoP to see if this transport subsidy can be extended to all low-income families this year. People from low-income families who live in remote areas and need to travel to other districts for work should be eligible for this subsidy. When I discussed the problem with members of the CoP, it seemed that there was a consensus on this. Last week when we discussed the matter in the Legislative Council, we thought that this should be done. The problem now may lie in the mechanism and how it should be implemented. I can see that Secretary Dr York CHOW is sitting at the back and Secretary Stephen IP is not in the Chamber now. If this idea is going to be put into practice, it would either be the Social Welfare Department (SWD) or the Labour Department (LD) which will be in charge of the relevant matters. In the long run, I think that it would be proper for the LD to be in charge. Why? This is because all matters related to employment handled by the SWD should be carved out and be handled by the LD. This is because there is a section on employment services in the LD and it can co-ordinate all matters related to employment, including the travel subsidy for low-income people which should be paid out by the LD. But as there is no such policy in place now, such matters would have to be handled by the SWD in the meantime. So I hope Dr York CHOW and the entire Government can co-operate and do a good job about this transport subsidy. I think there would only be a chance for me to vote in favour of this Budget if a good was done with this. I hope you can give me the chance to vote in favour of this Budget.

Thank you, President.

MRS SELINA CHOW (in Cantonese): President, ever since Mr Henry TANG became the Financial Secretary, the economy of Hong Kong has been improving. By this year, the fiscal deficits have been eliminated three years ahead of schedule. No wonder some people have called the Financial Secretary a lucky fellow and some people said he has stamina and resilience. All in all, he deserves the recognition people give him. And officials in many government departments can breathe a sigh of relief as they are no longer required to rack their brains all the time to devise economizing measures. Business boom and people wear a smile on their faces. The Financial Secretary should be happy and proud of all these.

As a matter of fact, in the past few years the Financial Secretary has done a lot in boosting the tourist industry and CEPA. Maybe no people, including some Honourable colleagues of this Council, have benefited from these directly and no one may fully understand the achievements of these two good policies. But an old friend of mine, a woman who sells socks at the bottom of a staircase, told me happily that her business had got better. Although her customers are not tourists, she has benefited from the fact that employees in the retail and catering trades nearby are doing better than before and they have more money to spend, so her business has increased.

Despite all these, we still hear many people say that they have not got any benefits from the economic recovery. This is because, as we see it, business is not particularly good in some trades and districts. So notwithstanding the attractive and rosy outlook depicted by the growth rates and figures cited by the Financial Secretary, some grass-roots citizens are still in dire stress and they are having a really rough time. One of those unlucky groups of people is construction workers. We are sympathetic to workers in the case of Dickson Group Holdings Limited. It is true that with the decline of the construction industry in recent years, many of the large infrastructure projects cannot commence and this applies to government projects as well. As a result, the annual sum of $29 billion earmarked for public works has not been used up.

A pet explanation by the Government and the first and foremost reason it gives is political strife. The blame is shifted onto the Legislative Council. Admittedly, over these few years some major public works projects have sparked off heated debates in this Council and these projects, be they the development in West Kowloon, the reclamation in Central, the planning of land in Kai Tak and the Tamar site for the government headquarters and the offices of the Legislative

Council and Executive Council, and so on, all these projects have come to a standstill and regardless of whose fault it is, the result is that the related trades and professions have been adversely affected.

All along the Liberal Party has been hoping that a way can be found to break this impasse so that there can be further development. Of course, as representatives of the public, we have the obligation to ensure that public money is well spent, but we do not think that this Council should intervene too much with the professional domains, for after all, a suitable balance has to be struck. Looking back at the past few years or so, the Government has been talking more than doing things. The countless consultancy reports and endless consultations make people think that the Government has been going at a very slow pace in infrastructure projects and it has been caught in a quagmire.

President, for some infrastructure projects which are controversial, the Government may be somewhat justified in putting the blame for delay on political disputes. But apart from these large public works, what about those small and medium-sized projects? Are the delays attributable to the Legislative Council which stands in the way of everything? No.

Over the past couple of years, of the 59 projects submitted by the Government two years ago to this Council for examination, 58 of them were endorsed by this Council. For the 49 projects submitted last year, the Council only asked that one of them be resubmitted. In the end, all the projects were approved and it cannot be said that the Council has been reluctant in giving its approval to these projects. However, if we look at the number of works projects submitted to this Council, there were 112 in 1994-95, 93 in 1999-2000 and the number dropped to 49 in 2004-05. At the same time, we keep on hearing complaints from the District Councils, expressing a strong discontent with the delays in building community facilities and the fact that the projects of the former Municipal Councils are constantly downsized and postponed.

Last weekend, I went to Discovery Bay and I had a heart-to-heart exchange with residents there. They said with oneness of mind that they were very unhappy with the procrastinations of the Government. Before they moved into Discovery Bay, they could see clearly in the plans that there would be community facilities. Now as the number of residents keeps on growing, nothing is heard about these facilities. The reply given by officials when questioned when could a sports ground be built was that residents could take a

ferry to Ping Chau. It is heard that the utilization rate of the Ping Chau sports ground is only 27%. No wonder the officials came up with this ingenious idea. Such a practice reminds me of those small businessmen from Cross Street and Tai Yuen Street in Wanchai who came to seek assistance from the Complaints Division of this Council last week. The reason is that the new Wan Chai market designed by the former Municipal Services Department cannot find enough tenants to operate there and so the open air market that has long become a local tourist attraction is to be sacrificed. How can high-handed measures like these foster any harmony in society?

President, I think the Government should demonstrate the resolve to speed up the construction of more community facilities that have been delayed for many years. I believe this is in urgent need of intervention and co-ordination by a Secretary of Department before any result can be seen. In fact, often we hear voices from the District Councils asking the Hong Kong Tourism Board (HKTB) to develop local tourism and improve tourist spots in various districts for enjoyment by residents of the districts and serve as destinations for people from outside the districts. The Government should address these aspirations squarely. This is especially the case as the middle-class people have been paying more taxes and fees to feed the public coffers. Now as the economy picks up, what have they got in return? Therefore, their request that there can be improvement and beautification of the environment is perfectly natural. An example is the Five Beaches area near Tuen Mun which is a beautiful place. Besides, there are also many scenic spots on the outlying islands and theme markets, and so on, all of which should be fitted with better facilities and put under better management.

Apart from that, the provision of tourist information and support for guided tours are also in serious shortage. The Government can make a small investment and set up some kind of co-ordination mechanism in the administrative framework, put in resources and have bodies like local tourism development committees tasked with promotion and support. All these will be of great help to the growth of the local economy and tourism.

President, although I am the chairman of the HKTB, actually I am a volunteer and I do not have any substantive interest and so I do not think I need to declare any interest. But when I hear some inaccurate accusations and as they are based on some equally inaccurate facts, I feel I am obliged to clear things up.

It is unfortunate that Mr SIN Chung-kai is not present here. Mr SIN is particularly fond of the HKTB, so it seems. But his knowledge of the relevant information is disappointing. The recurrent expenditure of the HKTB is not $500 million as he said, but $465 million. He did not mention that in 2001-02, the funding was $514.5 million. That is to say, during this five-year period, the funding for recurrent expenditure has been cut by $50 million and the number of staff has also been cut from 270 to 226 now. As we know, the workload has increased drastically during these few years and I think Members are well aware of our successful efforts in winning back the tourists after the SARS outbreak.

Another mistake made by Mr SIN is about the funding from the Government for 2006 Discover Hong Kong Year which is made in two years. He said that last year the Government gave an additional funding of $500 million. But he did not say clearly that this sum would be used for two years and the amount was not $500 million but $470 million. He also said that irrespective of the amount of government funding, the HKTB might use up all the money. This has created a false impression that the HKTB spends money casually and not prudently.

Apparently, Mr SIN has also overlooked — I dare not say that this is deliberate, but the omission is very obvious — the adjustment made has been clearly accounted for in this year's Budget. Due to the spread of avian flu and the postponement in the commissioning of certain tourist facilities, the schedule of promotion activities and the associated marketing activities abroad is also extended. If we can ride out the avian flu threat unscathed, that would save us $22 million. However, the marketing activities must still be conducted even if the facilities will open later than scheduled. So the planned expenditure of $24.5 million in the first quarter will only be spent in about the second or the third quarter when the tourist facilities are opened. In other words, the funding this year will not be more than the amount approved last year and it may even be less. The comment made by Mr SIN that the money will be spent no matter how much it may be is not only incongruous with the fact but also fails to reflect our practice that money will only be spent when it is necessary.

Mr SIN also questioned why the Government insisted on pegging the estimates of tourism return for 2005 at $10 million and that was not in line with the $29.3 billion mentioned in the latest economic report of the Government. I am baffled to see this because with the advanced IT wisdom of Mr SIN, he

should have distinguished these two sets of totally different data. The data on the direct contributions made by the tourist industry in added value quoted by him are about the added value brought in by the tourist industry as a whole and not its total expenditure. What he cited was precisely the data from the abyss during the SARS outbreak of 2003. But the $100 billion of the Government is the result of using international standards adopted by the World Tourism Organization in the calculation of total expenditure related to inbound tourism, that is, items like the transport fees of the inbound tourists, the hotel expenses, all the shopping expenses and payment for services in Hong Kong, and so on. All these will be counted as expenses of inbound travellers in Hong Kong and this is the method used to work out figures that are eventually published. So the relevant figure is absolutely correct and it is the figure for 2005.

Mr Fred LI queried the use of $9.5 million to update the homepage of HKTB, saying that it was too extravagant. Actually, the sum is also expenditure for two years, not for one year, as Mr LI had said. The money would be used on developing the homepage of HKTB which has 18 versions in 12 languages and more than 5 000 pages. The money also includes nine information terminals placed in the waterfront promenade in Tsim Sha Tsui and contents of the interactive audio-visual station that is going to be developed. With such an amount of money for so much work, I do not think any work done will be in any sense extravagant at all.

President, I am in total agreement of the right of every person to make criticisms, but I also think that using inaccurate data as the basis and grounds to label other people is both unprofessional and dishonourable. I hope this practice can be rectified.

President, I have heard quite a number of Honourable colleagues talk about the importance of helping the poor and eradicating poverty. The Liberal Party is in complete agreement with all these and there is no question about it. We have also joined the Subcommittee of this Council on the elimination of poverty and, like other Honourable Members, we hope to help the low-income families stay in employment. In this advanced society of ours and Asia's world city, they should lead a decent life. Therefore, we agree completely that they should be given some support by society and the Liberal Party will conduct in-depth studies on recommendations about many areas and we will put forward our views in a few months' time.

But in recent years, I am more and more convinced that the people who are most neglected are not the poor people. While almost every one of us has talked about assisting the poor and helping the disadvantaged groups, in Hong Kong, the ones most neglected are a group of small enterprises with owners and staff working so hard but gaining little recognition. Despite the greater frequency in the use of the term SMEs — small and medium enterprises — than before, but as we deliberate on controversial issues like centralized slaughtering, a total ban on smoking, "user pays" principle, minimum wage, sales tax, have we thought about the affordability of the SMEs? Have we shown any care and concern for their survival and demise? Or do we simply allow the relentless tides of economic prosperity and development sweep these SMEs into a dead end? Is the Government creating room for monopolization by the giant consortia knowingly or unknowingly?

President, I so submit.

MR WONG TING-KWONG (in Cantonese): Madam President, even though the most difficult period of our economy is over and the economy is slowly moving out of the doldrums, a direction for future development has yet to be identified, and a new point of economic growth has yet to be created. The SAR Government should change its currently upheld so-called "policy of non-intervention". Strategies enabling the market to lead and the Government to take the helm and play the enabler role should be adopted. There should be support in terms of administration and policy. Efforts should be made to draw in foreign and mainland enterprises to make investments. Local commercial and industrial sectors' incentive to re-invest should be encouraged. Stimulus should be given to our pioneers of business ventures so that they can have the courage to start businesses.

This year's Budget has not taken into consideration the various types of land and infrastructure projects required by different industries for the revigoration and enhancement of local industrial development. In order that there can be more effective planning to provide new industrial lots and deal with existing factory buildings, the top priority is to have appropriate land policies. The fact is that as most processes of manufacturing and production have moved to the north, more and more local factory buildings are being left vacant year after year. Calculating at the per sq ft market cost, it is estimated that the value

of factory buildings left vacant is equivalent to $7.5 billion, which represents a huge waste of social resources.

The DAB holds that, in order to dovetail with our economic restructuring, the Government should take steps to supply more land allowing multi-purpose and effective uses by relaxing the restrictions on the uses of industrial buildings so as to encourage SMEs to start new businesses and help the development of new industries. If industrial buildings can also grow in value through re-planning and re-designing, this may help to lower the existing vacancy rates of factory buildings.

At present, formalities pertinent to applications to change the uses of factory buildings involve various government departments, namely the Planning Department, Buildings Department and Lands Department. However, there is not much communication and co-ordination among all the departments, which renders the process of application long and tedious. With each department having its different criteria, the owner of an industrial building must submit application and clarification to each of them separately. This causes a lot of trouble to the businessmen and the community and also wastes time to no avail.

It being so, the SAR Government msut simplify the relevant application procedures and standardize the criteria for processing and approving applications to change the use of industrial buildings. This should cover matters like land use and building structure. To make it easier for owners of industrial buildings to fully understand the application procedures and the scope involved, it is also necessary to arrange a one-stop setup for processing and approving applications.

I have been informed by certain enterprises that when one tries to expand some non-production industry-related processes in an industrial building, there may be restrictions on the lease resulting in a need to pay regrant premium. This has resulted from the fact that whilst in recent years the Planning Department has relaxed the restriction on the uses of industrial land, the Lands Department has not tied in by adopting corresponding measures of relaxation. It can be noted from this that the Government, in order to cut red tape and streamline procedures, must set consistent policies and guidelines. What is more, all the departments concerned should be urged to effect co-ordination among themselves and act concertedly.

Besides, the SAR should further relax the definition of industrial uses set down by the Town Planning Board so that high value-added non-production processes such as design, scientific research, marketing, information management, financial management, procurement, production planning, quality inspection and logistics management may be placed under the statutory definition of "factory". With the statutory meaning of "factory" suitably expanded, industry-related high value-added processes may be encouraged to remain in Hong Kong, and employment opportunities may be increased. Also this may serve as a clearer guidance for members of the industry intent on adding value to their factories.

Madam President, some people worry that once there is relaxation in the uses of factory buildings, industrial land will be abusively used for commercial purposes. The DAB holds that the uses of industrial land definitely should not be abused, but that it is also not advisable to frustrate the chances for vacant industrial buildings to add value and develop as depicted in the saying "keeping worms away by cutting off the toes." To prevent abuse, the Government should strengthen supervision and control by requiring enterprises, where necessary, to submit information confirming that they indeed have factories on the Mainland and are carrying out processes of production there, and that the premises in Hong Kong only serve as their headquarters and provide a venue for the development of high value-added industrial activities.

New manufacturing industries that have emerged in recent years tend to develop along the line of high value-added advanced technology. The DAB is also actively promoting the development of new industries in Hong Kong. At present, it is often necessary to apply for permission to change the use of factory buildings if they are to be used by new industries for production. It is proposed that the scope covered by the statutory definition of industrial uses be relaxed so as to include new industries such as telecommunications, information technology, product design, creative industry, media production, logistics and research for them to operate in factory buildings. The SAR Government can show its support for new industrial developments in Hong Kong in terms of land and factory premises by expanding the uses of industrial land so as to enhance the potentials of vacant factory buildings to grow in value.

Madam President, I so submit.

MR VINCENT FANG (in Cantonese): Madam President, first of all, I have to declare that I am the Chairman of the Coalition Against Sales Tax (the Coalition). The formation of this Coalition was initiated by such related trades as wholesale, retail, catering, tourism, transport, and so on. It has a very clear objective of opposing the Government's introduction of Goods and Services Tax (GST), which is said to be running counter to the Financial Secretary's position towards the introduction of GST as advocated in the Budget. Actually, I have said many times that not only our trade will suffer from the introduction of GST, but also the exhibition, trading as well as the service sector which currently accounts for nearly 90% of Hong Kong's Gross Domestic Product. None can be spared. Besides, the public's quality of life will also be affected.

If our transport service is also subject to an increase in tax for a few percentage points, then why do the trade operators not switch to Yantian and Shekou? Not only will they be spared of having to pay GST, there will also be savings in transportation cost of a few hundred dollars. We support the implementation of the smoking ban in restaurants to protect families which dine out from second-hand smoke. However, I am worried whether people will be deterred from dining out if a tax is imposed even when they patronize at the fast-food shops.

It is true that in the Budget, the Financial Secretary advised that only public consultation on GST will be conducted in the next financial year, whereas the decision of its implementation will be left to the next term of the Government. Furthermore, according to the timetable of the Financial Secretary, GST will only be introduced at the earliest in 2010 or 2011. And yet, the figures in the Budget show that the estimated budget surplus in 2011 will exceed $30 billion. Is it still necessary to introduce GST in this situation?

There is no reason for us to hold back even the consultation on GST, but the fact is that the Government has obviously put much effort to draw support for GST in the past few years. First of all, under the leadership of Secretary Denise YUE, the Advisory Committee on New Broad-based Taxes (the Advisory Committee) was set up in 2000, and the only suggestion made to the Government, after two years of studies, was "the best way to broaden the tax base is the introduction of GST".

Later, in 2004, the Government spent $4.2 million to commission a consultancy report in respect of the introduction of GST for internal reference, in which views and concerns on GST had been collected from all walks of life. In response to these views, relief and compensation will be provided to the community! It is obvious that the Government wants to solicit the support of Honourable colleagues who are concerned about the grassroots by providing the low-income families and CSSA recipients with relief and compensation. Honourable colleagues, our views on GST expressed in these two days have indeed marked the beginning of the consultation exercise for the Financial Secretary.

The Financial Secretary has repeatedly emphasized that the introduction of GST is meant not for increasing government revenue, but to broaden the tax base with a view to providing a stable stream of revenue.

Yes, it is a fact that Hong Kong has a narrow tax base, which is attributed to its economic structure. If the economic structure has yet to be broadened, but the Government resorts to administrative means to broaden the tax base, then this is undesirable. In the event that the Government fails to improve the existing CSSA system, will the introduction of such a tax lead to more abuse under such an imperfect scheme?

It is undeniable that the introduction of GST can broaden the tax base because the majority of the general public will then fall into the tax net. However, the problem is Hong Kong's external competitiveness will definitely be undermined at the same time. In answering the question put by me, the Secretary for Financial Services and the Treasury said that the suggestion made by the Advisory Committee to the Government in 2000 was, the introduction of GST will not in any way affect our external competitiveness. May I ask the Financial Secretary: Did the Advisory Committee take into consideration at that time the development pace of our neighbouring cities, say, Shenzhen, Guangzhou, Shanghai and Macao?

In the seminar held to discuss the economic development of the Pearl River Delta (PRD) Region this week, it was agreed that the PRD's pace of development will be higher than that of Hong Kong. I want to take the passenger throughput of the airport as an example. Last year, the passenger throughput of the Shenzhen airport was 15 million passenger trips; it was 23.6 million passenger trips for the Guangzhou airport and 33.8 million passenger trips for the Hong Kong airport. While the throughput of the Hong Kong

airport exceeded that of the other two by two times and 40% respectively, it is estimated that it will only exceed by 30% and less than 10% respectively in 2010. Therefore, I hope that the Government will not be complacent with our past achievements and ignore the development potentials of our neighbours. Otherwise, we are working behind closed doors.

We all know that the retail industry has suffered sharp increases in shop rentals over the past two years, and yet members of the trade did not request government intervention in the rental market because it is understood that Hong Kong is a free economy. The introduction of GST, however, does not simply ignore the competitiveness of Hong Kong, but also runs counter to the edges of the world's freest economy and the simple tax regime which we have worked hard to establish. It will also deal a heavy blow to Hong Kong's economic development and social stability.

The tax regime, mode of economic development and market opportunities have all along been the basis for promoting the prosperous economic development of Hong Kong. I hope that the Government will not ignore the future economic development and well-being of Hong Kong people simply for an "Automatic Teller Machine" which obviates the future need for the finance authorities to rack their brains on how to achieve fiscal balance.

The Financial Secretary and his colleagues have repeatedly emphasized that they have all along managed public finances prudently and lived within their means. However, as the Government continues to strangle the survival of the small and medium enterprises, thereby creating disincentives for people to risk starting businesses, government income will certainly reduce. The reduction in income and an increase in expenditure will give really difficult accounts for the Financial Secretary to settle. He always emphasizes Hong Kong's ageing population and the ever-increasing public expenditure, which warrants the making of financial arrangements for rainy days. I absolutely agree with this. However, before preparing itself for the future, a committed government with long-term strategy must first play the role of a good housekeeper to properly manage all available resources for optimal use, and then work hard to extend the story of Hong Kong's success. The Financial Secretary said only a consultation exercise would be conducted, but I really hope that it would be conducted in an objective and comprehensive manner, and should work for the future well-being

of Hong Kong, rather than making use of a bogus consultation to support an irrevocable decision.

I also wish to talk about three elementary industries, namely fresh water fish and live poultry industries and fixed pitch hawkers. I believe Members may still remember the malachite green incident of fresh water fish that occurred in last summer. As a result of the Government's imposition of a ban on the import of fresh water fish from the Mainland, trade operators had to stop doing business for a couple of months, and they have yet to recover.

The same goes for the live poultry industry. Despite that it had taken sufficient precautionary measures following the Government's advice, but still, the authorities unilaterally imposed a ban on the import of live chicken for three weeks. The cost of having no business to do was again shouldered by the trade operators themselves, and as a result, some of them jumped into the sea and besieged a government building. Fortunately, they were self-disciplined. Yet, how can such a phenomena appear in a harmonious society?

Madam President, the trade understands that the operation of business bears risks and no one will grumble at natural disasters. However, there is no reason for the trade to bear the consequences of the Government's wrong decision on its own. I would like to take the opportunity of the Financial Secretary's presence at this meeting to make a small request on behalf of two industries: I hope that the Government will waive the rentals for the period during which the government policy in question has affected the trade operators, and provide similar allowances to operators who are tenants of non-public markets.

In the briefing on the Budget last week, the Secretary for Health, Welfare and Food said that an *ex gratia* payment of $600 million had been granted as a result of the phasing out of the live poultry trade, and yet there is still $500 million available for application. In other words, the majority of the trade operators would rather continue their business than receive such government payments. They all feel disheartened because it is the ploy of the Government to have them "drained dry", so if the Government's compensation offer is more reasonable, they are prepared to surrender their licences. I hope that the Financial Secretary will consider their requests.

Last week, a couple of colleagues and I met with the representatives of hawkers from Tai Yuen Street, Wan Chai. As Mrs Selina CHOW has mentioned earlier, they do not want to move to the new market complex despite huge sums of money have been spent on building this complex. So, why were they not willing to move there? The reason is they cannot do business there. I think the Government should start to consider in detail: Why were the trade operators reluctant to move to the new complex despite of the huge sums of money spent?

The issue may seem trivial in the eyes of the Financial Secretary, but will actually have impact on the livelihood of small enterprises which have contributed to the Hong Kong economy. So, if it is not handled properly, it may result in wastage of public funds on the one hand and reduction in government revenue on the other, and even indirectly aggravate the burden of the Government itself. This is because many of these trade operators are approaching the age of retirement, and if they cannot switch business or jobs, they will have no choice but to live on CSSA, thereby increasing the burden of the Government in respect of social welfare. With one offsetting the other, I eventually understand why the Financial Secretary holds cautious optimism about the future accounts of the Government.

I will soon be leaving the Board of the Hospital Authority (HA), but still, I wish to thank the Financial Secretary because instead of reducing the HA's provision, he would increase it in the next three years. Our health care system really needs more resources to satisfy the needs arising from the ageing population, increase in risk of diseases, advancement in medical technology and increase in the demand for medical services. By increasing the provision, the Financial Secretary has enabled the HA to maintain the quality of service, allowing sufficient time for the HA and the Health, Welfare and Food Bureau to formulate a comprehensive health care financing scheme.

However, when considering this kind of contribution scheme which may also involve the participation of the whole community in the future, I hope that the Government will not look only at the scheme, but should look at it from a comprehensive angle by taking into account such factors as the tax payable and payments to be made by the public in the corresponding period. At present, a sewage charge is levied on the public. Subsequently, in the latter half of this year, an additional levy on plastic bags will be imposed, which may be followed by a levy on municipal solid wastes and contributions to the health care financing

scheme as well. The heavy burden on the public, in particular the middle class, will be aggravated should a decision be taken to introduce GST!

Many Honourable colleagues have spoken on the middle class. The Liberal Party and I also agree that the middle class is now under enormous pressure and will definitely not be exempted from GST. After the health care financing scheme is implemented, the middle class will certainly have to take out medical insurance and in the end, they will be driven to the wall. How can such a Hong Kong society be regarded as harmonious? I so submit. Thank you, Madam President.

MR ABRAHAM SHEK: Budgets are usually boring because they deal with facts and figures. But budget debates are normally interesting, for they talk of fallacies, dreams, visions and hopes. This year's Budget, as usual, is very boring, but this year's budget debate is becoming more and more interesting, and I find it actually rather educating.

One of the major concerns among Members in this Chamber this year is to help the poor. Mr Ronny TONG spoke eloquently on his proposal on how to help the poor, and this was supported by many others, like LEE Wing-tat and many others. I support them as they plead for very little to give much happiness to many who are in this category. I concur with their proposal, especially the part on the elderly and the handicapped recipients of CSSA payments, the level of which have been reduced by approximately 11% since 2003. I urge the Financial Secretary to consider this proposal carefully. I again salute Mr CHIM for his sudden good-naturedness in helping the caged people. Suddenly, I think, he found that he has more objectives to help the poor than to make money. This is very noble of him, because the caged people in Hong Kong do acutally suffer, and I know many of them. As regards other proposals, they speak very highly of society's needs and the problem our society is facing.

The tone of the Financial Secretary's Budget speech this year was both cautious and conservative, with no surprises and little excitement. With Hong Kong's dramatic economic resurgence and market improvement, the Government has managed to balance its operating account and post a substantial surplus three years ahead of its target. The remarkable achievement was hard won by the Government's team of officials after the territory's prolonged downturn. Special mention must be made to Mr LEUNG Kam-chung, who has

contributed greatly to this upturn. However, Hong Kong's fiscal position remains structurally unsound and is in a perilous state, therefore, I fully endorse the Secretary's belief that there is little room for tax cuts. Our operating surplus should be retained to replenish the coffer for rainy days, as the global black clouds are flaggingly hanging over us. Yet at this crossroad, the Financial Secretary seems a bit tardy as he fails to propose any new fiscal and economic initiative to alleviate the current taxation structure, which is full of loopholes. The Secretary's third Budget also fails to delineate a map to explore the next wave of our economic growth, in light of the fact that local pillar industries have been increasingly feeling the heat from neighbourly competition.

Let me first touch on a subject which is close to my heart and the hearts of 300 000 construction workers. The sad subject is that of the continued high unemployment rate in the construction industry, which now stands at 11%. Yes, 11%. Also, the previous figures in the past few years were 18% plus. That was really shocking, and we are really thankful for this reduction to 11%. When I say thankful, I am not addressing the Government for it has done nothing. In the past few years' Budgets, it has committed an annual spending of $29 billion for infrastructural development. That did not help bring down the unemployment figure. In this year's Budget, the Government still maintains a spending of $29 billion for infrastructural development. It simply has not learned its lesson. It should spend and invest more than $29 billion. The reduction is mainly contributed by the sudden growth in the development industry in Macao, with the availability of thousands and thousands of jobs. Our Hong Kong workers are forced to go to Macao to work for less and less money. Jobless rate, as I said earlier, still stands at 11% because of the Macao factor, when our overall unemployment rate is at 5.5%. I urge the Government to address this problem now — I repeat now — as the jobs in Macao are only temporary for a year or two, and these workers will be returning to Hong Kong very soon.

We in the Legislative Council, irrespective of our political inclinations, all want the Government to spend more and invest more in Hong Kong so as to create more jobs and invest for our future. Also, we in the Legislative Council are waiting for the Government to introduce more government projects to be pushed through the PWSC and our Finance Committee, but simply, they come dwindling. What a disappointment this is, not only for us but for the community. So, let the community know and let the community not blame the

Legislative Council for holding back government projects, but rather on government tardiness.

The second major reason for the reduction of jobs in this sector is contributed by the substantial reduction of private residential development projects locally. The developers are eager to invest as development funds are abundant, but simply, the business environment is not investment-friendly to property development. The real estate development industry was one of the major economic driving engines in the pre-1997 economy and fortunately, it is still so but unfortunately, its importance is dwindling gradually. Why this is so? Let me tell you, CHAN Wai-yip, there is no such thing as 官商勾結 in the development industry; there is no such thing as 輸送利益 in the development industry, and the industry will look for transparency. We look for a level playing field with the Government. The development industry is facing the insurmountable task of overcoming government bureaucracy and obstacle which are foreign to Hong Kong till now. The industry-government relationship is at a new low, which results in delays in project implementation and abandonment of projects locally for investment overseas where the environment is more friendly.

I have no time to list out all the problems the industry is facing, nor will you have the interest to listen. But I can tell you, the industry of top players have actually written to the Government, and those in the surveying industry, the professionals, have also written to the Government about this particular subject. Senior government officials are made aware of the difficulties of operating in Hong Kong in the real estate development sector, and there is an urgent need to streamline and simplify government procedures for greater efficiency and better use of resources. As I said, the industry is looking for transparency and a level playing field with the Government. Unfortunately, the Government turns a deaf ear to the pleadings of the industry and those of the tens of thousands of jobless construction workers. They are not the only losers; the community as a whole is the loser because if this bureacracy and inefficiency persist, Mr Financial Secretaty — unfortunately he is not here — we are losing multi-billion dollars in revenue, not only from land sale or premium, but also from associated economic activities.

I sincerely urge the Financial Secretary to step in to address this issue. This is simply not only a land issue, this could be an economic disaster, as in the case of Mr TUNG's 85 000 units.

Madam President, I should continue with my speech on this Budget debate.

Let me now focus on another area of fiscal discipline and tax relief initiatives. The Administration's medium-range forecast is for a sharp decline in the public spending portion of the city's GDP from 18.2% in 2006-07 to 18% in 2007-08, to 17.3% in 2008-09, 16.6% in 2009-10 and down to 16.1% in 2010-11. Even though the Government's projected expenditure level is below its traditional target ceiling of 20% of GDP, the Secretary has failed to specify how the Government can cut its expenditure share of the GDP. I have doubts whether the Secretary's target is really achievable and realistic since it is based on the hypotheses that Hong Kong's forecast economic growth will maintain at a moderate pace; GDP will grow at around 4% on average (in real terms) per annum, and the Government's recurrent revenue will keep soaring hugely in coming fiscal years. But taking into account the ageing population and a shrinking workforce, the Government's annual costs in providing social welfare and medical services to our citizens can be expected to remain sizeable and rightly so. I am disappointed that the Secretary has not clearly mapped out his concrete plans and solutions for driving down public expenditure in the Budget.

Even with the downsizing of the civil service establishment, although full-time civil servants have been cut to about 162 000 people, the Administration's head count of staff on contract terms has increased to 15 600, thus offsetting the jobs eliminated. Take the Environment, Transport and Works Bureau as an example. As the Government struggles to downsize the civil service workforce and many capital works projects have been out-sourced or financed under a Private-Public Partnership model, the Bureau is still pursuing the opening of about 20 directorate posts to handle works projects, which will involve an extra $26 million a year to pay staff salaries. To adhere to the principle of "market leads, government facilitates" or "big market, small government", I call upon our Secretary and the bureau heads to strive harder in redeploying existing resources to achieve better efficiency and reduce wastage, thus maintaining more restraint in using public expenditure.

At present, Hong Kong's economic resurgence is far from assured because it still lacks the breadth to absorb sudden blows. I agree that there is little room for cutting tax. As our economic structure remains vulnerable to external market forces, any downturn would surely hit Hong Kong's unstable sources of revenue and bring back the bad days of deficits. Also, our tax base remains

exceptionally narrow since nearly two thirds of our 3.3 million workforce pays no salaries tax at all. Our fiscal revenue still relies too heavily on land premium and investment income, which will fluctuate with the economy's ups and downs. Even though the Government has forecasted a substantially increasing fiscal surplus, we should not forget that this estimated extra money between 2006-07 to 2010-11 includes $52.7 billion in estimated profit from the sale of government assets. They are not actually profits, they are government assets.

It is therefore crucial for the Government to broaden its tax base to ensure a wider stream of stable revenue in the long run. Consultation on a Goods and Services Tax (GST) will only begin in mid-year, and the whole process will take at least nine months. Should a decision be made to go ahead with the GST, a further three years will elapse before it comes into effect. With our highly politicized landscape, it is foreseeable that the GST's implementation would encounter strong political resistance. The Administration must engage the public in the consultation extensively for proceeding with tax reform and consolidating the public finance structure's sustainability.

As for tax relief initiatives, I applaud our Secretary for proposing to extend the up-to-$100,000 per year home loan interest allowance from seven to 10 years and reduce the marginal rates for salaries tax of the second, third and top tax brackets by one percentage point. These relief measures are affordable and pose no threat to long-term fiscal stability. As for those colleagues who advocate returning the salaries tax rates to 2002-03 levels, I believe that would surely shrink our already narrow tax base, resulting in an extra $7 billion less in tax revenue and more than 100 000 workers falling out of the tax net. This would further weaken our public finances and push our public accounts back into the red.

One key driving force underpinning the Pearl River Delta's regional integration is definitely the developing of road transport network for connecting neighbouring mainland cities and provinces. Hong Kong should aim to become the nation's engine in driving the economic development in the southern part of our country in order to sustain our own growth.

Thank you. Madam President.

MR JAMES TO (in Cantonese): President, I will first speak on the part on financial services.

Although Financial Secretary Henry TANG has listed in the Budget facilitating market development and upgrading the quality of the financial markets as two of the four major strategies in facilitating financial services, on the whole, the government measures that we can find in the Budget to facilitate market development are only reducing the transaction costs and levy. The pragmatic attitude of the Securities and Futures Commission (SFC) is commendable as it sought to suspend the transaction levy on investors when it foresaw that the reserve would reach $1 billion, which was twice of its operating expenditure, and thereby avoided keeping an excessive reserve. I urge the Government, which already has $310 billion in reserve and an accumulated surplus of $440 billion in the Exchange Fund, to learn from the SFC by not accumulating an unnecessarily large reserve.

The reduction of transaction levy will facilitate market development, but it by no means can be equated to the end of the Government's responsibilities. Actively attracting mainland enterprises to raise capital in Hong Kong can certainly help the development of our financial market, but the quality of companies listed in Hong Kong also needs to be ensured. Thus, the Liberal Party supports the government measure of upgrading the quality of our financial markets. However, to upgrade the quality of our financial markets, comprehensive laws are undoubtedly important, but without enforcement, it would be useless no matter how comprehensive the laws or regulatory frameworks are.

The Democratic Party does not object to the Government drafting new legislation should the need arise. More importantly, the Government should enjoin regulatory bodies, including the SFC and the Hong Kong Exchanges and Clearing Limited, to faithfully enforce ordinances already in place, so as to ensure a a level playing field. Only by so doing can the quality of our financial markets be enhanced and the reputation of Hong Kong as an international financial centre assured.

President, I wish to cite an actual example. On 2 November 2004, the Chairman of the Melco International Development Limited, a listed company, in reply to press enquiries about the company's extraordinary general meeting (EGM), indicated that there were plans for injecting certain businesses into the company. The closing share price of the company rose by 16% on the day after the EGM. The company issued an announcement that evening to clarify that the remarks were made by the Chairman in his personal capacity. The closing

share price of the company dropped 4% on the following day. Did the Chairman of this list company announce misleading information? Despite the fact that at that time Mr LEE Wing-tat of the Democratic Party requested the SFC to conduct an investigation into the incident, up to this moment the public has no way of knowing whether the SFC has investigated into the incident, or whether the investigation has been completed, or whether charges have been dropped due to insufficient evidence.

Even more disappointing is that this is not the only case. In the end of January this year, the Pacific Century Insurance Holding Limited, a listed company, announced following the suspension of trading of its shares that due to human errors the actual profits for the first nine months of 2005 should be $8.01 million instead of the previously announced $105 million, which represented a drastic reduction of 92%. Is such a case, which has caused much uproar in the market, a replication of the Melco case?

At the time of the incident, the Administration, thinking that it was as an isolated case, declined to comment, and even thought that it could brush the matter aside when people had forgotten about it. Worse still, when I asked the Secretary for Financial Services and the Treasury during the Question Time of the Legislative Council meeting whether he found the case serious, the Government still refused to comment and was not even prepared to answer whether it would define the nature of the case as "a fact that they should be mindful of". I trust the Government will reply that "this is not a fact". However, given that the monitoring bodies lacked transparency in handling cases of grave public concern, how could we not cast doubts on the principles employed by the monitoring bodies in handling cases that the public was not even aware of? President, I urge the Government to start by properly enforcing the law so as to upgrade the quality of Hong Kong's financial markets.

President, in the past 10-odd years, I have, in each of the past 10 Budgets, specially proposed two amendments to the Appropriation Bill, which are the abolition of "the appropriation for the Complaints Against Police Office (CAPO)", as well as the several tens of millions of dollars of appropriation for the Police Force under the item "expenditure of special services". I believe we will discuss in greater detail at the Committee stage.

However, I only wish to state that coincidently, in the past few months, an incident took place which was closely related to these two amendments which I

have followed for over 10 years. For instance, it was discovered recently that the personal data of 20 000 members of the public had been leaked electronically due to problems of the Independent Police Complaints Council (IPCC). In fact, we may well know why the IPCC was established in the first place. It is established to counterbalance the setup that the CAPO is not independent of the police. It is the independency of the CAPO which has attracted suspicions. If the CAPO were completely independent of the Police Force, the problem would have been solved.

Where does the present problem lie? The IPCC is in fact a body made up of a small number of members. The monitoring work is not done by "professionals". By professionals, I mean full-time employees, including full-time barristers, or people with criminal knowledge and practical experiences at their fingertips. I have mentioned this point for years and raised questions like whether the police or the IPCC can have the authority for second investigations. The Government has been turning a deaf ear to these questions except reassuring that all problems can probably be solved when there is legislation to legalize the situation in future.

The latest incident not only reflects our monitoring problems in the management of outsourced contracts, in particular the handling of information, but also problems concerning the privacy ordinance and the issues of privacy and security standards in data handling. In fact, our privacy ordinance was enacted in 1996 (in order to meet the European Union deadline) so as not to hinder information exchange with commercial companies in the European Union. The ordinance was enacted within a very short period of time. Meanwhile, science and technology have progressed at a tremendous pace. The situation we are facing now in relation to safeguarding privacy is completely different from the situation in 1996. I thus hope that the Government can conduct a thorough review of the ordinances concerned. Recently the Privacy Commissioner put forth some detailed suggestions in a press conference. I hope the Government can seriously consider them and allocate sufficient resources so that privacy issue can dovetail with the entire environment in the community, in particular privacy protection issues stemming from the development of telecommunication industry and other problems.

The other amendment I proposed is the several tens of millions of dollars of mysterious expenditure of the Police Force, which has been coined by some of the media as the informer fee. However, the informer fee actually only

accounts for a small portion of the expenditure and the majority of it is used on surveillance facilities and other mysterious expenses — which is the so-called security-related expenses. Why is the ordinance on tapping, surveying and stalking that we have been talking about lately related to this item of expenditure? As a matter of fact, the several tens of millions of dollars of appropriation for this item of expenditure are not effectively monitored by the Legislative Council, not even by other related departments such as the Audit Commission. This involves quite a large sum of money which could accumulate to some ten millions to a hundred billion dollars. By accumulation I mean, taking tapping as an example, that several tens of millions of dollars could be spent on tapping equipment a year, which could come to a large sum of money after several years' time. If this is not properly monitored or the law is not sound enough, this can turn into a large network of political surveillance and oppression. This is the reason why I have followed up this issue for so many years. In fact, it is because of the court ruling that prompted the Government to update the law and the relevant debate will be carried out in future. However, I have to point out that in this debate, I wish the Government, especially officials not in the Security Bureau, can look at this matter from a higher political perspective. As a matter of fact, we should monitor this type of appropriation more effectively.

As to other security issues, I wish to raise a few points. Firstly, it indeed is a matter of concern for non-directorate officials in disciplined forces to take up jobs in sensitive organizations such as private detective agencies, investigation companies, or even debt-collection agencies shortly after leaving their office in the disciplined forces. This problem has not been made public yet, but it in fact has become an internal risk. Where does the problem lie?

Some officials, no matter at directorate or non-directorate grade (in fact I know many such persons), started to liaise, intentionally or unintentionally, more frequently with large corporations or institutions in related industries when they were about to reach their retirement in a few years' time. The frequency has exceeded the normal level. One classic example which Members may treat it as a joke concerns a senior official who was the head of a department. He stated before his retirement that as he was still young, he would find it hard to adjust if he did not work after his retirement. After he had made such remarks, he was able to assume a post in a large corporation within a short period of time and the scope of business of the corporation had countless ties with the Police Force, the Independent Commission Against Corruption, the Customs and Excise

Department and the police stations. Therefore, I urge the Government to conduct a thorough review in this respect.

The second point concerns the recent gun-shooting incident in Tsim Sha Tsui, which has aroused much public concern. Of course, some newspapers have covered many rumours which were hard to tell whether they were true or not, but the newspapers were sold out because of that. It shows the public is very interested in knowing more about the incident. However, after looking into the core of the problem, I hold that two points warrant attention.

First of all, security forces should indeed be mindful of internal management and security risks. For instance, recently, for reasons of human rights and fairness, the requirement on making declarations for going to Macao and the Mainland has been abolished. However, this does not mean that various levels of the management and disciplined forces do not need to remain alert at all times or that they do not need to find out through different means problems concerning their colleagues, which may constitute a security risk. Is it because of gambling, whoring or other reasons that they have been forced to contact unruly elements? Are they liaising with them willingly or unwillingly? Are their contacts too frequent?

Secondly, many people opine that excessive management or supervision of your colleagues is like keeping surveillance on them, or like people marking people. This seems to show a lack of trust in your colleagues and may bring about opposite effects. In fact, in management or in observing special psychological states of our colleagues, we need to do it skilfully. This includes resorting to front-line unions for assistance as they are the appropriate bodies to show concern for their relevant disciplined forces. As a matter of fact, colleagues of the disciplined forces have gone through fire and water together. They talk about matters like their comrades in arms, battling tactics, stratagems and mutual support. There exists deep trust among them. At the same time, if any unusual psychological states or abnormal behaviour are observed among the colleagues, out of love and concern, they are encouraged to report such observations to the management, so that the management can skilfully pay more attention to the situation through various means.

Recently, a police officer committed suicide in a police station. The incident has aroused much public concern about whether black sheep exist within different levels of the Police Force that will incur security risks. This is indeed

a sensitive issue that requires skills to deal with appropriately. Otherwise, it will bring about negative effects in the Police Force. Yet, as far as risks are concerned, for situations involving staff participating in speculative ventures, the heads of the disciplined forces should pay more attention to the situations and manage them internally.

Finally, I wish to raise a point on boundary clearance facilities. In this respect, we should allocate more resources to them and consider the issue from a three-dimensional and comprehensive perspective. Despite the fact that there are geographical constraints, we may perhaps spare some thoughts on their design? Otherwise, I believe this will become the bottleneck of our economic development.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): In total 19 Members have spoken on the motion today.

MS MIRIAM LAU (in Cantonese): President, I move that the debate on the Second Reading of the Appropriation Bill 2006 be adjourned to the meeting of 29 March 2006.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the debate on the Second Reading of the Appropriation Bill 2006 be adjourned to the meeting of 29 March 2006.

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

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, 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 2006 at the meeting to be held on 29 March when public officers will respond. If the Bill receives its Second Reading, its remaining stages will also be proceeded with at the meeting on 29 March.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 11.00 am on Wednesday, 29 March 2006.

Adjourned accordingly at twenty-one minutes to Seven o'clock.