

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 28 March 2007

The Council met at Eleven o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

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

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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

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

THE HONOURABLE LAU KONG-WAH, J.P.

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

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

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

THE HONOURABLE CHOY SO-YUK, 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 FREDERICK FUNG KIN-KEE, S.B.S., J.P.

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

THE HONOURABLE VINCENT FANG KANG, J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

THE HONOURABLE LI KWOK-YING, M.H., J.P.

DR THE HONOURABLE JOSEPH LEE KOK-LONG, J.P.

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

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

THE HONOURABLE MA LIK, G.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 RONNY TONG KA-WAH, S.C.

THE HONOURABLE CHIM PUI-CHUNG

PROF 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

MEMBER ABSENT:

THE HONOURABLE ANDREW CHENG KAR-FOO

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

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

THE HONOURABLE JOSEPH WONG WING-PING, G.B.S., J.P.
SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY

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

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

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

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

CLERKS IN ATTENDANCE:

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

MRS VIVIAN KAM NG LAI-MAN, ASSISTANT SECRETARY GENERAL

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY
GENERAL

TABLING OF PAPERS

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

Subsidiary Legislation/Instruments	<i>No.</i>
St. Stephen's College Incorporation (Change of Name of the Council of St. Stephen's College and General Amendments) Ordinance 2006 (Commencement) Notice	L.N. 44/2007
Sewage Services (Sewage Charge) (Amendment) Regulation 2007	L.N. 45/2007
Sewage Services (Trade Effluent Surcharge) (Amendment) Regulation 2007	L.N. 46/2007
Particulars Relating to Candidates on Ballot Papers (Legislative Council) (Amendment) Regulation 2007	L.N. 47/2007
Road Traffic (Construction and Maintenance of Vehicles) (Amendment) Regulation 2007	L.N. 48/2007
Road Traffic (Driving Licences) (Amendment) Regulation 2007	L.N. 49/2007
Road Traffic (Disabled Person's Parking Permit — Simplification of Application and Renewal Procedure) Regulation 2007	L.N. 50/2007
Road Traffic (Public Service Vehicles) (Amendment) Regulation 2007	L.N. 51/2007
Road Traffic (Registration and Licensing of Vehicles) (Amendment) Regulation 2007	L.N. 52/2007

Technical Memorandum on Procedures and Methods for Sampling and Analysis of Trade Effluents.....	S. S. No. 5 to Gazette No. 12/2007
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Other Papers

- No. 79 — Audited Statement of Accounts of the Hong Kong Rotary Club Students' Loan Fund together with the Director of Audit's Report for the year ended 31 August 2006
- No. 80 — Audited Statement of Accounts of the Sing Tao Foundation Students' Loan Fund together with the Director of Audit's Report for the year ended 31 August 2006

WRITTEN ANSWERS TO QUESTIONS

Promoting Social Mobility

1. **DR YEUNG SUM** (in Chinese): *President, it has been reported that the summary results of the 2006 Population By-census released recently show that the domestic household income of Hong Kong is polarizing, with income of many middle-class families decreasing and opportunities for low-income people and their children to move up the social ladder dwindling. In this connection, will the Government inform this Council:*

- (a) *whether it has studied the reasons for the widening income gap and slackening pace of social mobility; if it has, of the details of the study;*
- (b) *whether it has assessed if the above situation will persist or even deteriorate and the impact of such persisting or even deteriorating situation on the society and economy of Hong Kong; if an assessment has been made, of the results; and*

- (c) *of the details of the measures taken by the authorities to narrow the gap in domestic household income and promote social mobility, including those for enhancing the mobility of children from low-income families?*

FINANCIAL SECRETARY (in Chinese): President,

- (a) A paper entitled "Analysis of Income Disparity in Hong Kong", which was submitted by the Administration to the Legislative Council Finance Committee in mid-March, has broadly elaborated on the main factors leading to the wider income gap in Hong Kong. The factors are set out briefly as follows:

Reduction in average household size and ageing population: The ongoing change in family structure towards small and nuclear families has led to a progressive decline in the average household size. Household size, in particular the number of working members, is a key factor in determining household income, and this factor affects the low-income households more. Further analysis indicates that the rapid increase in small households, particularly elderly households which comprise mostly retirees with no fixed salaries income, is a major factor contributing to the increase in low-income households.

Job upgrading and maturing of local workforce: In the face of challenges and opportunities brought about by globalization and rapid economic development in the Mainland, Hong Kong has been continuously undergoing restructuring towards higher value-added activities so as to sustain its economic vitality and competitiveness. During this transformation and upgrading process, many high-income jobs are being created along with enhancement of the quality of the workforce. These developments have affected the income distribution in Hong Kong in the following ways:

- The income disparity between high-income and low-income jobs is widening.
- The proportion of high-income workers increases, and the income disparity among the high-income earners themselves has also increased.
- The income of low-income workers as a whole gradually decreases when they reach middle age, whereas the income of middle-aged workers with higher education level and salaries is likely to continue to increase. Thus, income disparity would tend to further widen with the ageing of the population.

Prolonged economic downturn: The economic downturn in Hong Kong during 1998 to 2003 is another factor contributing to the slowdown in employment earnings among low-income workers in recent years. With corporate downsizing and cost cutting, unemployment, underemployment and pay cuts were more common in this group than in the high-income group, thus leading to a widening of the income gap. As indicated by more recent statistics, there has been a notable upturn in employment income among low-income earners since mid-2003 alongside the strong economic rebound and increasing employment opportunities for the lower-skilled.

Regarding social mobility, Hong Kong has fair and open markets, thereby providing ample opportunities for income mobility among the workforce. As such, low-income groups can move up the earnings ladder over time through their own efforts and participation in economic activities. A study conducted by the University of Hong Kong last year¹ shows that in general earnings of the low-income workers are highly mobile. Specifically, some 42% of workers in the lowest 20% of the earnings distribution in 1996 were found to have moved up the earnings ladder in 2005.

¹ James P. Vere, "Special Topic Enquiry on Earnings Mobility", Hong Kong Institute of Economics and Business Strategy, the University of Hong Kong, September 2006. This paper also serves as an annex of the information paper titled "Study on Earnings Mobility" (Ref. CoP23/2006, <[http://www.cop.gov.hk/eng/pdf/CoP%20Paper%2023-2006\(eng\).pdf](http://www.cop.gov.hk/eng/pdf/CoP%20Paper%2023-2006(eng).pdf)>) for the meeting of Commission on Poverty (CoP) on 20 November 2006.

- (b) To a large extent, the future trends of income disparity and social mobility depend on the structural and cyclical changes in the economic and social factors involved. These factors, which are complicated and intertwining, include demographic structure, household size, economic growth and restructuring, employment opportunities and pattern, wage rates, social welfare policies, and pace of technological advancement, and so on. As there are a lot of uncertainties surrounding these factors, it is difficult to project the future changes in income disparity and social mobility, and assess their effects on the economy and the community at large.

To have a clearer analysis of the distribution of household income and related social and economic factors, the Census and Statistics Department (C&SD) is conducting an in-depth study on income disparity in Hong Kong, based on the more comprehensive data collected in the 2006 Population By-census. A Thematic Report on the subject is expected to be available by mid-2007.

- (c) The Administration is committed to improving people's livelihood, in particular in addressing the needs of the low-income and the disadvantaged groups. The Administration has highly subsidized a wide range of public services, including education, public health care services and welfare services, which account for over half of our government expenditure. We also have an established public housing policy which subsidizes low-income families which cannot afford private housing. Moreover, only around one third of our working population is subject to salaries tax and the low-income earners are outside the tax net.

All these measures have a redistributive impact and reduce income disparity. Last year, the C&SD conducted a Study on the Effect of Taxation and Social Benefits on Household Income Distribution. Among other things, it was found that the lowest two household income decile groups received around one third of the imputed total selected social benefits and cash transfer, and their post-transfer income (after taking into account taxation and social benefits) increased substantially. The C&SD is conducting a more in-depth analysis on how public policies impact on income distribution and the results will be included in the Thematic Report for release in mid-2007.

The Administration has also been proactively implementing a series of measures in education, training and capacity enhancement so as to encourage upward social mobility, including enhancing the mobility of children from low-income families. We will continue to invest heavily in education and various training and retraining programmes, and to ensure access by those who need support. As the economy continues to improve, we have witnessed extensive improvements in the labour market in recent years. We will continue to adopt a multi-pronged approach to stimulate economic growth and to create employment opportunities.

Employment Statistics

2. **MR LAU CHIN-SHEK** (in Chinese): *President, regarding the employment statistics for 2005 and 2006 compiled by the Census and Statistics Department, will the Government provide the annual numbers of employed persons (excluding unpaid family workers, foreign domestic helpers and employed persons who worked less than 35 hours during the seven days before enumeration due to vacation), broken down by the groupings in the form below?*

Gender	Hours of work during the seven days before enumeration	Monthly employment earnings (HK\$)					Total
		Less than 3,000	3,000 to 4,999	5,000 to 7,499	7,500 to 9,999	10,000 or above	
Female	Less than 35						
	35 to 49						
	50 to 59						
	60 or above						
	Sub-total						
Male	Less than 35						
	35 to 49						
	50 to 59						
	60 or above						
	Sub-total						
Female and Male	Less than 35						
	35 to 49						
	50 to 59						
	60 or above						
	Total						

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese): President, according to the findings of the General Household Survey conducted by the Census and Statistics Department, the number of employed persons (in thousand), excluding unpaid family workers, foreign domestic helpers and those working less than 35 hours during the seven days before enumeration due to vacation, by sex, hours of work during the seven days before enumeration and monthly employment earnings for 2005 and 2006 are as follows:

Year: 2005

Gender	Hours of work during the seven days before enumeration	Monthly employment earnings (HK\$)					
		Less than 3,000	3,000 to 4,999	5,000 to 7,499	7,500 to 9,999	10,000 or above	Total
Female	Less than 35	62.0	33.6	13.2	4.9	12.2	126.0
	35 to 49	9.7	51.0	135.1	129.5	382.5	707.7
	50 to 59	1.2	14.6	55.9	37.1	107.5	216.5
	60 or above	2.6	15.4	71.1	32.2	50.8	172.0
	Sub-total	75.6	114.6	275.4	203.7	552.9	1 222.2
Male	Less than 35	29.8	24.6	26.1	13.3	14.5	108.3
	35 to 49	10.1	29.4	125.0	154.9	567.7	887.0
	50 to 59	1.6	7.5	46.6	64.5	225.7	345.9
	60 or above	4.1	10.7	87.7	85.0	209.7	397.3
	Sub-total	45.6	72.1	285.5	317.7	1 017.6	1 738.5
Female and Male	Less than 35	91.8	58.2	39.3	18.2	26.7	234.3
	35 to 49	19.8	80.4	260.1	284.3	950.2	1 594.8
	50 to 59	2.9	22.1	102.6	101.7	333.2	562.4
	60 or above	6.7	26.1	158.8	117.2	260.4	569.3
	Total	121.2	186.7	560.8	521.4	1 570.5	2 960.7

Year: 2006

Gender	Hours of work during the seven days before enumeration	Monthly employment earnings (HK\$)					
		Less than 3,000	3,000 to 4,999	5,000 to 7,499	7,500 to 9,999	10,000 or above	Total
Female	Less than 35	60.3	37.2	14.2	5.9	14.1	131.6
	35 to 49	9.6	49.5	137.4	136.5	401.4	734.3
	50 to 59	1.4	12.5	52.6	38.6	108.1	213.2
	60 or above	1.7	12.6	64.7	32.8	52.8	164.7
	Sub-total	73.0	111.8	268.8	213.7	576.3	1 243.7

Gender	Hours of work during the seven days before enumeration	Monthly employment earnings (HK\$)					Total
		Less than 3,000	3,000 to 4,999	5,000 to 7,499	7,500 to 9,999	10,000 or above	
Male	Less than 35	26.3	23.3	26.7	15.2	15.8	107.3
	35 to 49	9.5	23.2	121.3	165.3	594.7	913.9
	50 to 59	2.0	6.7	43.0	63.8	216.1	331.6
	60 or above	2.5	8.9	84.1	81.3	205.7	382.4
	Sub-total	40.2	62.2	275.1	325.5	1 032.3	1 735.3
Female and Male	Less than 35	86.7	60.5	40.9	21.0	29.9	239.0
	35 to 49	19.0	72.7	258.6	301.7	996.0	1 648.2
	50 to 59	3.3	19.3	95.6	102.4	324.2	544.8
	60 or above	4.2	21.5	148.8	114.1	258.5	547.1
	Total	113.3	174.0	543.9	539.2	1 608.7	2 979.0

Note: Figures may not add up to totals due to rounding.

Assault of Front-line Public Hospital Staff

3. **MR TAM YIU-CHUNG** (in Chinese): *President, some staff unions have reflected to me that recently a number of front-line staff were assaulted, with some of them injured, by patients while on duty in public hospitals. In this connection, will the Government inform this Council whether it knows:*

- (a) *the respective numbers of the relevant assault and injury cases reported to the Hospital Authority (HA) in each of the past three years;*
- (b) *the total amount of compensation the HA paid, in each of the past three years, to its staff who were injured as a result of assaults by patients; and*
- (c) *if the HA plans to take measures to strengthen the protection of the personal safety of frontline staff; if so, of the details of the measures; if not, the reasons for that?*

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

(a) and (b)

The number of injury cases suffered by HA employees due to workplace violence and reported for employee compensation purposes in the past three years, together with the amount of compensation paid by the HA to the relevant injured employees, is set out in the table below.

	2004	2005	2006
Number of Reported Cases	699	736	616
Amount of Compensation	\$3,077,668	\$3,507,339	\$2,018,513

Notes:

1. Data extracted from the Human Resources and Pay System of the HA.
2. Compensation amount includes paid sick leave, compensation for permanent incapacity and medical expenses, but excludes compensation made in civil claims.

(c) The HA is concerned about the impact of workplace violence on its employees. In recent years, the HA has stepped up preventive and support measures in this regard, which have already started to yield results. In 2006, the number of cases of injuries suffered by HA staff as a result of workplace violence dropped by over 16% as compared with that in the previous year.

One of the most important aspects of the preventive and support measures within the HA is the strengthening of staff training. At present, a series of "Advanced Workplace Violence Training Courses" is being made available for staff at all levels so as to enable them to handle such incident in an appropriate manner. The content of these training courses include psychological intervention strategies, communication skills, crisis management and the relevant legal issues. In addition, the HA has developed a workplace violence policy statement and various safety manuals and issued guidelines for the prosecution of workplace violence incidents to its staff. The HA will continue to enhance security and safety protective measures (for example, by improving workplace design and carrying out risk assessment for its outreach teams). The HA will also provide psychological support service to staff in need.

In respect of measures targeted externally, the HA is making continuous efforts through various programmes and media to

enhance public awareness of the need to treat health care workers with respect and not to subject them to violence. Examples of such initiatives include the "Care for Carers" campaign organized by the HA and a segment of the "Police Magazine" television programme on workplace violence which was broadcast recently.

Plot Ratio

4. **MR LEE WING-TAT** (in Chinese): *President, given that the public is very concerned about the wall effect created by major housing estates composed of tall and compact buildings, and the effectiveness of the Government's control over urban planning and building design by means of plot ratio, will the Government inform this Council:*

- (a) *of the permitted plot ratios for the sites of the following housing estates, the final plot ratios of the estates upon completion, discrepancies between the two ratios, and the causes leading to such discrepancies;*

<i>Name of housing estate and the district in which it is located</i>	<i>Permitted plot ratio</i>	<i>Final plot ratio</i>	<i>Percentage of increase/decrease</i>	<i>Causes leading to the discrepancy</i>
<i>Hilary Court in Central and Western District</i>				
<i>The Palace in Kowloon Tong</i>				
<i>The Orchards in Quarry Bay</i>				
<i>Grand Promenade in Sai Wan Ho</i>				
<i>The Cliveden in Tsuen Wan</i>				

- (b) *whether it has assessed the prevalence of the situation in which the final plot ratios of the completed housing estates exceed their permitted plot ratios, and whether such a situation exists in the property developments above railway stations and depots of the*

Mass Transit Railway and the Kowloon-Canton Railway, as well as in the redevelopment projects undertaken by the Urban Renewal Authority; if it has so assessed and found such a situation, of the details of the discrepancies involved and the causes leading to such discrepancies; and

- (c) *whether it will take measures to prevent the final plot ratio of a completed housing estate from exceeding its permitted plot ratio; if it will, of the details of such measures; if not, the reasons for that?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese):
President, replies to the three parts of the question are as follows:

- (a) and (b)

The permitted plot ratio of private land is subject to the control of different ordinances and land lease conditions. If the plot ratio is specified in the Outline Zoning Plan (OZP) or has been established under the approval of the Town Planning Board, the Lands Department (LandsD) will, in processing land lease modifications or drawing up the conditions for sale of Government land, specify the maximum plot ratio or gross floor area (GFA) under the land lease.

The permitted plot ratio for all land is governed by land lease conditions, OZPs and/or the Buildings Ordinance (BO), as the case may be. The plot ratio of a proposed building development must satisfy the requirements so specified under the above control measures. The LandsD, Planning Department and Buildings Department will, in processing an application for building development, follow the established mechanism to ensure that the final plot ratio of the land concerned satisfies the statutory requirements and land lease conditions.

Nevertheless, land lease conditions, OZPs, section 42 of the BO and regulation 23(3)(b) of the Building (Planning) Regulations allow the relevant authorities to exempt or disregard the area of certain building facilities from GFA calculations under specified circumstances. These facilities are mostly essential building

facilities and those that improve the quality of living. Examples are car-parking spaces, plant rooms and green features. In respect of the five cases mentioned in the question, exempted GFA ranges from 535 sq m to 32 053 sq m, whilst non-accountable GFA from 2 580 sq m to 41 402 sq m.

In addition, if part of the site area of a building is dedicated for public passage purpose, regulation 22 of the Building (Planning) Regulations allows the granting of bonus GFA to that building. However, the number of cases involving the granting of bonus GFA is relatively small. Among the five cases mentioned in the question, only one case involves the granting of bonus GFA of 10 684 sq m.

In processing the above applications, the authorities will follow all the statutory requirements and land lease conditions as well as the requirements stipulated under the relevant practice notes.

- (c) Although the above measures play a significant role in improving the built environment and functioning of buildings and are welcome by building users, we are aware that recently there is a growing community concern over the effect of such measures on building bulk and height. To this end, we are reviewing the effectiveness of the measures and will consult the relevant stakeholders, with a view to examining whether there is room for improvement.

Loss of Travel Documents

5. **MR HOWARD YEUNG** (in Chinese): *President, it has been reported that recently a visitor from South America, who came on a Chinese passport to Hong Kong to visit relatives, could not return to South America because he had lost his passport at the airport, and had been stranded in the airport restricted area for a number of days. In this connection, will the Government inform this Council:*

- (a) *of the number of cases received by the authorities in each of the past five years which involved visitors who lost their travel documents seeking assistance, and whether such cases are of an increasing trend; if so, of the reasons for that;*

- (b) *given that the authorities were not aware that the visitor concerned had been stranded in the restricted area for a number of days until the incident was reported by the press, how the authorities ensure that similar incidents will not recur; and*
- (c) *of the measures to assist visitors who have lost their travel documents to return to their countries of origin as soon as possible?*

SECRETARY FOR SECURITY (in Chinese): President,

- (a) It is uncommon to have visitors losing their travel documents in the restricted areas of control points. Hence, the Hong Kong Immigration Department (ImmD) has not separately kept statistics on this kind of cases. The figures for visitors who have lost their travel documents during their stay in Hong Kong and need to apply for an endorsement to a travel document or extension of stay at the ImmD in the past five years have remained steady with no rising trend, the relevant figures are as follows:

<i>Year</i>	<i>Number of Applications</i>
2002	1 944
2003	2 147
2004	2 427
2005	2 095
2006	1 859

- (b) According to the operational rules of the Hong Kong International Airport, upon learning that a passenger will be stranded in the airport restricted area, the airline concerned has the responsibility to cater for the basic necessities of the passenger. Besides, the airline should notify the Airport Authority, the Aviation Security Company Limited and the ImmD, so that appropriate assistance can be given to the passenger. In light of this incident, the Airport Authority will remind airlines to strictly comply with the relevant rules.
- (c) Visitors who have lost their travel documents in Hong Kong need to apply for replacement documents at the consulate or representative

organization of their country or region in Hong Kong. If their country or region does not have any consulate or representative organization in Hong Kong, they may approach the embassy/consulate of their country or region in other places or the relevant authorities of their country or region to apply for replacement documents. The ImmD will, according to the actual situation and the requests of the visitors, provide appropriate assistance to facilitate them to continue their journey or return to their domicile as soon as possible.

Maintenance of Public Transport Interchanges

6. **MISS TAM HEUNG-MAN** (in Chinese): *President, regarding the public transport interchanges (PTIs) maintained by government departments, will the Government inform this Council:*

- (a) *of the number and details of cases over the past three years which involved injuries caused by damage or dislodgment of facilities at the PTIs;*
- (b) *whether the government departments concerned have made performance pledges that works to repair facilities at the PTIs will be completed within certain time from receipt of damage reports; if they have, of the details; if not, whether they will consider making such pledges; and*
- (c) *whether the government departments concerned carry out maintenance works for the PTIs on a regular basis; if they do, of the frequencies; if not, the reasons for that?*

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

- (a) There was only one case involving injuries caused by damage of facilities at PTIs maintained by government departments over the past three years.

The case involved a missing gully grating at the PTI on Sai Lau Kok Road in Tsuen Wan. On 22 February 2004, a passerby stepped into the gully pit and sustained right shank injury. The relevant gully pit was subsequently restored.

(b) and (c)

Respective government departments take up the maintenance and repair works for different parts of the PTIs according to their functions: the Highways Department (HyD) is responsible for the road surface, traffic and lighting facilities within the PTIs; the Electrical and Mechanical Services Department (EMSD) for electrical and mechanical installations of ventilation systems of the PTIs, and the Architectural Services Department (ASD) for the structure of government buildings located at the PTIs. The arrangements of their inspections as well as maintenance and repair works are as follows:

The HyD conducts regular inspections of the PTIs at intervals ranging from once a week to once every three months, and arranges repair works as soon as possible based on practical needs. Upon receipt of reports on damaged roads or facilities, the HyD will carry out investigations immediately and complete the repair works of potholes in carriageways and footpaths, as well as traffic signs within 48 hours.

The EMSD inspects the electrical and mechanical installations of the ventilation systems of the PTIs every three months or upon receipt of reports. Repairs will be carried out as necessary.

The ASD conducts regular maintenance inspections of government buildings at the PTIs. Inspection schedules are drawn up after taking into consideration the condition, location, use and the maintenance records, and so on, of each property. The ASD will attend to emergency repairs such as burst water pipes within one hour of notification in Hong Kong Island, Kowloon and new towns in the New Territories, and attend to urgent repairs such as broken windows within one day of notification. Schedule for completing minor repairs will be based on the extent of damages.

Provision of Sitting-out Facilities by Real Estate Developers

7. **MR JAMES TO** (in Chinese): *President, I have learnt that when private developers submit their planning applications and applications concerning building development to the Town Planning Board (TPB) and the Government, the developers concerned or the Government may propose to include community facility works in the projects or other additional conditions in order to bring extra benefits. Taking West Kowloon Reclamation Area as an example, it is stipulated in the land leases of many large estates there that the developers must develop parks and other facilities which are open to the public. In this connection, will the Government inform this Council:*

- (a) *among the land purchase transactions and applications for change of land use made by private developers in each of the past five years, of the respective numbers of cases which involved the above additional conditions, the locations concerned, and the details of such additional conditions;*
- (b) *of the criteria based on which the Government determines whether such additional conditions will be included in a land lease; why the land lease of Long Beach in Tai Kok Tsui requires the developer concerned to construct a sitting-out area on the adjacent land of that estate, but the land lease of Metro Harbour View in the same district does not have such additional condition, and the Leisure and Cultural Services Department (LCSD) had to apply for funds to construct sitting-out facilities on the adjacent land of that estate;*
- (c) *given that the developer of Long Beach did not open the sitting-out area concerned to the public until it had obtained the Certificate of Compliance for a period of time, whether the Government has drawn up guidelines to require developers to open such facilities to the public within a specific period of time after they have obtained the relevant Certificates of Compliance, and whether it has drawn up requirements, including those relating to the opening hours and the facilities provided, concerning the developers' obligations in managing the facilities concerned; and*
- (d) *as some of the facilities, such as transport interchanges, constructed pursuant to the above additional conditions are managed by the*

Transport Department, while some others, such as parks, by the developers concerned, how the Government decides on the parties responsible for managing such facilities?

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese): President, under the Town Planning Ordinance, developers wishing to pursue developments listed under Column 2 uses of the Outline Zoning Plan, such as residential developments in areas zoned "Comprehensive Development Area" or "Government, Institution or Community", are required to apply to the TPB for approval. During the processing of an application by the TPB, the developer or relevant government department(s) may propose the inclusion of certain community facilities in the proposed developments having regard to district needs. If the application is approved by the TPB and the provision of the community facilities is included as a condition of the planning permission, the Lands Department (LandsD) will in the processing of the relevant application for lease modification include, where appropriate, in the land lease the requirement for the provision of the concerned community facilities.

As a general practice, in the preparation of conditions of sale and the processing of applications for lease modifications, relevant government department(s) may also propose the provision of certain community facilities in the proposed development having regard to district needs. The Administration will consider whether such proposal would help to address or alleviate the shortfall of concerned facilities within the district or whether, in the light of the timing, location and layout of the proposed development, it would be more effective and timely for the developer instead of the Government to provide such facilities to meet the community needs. If it is decided that the provision of such community facilities is in the public interest, the LandsD will include as appropriate suitable provisions in the land lease.

My reply to the question is as follows:

- (a) The LandsD is unable to provide the information requested in the question, as our records on land leases are not filed on the basis of such classification.
- (b) I have explained above the considerations taken into account when determining whether the requirement on the provision of community

facilities will be included in relevant land leases. Details regarding the arrangements on the cases of Long Beach and Metro Harbour View are provided below.

Following consultation and decision within the Administration, the LandsD included provisions in the conditions of sale for Long Beach requiring the developer to form, manage and maintain an adjoining Government land so as to allow access by the public to and from the public landing steps by the seaside. There is no requirement for the developer to construct a sitting-out area.

In the case of Metro Harbour View, the LandsD included provisions in the conditions of exchange, when approving the land exchange application, requiring the developer to construct and maintain public open space of not less than 9 800 sq m within the lot and to keep it open for public use at such hours as the Director of Lands may require.

Separately, the LCSD has planned to provide recreational facilities on another site adjoining the Metro Harbour View so as to alleviate the shortfall of public open spaces and facilities in Tai Kok Tsui and the West Kowloon Reclamation Area.

- (c) When the developer should open the concerned community facilities required under the land lease to the public is subject to the provisions under the land lease, and is not directly related to the date of issuance of the Certificate of Compliance.
- (d) In general, community facilities constructed by government departments with government funding will be managed and maintained by the government departments concerned. For those facilities which are constructed by the developer at his/her own cost, these will generally be managed and maintained by the developer or owners of the development unless otherwise specified.

Unidentified Elderly

8. **DR JOSEPH LEE** (in Chinese): *President, the Government has proposed to allocate an additional \$38 million to 156 elderly centres in 2007-2008 to*

enhance their outreach programmes, so as to encourage and assist more elderly singletons, particularly the unidentified elderly, to develop their social life, and provide referral and supporting services to those in need. In this connection, will the Government inform this Council:

- (a) of the definition for the unidentified elderly, the criteria involved in defining such elderly from the social, mental and physical health angles, and whether there are other criteria and ways to define the unidentified elderly; if so, of the details;*
- (b) of the estimated number of such elderly and their percentage in the elderly population in Hong Kong, with a breakdown by the districts in which they live;*
- (c) how it assists the unidentified elderly, including improving their social life, mental and physical health as well as other living conditions, through outreaching services; and*
- (d) of the details of the above referral and supporting services to be provided to the unidentified elderly in need?*

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

- (a) The term "hidden elders" does not have a strict definition. It generally refers to elders who are disconnected from society, do not know how to seek help or support, and are not known to the existing network of community support. The majority of them live alone without the support of family and friends and do not have normal social life and connections.
- (b) As "hidden elders" are not known to the existing network of community support, we do not know the exact number of them in the community. The Census and Statistics Department (C&SD) does not have statistics on "hidden elders" either. Yet, it has statistics on singleton elders. According to the statistics in the C&SD's 2006 By-Census, there were about 98 829 singleton elders who were aged 65 or above, which accounted for 11.6% of the

elderly population. However, singleton elders are not necessarily "hidden elders". At present, about 39 000 members of the District Elderly Community Centres (DECCs) and the Neighbourhood Elderly Centres (NECs) are singleton elders. The Support Teams for the Elderly (STEs) attached to the DECCs have established contact with 30 000 singleton elders, some of whom are also DECC and NEC members.

(c) and (d)

Currently, the 41 DECCs, the STEs attached to the DECCs and the 115 NECs outreach to singleton elders. The additional allocation of \$38 million in the 2007-2008 Budget to these elderly centres will enhance their social worker manpower for planning and mobilizing district resources (including volunteers) to strengthen their outreach programmes to locate more singleton elders (in particular "hidden elders") and assist them to develop social life and provide referral and supporting services to those in need.

After locating the singleton/hidden elders, the DECCs, the STEs and the NECs will try to establish rapport with them, help them get out of isolation, identify their needs and provide the support and services they need, which may include assigning volunteers to them, phone calls by social workers and/or volunteers, home visits, and personal assistance (for example, escort, temporary/short-term home help services and home maintenance services). For elders who have health problems, the DECCs/NECs may refer them to the Hospital Authority for medical consultations. For those who have housing needs, the DECCs/NECs may refer them to the Social Welfare Department for consideration for compassionate housing. For those who have financial difficulties, the DECCs/NECs may help them apply for financial assistance. For those who require subsidized community care or residential care services, the DECCs/NECs may arrange for them the frailty test to assess their eligibility for services.

Coverage of Government Venues by Mobile Phone Service Networks

9. **MR JASPER TSANG** (in Chinese): *President, I have received complaints from members of the public that they cannot receive mobile phone calls whilst*

they are inside certain markets managed by government departments as such venues are not within the areas covered by mobile phone service networks. In this connection, will the Government inform this Council of:

- (a) the number of complaints, received in each of the past three years by various government departments, about failure to make/send or receive mobile phone calls or messages in the venues under their management, as well as the follow-up actions and measures taken and their effectiveness; and*
- (b) the measures the Government will take to ensure that people can make/send and receive mobile phone calls and messages in the venues under its management?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Chinese): President, in Hong Kong, mobile networks and services are provided by mobile service operators whose investment in the mobile networks is a commercial decision driven by the market. Over the years, the mobile service operators have been actively expanding and improving the coverage of their mobile networks under market competition. At present, mobile services (including both the second and third generation mobile services) have provided coverage over most areas of Hong Kong except some remote rural areas.

Technically speaking, given the inherent propagation characteristics of radio waves and potential physical constraints arising from the environment or design of the premises (for example, certain spots deep inside a building or concealed locations in an indoor venue, or too many corners within a building), mobile users may be able to receive weak signals only or no signals at all, even though the premises are covered by mobile networks. In addition, because network configurations adopted by mobile service operators may be different from each other, and mobile phone users may use different handsets, the strength of signals of their networks as received by different users in the same premises may differ as well.

Regarding the question asked by Mr Jasper TSANG, my reply is as follows:

- (a) Over the past three years, the Office of the Telecommunications Authority (OFTA) has only received a few complaints about the

failure to receive mobile phone calls or messages in government venues. Specific figures are as follows:

<i>Year</i>	<i>Complaints about the failure to receive mobile service signals in government venues</i>
2004	4
2005	7
2006	8

As mobile phone and message services are provided by mobile service operators, the OFTA, upon receiving such complaints from the public, will suggest to the complainants to report their cases directly to the operator concerned, so that the operator can take appropriate follow-up actions promptly. The OFTA will also refer the complaints to the operator concerned on request. We understand that in some cases, the situation has been improved following suitable adjustments made to the network facilities by the operators.

- (b) As described above, mobile networks are the investments of mobile service operators who provided the mobile services. We believe that under a fully open and fair competition environment, mobile service operators will, having regard to the market situation and customer demands, provide network coverage to meet their customers' needs for mobile communications services in government venues. The OFTA will also reflect to the mobile service operators the opinions and requests of the members of the public.

Boosting Usage Rates of New Territories Performance Venues

10. **MR FRED LI** (in Chinese): *President, over the past three financial years, the number of performance activities held by five publicly-funded non-profit-making arts organizations (namely the Hong Kong Chinese Orchestra, Hong Kong Dance Company, Hong Kong Repertory Theatre, Hong Kong Philharmonic Society and Hong Kong Arts Festival Society) at various cultural performance venues in the New Territories decreased annually, and none of their performance activities was held in some relatively remote districts such as North*

District and Tai Po. On the other hand, the usage rates of some performance venues in the New Territories were only 60% in the corresponding period. In this connection, will the Government inform this Council:

- (a) whether the authorities will, in terms of venues, support services and publicity, launch initiatives to encourage the above organizations to hold performance activities at various performance venues in the New Territories, with a view to promoting cultural activities at the district level; if so, of the details;*
- (b) whether it has studied if the infrequent use of certain performance venues in the New Territories by the above organizations has contributed to the lower usage rates of such venues;*
- (c) whether, in reviewing the cost-effectiveness of subsidizing the above organizations, the authorities will require that prescribed targets on the number of their performance activities held in various districts in the New Territories be met, and that as publicly-funded organizations, they should discharge their duty of holding performance activities in remote districts to extend the audience base in the New Territories and meet the needs of the local communities; if not, of the reasons for that; and*
- (d) of any other measures in place to boost the usage rates of performance venues in the New Territories?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President,

- (a) To encourage the five major arts organizations to make a better use of all the Leisure and Cultural Services Department (LCSD) performing arts venues, the LCSD has been implementing the following measures at the venues:
 - (i) priority booking of venues two programme seasons in advance;
 - (ii) professional technical services for the arts organizations' performances at the venues ;

- (iii) concessionary rates for hiring wall-banner sites to publicize their performances; and
- (iv) assistance in marketing and promotion of their performances at these venues such as liaison with shopping arcades in the vicinity of the venues for distribution of programme publicity materials, featuring their performances in the monthly programme publicity leaflets of the venues and allocation of special display panels at the foyer of the venues for publicizing the programmes, and so on.

In June 2006, the Committee on Performing Arts, established by the Home Affairs Bureau to advise it on performing arts services, submitted its first recommendation report to the Government. It recommended, amongst other things, the introduction of a Venue Partnership Scheme for the 13 venues of the LCSD, starting as a pilot project for three years. The objective of the scheme is to establish a partnership between the LCSD venues and the performing arts groups to help establish the artistic character of the individual venues, to enlarge audience base, to develop venue-based marketing strategies and to facilitate the solicitation of corporate or private sponsorship and to encourage community involvement in the development of the arts. An Invitation for Expression of Interest for the Venue Partnership Scheme was issued in August 2006. Following up the recommendation of the Committee on Performing Arts, a Venue Partnership Committee was established in November 2006 to provide dedicated advice to the LCSD to develop and implement the Scheme. The formal invitation for proposals is expected to be issued by the middle of 2007.

Upon the implementation of the Venue Partnership Scheme, the venue partners of the respective New Territories venues will be expected to put the venues to maximum use, to develop their characters, to promote arts and cultural activities, including activities at the district level.

- (b) The usage rates of the different performing arts venues vary and are affected by factors such as location, accessibility, types of facilities available, hiring charges, audience profile and level of activities

organized by arts organizations in the catchment area of the venues, and so on.

Based on the booking records at the New Territories venues over the past three years, it was inconclusive as to whether there was a direct causal relationship between bookings by these five groups and the usage rates of the respective New Territories venues. For example, in the case of the Sha Tin Town Hall Auditorium, the annual usage rate over the past three years was 83.6% in 2003-2004, 95.96% in 2004-2005 and 96.15% in 2005-2006. The booking rate of these venues by the five organizations together only accounted for 2.79% in 2003-2004, 6.94% in 2004-2005 and 1.92% in 2005-2006.

- (c) No performance indicator or requirement on developing New Territories venues has so far been included in the funding and service agreements with the abovementioned arts organizations for the purpose of providing subvention. Following up the recommendation of the Committee on Performing Arts, a Funding Committee for the Performing Arts to advise the Government on the future funding arrangements for the 10 major performing arts groups (including the four groups subvented by the LCSD, namely, the Hong Kong Chinese Orchestra, the Hong Kong Dance Company, the Hong Kong Repertory Theatre and the Hong Kong Philharmonic Society; and the six three-year grantees of the Hong Kong Arts Development Council, namely, the Hong Kong Ballet, Chung Ying Theatre Company, the City Contemporary Dance Company, the Hong Kong Sinfonietta, Theatre Ensemble and Zuni Icosahedron) was set up in November 2006 to develop a new set of funding assessment criteria and a new model of funding to be put in place for implementation in April 2009. The new funding criteria will take into account the artistic and community impact, quantitative output and corporate governance of these arts organizations. The commitment to conduct outreach activities for the local community and in the New Territories would be considered as one of the assessment criteria. Consultation on such assessment criteria and the funding mechanism will be carried out with stakeholders including the arts organizations.

- (d) Over the past three years, the usage rates of the LCSD performing arts venues in the New Territories ranged from 56.8% (at the North District Town Hall Auditorium in 2004-2005) to 98.48% (at the Kwai Tsing Theatre Auditorium in 2004-2005). Of these venues (in Sha Tin, Kwai Tsing, Tsuen Wan, Tuen Mun, Yuen Long, North District and Tai Po), those at Sha Tin, Kwai Tsing and Tai Po had relatively good usage rates at an average of around 90%. The venues in Tsuen Wan, Tuen Mun and Yuen Long had an average usage rate of over 70%. The average usage rate at North District had been slightly below 60%. Various measures have been adopted to boost the usage of all these New Territories venues including:
- (i) intensive marketing efforts targeted at potential hirers such as arts groups, schools and district arts organizations;
 - (ii) encouraging district arts organizations to organize arts activities at the venues through waiver of hire charges;
 - (iii) offering concessionary hiring rates to non-profit-making arts organizations;
 - (iv) organizing cultural presentations and audience building programmes at the venues; and
 - (v) venue sponsorship for performing arts groups to stage their programmes at the venues.

We are exploring new arrangements under the Venue Partnership Scheme to encourage a greater use of the New Territories venues. The LCSD will also continue to strive to improve the standard of provision of services and facilities at these venues to attract bookings.

Public Facilities for Use by Disabled Persons

11. **MS EMILY LAU** (in Chinese): *President, at present, stairlifts facilitating movements of disabled persons are installed next to the staircases of some public*

facilities such as footbridges. Some of the stairlifts can be operated by disabled persons themselves with the use of common keys, and duplicate common keys may be purchased from three rehabilitation organizations. Recently, I have received complaints that the selling price of \$15 for a duplicate common key is too high, and many disabled persons have not been informed that they can purchase duplicate common keys to operate stairlifts. Moreover, the need for disabled persons to press buttons in order to operate stairlifts causes inconvenience to people with hand disabilities or with difficulties in hand movements. In this connection, will the executive authorities inform this Council:

- (a) of the current number of stairlifts installed in public places which can be operated by using common keys;*
- (b) of the people eligible to purchase duplicate common keys and the number of duplicate common keys sold so far;*
- (c) of the reasons for the higher fee for duplicating the common key as compared to ordinary key, and whether the authorities will consider providing duplicate common keys free of charge to those low-income earners and recipients of Comprehensive Social Security Assistance who have such a need;*
- (d) whether they will step up publicity to promote the use of common keys among disabled persons; and*
- (e) whether they will improve the design of stairlifts for easier operation?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Chinese):
President, my reply to the five parts of the question is as follows:

- (a) The Honourable Member should be referring to the common key actuated wheelchair stairlifts. According to data provided by the Electrical and Mechanical Services Department (EMSD), as at the end of 2006, a total of 75 common key actuated (self-operated) stairlifts were installed in 59 public places across the territory.

- (b) The use of common key actuated wheelchair stairlifts was first proposed by representatives of the rehabilitation sector in 1997, and the measure has been adopted by the EMSD as one of the specifications in the design of wheelchair stairlifts since 1999. There are no specific eligibility criteria governing the use of wheelchair stairlifts. Anybody in need, such as wheelchair users or people with mobility difficulties, may purchase a common key and use these wheelchair stairlifts.

People in need may purchase the common keys through the non-profit-making ordering service provided by three rehabilitation agencies, namely the Rehabilitation Alliance Hong Kong, Hong Kong Rehabilitation Power and Hong Kong Federation of Handicapped Youth. We do not have information on the total number of people who have purchased the common keys between 1999 and now. However, according to the data provided by the above three agencies, a total of about 200 common keys are sold every month.

- (c) The common keys, provided by the supplier at a unit price of \$15, are sourced from the original manufacturer. These keys are manufactured strictly according to specific specifications for operating all wheelchair stairlifts. At present, the three rehabilitation agencies, which offer ordering service for the common keys, sell the keys to people in need at the original price fixed by the manufacturer. For CSSA recipients, they may apply for the special grant under the CSSA Scheme to reimburse the expenses.

At the end of last year, a number of Members of the Legislative Council wrote to the Administration proposing free distribution of common keys to people in need. In our reply, we agreed to distribute the common key free of charge to every wheelchair user and everyone with mobility difficulties. To ensure the correct and safe use of common key actuated wheelchair stairlifts by people in need, we are now working with relevant government departments to draw up a user's guidelines. Printing of the user's guidelines and application forms as well as procurement of the common keys are

also underway. It is expected that free common keys can be distributed in two to three months' time.

- (d) At present, the use and operation of common key actuated wheelchair stairlifts are promoted by the Joint Council for the Physically and Mentally Disabled Hong Kong and most rehabilitation agencies for the physically disabled through their newsletters and web pages. Publicity efforts will also be stepped up to coincide with the launching of the free distribution of common keys, including promotion on the web pages of relevant government departments and rehabilitation agencies and in the latter's monthly/quarterly newsletters; and posting of notices in public places installed with common key actuated wheelchair stairlifts informing the general public about the free distribution of common keys, distribution locations and the telephone number(s) for enquiry.
- (e) The specifications for the design of stairlifts in Hong Kong are formulated by the EMSD in accordance with international standards. All self-operated stairlifts are equipped with call-buttons enabling users to seek assistance from operational personnel. In cases where unaccompanied people with severe disabilities or with upper limb movement difficulties need to use stairlifts, they may press the call-button to seek assistance from operational personnel.

Nuisance Caused by Users of Holiday Flats

12. **MR ALBERT CHAN** (in Chinese): *President, in reply to my question regarding the nuisance caused by users of holiday flats at the Council meeting on 24 November 2004, the Secretary for Home Affairs said that since noise-related nuisance was not subject to regulation under the Hotel and Guesthouse Accommodation Ordinance (HAGAO) (Cap. 349), the Office of the Licensing Authority (OLA) under the Home Affairs Department (HAD) could not cancel a licence on account of this. On receiving such complaints, the OLA would refer them to the government departments concerned, such as the police and the Environmental Protection Department (EPD), for their follow-up action. However, in recent years, I still continue to receive complaints from villagers that they have been seriously disturbed for years by users of holiday flats. Very often, 20 to 30 people gather in a holiday flat, amusing themselves noisily*

through the night. Such a situation occurs frequently during summer, disrupting the sleep of residents in the neighbourhood. In this connection, will the Government inform this Council:

- (a) of the number of complaints received by the Government in each of the past two years about noise nuisance from holiday flats, and how such complaints were handled;*
- (b) whether the HAD had issued warnings to operators of holiday flats in the past two years because of nuisance caused to residents in the neighbourhood by users of holiday flats; if so, of the number of warnings issued each year; and whether at present, the HAD may cancel the licences of the holiday flat operators concerned on grounds of noise nuisance; if so, of the number of cases in which the licences of holiday flat operators were cancelled on such grounds in each of the past two years;*
- (c) of the measures to regulate the operation of holiday flats; and*
- (d) whether new measures were taken in the past two years to reduce the nuisance caused by users of holiday flats to the residents in the neighbourhood; if so, of the details?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President,

(a) and (d)

The numbers of complaints received by the government departments concerned about noise-related nuisance made by users of holiday flats in the past two years are as follows:

	2005	2006
HAD The OLA	0	0
HAD District Office (Islands)	1	0
EPD	0	2
Police	111	150

According to the police, they received a total of 150 cases of complaints about noise-related nuisance caused by users of holiday flats in 2006. Among these cases, 100 were related to holiday flats at Wang Tong Tsuen, Mui Wo and 70 of them were made by two complainants or related persons against five blocks of holiday flats at Wang Tong Tsuen.

At present, there are 138 licensed holiday flats in Hong Kong. The figures above show that the complaint cases concerning noise-related nuisance caused by users of holiday flats were mainly concentrated in Wang Tong Tsuen, Mui Wo, accounting for 67% of the total number of complaints in 2006. The departments concerned have carried out discussions in this context in order to find a solution to tackle this district issue.

Firstly, the Islands District Office (IDO) has met with residents of Wang Tong Tsuen, Mui Wo, and will discuss the matter with holiday flat operators and related district organizations. The police will also work with the IDO in stepping up publicity targeting at users of holiday flats and maintain liaison with holiday flat operators, asking them to remind users to refrain from making noises that may affect others.

Generally speaking, sections 4 and 5 of the Noise Control Ordinance provide for the regulation of noises associated with holiday flats, which are regarded as "noises from domestic premises and public places". On receipt of a complaint, the police will deploy officers to the scene. If a case is established, the police will give either advice or a warning to the relevant parties. If the situation is not improved subsequently, the police will consider issuing summonses to the relevant parties for prosecution. Any person who commits an offence shall be liable to a maximum fine of \$10,000 on conviction. In 2005 and 2006, the police issued 28 and 37 verbal/written warnings respectively. As the complainees made improvements immediately after the warnings, the police did not need to issue summonses.

(b) and (c)

The purpose of the HAGAO is to provide for the regulation, control and safety of hotel and guesthouse accommodation and for

connected purposes. All hotels and guesthouses, including holiday flats, must meet the current requirements relating to fire safety, building safety and health and hygiene under the HAGAO before they can be issued with a licence by the Hotel and Guesthouse Accommodation Authority.

Section 8(3)(c) of the HAGAO provides that the operation, keeping, management and other control of a holiday flat must be under the continuous and personal supervision of the licence holder. If the licence holder fails to comply with this requirement, the OLA under the HAD may cancel or suspend the licence concerned or refuse to renew the licence by exercising the power conferred by the HAGAO. Under section 10(b) and (c) of the HAGAO, if a licence holder has been convicted of an offence against the HAGAO or an indictable offence in respect of the holiday flat concerned, or in respect of the holiday flat concerned or the persons accommodated therein, any of the provisions of the HAGAO have been or are being contravened, the OLA may also exercise its power to cancel or suspend the licence or refuse to renew it. In cases of any contravention of the HAGAO as stated above, the OLA will take action by cancelling or suspending the licence concerned.

Furthermore, if the licence holder of a holiday flat contravenes the licensing conditions (for example, requirements relating to fire safety or the maximum number of guests permitted), the OLA will issue a warning letter to him calling for rectification of the irregularities. If the licence holder fails to improve the situation in respect of the licensing conditions, he may be prosecuted or may have his licence cancelled.

However, as noise-related nuisance does not fall within the ambit of the HAGAO, the OLA cannot cancel a licence of a hotel or guesthouse simply on account of this. When the OLA receives this kind of complaints, it will refer them to the departments concerned such as the police and the EPD for their follow-up action. Staff of the OLA will also contact the licence holder and advise him to address the complaints and resolve the problem.

Regarding the noise nuisance from holiday flats at Wang Tong Tsuen, Mui Wo, the OLA has reminded the licence holder to comply strictly with the HAGAO and the licensing conditions set out in the licence. Apart from that, the licence holder has also been reminded to avoid contravening the Noise Control Ordinance. He should state clearly in the hire conditions that users of holiday flats are not allowed to make any noise that will cause a nuisance to others after 11 pm. Responsible persons of the holiday flats should advise users not to engage in any outdoor activities after 11 pm which are prone to create noises, such as group games, barbecues and singing. Notices should be posted in prominent positions inside and outside the holiday flats to remind users not to cause noise-related nuisances during the night. Contact telephone numbers of the responsible persons of the holiday flats should also be displayed so that affected persons can ask them to follow up noise-related complaints.

The OLA will continue to follow up the noise-related nuisance problem caused by users of holiday flats at Wang Tong Tsuen, Mui Wo. It will exercise the power conferred by the HAGAO and take appropriate actions promptly if cases of contravening the provisions of the HAGAO or the licensing requirements set out in the licence are found.

Services Provided to Private Patients by Teaching Staff of Medical Faculties

13. **DR KWOK KA-KI** (in Chinese): *President, teaching staff of the faculties of medicine of the University of Hong Kong (HKU) and The Chinese University of Hong Kong (CUHK) often make use of the facilities of public hospitals when they provide medical services to private patients, and for this reason, they have to hand over a quarter of their service charges to the Hospital Authority (HA). In addition, these salaried teaching staff may also conduct consultations or carry out operations at private hospitals in their capacity as university teaching staff. As the relevant service charges and income sharing arrangements have recently roused the concern of different sectors in the community, will the Government inform this Council whether it knows the following details in respect of the services provided to private patients by these teaching staff?*

<i>Financial Year</i>	<i>2001-2002</i>		<i>2002-2003</i>		<i>2003-2004</i>		<i>2004-2005</i>		<i>2005-2006</i>	
<i>University to which the faculty of medicine belongs</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>
<i>(c) Intermediate operations</i>										
<i>(i) Total income and number of operations</i>										
<i>(ii) Total income for HA</i>										
<i>(iii) Total income for the faculty of medicine</i>										
<i>(d) Major operations</i>										
<i>(i) Total income and number of operations</i>										
<i>(ii) Total income for HA</i>										
<i>(iii) Total income for the faculty of medicine</i>										
<i>(e) Ultra-major operations</i>										
<i>(i) Total income and number of operations</i>										
<i>(ii) Total income for HA</i>										
<i>(iii) Total income for the faculty of medicine</i>										
<i>Total income from operations done at private hospitals</i>										
<i>Number of cases in which services were provided at the teaching hospital or its linked hospitals and charges were waived and the total amount of money involved</i>										

SECRETARY FOR EDUCATION AND MANPOWER (in Chinese):
President, based on information provided by the HKU, CUHK and HA, the details of the services provided to private patients by the teaching staff of the faculties of medicine of the HKU and CUHK are set out as follows:

<i>Financial Year</i>	<i>2001-2002</i>		<i>2002-2003</i>		<i>2003-2004</i>		<i>2004-2005</i>		<i>2005-2006</i>	
<i>University to which the faculty of medicine belongs</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>
Out-patient service										
(a) Total number of attendances	N.A.	10 268	N.A.	13 851	N.A.	12 383	N.A.	14 905	N.A.	14 844
(b) Total number of attendances at the teaching hospital and its linked hospitals ⁱ	19 427	1 847	20 635	2 145	15 120	1 174	14 962	1 324	13 934	2 672
(c) Number of attendances at private hospitals ⁱⁱ	N.A.	i) 191 ii) 8 230	N.A.	i) 404 ii) 11 302	N.A.	i) 1 229 ii) 9 980	N.A.	i) 1 508 ii) 12 073	N.A.	i) 2 343 ii) 9 829
(d) Total income (both public and private hospitals) (\$ million)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
(e) Total income for the teaching hospital and its linked hospitals (\$ million)	13.5	4.4	16.5	5.3	15.9	3.1	15.9	3.4	15.1	6.0
(f) Total income for HA (\$ million)	3.9	1.7	5.4	2.0	6.5	1.3	6.3	1.6	5.3	3.3
(g) Total income for the faculty of medicine (\$ million) ⁱⁱⁱ	9.6	17.8	11.1	19.4	9.4	18.1	9.6	21.3	9.8	27.2
(h) Total income for private hospitals (\$ million)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
In-patient service										
(a) Total income (both public and private hospitals) (\$ million)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
(b) Total income for HA (\$ million)	5.9	8.5	7.1	9.6	8.9	1.3	14.4	5.1	13.3	5.8
(c) Total income for the faculty of medicine (\$ million) ^{iv}	17.1	22.9	20.0	26.1	19.8	17.0	28.6	22.2	28.2	20.4
Operations done at the teaching hospital and its linked hospitals ^v										
(a) Total income (\$ million)	17.7	24.2	19.1	26.0	21.4	5.4	29.1	7.2	29.6	5.6
(b) Minor operations										
(i) Total income (\$ million) and number of operations	1.8, 294	1.3, 199	1.5, 267	1.4, 197	1.4, 174	0.3, 36	1.2, 162	0.5, 77	1.6, 193	0.6, 82

<i>Financial Year</i>	<i>2001-2002</i>		<i>2002-2003</i>		<i>2003-2004</i>		<i>2004-2005</i>		<i>2005-2006</i>	
<i>University to which the faculty of medicine belongs</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>
(ii) Total income for HA (\$ million)	0.4	0.3	0.3	0.4	0.4	0.1	0.3	0.1	0.4	0.1
(iii) Total income for the faculty of medicine (\$ million)	1.4	1.0	1.2	1.0	1.0	0.2	0.9	0.4	1.2	0.5
(c) Intermediate operations										
(i) Total income (\$ million) and number of operations	1.9, 125	10.0, 576	2.4, 150	8.9, 502	3.7, 202	1.5, 74	5.1, 263	1.2, 67	5.4, 286	1.2, 59
(ii) Total income for HA (\$ million)	0.5	2.5	0.6	2.3	1.2	0.3	1.6	0.3	1.7	0.3
(iii) Total income for the faculty of medicine (\$ million)	1.4	7.5	1.8	6.6	2.5	1.2	3.5	0.9	3.7	0.9
(d) Major operations										
(i) Total income (\$ million) and number of operations	14.0, 426	12.9, 295	15.2, 448	15.7, 357	9.9, 278	3.1, 86	8.9, 275	3.9, 114	9.9, 295	2.9, 72
(ii) Total income for HA (\$ million)	3.5	3.2	3.8	3.9	3.5	0.8	3.6	1.0	4.1	0.7
(iii) Total income for the faculty of medicine (\$ million)	10.5	9.7	11.4	11.8	6.4	2.3	5.3	2.9	5.5	2.2
(e) Ultra-major operations ^{vi}										
(i) Total income (\$ million) and number of operations	-	-	-	-	6.4, 91	0.5, 10	13.9, 169	1.6, 27	12.7, 160	0.9, 14
(ii) Total income for HA (\$ million)	-	-	-	-	2.8	0.1	6.1	0.4	5.5	0.2
(iii) Total income for the faculty of medicine (\$ million)	-	-	-	-	3.6	0.4	7.8	1.2	7.2	0.7

<i>Financial Year</i>	<i>2001-2002</i>		<i>2002-2003</i>		<i>2003-2004</i>		<i>2004-2005</i>		<i>2005-2006</i>	
	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>	<i>HKU</i>	<i>CUHK</i>
<i>University to which the faculty of medicine belongs</i>										
Total income from operations done at private hospitals (\$ million)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Number of cases in which services were provided at the teaching hospital or its linked hospitals and charges were waived and the total amount of money involved ^{vii} (\$ million)	N.A.	1 038	N.A.	1 176	N.A.	1 217	2 758	1 722	2 088	1 405
		0.7		0.7		0.8	2.4	1.1	2.2	0.8

- i For the HKU, the number of attendances covers the services provided by the Faculty of Medicine at public hospitals within the Hong Kong West Cluster and the services provided by Faculty of Dentistry at Queen Mary Hospital.
- ii For CUHK, the number of attendances at private hospitals includes i) private hospitals; and ii) CUHK centres and offices, for example, CUHK Eye Centre.
- iii For the HKU, the income of out-patient services includes the Faculty of Medicine at Hong Kong West Cluster Hospitals and Faculty of Dentistry at Queen Mary Hospital.
- For CUHK, the income of out-patient services includes i) PWH and New Territories East Cluster Hospitals; ii) CUHK centres and offices (income of a small number of in-patient cases is included as no breakdown is available); and iii) private hospitals (for 2001-2002, income of a small number of in-patient cases is included as no breakdown is available). The amount includes the income for CUHK, Faculty of Medicine, and staff concerned.
- iv The income of in-patient services for both HKU and CUHK includes operations done at teaching hospital and its linked hospitals. For the HKU, the income of in-patient services includes the Faculty of Medicine at Hong Kong West Cluster Hospitals and Faculty of Dentistry at Queen Mary Hospital. For CUHK, the income of in-patient services includes operations done at private hospitals but excludes the income of in-patient services of CUHK centres and offices which is included in the income of out-patient services as per footnote iii. The amount includes the income for CUHK, Faculty of Medicine, and staff concerned.
- v The income from operations is also included in the income of in-patient service.
- vi The classification of "Ultra-major operations" was introduced in April 2003.
- vii The total amount of money waived only includes the university's portion.

N.A.: Information not available.

Banning Use of Tungsten Bulbs

14. **MISS CHOY SO-YUK** (in Chinese): *President, it has been reported that the Australian Government has announced that it will, before 2010, gradually ban conventional tungsten light bulbs (tungsten bulbs) and replace them with*

compact fluorescent lamps (CFLs), in order to reduce greenhouse gas emissions. In this connection, will the Government inform this Council whether:

- (a) it has estimated the respective numbers of tungsten bulbs used by each government department, including their offices and venues under their management, and various hospitals and schools, their respective annual power consumption and greenhouse gas emissions; if it has, of the assessment result; if not, the reasons for that;*
- (b) it has any plan to replace all tungsten bulbs with CFLs in government departments and encourage hospitals and schools to do so; if it has, of the details and timetable of the plan, and the estimated annual reduction in power consumption and greenhouse gas emissions; if not, the reasons for that;*
- (c) it will consider providing incentives to the public to replace tungsten bulbs with CFLs bulbs; if it will, of the details; if not, the reasons for that; and*
- (d) it has any plan to follow the practice of the Australian Government to gradually ban conventional tungsten bulbs; if it has, of the details and timetable of the plan; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): President, to ensure that government departments use energy efficient equipment, the Electrical and Mechanical Services Department (EMSD) conducted 90 energy audits in government buildings over the past three years to help departments switch to more energy efficient installations, including high energy efficient lighting system and CFLs. At present, government departments are required to appoint green managers and energy wardens to co-ordinate and implement energy conservation measures. The Government's electricity consumption has been reduced by 5.6% in 2005-2006 when compared with 2002-2003 (equivalent to 120 GWh), representing a reduction in carbon dioxide emission of about 84 000 tonnes.

The Education and Manpower Bureau and the Hospital Authority (HA) have issued guidelines respectively to all schools and HA hospitals, requiring them to implement energy conservation measures.

Through the above measures, government departments have already been using CFLs in place of tungsten bulbs as far as possible. However, we do not have detailed statistics on the number of tungsten bulb used in government departments, hospitals and schools, nor the annual energy consumption of these tungsten bulbs and the corresponding greenhouse gas emission figures.

In 2005-2006 and 2006-2007, the EMSD spent \$120 million to replace low energy efficient installations in government buildings. The Government has set aside another \$170 million in the coming four financial years to continue these projects. We expect that an annual electricity saving of 36 GWh will be achieved within the Government after the completion of these projects.

The Government has been publicizing the energy conservation benefits of CFLs through various media and channels (such as organizing different kinds of publicity campaigns and talks, and providing related information on the EMSD website). The EMSD has included CFLs in its voluntary Energy Efficiency Labelling Scheme (EELS) since 1998. The Government will introduce a bill on the implementation of a mandatory EELS to the Legislative Council shortly. CFLs are among the electrical appliances to be covered in the initial phase of the mandatory scheme. The Government will continue to educate the public on energy conservation through education and publicity programmes with a view to further promoting the use of CFLs. In addition, CFLs use 75% less electricity and have a lamp life of eight to 10 times longer than tungsten bulbs of the same brightness. The price of CFLs has also fallen in recent years. These financial considerations should already help encourage the public to switch to using CFLs and the Government considers it not necessary to provide further incentives.

We understand that only Australia and California of the United States have announced banning the use of tungsten bulbs in stages from 2009 to 2012 through legislation. We will closely monitor the international development and local situation to consider whether it is necessary to introduce other measures to encourage the public to switch to using CFLs.

Nursing Manpower in Public Hospitals

15. **MR LAU KONG-WAH** (in Chinese): *President, regarding the manpower of nursing staff in public hospitals, will the Government inform this Council whether it knows:*

- (a) *the respective year-end numbers of nursing staff of various ranks in public hospitals and the respective numbers of those who departed, in each of the past three years;*
- (b) *if the Hospital Authority (HA) has assessed the seriousness of wastage of nursing staff in public hospitals and looked into the reasons for departure;*
- (c) *if the HA has reviewed the adequacy of the nurse-to-patient ratios in public hospitals, and how the ratios compare with those in developed countries in Europe and America; and*
- (d) *the measures, apart from employing new nurses to fill the vacancies, the HA has put in place to reduce the wastage of nursing staff?*

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

- (a) The actual year-end numbers of nursing staff of various ranks in public hospitals under the HA and the numbers of those who left the HA, in each of the past three years, are set out at the Annex.
- (b) The wastage rate of the HA's nursing staff in 2005-2006 was about 2.1%, whereas the overall wastage rate of the HA in the same year was 3.8%. As revealed by the departing nurses in their exit interviews with the HA, nearly half of them left their jobs because of family or personal reasons, such as needing to look after their families, taking a career break or starting their own business. Other reasons for departure include career change, health reasons, retirement or further study.
- (c) Depending on the types of service (for example, acute care or ambulatory care), the extent of medical attention are distinctively different, resulting in different levels of demand in nursing manpower. Internationally, staffing arrangements vary under different health care systems due to different modes of service delivery, and hence at present there is no single set of universally-accepted international standards on nurse-to-patient ratio that can be used for benchmarking.

- (d) The HA has adopted a number of measures to reduce the wastage of nursing staff.

Firstly, the HA will alleviate the workload of nurses. The HA has engaged supporting staff and undergraduate nursing students on temporary terms to assist nurses in clinical departments, and will employ additional ward stewards to relieve nursing staff of their clerical work. Moreover, the HA has introduced flexible continuous night shift, to reduce the frequency of night shifts for nurses. The HA will also offer better employment package to attract more part-time nurses to work in the HA.

On the other hand, the HA will offer permanent appointments to eligible nursing staff. As for professional development and training, the HA is now providing a two-year structured preceptorship scheme to freshly graduated nurses, as well as training subsidy for registered nurses and enrolled nurses to take conversion programmes. The HA will also provide opportunities for nursing staff to study advanced or professional training programmes.

Annex

The actual manpower and wastage of nurses in the HA

Rank	2004-2005 (As at 31 March 2005)		2005-2006 (As at 31 March 2006)		2006-2007 (As at the end of February 2007)	
	Actual manpower	Wastage	Actual manpower	Wastage	Actual manpower	Wastage
DOM/SNO	211	29	212	9	222	6
WM/NS/APN/NO	2 627	190	2 694	50	2 709	57
RN/EN/Others	16 324	406	16 342	341	16 305	509
Total	19 162	625 ^(Note)	19 248	400	19 236	572

Note: Including 257 nurses departed under the voluntary early retirement scheme.

DOM — Department Operations Manager
 SNO — Senior Nursing Officer
 WM — Ward Manager
 NS — Nurse Specialist
 APN — Advanced Practice Nurse
 NO — Nursing Officer
 RN — Registered Nurse
 EN — Enrolled Nurse

Mainlanders to Study in Hong Kong

16. **MR SIN CHUNG-KAI** (in Chinese): *President, some educational bodies have told me that in recent years a growing number of mainlanders want to apply for visas for entering Hong Kong to attend the post-secondary programmes, such as part-time upgrading courses for acquiring professional qualifications, offered by the tertiary institutions in Hong Kong. Under the existing immigration policy, mainland students may apply to attend programmes in Hong Kong, including full-time studies in locally accredited post-secondary programmes, full-time exchange study programmes for not more than one year at degree level or above, part-time studies in locally accredited taught post-graduate programmes run by the University Grants Committee (UGC)-funded institutions, and so on. In this connection, will the Government inform this Council:*

- (a) *how the Government currently processes visa applications from mainlanders for entering Hong Kong to attend programmes other than those mentioned above, as well as the criteria for vetting such applications; and*
- (b) *in order to further attract mainlanders to study in Hong Kong so as to promote the development of Hong Kong into an education hub, whether the Government will consider relaxing the restrictions on mainlanders to study in Hong Kong (such as issuing student visas to mainlanders for entering Hong Kong to take up part-time studies in post-secondary programmes run by tertiary institutions recognized by the Government, as well as registered non-local full-time and part-time post-secondary programmes); if it will, of the relevant details and timetable; if not, the reasons for that?*

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

- (a) Under the prevailing policies, mainland residents can apply to study in Hong Kong through taking up full-time studies in locally accredited post-secondary programmes, full-time exchange study programmes of not more than one year at degree or above level, and part-time studies in locally accredited taught post-graduate programmes run by the UGC-funded institutions.

Visa applications from mainland residents for entering Hong Kong to study post-secondary programmes other than those mentioned above will be considered by the Immigration Department (ImmD) exceptionally on a case-by-case basis having regard to the merit of the application. In processing such applications, apart from the requirements that are generally applicable to non-local students (for example, proof of financial soundness), the ImmD will consider other factors such as the availability of the programme in question on the Mainland, the relevance of the programme to the applicant's academic qualifications or profession, the duration of the programme, and so on. Whether the visa application will be approved depends on the merits of the case.

- (b) The Steering Committee chaired by the Chief Secretary for Administration has been examining various strategic issues relating to the development of Hong Kong as a regional education hub. The Committee will examine, among other things, the existing immigration and other policy considerations as well as the resources implications. The Steering Committee will submit its recommendations to the Chief Executive in Council for consideration upon completion of its deliberations.

Marathon Races

17. **MR FREDERICK FUNG** (in Chinese): *President, with regard to the Standard Chartered Hong Kong Marathon 2007 (the event) held on the 4th of this month and the holding of a cross-boundary marathon race, will the Government inform this Council:*

- (a) *given that in its reply to my related question on 31 January this year, the Government said that in the light of last year's experience, the Hong Kong Amateur Athletic Association (HKAAA), the organizer of the aforesaid event, would, in addition to continuing the procedures and arrangements that had been effective over the years, adopt a series of new safety measures for this year's Marathon, whether the Government, the HKAAA and the relevant organizations have reviewed why there were still thousands of participants feeling unwell despite the adoption of the relevant measures; if so, of the*

result of the review, including which measures have been found ineffective; if not, the reasons for that;

- (b) given that after this year's event, some academics and runners have made a number of suggestions, which include changing the routes of the event, extending the duration of the races and road closure, setting higher eligibility criteria for joining competitive races, lowering the maximum number of participants, adjusting the starting time for various races to prevent participants from obstructing each other, holding a separate long-distance running carnival for those whose sole purpose is to participate, opening some sections of the routes for members of the public to line both sides as spectators so as to enhance the atmosphere of competition, stepping up efforts to promote correct knowledge of long-distance running, as well as urging participants to adopt a responsible and serious attitude in joining the event and be well-prepared for the race, whether the Government has discussed with the HKAAA the aforesaid suggestions; if so; of the results of the discussion; if not, the reasons for that;*
- (c) whether it knows when the HKAAA will decide on the arrangements for next year's event, and whether it will request the HKAAA to consult the relevant academics and runners before making decisions in this regard; if so, of the details of the consultation; if not, the reasons for that; and*
- (d) as the marathon race attracts a huge number of participants every year, and holding such an event also helps promote the benefits of physical exercise to health, and given that this year coincides with the 10th anniversary of the establishment of the Hong Kong Special Administrative Region (SAR), whether the authorities will consider holding a separate cross-boundary marathon race this year for the celebration of the reunification; if so; of the details; if not, the reasons for that?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President,

- (a) On 15 March, the HKAAA held a meeting with the relevant government departments and related organizations to review the

effectiveness of the measures introduced for this year's event. On the whole, the arrangements for this year's event are considered satisfactory. 97% of the participants managed to finish the race recording the highest rate of completion among the events held so far. This indicates that the series of safety measures adopted by the HKAAA this year, including strengthening public education and publicity, rearranging the procedures of the event, enhancing medical support services and offering new environmental protection measures, are all effective.

At the review meeting, the HKAAA and the Auxiliary Medical Services reported that 6 245 cases of request for assistance were received in total on the day of the event, and explained that the figure did not only include the number of participants with injuries, but also the number of participants who approached the medical staff for assistance (for example, short rests, muscle massage, or requests for medication such as turpentine) at the starting point, along the running course and at the finishing point. Besides, the figure shows the number of requests for assistance rather than the number of persons seeking assistance. Among these cases, only injured persons in 35 cases (that is, 35 persons) had to be hospitalized and most of them could be discharged on the same day. The number of cases requiring bandaging was 456 and the remaining 5 754 cases only involved minor discomfort (such as muscle fatigue or cramp).

(b) and (c)

At the review meeting, the Administration has conveyed the relevant suggestions to the HKAAA for consideration and follow-up. The HKAAA advised that they would need longer time for discussions and deliberations since the implementation of the suggestions would involve co-ordination and consultation with a number of parties. It is anticipated that the preliminary assessment results would be available in June or even later this year. Based on that, the HKAAA will confirm whether the relevant suggestions would be implemented for the event next year. For the discussions and deliberations, the HKAAA will continue to listen to the views of

academics and runners so as to further improve the arrangements for the event.

- (d) If a cross-boundary marathon race is to be held, it is necessary to discuss with the relevant national sports associations and related organizations, and to conduct consultations on road closure arrangements with the respective District Councils as necessary with regard to the route of the race. Discussions should also be held with the Central Government on transit arrangements across the boundary and the corresponding facilitation and contingency measures. In view of the time required for the preparation and organization work, the Administration has no plan to hold a cross-boundary marathon race for the celebration of the 10th anniversary of the establishment of the SAR.

Nathan Road Road Safety Improvement Plan

18. **MR JAMES TO** (in Chinese): *President, in the Nathan Road Road Safety Improvement Plan published at the end of 2005, the Government put forward three concepts, which included prohibiting all vehicles except buses from using Nathan Road, so as to improve the situation of pedestrians and vehicles competing to use the road. I have learnt that after consulting the public, the Transport Department (TD) had indicated that it would revise the Plan, which included restructuring the relevant bus routes, and would consult the public afresh on the revised Plan. In this connection, will the Government inform this Council of:*

- (a) *the progress of formulating the bus-route restructuring proposal (including when it is expected to consult District Councils (DCs), and whether the restructured routes can be implemented within this year), and whether it will revise the original targets set for the restructuring of the bus routes (such as reducing the number of buses using Nathan Road by 100); and*
- (b) *the progress of revising the Nathan Road Road Safety Improvement Plan, and when it will consult the public on the revised Plan?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Chinese): President, since the TD reported to the Traffic and Transport Committee of the Yau Tsim Mong DC on the revised strategy for improving road safety at Nathan Road in September 2006, it has started studies on the improvement plans in accordance with the strategy.

On the rationalization of franchised bus routes, we have been reducing the number of buses through reorganizing bus routes, particularly those operating at busy roads or those with relatively low utilization, in order to improve traffic conditions and reduce roadside emissions. The TD and the bus companies are now consulting the relevant Traffic and Transport Committees of the DCs on a new round of bus route development plans. The TD will review the details of the plans and make adjustments as necessary in the light of the views collected during consultation, changes in traffic conditions and passenger travelling patterns. Hence, the actual number of buses reduced upon implementation of the plans varies each year. With the implementation of various bus route rationalization plans, the number of franchised buses was reduced from about 6 400 in late 2002 to about 5 850 in late 2006. We will continue our efforts in this regard so as to further reduce the number of buses.

Apart from that, the revised strategy also includes measures to simplify traffic control at road junctions and improve pedestrian crossing facilities. After consultation with the Yau Tsim Mong DC, the TD has planned to commence works for extending the pedestrian footbridge on Mong Kok Road to the west of Nathan Road in early 2008. The TD is also finalizing various specific and detailed proposals on widening of pedestrian crossings and improvements to pedestrian subways, and will conduct consultation shortly. The proposals include:

- (i) to commence works for widening the pedestrian crossing at Nathan Road near Argyle Street in mid-2007;
- (ii) to cancel the bus-only right-turning from Nathan Road northbound to Mong Kok Road in order to reduce the situation whereby pedestrians and vehicles compete for use of the road; and
- (iii) to commission an engineering consultant to study the feasibility of installing lifts in the pedestrian subway at Soy Street.

Dissemination of Tourism Information About Hong Kong to Visitors

19. **MR LAU KONG-WAH** (in Chinese): *President, regarding the dissemination of tourism information about Hong Kong to visitors, will the Government inform this Council whether it knows:*

- (a) *if the relevant authorities disseminate tourism information about Hong Kong to airlines and travel services companies on a regular basis; if they do, of the details; if not, the reasons for that;*
- (b) *the number of existing visitor information centres/counters in Hong Kong operated by the relevant authorities and their geographical distribution, and whether the relevant authorities have reviewed if the number of such centres/counters is sufficient;*
- (c) *the number of complaints received by the relevant authorities in each of the past three years that tourism promotion services were inadequate or poor; and*
- (d) *if the relevant authorities will consider establishing visitor information centres in every immigration control point; if not, of the reasons for that?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in the absence of Secretary for Economic Development and Labour) (in Chinese):
President,

- (a) The Hong Kong Tourism Board (HKTB) has been making use of various channels to disseminate tourism information about Hong Kong to airlines, tourism service providers, and so on.

Through its website dedicated for the travel trade, PartnerNet, the HKTB provides trade partners with information on mega events, tourism products and sightseeing itineraries in Hong Kong, as well as data analysis of the tourism industry. The website has been widely used by the travel trade.

As for airlines, the HKTB will send them videos about Hong Kong for in-flight broadcast. During mega events, festive and special promotional periods, the HKTB will provide the airlines with related promotional videos and encourage them to broadcast on board, so as to encourage visitors to participate in these activities. The HKTB will also broadcast promotional videos in the airport in Hong Kong.

The HKTB has all along been providing tourism service providers with promotional materials about Hong Kong, so that the latter can, based on their operational needs, determine how to use or distribute these materials to facilitate visitors to obtain the relevant information.

(b) and (d)

At present, the HKTB has six Visitor Information and Services Centres (Visitor Centres) at the following four locations:

<i>Area</i>	<i>Location</i>	<i>Number</i>
Hong Kong International Airport	Transfer Area E2 and Buffer Halls A and B in Terminal 1	3
Lo Wu	Arrival Hall, 2/F, Lo Wu Terminal Building	1
Hong Kong Island	Causeway Bay MTR Station	1
Kowloon	Star Ferry Concourse, Tsim Sha Tsui	1
Total:		6

The HKTB regularly reviews the number of its Visitor Centres and their location to ensure that they can cater for visitors' needs. For instance, the HKTB is planning to open a Visitor Centre at the Peak by the end of this year to provide visitors with information.

In considering whether to set up Visitor Centres at other control points, the HKTB will need to consider the practical situation regarding passenger flow, space available and the setting at the control points. At present, the HKTB already operates Visitor Centres at two control points with the highest visitor traffic, namely the Hong Kong International Airport and Lo Wu. As for other

control points with no Visitor Centres, including Lok Ma Chau, China Ferry Terminal, Macao Ferry Terminal, Hung Hom Kowloon-Canton Railway Station and Man Kam To, the HKTB has set up various visitor facilities, such as self-served literature racks and giant promotional banners, to disseminate travel information among visitors. Furthermore, the HKTB's promotional materials can be obtained at more than 140 locations in Hong Kong, including hotels, attractions, shopping malls, transport facilities (for example, Star Ferry and the Peak Tram), and so on. The HKTB also uses outdoor video walls on buildings in busy locations to broadcast promotional videos.

During mega events, major festivals and Golden Weeks, the HKTB will deploy additional staff to greet visitors at various control points, and distribute to them welcome packs that contain the latest travel information and offers and privileges for visitors. The HKTB will also set up temporary Visitor Centres at mega event locations to assist visitors with their enquiries. Moreover, the HKTB has established a website with rich content and detailed information on Hong Kong tourism in 12 languages for browsing by visitors.

- (c) In the past three years, the HKTB has received a total of three complaints regarding insufficient or unsatisfactory promotional services.

Operation of Broadcasting Authority

20. **MS EMILY LAU** (in Chinese): *President, in January this year, the Broadcasting Authority (BA) came to the decisions that Radio Television Hong Kong and Television Broadcasts Limited had breached the Generic Code of Practice on Television Programme Standards and issued strong advice and advice to them respectively. The justifications for the decisions were that the television documentary "Gay Lovers" produced by the former was not in compliance with the provision on impartiality of the above Code and might have an effect on children, whereas the latter broadcast, in October last year, the movie "An Autumn's Tale" without concealing the coarse expressions and extremely offensive expressions. At its meeting on the 12th of this month, the*

Panel on Information Technology and Broadcasting of this Council passed a motion stating that the two aforesaid decisions were respectively sexual orientation discrimination and lacking in respect for freedom of creative work, and urging the BA to withdraw such decisions. Moreover, some members of the public consider that many members of the BA are conservative in their thinking, turn a blind eye to the needs of the disadvantaged and are out of tune with the mainstream values. In this connection, will the executive authorities inform this Council whether:

- (a) they know if the BA will withdraw the two decisions pursuant to the aforesaid motion; if the BA will not withdraw such decisions, of the reasons for that;*
- (b) they know if the BA will review the criteria adopted for assessing the contents of television programmes, with the objective of respecting the freedom of creative work and avoiding discrimination against certain groups of the community, so as not to hinder media organizations from producing programmes which reflect the change in taste of the mass audience and meet the needs of the disadvantaged; if the BA will not conduct such a review, of the reasons for that; and*
- (c) they will change the composition of the BA by appointing the representatives from the trade and the disadvantaged community and removing the seats for official members, so as to enhance the professionalism and independence of the BA; if not, of the reasons for that?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Chinese): President, the BA is an independent statutory body established under the Broadcasting Authority Ordinance (BAO) (Cap. 391) with the responsibility of, among others, securing proper standards of broadcasting with regard to programme content. We have sought input from the Secretariat of the BA on parts (a) and (b) of the question which relate to the BA. Our reply is set out below:

- (a) On 23 March 2007, the BA replied to the Panel on Information Technology and Broadcasting of the Legislative Council which

asked for the BA's response to the motion it passed at its meeting on 12 March 2007. In the reply, the BA stated that it had handled the two broadcasting content complaint cases in question in accordance with the law and the established procedures. It had carefully considered the programmes against the relevant provisions in the Generic Code of Practice on Television Programme Standards issued by the BA, the representations of the broadcasters concerned and all other relevant factors before arriving at its decisions. The BA had already performed its functions and duties in exercising its power. According to the legal advice that the Secretariat of the BA has obtained, the BA having made a decision in exercise of a statutory power, has performed its functions and is wholly without power as a matter of law to rescind its decision. The Administration respects the BA's decision in these two cases.

- (b) In discharging its responsibility under the law to secure proper standards of television broadcasting, the BA is fully committed to safeguarding the existing freedom enjoyed by Hong Kong residents, including freedom of speech.

There is no pre-censorship of broadcast contents. The Codes of Practice on programme standards serve as guidelines on content standards for the broadcasting industry. They were published after extensive consultation with the public. The BA reviews the Codes of Practice from time to time in consultation with the broadcasters and the public. Indeed, the BA has a well-established mechanism to undertake consultation including, since 2005, conducting annual public opinion surveys to gauge public attitudes on broadcasting standards to ensure that the prevailing community standards could be fully reflected.

Concerning the use of undesirable language in broadcast materials, which has been a major concern by the viewing public, the Television and Entertainment Licensing Authority (TELA), the executive arm of the BA, has compiled and updated from time to time a Glossary of Undesirable Expressions after extensive consultation with the broadcasting industry. The last review was conducted in 2004 and the glossary is due for another review this

year. The BA and TELA are considering involving the public in this review.

- (c) At present, the BA comprises nine non-official members, including the Chairman, and three public officers, all appointed by the Chief Executive pursuant to the BAO for terms of two years. The non-official members come from different professional fields including media, social work, education, legal, financial and business sectors. The official members are there to render their contribution from their own expert areas which are essential for deliberation of matters on the BA, that is, communications and public opinion. Complaints cases to the BA would first be referred to the BA Complaints Committee (BACC) pursuant to section 11(1) of the BAO. The BACC comprises seven BA non-official members and five co-opted non-official members coming from a broad cross section of the community. The wide spectrum of background and expertise reflected in the composition of the BA and BACC ensures that the BA has a high degree of representativeness and professionalism in discharging its statutory functions and duties in content regulation independently.

The present system has been working effectively and we have no plan to change the existing arrangements. When vacancies on the BA arise in future, the Chief Executive will continue to exercise his power under the law to appoint persons from appropriate background to maintain the expertise and representativeness of the BA.

BILLS

Second Reading of Bills

Resumption of Second Reading Debate on Bills

PRESIDENT (in Cantonese): Bill: Second Reading. The debate on the Second Reading of the Appropriation Bill 2007 resumes at this meeting, and Members will be speaking today and tomorrow. Up to this morning, a total of 22 Members have indicated to the Secretariat their wish to speak today, and I will

let them speak today. I also hope to let as many Members as possible to speak today. So Members who wish to speak — whether or not he/she has indicated to the Secretariat — please let me know by pressing the "Request-to-speak" button. Furthermore, I will suspend the meeting around 8.00 pm today.

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

APPROPRIATION BILL 2007

Resumption of debate on Second Reading which was moved on 28 February 2007

MR LAU CHIN-SHEK (in Cantonese): President, with the strong rebound of Hong Kong economy over the past couple of years, the Treasury is expected to record a \$55 billion surplus this year. The Financial Secretary therefore decided to use more than \$20 billion to introduce a number of tax relief measures, which include reverting the marginal bands and marginal rates for salaries tax to the 2002-2003 levels, a waiver of 50% of salaries tax for the current financial year and rates for the first two quarters.

After the publication of the Budget, there are more smiling faces in the streets, the popularity ratings of the Government and public officers have all risen and the four big words "Succeeded In Fighting For....." can be seen on nearly all the street publicity boards put up by various political parties. Since members of the public are happy, the Government is given higher popularity rating and the political parties are given face, it can be said that everyone is pleased. Just as my good colleague Mr LEE Cheuk-yan said, "It is hard to object to this Budget."

Frankly, while the Treasury has a huge surplus and the Government has no idea how the money could be utilized, the Financial Secretary's introduction of one-off tax concession measures, be it "giving out candies" or returning wealth to the people in the eyes of Members, is after all not a bad idea. Nonetheless, what concerns me more is what will happen after the short-lived applause.

President, if Members are not so forgetful, they should remember that a few months before the publication of the Budget, the Government was still strongly advocating, in all seriousness, the Goods and Services Tax (GST), and warned the public of the serious consequences on the living of the general public when economic downturn or recession set in again should we continue to rely on the existing tax regime. Although what the Government said was often exaggerated, and the consultation on GST was forced to terminate eventually in face of overwhelming denunciation and the Government fearing of a massive bleeding, during the consultation, many people began to realize that there were actually problems with our tax regime. Like ordinary citizens, I am also full of doubts, the biggest of which is whether or not Hong Kong still has the ability to collect tax.

President, I hope Members will not mistake my point. I am not saying that the Inland Revenue Department lacks the statutory power or administration skills to collect tax from the public. My point is because of the historical reason and political system of Hong Kong, as well as some mainstream arguments, "he who lowers tax gets the world" has become an inexorable law. Any politician who proposes an increase in tax is nearly tantamount to committing suicide. For Member whose philosophy of governance is "big market, small government", it will be fine; but people like us who are in pursuit of social justice and wish to ensure equal opportunities for people from all walks of life by maintaining social mobility through the provision of such government services as education, welfare, health care and housing, this is indeed the most important subject.

Budgeting is not a simple exercise of addition and subtraction, it is all the more a political issue in relation to the amount of tax to be collected by the Government, the amount of government expenditure and how the money is to be used; whereas the people's willingness to pay tax and the amount of tax willingly paid will, to a certain extent, reflect public support for the Government and is a recognition of the policy direction and performance of the Government.

Historically speaking, there is a strong relationship between the collection of tax and constitutional development. For example, in the 13th century, the introduction of scutage (literally means shield payment) proposed by King John of England had met with opposition from barons and resulted in the signing of the Magna Carta. It imposed restrictions on imperial power and laid down the principle that taxes could only be imposed with the consent of the taxpayers, and

at the same time, marked the beginning of constitutional monarchy and the development of parliamentary system.

Looking up the historical records of Hong Kong, we can see that income tax was introduced by the colonial government only after the War, and the rate had all along been maintained at a low level. It was not because the colonial government upheld a certain economic theory, but because it was conscious of the lack of legality of its rule and fearing that political stability might be undermined if the taxpayers, who would suffer directly from an increase in tax, evaluate the colonial government's legality, value and success of administration time and again.

Since the '70s, Hong Kong economy has experienced rapid growth for more than 20 years. Coupled with the high land value, the then Government was able to maintain low tax rates, while at the same time gradually expanding public services. Against such historical background, the prevailing pressure groups needed not consider "where does the money come from", but simply kept on demanding more services from the Government. Over time, insofar as public participation in politics is concerned, the scenario as portrayed by Executive Council Member Prof Anthony CHEUNG, that there were only arguments over public expenditure but no discussion on the corresponding financing plan emerged in Hong Kong. Furthermore, society gradually developed a mentality of incessantly demanding various kinds of welfare benefits without caring about the difficult political decision of choosing between an increase in tax and improvement in services. No discussion has ever been held on the making, cutting and distributing of pies in such a solemn, serious and comprehensive manner.

The rest of the story should be clear to all. Economic recessions in the successive years had resulted in a sharp decrease in government income and rendered the proven formula — continued economic growth enabled the Government to further improve public services without the pressure of increasing tax — no longer applicable. Nonetheless, no significant changes have been observed in either the community's mentality or public participation in politics. Neither did the arguments over public expenditure dovetail with the discussion on the corresponding financing plan. The whole community, be it the Government, political parties, pressure groups or even the general public, is not ready for it. The difficult political decision of choosing between an increase in tax and improvement in services has to be made anyway.

Certainly, the question just raised by me is obviously not compatible with the prevailing atmosphere in the community where the economy is booming and the Treasury is being flooded with money. Some people even found it meaningless. However, as learnt from our painful experience in the past few years, the long-standing economic boom should not be taken for granted, and we will have to face the problem that I raised sooner or later. I believe it is better to save up for the rainy days than to dig a well in great thirst.

President, I proposed the levy of dividend tax at the Chief Executive's Question and Answer Session held in January this year. The Chief Executive did not give any concrete reply at that time, but only advised that the Government and the Financial Secretary would continue to listen to views. Later, the Taxation Institute of Hong Kong also suggested that the Government should continue to study the proposed broadening of the tax base, which included the dividend tax. The main consideration of my proposal is the enormous amount of tax revenue that can be collected by the Government, which is estimated that each single percentage point in the rate of dividend tax will yield revenue of \$1 billion. The Government could consider setting a higher percentage point for the tax, and I suggest that a 15% dividend tax should be imposed on \$50 million or more dividend income received. Not only does this proposal have no bearing on the minor shareholders, it even enables the wealthy people and consortiums earning large dividends to shoulder greater social responsibility. I hope that the Government will actively consider this proposal.

I so submit. Thank you, President.

DR DAVID LI: Madam President, may I first take this opportunity to congratulate our Financial Secretary for restoring Hong Kong to fiscal health.

With the economy growing strongly, government revenue has been equally strong. However, what has impressed me most is the Government's admirable record of restraint in public spending.

The Financial Secretary has maintained the Government's operating expenditure at below \$200 billion for three years in succession. In so doing, he has succeeded in lowering the ratio of public expenditure to GDP to around 17%, from 22.5% in 2003-2004. This is a commendable achievement.

The Financial Secretary has made great strides in eliminating waste in the Government, and in delivering value for money. In short, he has succeeded in changing the culture in the Government. This important achievement will have a long-term positive impact on the development of our economy.

In fact, if not for his determination to control spending, the Financial Secretary would not be in a position to return wealth to the people of Hong Kong.

Thanks to his efforts, he has been able to recognize the sacrifice made by the middle class in recent years. The tax concessions he announced will be particularly helpful to those in the lower and middle-income bands. The rebate on rates will benefit all homeowners. An extra month of assistance to seniors and those on relief is an especially welcome surprise. The reduction in the duty on wine and beer brings Hong Kong policy closer to other jurisdictions in the region, and worldwide. It recognizes the importance of the hospitality industry to our economy, and the growing sophistication of our city.

However, having had such a clear vision when returning wealth to the people, I find it troubling that the Financial Secretary did not show the same level of foresight when he turned his gaze to corporate taxation.

Specifically, the Financial Secretary once again ignored the Finance sector's long-standing request that the Government allow a greater degree of tax relief for group losses.

The industry has presented detailed arguments supporting its view that the absence of group loss relief acts as a brake on the development of the local financial services industry. All of our rivals have adopted this provision, leaving us very much the odd man out. We must consider our competitive position.

The Government's response to the report of the Financial Services Focus Group under the Economic Summit on the Mainland's 11th Five-Year Plan showed that this Administration fully understands the importance of developing our city as a financial centre of global significance.

Hong Kong can best serve our country by extending its already formidable strength in financial services. As we move to stake our claim as a leading

financial centre, we can no longer afford to delay a review of our policy on group loss relief.

With group loss relief in place, we would offer a more welcoming business environment to international financial service companies. Separate incorporation allows a more rational structuring of business endeavours. It allows regulated businesses to be separated from non-regulated business. It promotes risk-taking and entrepreneurship.

While the Financial Secretary was silent on the issue of group loss relief this year, he did address the issue in his previous Budget. At that time, he stated that group loss relief could easily be abused. He estimated that the exemption would cost billions of dollars a year in lost tax.

I believe the experience of other jurisdictions will show that this is a rather simplistic and dismissive argument. I see no reason why the Inland Revenue Department should not be able to set controls on group loss relief — controlling the types of losses; those eligible to claim; the amount of losses, and the timing of making such claims.

Through these and other measures, it should be possible to design a regime which protects government revenue, while enhancing Hong Kong's attractiveness as a financial centre.

I do not need to remind the Financial Secretary that revenue lost to tax relief is only one side of the equation. The Financial Secretary earlier took the very bold decision to eliminate estate duty and to exempt offshore funds from Hong Kong tax. These two measures have been very successful in enhancing Hong Kong's role as a fund management centre, attracting more financial service activities to our city and contributing to the growth of our economy.

By adopting group loss relief, we will further enhance Hong Kong's attractiveness as a financial centre. This in turn will generate more jobs and new revenue for the public purse.

We do not have the luxury of time. We have staked out a claim to be the financial centre for this region, just as New York serves the Americas and London serves Europe. Our competitors have heard our call, and will make every effort to undermine our plans.

I urge the Financial Secretary to take note of my remarks, and to make a commitment in his response to review the policy on group loss relief.

At the same time, may I request that the Financial Secretary also review the policy on collective impairment loss, formerly known as the "general bad and doubtful debt provision". A recent change in accounting standards has made the calculation of this provision more scientific. However, it has not answered the banking sector's concern that the provision remains non-deductible for tax purposes.

The Hong Kong Association of Banks has raised these two issues with the Government many times in the past. Both group loss relief and the treatment of collective impairment loss have a major bearing on our development as an international financial centre of global significance.

My colleagues in the Finance Constituency were disappointed that these two issues were not addressed in the Budget. We very much look forward to the Financial Secretary's response at the close of this debate.

Thank you, Madam President.

MR ALBERT HO (in Cantonese): Madam President, last month, when Financial Secretary Henry TANG announced that the surplus of this year was nine times that of the estimate, amounting to \$55.1 billion, the words "where does the money come from" flashed in the minds of many people, which are indeed very familiar to Hong Kong people. Why?

First, the Government's budget surplus of last year was only \$5.6 billion, how did the \$55.1 billion come about? I cannot help thinking of the prophecy made by a former Financial Secretary of the colonial government many years ago. In 1961, former Financial Secretary Arthur CLARKE, who was about to leave office, once said that (and I quote): ".....my successor will make exactly the same mistake that I have always made. He will underestimate revenue....."

Now, Financial Secretary Henry TANG's estimate has answered the prophecy of this very wise predecessor. He has substantially underestimated the revenue and hence recorded a surplus that is nine times that of the estimate.

Certainly, we are pleased to see that we now have more money, but it is also very much to be regretted that some estimates of expenditure were seemingly unreasonably compressed last year. Many people even thought that the tax concession or poverty alleviation measures should have been introduced a couple of years earlier.

Second, in response to requests from Members or the community for improvement in social security or public service, the Government has more than once banged on the table and questioned angrily in rebuke that "where does money come from". The existing surplus has exceeded by a substantial amount and our reserve also amounts to as much as \$900 billion, so "where does money come from" is no longer a pretext for turning a blind eye to the many social aspirations.

Madam President, the Budget has undoubtedly responded to the aspirations of many people in society, including the Democratic Party — at least some of the aspirations — for example, reducing salaries tax, providing travel support, increasing residential care places for the elderly and setting up a children development fund, which is very much welcomed by us. And yet, amidst the applause of many people, the Democratic Party considers that we are duty-bound to take the opportunity of today's debate to make criticisms regarding the serious deficiencies of the Budget, and it is hoped that the Financial Secretary can willingly open his heart to listen to these criticisms.

Although the Government has shaken off the fear of the so-called structural deficit, it has still failed to face the wealth gap problem squarely, neither is it determined to put forward measures to help the more vulnerable social groups. The Democratic Party was disappointed with such unproportional deficiencies. The Government should reconsider increasing its expenditure in this respect as a long-term commitment to society.

The more-than-anticipated surplus has proved that it is indeed over worrying to regard the budget deficit as a cyclical problem. There is no structural deficit in Hong Kong. Since there is no need to deal with the structural deficit problem that we have been worrying, we should then shift and focus our effort on the future of Hong Kong.

The poverty problem of Hong Kong can never be eliminated. While the Democratic Party agrees with what Financial Secretary Henry TANG stated in

the Budget (and I quote): "to help the disadvantaged move from welfare to self-reliance through promoting employment", we are not convinced that, as presented in the Budget, the Government is taking a great stride in this direction. Although a number of proposals have been set out in the Budget, they are inadequate and can hardly meet the demand. I certainly believe that the human rights report to be submitted to the United Nations will have a number of beautifully written chapters, but it is questionable whether the poverty problem of the grassroots can be effectively ameliorated in reality.

I wonder if this is related to the ideology of Mr Donald TSANG. As pointed out in the paper provided by the Financial Secretary to the Legislative Council the other day, while the proportion of grass-roots families earning a monthly income of less than \$15,000 was only 16.8% 10 years ago and rose to 24.8% last year, the proportion of high-income families earning more than \$50,000 monthly has also increased from 9.2% 10 years ago to 10.1% last year. If this is not deterioration in wealth disparity, what is it then?

We may still remember that when Mr TSANG ran for a re-election, he attached great importance to the "promotion of social harmony" and "governance for the people" in his political platform. However, looking at the proposed strategy set out in the Budget today, it gives us the impression of a transient mentality instead. What is even more shocking to me is that Mr Donald TSANG has queried that (and I quote): "Can we make use of the Gini Coefficient to reflect whether the living standard of our general public has declined?" (End of quote) Has this remark refuted the view that wealth disparity is a problem in Hong Kong? Or, does it explain why the Government has refused to attach importance to the poverty problem?

However, it seems that the Government and some people were playing with figures by saying that, one of the explanations for the drop in household income was "a gradual decline in average household size", and "a decline in average household size would tend to pose a drag on household income in general". (End of quote) I agree that it is inappropriate to compare the average income of large households with that of small households, which is precisely tantamount to comparing an apple with an orange. But the information provided by the Census and Statistics Department shows that, even in a comparison of the household income of households of the same size, we discovered that the average income today is still lower than that of 10 years ago. Therefore, we find that some of the figures provided by the Government are

wrong and may even be misleading. I hope that neither the Government nor we will evade and shirk the responsibility of tackling the wealth disparity problem by concealing the truth.

Madam President, if even the Chief Executive and the whole Government rejected outright the view that there is a serious wealth disparity problem in Hong Kong, no wonder only \$900 million has been set aside in the Budget for increasing welfare benefits, among which a mere \$400 million is earmarked for the provision of transport allowance and the implementation of a trial scheme to help discharged elderly patients. We can hardly say that this is insufficient, but it begs the fundamental question: Is there a serious poverty problem in Hong Kong that warrants our committed and comprehensive action? Our answer is in the affirmative.

Madam President, I am aware that many people believe poverty alleviation and welfare initiatives may result in the so-called "welfarism", which is even accused by some for being prone to "cause a fatal car crash" and "push Hong Kong into bankruptcy". We must nonetheless point out that initiatives to ameliorate the wealth disparity problem are no welfarism, but effective measures to remove the stumbling blocks to Hong Kong's social and economic development. Therefore, the poverty problem must be tackled.

Recently, some people from the business sector reflected to the Central Government the lack of talents in Hong Kong, and expressed wish that there could be easier ways for mainland talents to work here. Sarcastically, however, the unemployment rate of local young people still stands high at 17.6%, and I know that it is not easy for university graduates to get jobs. In respect of manpower training, there is still mismatch to a certain extent. Does our social investment have any deficiencies in terms of direction and vigour? These problems should be faced and examined squarely.

In the '60s, a research study entitled "The High/Scope Perry Preschool Study to Age 40" was conducted in the United States. Tens of children aged three to four had been selected by random sampling between 1962 and 1967 to attend half-day preschool of good quality. While the intelligence of these children was not particularly high, some were even poor African children of lower intelligence. After a long period of tracking survey, the findings showed that when these children reached the age of 40 — of course, the report was

released only recently — they were superior to the control group in terms of income, academic achievement and health, and their rate of being arrested for commission of crimes was also much lower than that of the control group. Madam President, society as a whole benefited from fewer crimes, savings in education and welfare costs and increase in tax revenue. The findings demonstrated that the actual rate of return of the resources devoted to this project, if measured in qualitative terms, was 17.1%, among which 76% was the benefit for society whereas 24% was for individuals. The actual rate of return on average reached a high 7.98% per year, which was seemingly a better investment return than that of the Hong Kong Monetary Authority.

The enlightenment given by this study is that the investment on poverty alleviation and the provision of better education for children in particular, is not simply an item of expenditure. It is also a social investment that yields valuable return, which facilitates the upgrading of manpower quality, reducing long-term government expenditure and promoting social stability. How can we shirk these responsibilities which are after all society's responsibilities?

With a surplus of \$55.1 billion this year, plus the enormous reserve, the financial position of the Government now compares very favourably with that of other major countries or regions. I can hardly believe the Government does not have a good understanding of the seriousness of the wealth disparity problem, but just as demonstrated in the Budget and the overall policy, the Government is very reluctant to spend more money on these problems. This shows that our commitment towards Hong Kong's long-term development is still not enough.

We can see that the Government has reduced expenditure very fiercely and vigorously, and yet it failed to show any sign of determination to assist the more vulnerable social groups. We see that the Government debated with Members of the Legislative Council on the expenditure of small-class teaching, and yet it failed to show concern for the quality of education for children. Given that the Commission on Poverty (CoP) will soon be dissolved, will such poverty alleviation initiatives as Cross-district Transport Allowance vanish together with the CoP after brief existence? This is also a matter of concern to us.

We must stress again that there is a need for all of us to gain a new understanding of the nature and meaning of poverty alleviation, which is indeed a long-term social investment. We hope that the Government will invest more

heavily on education with a view to improving the lot of poor children and resolving the problem of inter-generational poverty.

Regarding assistance for the adult grassroots, has the Government implemented adequate measures to encourage them to find employment? The answer of the Government is definitely "yes", but we still find that the measures failed to address the root of the unemployment problem, which is a serious shortage of low-skilled jobs. Economic restructuring has resulted in an excess supply of non-skilled labour, hence leading to an incessant drop in their salaries. While measures like the provision of transport allowance, increasing the amount of discounted earning of low-income CSSA recipients and the setting of minimum wages are adopted to protect individuals and stabilize society, we opine that there should also be policies for promoting development so as to relieve the pressure brought by unemployment and low wages in the long run. It therefore requires additional manpower and talents in various aspects.

Madam President, the Democratic Party thus stresses again that it is absolutely necessary for the Government to expedite the various outstanding infrastructure projects.

MR MA LIK (in Cantonese): Here, on behalf of the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), I will first talk about some of our overall views on the 2007-2008 Budget. Later on, other colleagues will express views on the various policy areas.

Over the past two years, the DAB has been requesting the Government to put in place measures of tax relief and tax rebate in the light of economic recovery with a view to sharing the fruits of economic development with the public. In this year's Budget, the Government eventually accepted the good advices by introducing more comprehensive tax relief measures that meet the long-standing aspirations of society, and adopting fiscal measures that tie in with the actual situation of the Hong Kong economy. Therefore, we will conclude our evaluation of this year's Budget in 16 words: "Returning wealth to the people to meet their aspirations", and at the same time, we also hope that the Government will "fully utilize the surplus to promote development". We opine that this year's Budget on the whole merits full recognition, and it can even be said to be the best and most satisfactory to the people since the reunification.

This explains why the popularity ratings of the Government and the Financial Secretary have risen significantly.

With continuous improvement in the economy, government revenue is far more satisfactory than expected with last year's consolidated fiscal surplus estimated to be \$55.1 billion. In this light, a number of tax relief and tax rebate measures were announced in the Budget. In addition to the one-off waiver of 50% salaries tax, other measures include reverting the marginal bands and marginal rates for salaries tax to their 2002-2003 levels, increasing child allowance from \$40,000 to \$50,000, introducing an additional allowance for new-born babies and waiving rates for the first two quarters. All these measures benefit the middle class and other strata of the community and are positive responses to the DAB's proposals.

Certainly, some people may think that in a booming economy where the Treasury is flooded with money, the preparation of this year's Budget should not be a difficult task. Yet, it is by no means easy to enable people from different social strata to share the fruits of economic development. Some remarked in a piqued tone that "even the CSSA scheme awards entail bonuses", questioning the provision of one additional month of CSSA payment and allowances in the Budget. We consider that, in the long run, it is most important to help the poverty-stricken by utilizing the resources to provide more opportunities, with a view to enhancing their upward mobility and helping them move towards self-reliance. Nonetheless, in the short run, it is absolutely reasonable to let these people share the fruits of economic prosperity. After all, the additional grants provided only involve a small sum of money when compared with the other tax concessions. Since the compilation of the Budget is indeed a political task, it is therefore most important to feel the pulse of society and gain a good grasp of the sentiments of people from all walks of life. Some people think that this year's Budget is "giving out money" for the sake of Mr Donald TSANG's electioneering campaign. Here, I have no interest in speculating whether this is their motive. Rather, the only consideration for these fiscal measures should be whether or not they are consistent with the reality and beneficial to the people.

Apart from enabling the general public to share the fruits of economic development, we think that the Government should also consider how the fiscal surplus can be utilized to pave the way for the long-term economic development of society. First of all, we agree to expedite our infrastructure investments. Hong Kong has lagged behind in infrastructure investments in the past few years.

As a result of the failure to undertake certain small-scale projects and those relating to the supporting facilities of new towns, and to renew some old districts at the earliest time possible, improvements have yet to be made to the living environment of the community. Therefore, the Government itself should carry out a review in this respect. Furthermore, the controversy over some large-scale infrastructural projects has also made progress very difficult, which necessitates a consensus to be reached by different strata in society. In fact, the overall infrastructure of the territory is pretty mature, so it is no easy feat to plan new projects in such a way as to highlight to the public the socio-economic benefits of the additional infrastructure. Coupled with the restrictions in environmental protection and planning, it is all the more difficult to co-ordinate the different aspirations prevailing in society. Thus, it is hoped that the Government can be more proactive rather than being single-minded, as it is necessary to resolve conflicts by gaining a better grasp of public opinion.

Furthermore, we opine that it would be enough to maintain only a reasonable level of fiscal reserve, and there is no need to always strive for more. As we all know, many countries have been increasing their reserves after the financial turmoil. Take Asia as an example, the total reserves of eight countries, namely China, Japan, Korea, Singapore, Malaysia, Thailand, Indonesia and the Philippines, have increased from US\$1,000 billion in 2001 to US\$2,300 billion in 2005. Is this a good practice? Some people think that the opposite effect may occur when things are carried to extremes. Mr Joseph STIGLITZ, the former chief economist of the World Bank and a Nobel Laureate in Economics, pointed out in his latest book that more and more countries were accumulating their reserves, which had instead endangered global economic stability and development. It was because these countries usually placed their reserves in US dollar assets, whereby providing the United States with low-interest loans, leaving the countries themselves unable to secure the necessary capital at low cost. At the same time, over-borrowing on the part of the United States had resulted in the devaluation of US dollar, which led to the evaporation of the wealth of these countries.

According to Mr STIGLITZ, an investment of government income to enhance the local economy is much more effective than setting aside large sums of surplus as reserves. Even though it is necessary to maintain a reasonable level of reserve, there should be diversification of risk in respect of investment given the eroding importance of hoarding US dollar reserves. We all know that the exchange rate of US dollar to Euro had dropped by about 37% between 2002

and 2004, and is still on the decrease. Mr STIGLITZ therefore considered holding Renminbi (RMB) as reserve another good alternative in the light of the revaluation of RMB. Should we hold US dollar reserves during this period of time, there would obviously be significant exchange loss. At present, the central banks of many countries have started to reduce their holdings of bonds in the United States. In Hong Kong, subject to the Currency Board rule, the monetary base should be fully backed by foreign currency, and the Exchange Fund should hold vast amount of US dollar denominated assets which are highly liquid and yield a lower return. Last year, the Chief Executive of the Hong Kong Monetary Authority (HKMA) informed the Legislative Council that 88% of the Exchange Fund is allocated to the US dollar bloc. Instead of continuously keeping the reserve in the Exchange Fund, I think the Government should conduct an in-depth study on other investment modes, be it Singapore's Temasek or Norway's international investment bank. Instead of keeping it all in the Exchange Fund, other alternatives should be actively explored so that opportunities for higher investment return are not missed.

Another issue which I would like to bring up for discussion is: What is the so-called reasonable level of reserve? There has been no uniform view within the Government. The Budget of 1998 advised that the reserve should be maintained at a level equivalent to 12 months of government expenditure, together with one quarter of money supply (M1). The Budget of 2002, however, pointed out that it was not necessary to have the fiscal reserve pegged to money supply. A reserve that was equivalent to around 12 months of government expenditure would be enough. Although the level of reserve is not pegged to money supply this year, Financial Secretary Henry TANG mentioned that apart from addressing the financial pressure arising from the cyclical downturn of the economy, contingencies or structural changes in society, the reserve is also used to help the Exchange Fund to maintain the stability of the monetary and financial systems of Hong Kong.

I consider this viewpoint questionable. The HKMA always states that the Exchange Fund is meant to stabilize Hong Kong dollar, rather than for government use. From a reverse angle, I wonder if I can say that the fiscal reserve is set aside for government use, rather than for stabilizing Hong Kong dollar. The Government should have faith in the currency board system, and be confident that the existing asset of the Exchange Fund itself should be sufficient for stabilizing Hong Kong dollar, without the need to increase it by using government reserve.

Furthermore, Financial Secretary Henry TANG mentioned the viewpoint of the International Monetary Fund (IMF) in the Budget, and that is, using the Gross Domestic Product (GDP) as the benchmark and set the reserve level at 30% to 50% of GDP, with a view to further increasing it by 30% in the future. On the basis of nearly of Hong Kong's GDP of \$1,500 billion last year, 30% equals to more than \$440 billion. I wonder how many countries around the world determine their levels of fiscal reserve following the line of the IMF. I nonetheless think that the views of the IMF are not explicable. Why does a government need to have reserve? It is definitely for coping with contingencies, and so it should be determined on the basis of government expenditure. According to the Government's Revised Estimates, the fiscal reserve of 2006-2007 is equivalent to 19 months of government expenditure, which is estimated to further increase to 24 months in 2011-2012. Is such a level of reserve too high? If there is excess reserve, future investment opportunities should be explored in the local economy, for example, developing basic infrastructure, promoting education and assisting the grassroots in becoming self-reliant. Should better and more effective investment opportunities cannot be identified, I think a more straightforward approach will be to reduce tax and return wealth to the people. We must have faith in the future of Hong Kong economy and our system, and I do consider it necessary to maintain an enormous reserve, which is a figure after all. I totally agree with what the Financial Secretary said, that is, while there is a need to prepare for the rainy days, it is not necessary to be unduly alarmed.

President, since Secretary Prof Arthur LI is present, I would like to take this opportunity to talk about investment in education. This year, as disclosed by Premier WEN Jiabao in the government working report delivered at the National People's Congress, resources for education would increase significantly on the Mainland. He announced in particular the implementation of two major measures: First, providing free teacher education; and second, increasing the subsidy for vocational education. I hold that the promotion of teacher and vocational education is, by coincidence, the issue that Hong Kong has to face now.

Looking back at the development of teacher education in Hong Kong, it was recommended in the Education Commission Report No. 5 of 1992 that The Hong Kong Institute of Education (HKIED) should be upgraded to a tertiary institution with autonomy, and its status should also be gradually upgraded as well. Now, HKIED has already been granted self-accreditation status. And, it

is learnt that, apart from Bachelor Degree and Master Degree programmes, Doctorate Degree programme will also be introduced. Since the '90s, teacher education on the whole has experienced a lot of changes, which include the successive introduction of teacher education courses in other institutions. In comparison, HKIEd is still of a relatively lower status in the eyes of the ordinary public. If we do attach importance to teacher education, we should enhance the quality of the students learning to be teachers and the public recognition of them. At present, I think we need to review the overall planning and allocation of resources in relation to teacher education, including a clearer positioning of HKIEd.

Furthermore, while the Mainland is determined to develop vocational education, Hong Kong has also been actively developing associate degree courses in recent years. Over the past couple of years, we have seen a growing number of institutions specialized in offering associate degree programmes, whereas places for associate degree programmes are also on the rise with 20 000 associate degree graduates every year. However, their prospect in terms of articulation and employment is far from satisfactory, thereby placing associate degree education in an embarrassing position between vocational education and tertiary education.

We all know that, in principle, not all associate degree graduates have to read undergraduate programmes. In fact, vocational education may be a better way out because the skills thus acquired can better cater for the need of the labour market. In order to resolve the existing problem associated with the associate degree programmes, I think it is necessary to give associate degree courses a clear positioning, strengthen career-oriented studies, establish closer ties between various institutions and employers, as well as to introduce courses which cater for the need of the labour market. Meanwhile, the Government should also make use of its resources to enhance the recognition of associate degree qualification. Apart from promoting the qualification of associate degree to employers, the Government must also take the initiative to open up more vacancies of civil service grades for application by associate degree graduates through open recruitment. In fact, there has been a shortfall of 60 000 workers with post-secondary qualification in the labour market in recent years. It is believed that if career-oriented studies can be strengthened, the qualification of associate degree, which is equivalent to post-secondary qualification, should be able to provide our market with the necessary talents.

I so submit. Thank you, President.

MR JAMES TIEN (in Cantonese): Madam President, both the Liberal Party and I consider the Budget this year the best budget since the reunification. Madam President, I made this remark on 28 February, not saying so only today.

We always consider that the implementation of the Basic Law and "one country, two systems" since Hong Kong's reunification with China is a unique constitutional design. In respect of financial arrangement, no place in the world is directly comparable to us. The fundamental difference lies in the revenue arrangement, for we do not have to submit our revenue to the Central Government, and above all, we do not need to incur spending on national defence and diplomacy.

From the perspective of the Budget, revenues from enterprises and companies in Hong Kong are a lot easier to manage where fees and taxes are levied on a yearly basis and are spent accordingly. Does a structural problem exist? The Liberal Party does not think so. It is true that the revenue received by the Government each year does fluctuate. During the couple of years when our financial condition was less favourable, our revenue did drop for various reasons, but there would be improvement in the following years.

Certainly, in some cases, the fluctuation in revenue was a result of certain government policies, such as the "85 000 units" housing policy which had caused a plunge in property prices, a significant drop in rates and stamp duty and a slump in stock prices. In fact, in certain cases, such as the financial turmoil and the SARS outbreak, the Government did not have any control on it. But, anyway, if a conclusion is to be drawn on the past five or 10 years, we find that some 3 000-odd charges imposed on "user pays" principle and "cost-recovery" basis are generating revenue for the Government. On the real estate front, though an exemption in large measure on stamp duty has now been granted to transactions of properties valued between \$1 million and \$2 million, substantial revenue is still generated from other aspects. Nearly \$70 billion is received from profits tax this year, accounting for some 20% of the total revenue. As for salaries tax, it also reaches \$50 billion. So, in general terms, revenues from these sources are very stable. As such, when the Government queried "where the money was supposed to come from" in proposing the Goods and Services Tax (GST) last year, the Liberal Party disagreed with it. We consider the situation this year is also the same. The financial position of the Government has improved greatly, but we do not consider an overhaul necessary.

Madam President, I will now go into the specific details. We very much welcome the tax concessions for the middle-class proposed in the Budget, that is, reverting the rates for salaries tax to their 2002-2003 levels. We particularly welcome the introduction of an allowance of \$50,000 for each additional child, for this may encourage young people in Hong Kong to get married earlier and have more children, thus ameliorating the prevailing problem of diminishing population. It is also hoped that as these children reach their school age, schools under the purview of Secretary Prof Arthur LI will have more students, sparing him the worry of having to close schools because of the shortage of students, which will in turn avoid sparking off more disputes in society.

We very much agree with the Government's proposal of granting a one-off rebate amounting to 50% of salaries tax. Though the rebate is capped at \$15,000, it will be of great help to many middle-class people. We also agree that in the context of sharing the fruits of economic prosperity, recipients of Comprehensive Social Security Assistance (CSSA) may receive a special bonus payment. We note that this arrangement is made in view of the enormous surplus and is only a one-off measure, but the Liberal Party strongly supports it.

Madam President, I would like to make another point from the perspective of tourism development, for the Government just announced my appointment as the Chairman of the Hong Kong Tourism Board yesterday. In tourism development, the catering industry has a very important role to play, while wining and dining is one of the major characteristics of the catering industry, and I would thus talk about the duties on wine and beer. We support the Government's proposal to reduce wine duty to 40%. However, the Financial Secretary did indicate that he would be prepared to reconsider lifting the relevant duties completely if there was widespread public support for it. We hope that other political parties and members of the community will give their views on this.

We think the situation is just like the abolition of estate duty and the exemption of offshore funds from profits tax last year, which have generated a lot more revenue for Hong Kong. We strongly believe that by lifting the duties on wine and beer, visitors to Hong Kong will have the opportunity to consume wine at reasonable prices, and the general public will also be able to consume wine priced at several dozens dollars to hundred-odd dollars per bottle, which will thus put Hong Kong on a par with the neighbouring countries. More so, many medical professionals and doctors are of the view that the consumption of

red wine is different from that of whisky or brandy, for the alcoholic content of red wine is relatively low and its effect on our liver and kidney is smaller. Besides, unlike smoking, the consumption of red wine is not hazardous to our health. Therefore, I hope other political parties or members of the community will also voice their opinion on this.

We also notice that during the month or so after the Government announced the concession on stamp duty on transactions of properties valued between \$1 million and \$2 million, the sales recorded in the secondary market account for 40% of the market sales, showing a substantial increase when compared to the 25% before the reduction. Though 0.75% is not a great amount, the present reduction to \$100 will also boost the sales of properties valued between \$1 million and \$2 million.

Madam President, I will then say something the Government may consider unpalatable, that is, the annual Budget made by the Government is often inaccurate, erring on the conservative side. Over the years, from the year 2002-2003 to this date, the discrepancy each year ranged from some \$8 billion to some \$9 billion. But, from this point of view, the discrepancy this year is a bit ridiculous. The surplus, which is estimated to be \$5.6 billion, turns out to be more than \$50 billion. We have never seen a discrepancy as great as \$50 billion. Certainly, I think the Financial Secretary has nothing to do with it, for he just based on the figures reported by his subordinates in drafting the estimates. Surely, when the economy this year turns out to be better than expected, we should make no complaint but welcome it instead. However, the poor estimates and the substantial discrepancy make it harder for the Government to decide in the Budget its spending and possible tax cuts. That is why those so-called relief measures amounting to \$20 billion can only be implemented this year but not last year.

We think if the Government is to adopt a more conservative approach this year, as it did in the past, the surplus of \$55.1 billion as per the medium range forecast we mentioned today, will very likely turn out to be more than \$60 billion. It is surely a good thing that the distribution of candies, so to speak, amount to about \$20 billion. However, despite the deduction of this \$20 billion from the \$60 billion surplus, the fiscal reserves or the Exchange Fund will still increase by \$40 billion. As mentioned by Mr MA Lik earlier, the fiscal reserves and the Exchange Fund of the Government have both reached a colossal

level. But how much is regarded as enormous? What level is considered adequate? We hope the Government will reconsider this.

According to the Basic Law, the Government should keep its expenditure within the limits of its revenues. But, certainly, it does not mean that the Government have to spend within its means every year, neither does it mean that it should spend every single dollar of the \$60 billion surplus this year and spend nil when it has no surplus next year. However, in terms of overall figures, the Exchange Fund and fiscal reserves have increased from some \$700 billion to over \$1,200 billion since the reunification. Now, when the fiscal reserves and the Exchange Fund have increased to such an excessive level, is it not already adequate? Should we not stop the continued expansion of the fiscal reserves and the Exchange Fund?

Earlier on, Dr David LI talked at length about the group tax — I cannot think of the translation of this term yet. Perhaps because collective memory has become a heated topic these days, I wonder if the term refers to the collective filing of tax returns, so may be I will interpret it as the collective filing of tax returns of subsidiary companies under the same group. In fact, the Government should consider this, for other financial centres, such as London and New York, have also adopted such a tax regime. That is to say, for a company with 10 to dozens of subsidiaries operating dozens of business, it may consolidate the tax returns of all of its subsidiaries every year, computing all of its profits and losses in one single tax assessment and paying a lump sum tax payment.

Certainly, some people may say that the existing tax regime in Hong Kong is not too bad. If a company incurs loss this year, the loss now incurred can be carried forward for future deduction when it makes a profit two years later. This carried-forward nature of deductions is a feature of our tax regime. If it is just the opposite, that the company makes a profit this year and suffers loss next year, the profits tax paid certainly will not be refunded. Nevertheless, when the company makes a profit in future, the problem will be solved. Some people say that certain companies are so smart that they can reorganize their business freely. That is to say, when a subsidiary makes profits after operating for six months, whereas another subsidiary of the same company suffers losses, businesses of similar nature will be reorganized and put under that subsidiary. However, such an approach is in fact difficult to handle from the management point of view. Dr David LI has also reminded the Government of reassessing whether

the adoption of the group tax approach (that is collective tax payment) will really cost the Government billions of dollars. At present, the Government receives about \$70 billion from profits tax annually, so we believe the adoption of the proposal will have some impact on such revenue, but the extent may not necessarily be very great.

Madam President, I would now turn to the relationship between the policy areas of admission of talents, current unemployment rate and education, and revenue. We are so glad to see that the unemployment rate has now dropped to 4.3%. However, at the same time, we notice that despite the so-called drop in unemployment rate to 4.3%, the unemployment rate of university graduates is only at one-odd percentage point. As for the unemployment rate of non-degree holders, particularly that of young people which stands at 7% as mentioned by Mr Albert HO earlier on, it is a different issue. We think that the present arrangement for admission of talents does not intend to admit people with secondary education, under-qualified or even non-educated people to Hong Kong to snatch the "rice bowls" of young people in Hong Kong. To the business sector, these talents to be admitted should all be university graduates. If these talents are admitted to Hong Kong, investors will be able to employ them as the executives of their companies, and the chances of investors making investments in Hong Kong will increase, which will in turn create more job opportunities. Under such circumstances, the young people in Hong Kong who are non-degree holders and whose unemployment rate may have reached 7% will be able to get jobs.

Surely, it is related to Secretary Prof Arthur LI, for this is a problem related to associate degrees as mentioned by a number of Members earlier. We observe that in the opinion of the community, particularly the business sector, at present, graduates of associate degree are unable to find jobs because they consider themselves being holders of certificates and associate degrees should earn a certain amount of wages while the employers think otherwise. Employers, after studying the resumes of these young people, think that they are no better than secondary school leavers and do not deserve the wages they requested. Therefore, the Government should put in more efforts in this respect. It should either encourage these students to further their studies to attain better qualification, or make them know that associate degree holders are not on a par with university graduates and should not expect wages commensurate with those of university graduates.

Moreover, I would like to talk about the return rate of the Exchange Fund. We think the new method of calculation adopted by the Government now is good. However, according to the information provided by the Hong Kong Monetary Authority (HKMA), as at July — sorry, it should be January 2007 — the total assets of the Exchange Fund amount to \$1,228 billion, certainly, of which \$36 billion is the so-called reserve. I think this is a rather large amount. We surely hope that the HKMA can be more aggressive in investment. If the rate of return is calculated at 7%, the some \$1,220 billion will generate an income of \$85 billion. The Liberal Party thus hopes that the Government will continue to consider a total transfer. If the entire amount, be it \$60 billion, \$70 billion or \$80 billion, is transferred to general revenue, an additional fund of a tremendous amount will be provided for the \$250 billion original budget this year. This additional sum may nearly offset the \$70 billion revenue from profits tax. As such, the Government can be more generous in the provisions for other areas, including benefits for the middle class and the elderly and expenditure on medical services.

Finally, I would come to the issue of health care financing. In this connection, we think that society and the Government should arrive at a consensus expeditiously, for we very much agree that our population is ageing, which is also one of the major reasons cited by the Government when it proposed the GST last year. If we fail to come up with a good financing plan to provide better medical arrangements for people who are not yet in their old age but will be so in the next five to 10 years, though this may not have much impact on the Government budget, it will significantly affect the personal finances of individual citizens. When members of the public notice the problem, particularly at this time when people have grasped the concept of democracy and universal suffrage, the first thing most of them will do will be asking how the Government will handle the problem, instead of asking themselves why they will come to this pass or how they should tackle the problem. Thus, I would like to draw the attention of the Government to this point.

Madam President, in a nutshell, the Liberal Party supports the Budget this year. However, we hope that next year, the Government will put in order some minor inadequacies which it fails to attend to this year, such as the reversion of profits tax rate to the 2002-2003 level. As the Chief Executive promised to lower the profits tax rate and standard rate to 15% in his second term during his election campaign, we hope the Government will act accordingly.

Thank you, Madam President.

MISS CHAN YUEN-HAN (in Cantonese): President, this year, the Financial Secretary admitted openly in the Budget that his calculation had been wrong. Last year, the Government estimated that the surplus for this year would only be \$5.6 billion, but it turns out that the actual surplus for this year is 10 times higher than the forecast, amounting to \$55.1 billion. We are of course happy about this, for we too hope that the Government can have more surpluses so that each and every member of society can share the fruits of economic prosperity.

Given the large surplus swelling the government coffers, the Financial Secretary has been pretty generous, for he has earmarked \$1.5 billion for short-term measures alone, including one additional month of "fruit grant", so to speak, for the elderly. At residents' meetings convened by me, the elderly urged me to support the Budget, for they would otherwise lose the additional month of "fruit grant". I think this a good move; for even old people past the age of 70 remember that the Financial Secretary has given them an additional month of "fruit grant". So, it is not bad. CSSA recipients may also get an additional month of CSSA payment. In addition, a tax rebate costing \$8.1 billion and rates waivers for two quarters costing \$5.2 billion will be offered. Regarding the modification of the tax regime for the longer term, the Budget includes measures like the adjustment of tax bands and tax rates, the increase of child allowance and the lowering of stamp duty rate, and so on. In this respect, many people from the middle class, no matter they know us or not, told us they were happy about this when they met us. Therefore, on the whole, this Budget is welcomed by the public. This time, many people can benefit from the Budget, including the middle class, CSSA recipients and property owners. But still, I have received complaints from a large group of people, particularly from the grassroots of my constituency. Actually, last time, I did criticize the Financial Secretary for this, because a group of workers facing the plight of working poverty get nothing from the Budget. They are not CSSA recipients, they are not property owners, nor are they taxpayers. They asked if the Financial Secretary had just ignored them. They expressed the keenest wish to share the fruits of success, but unfortunately, their wish has not been answered this time. I think this has come as a great disappointment to them.

Following the announcement of the Budget, I have received a wide range of complaints from this group of people, and some of them even resorted to resentful expressions. They said that though they were not taxpayers, which they indeed hoped to be but are only unable to do so, they chose to work at full

stretch to earn a living rather than to live on CSSA. Why does the Government not reward them in the Budget? I think this will deal a severe blow to them.

Among the callers is a woman cleansing worker who is a single parent. She said she was now working as a government outsourced worker, earning a monthly salary of \$5,000. But after the deduction of her contribution to the Mandatory Provident Fund, she can only bring home about \$4,500. With this meagre salary alone, she has to support one unemployed son and another attending the university. Life is very difficult for her. She now thinks that despite her agonizing plight, the Government gives no consideration to their situation in this Budget.

If we are to criticize this Budget for neglecting the working poor, I think it is necessary to discuss this with the Financial Secretary, for I do not want to do the Financial Secretary injustice. However, according to our analysis, the Financial Secretary probably has no idea of the term "working poverty" in his mind. If he had ever come across the idea of "working poverty", he would have admitted that the problem of polarization of income now exists in society. I, thus, think the Financial Secretary should give more consideration to this. Actually, the three Members of the Legislative Council from the Hong Kong Federation of Trade Unions (FTU) did mention the working poor to the Financial Secretary every time we met with him. I hope that the Financial Secretary will always remember this group of people, and when he formulates any policies in future, he will consider the needs of this group of people who number tens of thousands. As they insist on toiling through the adversities, should the Government not take account of their plights in the formulation of policies in future? It should never treat them as it did in this Budget.

Moreover, I very much like to emphasize that according to the income disparity analysis the Government provided to us, people earning less than \$4,000 monthly is increasing in number. More often than not, the Government Economist will explain that the low level of income of this group of people is accentuated by the increase in the number of elderly people and the increase in the income of people with high academic qualification. If this is the perspective taken by the Government in perceiving the issue, I think the Government is not facing, nor has it ever faced, squarely the root of the poverty problem in society. Therefore, I hope the Government will never ever listen only to the advice of Mr KWOK, the Government Economist, that it is the high income of highly

qualified people that accentuates the low income of the grassroots, nor is it because of the increase in the number of elderly people. The Government should attend to this group of people who indeed number tens of thousands, who are toiling through the adversities despite earning wages less than CSSA payments. The Government should let this group of people feel the warmth of being cared for in formulating its policies.

Furthermore, I would like to point out that many people have told me, "Though I earn more than \$4,000, Miss CHAN, we, as a family of four, earn only \$8,000 to \$9,000 a month, and that means each of us can only have \$2,000 to spend on average, and we are having a very hard time." I cannot help asking a question. Though these people are not caught in the tax net, they live in a "three-No" condition. Should they not be taken care of? These people are the grassroots. They are no taxpayers, they are no property owners and they are no CSSA recipients. But how do we look at them? Every single move of the Government has great significance to the public. When every stratum of society can share the fruits of economic prosperity, we have just neglected this group of people who insist on toiling through the adversities. Therefore, I earnestly hope that the Government will think this over again in terms of its policies and examine what has gone wrong.

President, one of the major functions of the Budget is to redistribute wealth. But despite the \$50-odd billion consolidated surplus recorded this year, the grassroots are offered no assistance. The Financial Secretary may probably tell us later, perhaps tomorrow, that the Commission on Poverty (CoP) has already provided travel allowance to workers who live in remote areas but need to commute to work across districts. Right, we have done something in that area, and the Government has particularly included the low-income workers in the scheme eventually. We think it is good. However, residents very often field me these questions: "I have to travel from Wong Tai Sin to Tuen Mun to work; what can I do?" or "I have to travel from Wong Tai Sin to Central to work, what can I do?" They ask such questions for the travelling expenses for crossing the harbour are very expensive. I think we should have taken this into account when we encourage people to work. Now, this policy is only applicable to residents of four remote areas. I have no objection to this approach, but how about residents who work in other districts? And how about other low-income earners who have to work across districts? I think the Government has to pay heed to their opinions.

President, apart from these problems, I would like to highlight another important function of the Budget, that is, to set a direction for economic development by financial means. However, over the years, the Government has failed to bring this function of the Budget into play. The FTU feels deeply disappointed about this. The employment-oriented development strategy for economic development proposed by, LEE Chark-tim, the President of FTU, in the '90s, indeed implied such a direction. In the face of the globalization of the world economy and the problem of structural unemployment, if economic activities carried out take no account of the employment issue of the grassroots and their opportunity to move up the social ladder, this Government, in truth, is in great trouble. Besides, such circumstances will fuel the various conflicts in society. Therefore, I hope the Financial Secretary will think through this issue — I do not know whether the Financial Secretary will remain in the office of the Financial Secretary in the next term of Government of new composition. If he got a promotion, I hope he will still pay attention to this. To conclude, if the Financial Secretary remains in the establishment of the Government by that time, he should continue to pay attention to and consider how to solve the problem of structural unemployment by way of development.

Let us look at Singapore, which has done far better than us in this respect. Their government officials are far-sighted. They have injected \$5 million into a national research foundation established last year, making investments in research and development this year, together with other research and development units, to \$2 billion.

As for the solution to the unemployment and low-income problem of grass-roots workers, in addition to promoting the four pillar industries, the Government should explore new areas in economy to absorb the grass-roots workers. Financial Secretary (frankly, you have impressed the people of Hong Kong and your popularity rating is thus very high), I thus hope you will do something grand. That is to say, be you the Financial Secretary or other senior officials, will you develop a new area among the economic activities in Hong Kong and thus create new horizons for the grassroots? In fact, in this connection, colleagues in the Legislative Council, including Mr Vincent FANG from the Liberal Party, have all along been discussing the development of small business economy for the grassroots. Discussions include how to open a way out for them and not to strangle them; how efforts can be made in the existing sectors, such as tourism, green tourism, cultural tourism, conservation of monuments and certain facilities, so that various economic activities will be

generated in the natural course, thus providing suitable job opportunities for certain people. As such, I myself have spent a long time examining issues on highways and planning. In the past decade, I have persistently reminded the Government of my hope to develop an underground shopping arcade stretching across the Southeast Kowloon, which will provide shops at lower rentals and thus create job opportunities for the grassroots. I have also proposed the setting up of more access points in the neighbouring areas, which will revitalize the economy and create more job opportunities within this lot of land of 300-odd hectares.

Members of the community have put forth a lot of ideas to the Government. Unfortunately, for some unknown reasons, these ideas have never been addressed to properly. The Government just keeps talking about big market and small government. In every capitalistic country or place, I am referring to Singapore, Britain and the United States today, it is a cause of concern to ensure that people outside the mainstream economy, like others, can share the fruits of success in society and have the opportunity to move up the social ladder. Japan is doing a particularly good job in this respect. I have been talking about this for a long time, perhaps for more than a decade. I have also taken up this issue with Mr TUNG for a long time. I suggested that the Government might consider developing economies composing of alternative elements. In fact, these people do not want to live on CSSA, but it is feasible only if they are offered the opportunities.

President, I have brought up the issue on the grassroots and working poverty for I hope the Government will show greater concern for them. More so, I hope the Budget next year will cover this area. I also hope that the Financial Secretary will give a clearer reply to my questions in this regard tomorrow.

President, I will then turn to welfare, for welfare is closely related to grass-roots poverty, working poverty and the disparity between the rich and the poor.

We notice that in the Budget speech made by the Financial Secretary, nine paragraphs have been devoted to explaining the increase in welfare expenditure for the coming year. As far as I can recall, and I have indeed looked up the Budgets of previous years, it appears that welfare issue is discussed in the greatest length in this Budget. I think this is good. We perceive that the

Financial Secretary, being the Chairman of the CoP, may have identified certain problems and thus introduced a number of measures accordingly. However, we still have to discuss the calculation with the Financial Secretary, for after calculation, we found that only \$900 million is spent on these measures. I do not intend to comment on the propriety of spending only \$900 million of the \$20-odd billion on these measures, nor of the spending on other areas. However, Secretary, you still have some \$50 billion, why do you not put in more efforts in these areas? Take the reduction in wine duty as mentioned by Mr James TIEN earlier as an example, it is costing the Government \$350 million. In that case, why is only \$900 million spent in this respect? May I ask how many people are living in poverty in Hong Kong? According to Dr CHOW Wing-sun, a million people are now living in poverty. But how does the Government as a whole respond to this? It says that this is just the view of academics.

At meetings of the Panel on Welfare Services of the Legislative Council, colleagues have had debates with officers of the Social Welfare Department. For since Hong Kong's reunification in 1997, the disparity between the rich and the poor in society has been widening, and more and more problems have arisen in society. Worse still, there are the problem of working poverty and many other problems. All these require us to initiate a review of welfare services. However, more often than not, the Government evades this problem and refuses to discuss this. This time, the Government only provides a meagre increase in funding, and I think, to the Government, the increase may already be the job done.

However, I think, somehow there must be some better solutions to the problems now prevailing in society. These problems are serious, and honestly, the seriousness of the problem of disparity between the rich and the poor and that of working poverty have been brought to the fore since the reunification. We should thus think up more solutions to these problems. If we can move forward and think up more solutions, we will not be dogged by certain problems which may develop into unsolvable problems.

Take the problem of domestic violence as an example. I was the Chairman of a subcommittee on family violence in the last Session, while Dr Fernando CHEUNG is the incumbent Chairman. I have been participating in the work of this subcommittee since the last Session, and so far, I have noticed certain issues which the Government keeps saying must be solved. Let me cite

an example. This time, an additional amount of \$31 million is provided to tackle this problem, which I think is good, but despite the additional provision, I cannot help asking a question: Is this amount sufficient? I would like to take this up with the Government. More often than not, in solving the problem of domestic violence, many organizations in the community would want to come forward and offer assistance, but the Government very often denies them the chance to do so. The entire society is now facing the problem of poverty, working poverty, and so on, and the many problems of domestic violence so arise. I dearly wish to know what attitude the Government will adopt in handling these problems.

In the United States, the responsible person of the top echelon expresses the hope for zero tolerance of domestic violence. And, a few years ago, the Hong Kong SAR Government indicated its wish of keeping the rate of domestic violence at zero. However, what have been done? I hope the Government will understand that when we put in much effort in the upstream work to alleviate poverty, the number of domestic violence cases will decrease accordingly. As for problems downstream, we have to forge further ahead. However, owing to the time constraint, I will not go into the details of this.

There are still many other problems, such as inter-generational poverty, child problem, the elderly problem which has been a concern to the public recently, and also the problems of people with disabilities and new arrivals. In this Budget, the Financial Secretary has done a little bit on each and every aspect. However, I have to point out that doing a little bit on different aspects is not enough, nor is it a solution to the problem. I would like to cite inter-generational poverty, a problem raised by the welfare sector and acknowledged by the Government, as an example. Recently, the Government has proposed the establishment of a fund for children. I think this is a very good idea. We support the proposal and the Government will earmark \$300 million to set up a child development fund to address the problem of inter-generational poverty. I affirm this idea, but as I have learnt from the Subcommittee to Study the Subject of Combating Poverty that the fund will operate on a project base, meaning that it is activated in response to applications from non-governmental organizations, I have some reservations about this. As the present project which aims to alleviate poverty and address the problem of inter-generational poverty is not a small project, it is inadequate to just deal with the education problems of those children. Nor can it solve the problem by just providing them with this, that and other. I think the Government has to

consider the matter in a holistic manner. For instance, a few years ago, Taiwan, Britain and other countries also launched major projects to help the poor, which were all administered by senior officials, but our Government has adopted a different attitude now. Thus, I am afraid that the effect of the project will be less than desirable eventually.

President, despite all this, we support this Budget, for the Government has done something good. But still, as I said earlier, there are inadequacies. I earnestly hope that, in future, the Financial Secretary will deal with the problem of working poverty thoroughly and (*the buzzer sounded*)

Thank you, President.

DR LUI MING-WAH (in Cantonese): Since the announcement of the 2007-2008 Budget, Financial Secretary Henry TANG began to enjoy the happiest days in his tenure as Financial Secretary. Currently, Hong Kong economy maintains sustained growth and is flourishing. In 2006-2007, the government revenue is \$230 billion while expenditure is only \$190 billion, resulting in \$55 billion of consolidated fiscal surplus. According to the Government's estimation, the growth rate of our economy can be maintained at around 6% in the next four years — the annual average GDP growth rate in the past three years is 7.6% — while the inflation rate can be kept at 3.5% or below. When Hong Kong is enjoying an economic boom and there is a fiscal surplus, it should be a happy mission of the Financial Secretary to share wealth with the community and return wealth to the people.

In the Government's Budget, the Financial Secretary has decided to "hand out candies" to the people in response to their aspirations. By common sense, a number of principles should be observed when returning wealth to the people, that is, it should ensure that all strata of society can benefit and everybody can share the fruit of prosperity. Also, the "handing out of candies" should be conducive to sustainable economic development and the building of a harmonious society. When considering specific measures, the Government should decide whether persistent policies or one-off measures be adopted as they will have an important bearing on our future economic development and the fiscal position of the Government. In the Budget, the Financial Secretary has proposed a number of measures to return wealth to the community. I would like to discuss them on the basis of the above principles.

First, returning wealth with the community. During the economic downturn when the Government faced a deficit and effected tax increases and welfare reduction, both the business sector and the people suffered. Now, with a higher than expected surplus, it is right to return wealth to the people. First of all, the Financial Secretary will revert the marginal bands and marginal rates for salaries tax to their 2002-2003 levels so as to reduce the salaries tax and tax under personal assessment for 2006-2007 by 50%, subject to a ceiling of \$15,000. The middle-class people who have paid salaries tax will be extremely happy about this. The Government has decided to waive rates for the first two quarters of 2007-2008, subject to a ceiling of \$5,000 per quarter. Besides, the rate of stamp duty on transactions of properties valued between \$1 million and \$2 million will be reduced to a fixed amount of \$100. This will benefit the residential property owners and the potential owners, apart from promoting the sale of low-end property.

Secondly, let us look at social welfare. When the government revenue in the next few years is guaranteed, it is natural and justifiable to improve social welfare. In this aspect, the Government has proposed a series of measures to "hand out candies", including one additional month of standard rate CSSA payments and one additional month of "fruit grant" for the elderly so that the grass-roots people and CSSA recipients will benefit. The proposal of increasing the child allowance to \$50,000 and the introduction of an additional one-off child allowance of \$50,000 for each child in the year of birth will have a certain effect on promotion of childbirth. Apart from all this, the Government will increase the maximum amount of deduction for self-education expenses, provide transport allowance for employees who work across districts and set up a child development fund. All these are positive measures. To enhance the support to the elderly and victims of domestic violence can also meet the expectations of society.

Thirdly, let us look at measures to boost the economy. Among the Government's proposals of "handing out candies", only four are related to our economy. These are the procurement of a new air traffic control system and the construction of a new headquarters for the Civil Aviation Department, the reduction of the duty rate on wine and beer by 50%, the setting up of a \$300 million film development fund and the provision of WiFi networks. From these, we can see that the focus of this Budget does not lie in boosting our economy.

From the response of the community to the Budget, we can see that the job of Financial Secretary Henry TANG is highly successful and commended. But an in-depth analysis will reveal that although the Financial Secretary has won applause, the measures to "hand out candies" will not have any adverse impact on the public coffers in future. The reason is that among the \$20.3 billion to be handed out in the Budget, \$14.8 billion is the fund for implementing one-off measures and only \$5.5 billion is for the implementation of long-term policies, meaning that the Government has to distribute \$5.5 billion to the people annually in future. This amount represents only 2% of the Government's \$230 billion annual revenue. As a responsible Financial Secretary, this is a most sensible decision. Some critics hold that the new Budget is too conservative and stronger measures should be adopted in respect of tax cuts. However, in view of the uniqueness and long-term stability of Hong Kong economy, one-off measures of "handing out candies" are wise because the Government can avoid being caught in a passive position when the economy takes a turn for the worse.

Although the Government's plan to "hand out candies" is quite extensive and millions of people will benefit, low-income workers will not get much direct benefit. Among the 3.4 million employees in Hong Kong, only 1.2 million are salaries taxpayers. The tax rebates and tax rate adjustment measures will not benefit the majority, or the 2 million low-income workers. Although they have not paid salaries tax, their contribution to society should not be denied. To enable the low-income people to share the fruit of economic success, the Government should inject \$2,000 into all Mandatory Provident Fund (MPF) accounts as a one-off measure. This will have a significant financial implication to the retirement of the low-income workers in future and attract more self-employed people to participate in MPF schemes.

Worse still, although Hong Kong is a rich city, there is a group of underprivileged who are not property owners or taxpayers. Neither have they received any CSSA payments. In this Budget, they are totally forgotten and do not receive any benefit. The Government should try to distribute "dividend" to them as nourishment to the harmonious society and to win popular support.

Lastly, in respect of economic development, the Budget has nothing to write home about as the lowest expectation of the business sector has not been met. Although it is the long-standing position of the Government that economic activities are the people's responsibilities, official policies and support are the

major impetus to economic growth. In an era of globalization, enterprises of Hong Kong will face competition on all fronts. If the Government insists on adopting an onlooker's attitude of "doing nothing and refraining from doing anything", Hong Kong economy will be tantamount to a frog being cooked with cold water and the outcome is expected. In the Budget, the Government has allocated \$300 million to support the film industry. But there are no policies or resources for the promotion of further industrialization. Nor is there any strategy to make a breakthrough in such an economic plight, thus reflecting the Government's failure in foreseeing the potential crisis in the competition faced by our shipping and logistics industries. Once these two industries were marginalized, Hong Kong's economic development could only rely on the financial sector and this is far from adequate. So, in view of the huge surplus, I hope the Government will not only "hand out candies" to the people but also propose more visionary and strategic plans, leading Hong Kong economy onto a new pedestal and ensuring sustainable development. Only this is the best policy. I wish the Financial Secretary of Hong Kong can enjoy the joy of "handing out candies" in each and every year to come. Thank you, President.

MS AUDREY EU (in Cantonese): This year's Budget has brought two main messages to Hong Kong people. This first is the good news that the Government has a huge surplus. In 2006-2007, we have a consolidated fiscal surplus of \$55.1 billion, which is nine times of the original estimate of Financial Secretary Henry TANG who can therefore afford to "hand out candies". The bad news is, the Government has not seized the golden opportunity of having a huge surplus to provide good financial support for long-term planning so as to improve the living quality of Hong Kong people, facilitate Hong Kong's long-term economic transformation for the building of a better Hong Kong which will be more harmonious, clean and peaceful, thus enabling Hong Kong to be a melting pot of cultures. This Budget, which can only be described as myopic, is certainly not one with commitment to the future.

As the Civic Party pointed out in the proposals submitted to the Financial Secretary in last year's meeting with him, the most important function of the Government's Budget is to complement its major policies. The Budget should have a vision, while being adaptive to political and economic changes. However, with a perennial mindset of a caretaker, our Government has seldom touched upon the question of how to lay the foundation for Hong Kong's long-term planning through the deployment of financial resources.

In fact, many people have said that all sectors of the community, except the working poor who were described as "three no's" by Dr LUI Ming-wah just now, appeared to benefit from the Budget. We can see that the Government has spent \$19.1 billion on returning wealth to the people. But only \$1.5 billion has been earmarked for the disadvantaged. The great discrepancy in these two figures can reflect that the Government has not faced up squarely to the worsening disparity between the rich and the poor. We can even see that the Government has tried to downplay the problem in its recent remarks. For instance, the Government said that the Gini Coefficient is not applicable to Hong Kong and this problem in Hong Kong is not really so serious if not because of the shrinking size of families in Hong Kong.

However, if we look at the Population By-census published by the Census and Statistics Department last month, and as many have pointed out, we can see that a M-shaped society has emerged in Hong Kong. During the past decade from 1996 to 2006, the percentage of middle-class families, compared with the total number of families, has decreased from 61.2% to 55%, indicating that the size of the middle class is drifting downwards and the disparity between the rich and the poor is indeed worsening.

It is most worrying that such a M-shaped society not only appears in Hong Kong but has also become a global phenomenon with such features as economic transformation, increase in outsourcing of jobs and services, and migration of jobs to places of the lowest labour costs. And this trend will be worsening. Three or four decades ago, the lower social stratum could climb up the social ladder and improve their lot by their own efforts and fighting spirit. People felt that they had equal opportunities and could get rich by hard work. However, we can see that in today's society, as reflected by opinion polls, the middle-class families lack a sense of security. I believe this can partly explain why Hong Kong people are unwilling to raise children. Apart from some tax concessions, this Budget has not proposed any measure to avert or ameliorate the problem.

In fact, with a huge surplus, the Government should seize the opportunity to resolve or face up squarely to the core problems of Hong Kong, such as the disparity between the rich and the poor, unemployment, ageing population, working poverty and health care financing mentioned by me just now. In the community and even in the Legislative Council, we often discuss such issues as minimum wage, small-class teaching, improvement of the environment, setting up a natural conservation fund and a universal retirement protection scheme.

As these proposals target at the current important problems and those which are expected to occur in future, it is most appropriate to discuss them when there is a huge fiscal surplus. We hope some issues mentioned in the Chief Executive Election debates, such as those raised by Mr Alan LEONG, can be discussed in-depth by the community. Unfortunately, due to the current restraints of our electoral system, a candidate can only have 30 seconds to one minute to debate such issues. How can the candidate discuss whether a universal retirement protection scheme is feasible in terms of figures and the details of the relevant analysis? Will the analysts be interested in discussing these problems? It seems that people only care about the number of blank ballots and the probability of being elected. These issues, as a result, are barely discussed.

Besides, regarding various issues, in particular issues of education and environmental protection which are subjects of concern to me, I believe we all have different views and suggestions. But I think in such a short speech about the Budget, we should target at the core issue, that is, whether or not the Government has made the best use of the surplus. Often times, when we talk about returning wealth to the people or leaving wealth with the community, the one-off measure of "handing out candies" is certainly one of the ways although it is not very wise. We have to see whether the Government has made appropriate and long-term social investment or not. In this aspect, I think the Budget has made some improvements amid some retrogressions. What are the improvements then? When meeting with the Financial Secretary, the Civic Party asked him whether a more stable arrangement between the investment income of the fiscal reserves and the government expenditure and budget could be made. We can see that there is improvement in this aspect because Financial Secretary Henry TANG said in paragraph 79 of the Budget that he had decided to revise the income-sharing arrangement between the fiscal reserves and the Exchange Fund with a view to increasing the Government's investment income and enhancing its stability. So, effective from 1 April, the return on the fiscal reserves will be calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years. Under the new arrangement, the rate of return on the fiscal reserves for 2007 will be 7%. The guarantee of a minimum return will also be included to ensure that the annual investment return in any year will not be lower than the average yield of three-year Exchange Fund Notes for the previous year. So, this shows that the Financial Secretary has indeed taken on board the views of various political parties and this is an improvement.

However, it is a pity that there is retrogression. In paragraph 78 of the Budget, we can note that the Government has considered the advice of the International Monetary Fund. Regarding the Government's decision on the use of the reserves and the level of reserves, the Financial Secretary said that the levels of reserves needed to absorb fluctuations in revenue could be around 30% to 50% of the GDP, apart from a need to put in an additional 30% of the GDP by 2030. In retrospect of the arrangement by the former Financial Secretary, Mr Antony LEUNG, the reserve level was fixed at a sum equivalent to 12 months of government expenditure. Now, it is proposed to be 30% of the GDP. On the basis of today's estimated government expenditure, it will be at least equivalent to 24 months of government expenditure or one-fold of that fixed by Mr LEUNG in his capacity as Financial Secretary, that is, from 12 months of government expenditure to 24 months of government expenditure at present. On the basis of today's figure, it is around \$500 billion.

In fact, the same point was mentioned by MA Lik in his speech on behalf of the DAB. However, I believe the difference lies in who makes the point. If it is an expression by the democratic camp, some may say that the democratic camp is in favour of welfarism. If it is a remark by Alan LEONG, some may say that Alan LEONG knows nothing about economics and wants to spend all the reserves of the Government. In fact, no one says that all the reserves of the Government should be spent. But should the Government keep so much reserves? Is MA Lik's remark sensible? MA Lik will not be criticized for his remarks although his views are the same as ours. In other words, there is much room for discussion on the level and use of reserves by the Government.

In fact, the current situation is most paradoxical. With a huge and world-class reserve, the Government does have attained the target of deficit elimination and our economy is in an upturn again. However, as I just said, regarding many long-term social problems we have to face, we do not see any effort by the Government to address or face up squarely to all these problems. These problems will only get worsening, thus undermining the Government's competitiveness, and our future generation will bear the bad consequences.

I believe many people have heard of a story about the landlord of a manor who was going to emigrate. Before departure, he summoned his three most trusted servants and gave each of them five taels of gold. A few years later, the landlord came back to have a get-together with the three servants. Learning that Servants A and B had made use of the gold given by him for setting up a

business and a charity, the landlord was very pleased at their career success. When it came to his turn to account for the gold, Servant C said that all the gold had been buried in the backyard for safe keeping. He then cautiously took it out for the landlord's inspection, saying it had been kept in good condition. After hearing that, the landlord was certainly very unhappy because he considered that Servant C had failed to understand his good intention.

I hope the Government, in particular the Financial Secretary, as a principal official serving Hong Kong, can understand the spirit and lesson of the story. Although our current constitutional system is weird and the Government is apt to listen to those who are powerful, influential and have the votes due to the current problems in our system, I hope the government officials can transcend the current constitutional system and take care of the genuinely needy when formulating policies for Hong Kong, in particular the Budget which is so important. We often say that Hong Kong economy is booming and it will be difficult for Hong Kong to become poor. We also say that Hong Kong is a centre of various activities. Particularly, in terms of being a financial centre, Hong Kong is a world-class centre. However, we cannot look at only the surface. As the Government, it cannot just say that the financial market is booming, and the stock and property markets are fabulous. Rather, it should take care of other social strata. To build a really harmonious society, it should keep exerting efforts, listen to the voices of the needy and take care of them instead of allocating public resources simply on the basis of political power or influence.

So as regards this Budget, the Civic Party is particularly concerned about the three main points we raised right after the Budget had been announced by the Financial Secretary. Today, we still consider it necessary to reiterate them. First, the Government has not made the best use of the fiscal reserves. Second, when the Government is "handing out candies", the portion of the candies that the genuinely needy obtained has reflected that the disparity between the rich and the poor has not been properly and seriously addressed by the Government. Third, we certainly hope that the Government can — in particular after election, our Chief Executive has made a lot of promises concerning small-class teaching, air pollution and discussion on constitutional reform — make use of the fiscal reserves next year in such a way that these promises can be honoured. Thank you, President.

DR PHILIP WONG (in Cantonese): Madam President, the Chinese General Chamber of Commerce (CGCC) opines that this year's Budget is a responsible one. The CGCC supports the Government's fiscal concept and its endeavour to strike by all means an appropriate balance between the promotion of economic development, improving the people's livelihood and the long-term interest of Hong Kong. I would like to state several points on this.

First of all, a series of tax concessions and one-off reliefs are proposed in the Budget to share wealth with the community. This is a prudent approach because the purpose of leaving wealth with the community is fulfilled without changing the structure between fiscal expenditure and revenue. However, we should not ignore the fact that while most of the Government's current fiscal reserves appear in the Consolidated Account, surplus in the recurrent account is not obvious. So, the people should save up for a rainy day and the Government should stay alert to the challenges ahead by setting aside sufficient reserves for the hard time.

Secondly, the poverty alleviation measures proposed in the Budget, including the support to social enterprises and promotion of employment and self-reliance, can indeed help resolve the poverty problem due to economic transformation, ageing population and insufficient resources for the disadvantaged. I note that the recurrent expenditure on education next year is almost 25% of the total expenditure, indicating that the Government has attached intense importance to investment in education. In my opinion, the Government's strategy of reviving Hong Kong by education through increased investment in education and enhanced training of talents will certainly lead to an enormous return if it is pursued persistently. And this is the only way to solve the poverty problem at root.

Besides, it is proposed in the Budget that the income-sharing arrangement between the fiscal reserves and the Exchange Fund be revised. This is a sensible way to expand government revenue. Recently, the CGCC has proposed to the Government that funds, after providing sufficient foreign exchange reserve for defending our Hong Kong dollar, should be allocated for more aggressive investment to increase the Government's investment income. The CGCC will continue to look into the matter, review the investment situation of the Exchange Fund and make reference to the relevant experience of other countries or regions before making specific recommendations to the Government.

Furthermore, a number of measures to remove barriers and streamline procedures in respect of the regulation of the construction and real estate sectors, food business, retail trade and entertainment industry are proposed in the Budget, apart from measures to promote the development of environmental protection and creative industries. All these initiatives will help boost our economy, improve the business environment and reduce the costs of enterprises. I applaud them all.

Here I would like to make three suggestions. First, the Government should clearly identify the economic positioning of Hong Kong. As an international financial, trading and shipping centre, Hong Kong's advantages in the financial sector are particularly prominent. I suggest that the Government take the initiative to advise the Central Government of Hong Kong's contribution to the economic development of the Mainland in these three aspects so that Hong Kong will be included in the State's economic development blueprint, instead of just waiting for preferential policies in a passive manner. In this year's work report of the Central Government, Premier WEN emphasized the reform of the financial system and proposed the development of a futures market so as to reverse the situation that some commodity prices are controlled by foreign countries. In my opinion, Hong Kong should actively complement the State's financial reform and cope with the economic needs of the Mainland, expedite the development of a commodity futures market and provide diversified financial services.

Second, the Government should seriously consider a gradual downward adjustment of the profits tax rate. In recent years, peripheral countries and regions have reduced their profits tax rates to attract investments. Given the exorbitant wages and rentals of commercial buildings in Hong Kong, the investment desire and business environment will be adversely affected if the profits tax rate remains unchanged.

Third, the poverty problem should be solved. The Government must spare no efforts in promoting economic development and employment. However, the relevant measures in the Budget are still inadequate, particularly too much emphasis has been placed on the creation of new jobs by exhaustion of the annual project funds. I note that the workforce in the trading and logistics industries account for 25% of the total employment population. These two industries have been subject to the impact of regional free trade and cheap transportation costs in the neighbouring regions. The Government should

therefore consider providing resources to help the development of these two industries so that their development will not lag behind others due to falling competitiveness. In that case, employment will be affected and the disparity between the rich and the poor will widen further.

Madam President, I so submit.

MR SIN CHUNG-KAI (in Cantonese): Madam President, I am sure that this Budget is undoubtedly the most applauded and welcomed one since the financial turmoil. According to an opinion poll, this Budget is highly commended. However, as a political party obliged to monitor the Government, we will still raise questions on a popular Budget.

I would like to ask the Government 10 questions in the hope that responses on each of them will be given by the Government on 18 April.

First, the Government always emphasizes that we should spend money where it should be spent. Do the public have the same understanding as that of the Government? The Democratic Party has proposed the implementation of small-class teaching, the construction of Tung Chung Hospital, the provision of clinic services in Tin Shui Wai North, the implementation of the Harbour Area Treatment Scheme Stage 2B, the construction of a railway in the Southern District and the Shatin to Central Link, as well as the implementation of Route 10 project. These issues have been discussed for a very long time, and they are urgently needed measures, policies or infrastructural projects. Although the people think that money should be spent on these items, the Government might not have spent money or done anything on them in the past few years. As a result, the Government may wonder whether money should be spent on them. Of course, the Government has a lot of reasons for not implementing these projects and the most frequently cited one is lack of resources. But this takes me to my second question: Why does the Government possess such a huge surplus?

All projects require resources. Why is a huge surplus accumulated every year? In the past few years, the Government has often overestimated the expenditure by around 10%, and this year \$16 billion is not spent. Yes, \$16 billion. As far as many policies are concerned, this is already a very large sum of money. If the Government can make the best use of resources, will it be conducive to the early implementation of some measures which ought to be

implemented? In doing so, the Government's surplus can be reduced and Hong Kong will be developed in an effective way.

As the Government has always underestimated revenue and overestimated expenditure, should the Government not formulate a balanced or even slightly deficit budget instead of a surplus one? When a surplus budget appears, it will mean a fiscal year with a huge surplus. In fact, many departments have surpluses. Resources can be put to better use if the ability of resource deployment within the ambit of the Government or Bureau Directors can be improved. The Government will no longer need to set aside some additional funds to meet expenditure arising from some unexpected commitments.

A sum of \$9.4 billion has been set aside for next year under Head 106 Subheads 251 and 789. Is such a sum excessive? This is set aside for additional or potential expenditure arising from emergency such as avian influenza. To increase the commitment in this area will worsen the surplus situation of the Government. The Democratic Party considers that the Government needs not set aside such a large sum of money because supplementary appropriation can be applied from the Finance Committee (FC) of the Legislative Council when necessary. This can avoid the provision of a large expenditure leading to the accumulation of surplus and an impression of an unhealthy fiscal position, apart from delaying essential projects for years. We have even asked in the FC whether some departments have acted like a dog in the manger.

The third question I would like to ask the Government is the reason why the expenditure has failed to catch up with the economic growth. It is an extremely weird phenomenon that some government departments do not have enough money to meet expenditure while there is a surplus in the Budget. The third question I do not understand is that the accumulated growth of public expenditure in the next five years forecast by the Government is 18%, which is much lower than the 26% of economic growth in the same period. Now, the public expenditure is growing too slowly. Is this a violation of the stipulation of the Basic Law that the budget be kept commensurate with the growth rate of the GDP? Of course, the purpose of the provision is to restrain our public expenditure from over expansion. Our public expenditure should be kept commensurate with our economic growth so that the Government will not overspend. But now the situation is just the opposite. Both the Government's forecasts and the government expenditures in the past are lower than the

economic growth. This has violated the stipulation that the two should be kept commensurate with each other.

Fourth, why is public expenditure kept at a level much less than 20% of the GDP? Furthermore, the current public expenditure is much lower than the level laid down by former Financial Secretary Antony LEUNG in 2002, that public expenditure should not exceed 20% of the total revenue. In fact, this ratio is proposed not only by Antony LEUNG. Even former Financial Secretary Donald TSANG or his predecessor Hamish MacLEOD also mentioned this target in the Legislative Council. Of course, they said that 20% remained a reference even though it was not a golden rule.

In paragraph 8 of the Budget speech, three fiscal targets are set, one of which is to bring public expenditure down to 20% of the GDP or below. But now the Government is overdoing it. Even during the economic downturn in 2003-2004, the percentage was only 22%. In other words, it was just 22% when the situation was most unfavourable. For the rest of the time, it was very close to 20%. But now when the economy is booming, the Government has reduced the expenditure. As a result, we see an all-time low at 16.8% this year, and this figure will be reduced to 16.3% in the next five years. Moreover, as the Government often underspends on its budget, the public expenditure may actually account for 14% to 15% of the GDP five years later. Compared with the benchmark of 20% of the GDP, the discrepancy may be as much as \$70 billion. I hope the Government can answer whether the percentage between public expenditure and GDP has been revised. Is the percentage no longer 20% but revised to 15% or 16%? Otherwise, why is public expenditure further reduced to 16.3% in the Budget?

Fifth, why has the Government accumulated a huge surplus? While the Government has a surplus, the public expenditure cannot catch up with economic growth, resulting in a huge surplus in the public coffers. However, the Government has already got huge reserves. Apart from the fact that the fiscal reserve has reached \$37 billion, the accumulated surplus of the Exchange Fund is more than \$500 billion. The total of the two amounts to nearly \$700 billion, which is more than four years of government expenditure. What is the purpose of the Government in accumulating such a huge surplus? I know the Government may offer two justifications to defend itself. First, the accumulated surplus cannot be spent. Meanwhile, the International Monetary Fund (IMF) has requested that the level of reserves of Hong Kong should be

around 30% of the GDP. I cannot help asking two questions: Is the accumulated surplus the Hong Kong people's asset? The Government will certainly answer that the accumulated surplus is meant for defending Hong Kong dollar and should not be regarded as reserve. However, this year, the Government has revised the income-sharing arrangement with the Exchange Fund, thus admitting that the accumulated surplus can be spent. We fully support the revision of the income-sharing arrangement. When the Exchange Fund Ordinance was amended by John COWPERTHWAITTE, fund in excess of 100% of the specified obligations was allowed to be transferred to the Government's account. Why should this part of the accumulated surplus not be regarded as fiscal reserves? This approach can arrest the indefinite growth of the accumulated surplus.

Seventh, why has the Government changed the appropriate reserve level? The Government also said the IMF had considered that the appropriate level of reserves should be 30% of the GDP. In early November last year, the Financial Secretary, in an attempt of sounding out the Legislative Council, said that the reserve in 1997 was equivalent to 33% of the GDP. In early January this year, Secretary Frederick MA told us alarmingly that the reserve should reach \$440 billion to \$710 billion. The Government forecast that the level of reserve should reach \$580 billion in five years. This is, of course, a forecast. No one dares to say that it is a target. In last year's Budget, the Government indicated that its long-term target was to maintain the reserves at a level equivalent to 12 months of government expenditure. However, in this year's Budget, the target has been changed unnoticed, and that is, the Government's long-term target is to maintain sufficient reserves.

I would like to ask the Government: As the IMF pointed out that if the Government could stabilize the revenue and implement health care insurance or financing, the level of reserves could be reduced, has the Government looked into it? As the IMF's report has pointed out that such a huge reserve will only be needed in 2030, why does the Government try to achieve the target in five years? If the Government wants to change the appropriate level of reserve, why does it not give an explanation in the Legislative Council in a formal manner?

The eighth question: Why are the Government's accounts so secretive? I do not comprehend or understand why the accounts of some subsidized institutions or governmental organizations such as the Hong Kong Monetary Authority, Financial Reporting Council and Hospital Authority are so secretive.

I do not believe their expenditures are top secrets. Why are we unable to see their accounts in the Budget? Why is privy to their accounts restricted to the high-ranking government officials? We asked some so-called finance accounts questions in the FC, but the Government's replies were very vague, without providing details on the expenditures of these organizations.

My ninth question is about the miraculous abacus of the Hong Kong Tourism Board (HKTB). No account in the Budget is as miraculous as that of the HKTB. The HKTB has created a logo for 2006 Discover Hong Kong Year printed on advertising materials, which are then apportioned. It is suspected that the HKTB has spent the additional government funding of \$470 million for subsidizing items which should have exceeded the budget. It is most amazing that the Government has not penalized the HKTB for failing to attain the targets for which unrestrained funds has been granted but also allocated the unspent resources to the HKTB as reward. It is surprising to find that the number of tourists is expected to grow even though there is no more open ceremonies for the Disneyland, Tung Chung Cable Car or Wetland Park, not to mention the fact that resources for the HKTB have been reduced. Why should Hong Kong people spend around \$400 million in this area in the last couple of years? Can the Government tell us how is the HKTB's expenditure monitored? Why was such supervision exercised in such a lenient way? In fact, should a review of whether or not there is a structural fiscal problem in Hong Kong and in the HKTB be conducted?

Madam President, according to the Budget, the Government is going to further reduce public expenditure which is already at the lowest level among the developed countries and keep the surplus in the public coffers with a level of reserves that is the envy of the world. To put it simply, we have over-suppressed expenditure and over-expanded our fiscal reserves.

These nine questions in fact originate from one question. I would like to ask the Government: What kind of economic theory does this management philosophy belong to? Is it the Keynesian Theory, the Chicago Theory, or the Henry-economics invented by the Financial Secretary himself? I hope the Government can give us a response so that we can have an in-depth study.

Madam President, having said that, I, on behalf of the information technology industry, would like to thank the Financial Secretary for providing \$210 million to kickstart WiFi in Hong Kong with the purpose of turning Hong

Kong into a WiFi city. Of course, the industry, through various channels, proposed to the Government and various departments in 2004 that Hong Kong be developed into a WiFi city. And the Government often compares Hong Kong with Taiwan and Singapore. But I do not consider such a comparison necessary because Hong Kong will excel when our Government can do so both in terms of ability and financial strength. This time, the industry is very excited and will particularly hold some so-called industrial forums on WiFi from early April onwards. I would like to emphasize that the \$210 million provided by the Government is not a small sum. But according to my estimation, \$210 million is only the soya sauce in an analogy of chicken and soya sauce, and the industry may be able to sell chicken with the help of soya sauce and I believe this is a policy. Other government departments should ponder over this because the leverage effect thus achieved will help boost our economy.

I so submit.

MR CHIM PUI-CHUNG (in Cantonese): President, on the previous two or three occasions before the Financial Secretary delivered his annual Budget, he had indicated his wish to meet with me, but I declined his invitation on all of these occasions. This is because if I meet him and tell him what I have got in my mind, I will have to respect his views later. I would like to take the opportunity today when not many Members are present to say that I am speaking to him face to face. I hope he can hear everything I say clearly.

President, it is beyond any doubt that this Budget is a very good one, for it has earned praises from all sectors across the community. The result of getting all these praises could mean some change in the political career of the Financial Secretary. For after all, he is a person who likes to hear praises rather than a politician who will strive to overcome adversities for survival. So after the praises are sung, I hope he can also listen to other voices and do a better job and play a better role on behalf of the Government and for himself.

President, the first thing I wish to point out is that the budget of any government should be forward-looking and that government should not act like a miser. For many countries, their budgets have always been deficit budgets. Though it is provided in the Basic Law that our expenditure should be kept within the limits of revenues, in actual fact the Government has not complied with this provision over the past few years. I wish to stress that the

Government must act more boldly in infrastructure matters. This applies especially to the building of an MTR extension in Island South. The project should commence as soon as possible as a pledge has already been made to the public and various parties. We know that the transport network in Hong Kong is excellent because of the existence of the MTR and this has accounted for the development of various districts along the MTR line. Properties can fetch a good price there and the people will stand to benefit. There has been good work done in the Home Ownership Scheme (HOS) and so on and therefore, with respect to infrastructure, the Government should be more active in taking it forward and doing a good job.

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

The second issue is helping the poor. Poverty is indeed a problem that can be taxing in the long term. However, we know that some people in Hong Kong do not like to get CSSA and they only want to earn a living for themselves. But it is easier said than done when it comes to being self-reliant. Transport expenses in Hong Kong are very expensive and no cheaper than those in Europe and other regions. In such circumstances, how is the Government going to encourage those poor people who do not like to get CSSA to find jobs in their respective districts? This is of course a problem. If this problem of employment in the district where people live is not addressed, personally I think that much more financial assistance must be given in transport. This is a major premise. When these poor people are prepared to pay for their living expenses out of their own pockets, the Government should introduce measures which serve as an incentive having regard to their situation.

Third, I hope that the Financial Secretary can have the determination to eradicate the "caged homes" — a symbol of poverty in Hong Kong. We believe that the new Executive Council will be formed very soon and against this backdrop, the set-up of various government departments will fall in place as well. If the incumbent officials, the Directors of Bureaux and the Secretaries of Departments have the determination, they can wipe out — I repeat once more — the "caged homes" which is a symbol of poverty all at once. And Hong Kong will cease to be a laughingstock of the world.

Fourth, I hope that a place can be identified to build a village for the senior citizens. We know that the population of Hong Kong is ageing rapidly and the

Government sets aside money from time to time to finance the building of HOS flats for the senior citizens. Given this situation, we may as well identify a place to build a village for the senior citizens so that they can live there comfortably. Furthermore, if a larger place can be identified on the Mainland, we may even build a city for the senior citizens. Many countries have indeed considered this option but they have not put it into practice yet. As Hong Kong has got the special conditions, matching facilities and relations for that, why then will it not do it?

Of course, I will talk about financial issues on behalf of the sector. We know that the State has again stressed and praised the financial sector of Hong Kong. And it is also our claim of being an international financial hub that we take so much pride in. After my re-election to this Council on 12 September 2004, I made the pledge that I would help the Government and would never put up any opposition. However, I need to engage in dialogues, for the purpose of achieving balance so that the sector can have a chance to take part. Unfortunately, now that two and a half years have passed and, honestly, I cannot make it. This is due to government policies. I have had the chance of meeting the Financial Secretary face to face and talk with him. It may be, however, that the Financial Secretary cannot break away from the limitations that have passed on to this day from the colonial era and so with respect to the financial policies of the Government, I have only two requests. One is "one regulatory authority for one trade". We know what the stockbrokers from the so-called Chinese-capital brokerage houses want is that they should be given the same respect which the Government is giving to their counterparts in the banks, that is, they should be all subject to the regulation and governance of the Securities and Futures Commission, instead of subjecting the securities departments of banks to the regulation of the Office of the Commissioner of Banking. Although the Government reiterates that the regulatory system there is likewise rigorous, if this is the case, then why take the trouble of giving different treatments and discriminate against some people, treating them unfairly and unjustly?

Recently, on a Chief Executive electioneering meeting — I did not actually take part in it but somebody told me — a person who was related to the trade asked a question and that is, given the existing conditions, whether or not the Chief Executive could work out better conditions, for the weaker minorities in the market, be they stockbrokers or other market players, so that they could stay on in the financial services trade. At that time, a candidate in the Chief Executive election gave a reply to the effect that in 2000, the local stockbrokers

had already got back the stocks and they should have got what had belonged to them. He asked what more these local stockbrokers were after. Actually, the candidate — now he is the Chief Executive designate Mr TSANG — was wrong. Why? We know that in 1986 when the four stock exchanges had merged, all the assets of the Stock Exchange of Hong Kong belonged to this group of stockbrokers. It was only a coincidence that it was listed in 2000 that they were allotted some shares and that is all. Since the assets and the money had originally belonged to them and they were just taking back their own things, how can it be said that they were given by the Government? What favour has the Government ever given them? These are the fruits of labour of these stockbrokers to society and the financial sector. These are the fruits of their labour. Why should they be discriminated against? At that time, they were just asking how they could be given a better business environment and they did not want to see anything like the three cases of brokerage houses running away with their clients' shares. Therefore, I hope very much that the Financial Secretary can at once take appropriate actions and arrive at an equitable policy.

In addition, often we find in the newspapers advertisements placed by a leading bank in Hong Kong, claiming that it does not charge any commission at all. How can such things happen? Anyone working with the stockbrokers or intermediaries will rely on commissions to make a living and if they are to charge zero commission, how can they stand the competition? I believe the Directors of Bureaux and Secretaries of Departments all have seen such advertisements and notices very often. How can they do nothing about them? As a representative of the trade, I have to tell the facts. They are not striving for exorbitant profits and they do not want to be parasites either. But if the Budget on the whole overlooks and neglects their interest and many workers in the trade have to be on the dole eventually, then this must never become the future financial policy of our Government.

Deputy President, there is yet another problem in the economic and financial sector. The Government announced five plans recently. The first is on attracting mainland investors to come to Hong Kong. The second is on helping Hong Kong investors go into the Mainland. The third is on how those who only invest in the A shares on the Mainland can invest in Hong Kong shares. The fourth is on helping the so-called "one leg" from the Mainland to come to Hong Kong to tally with the other "one leg" of the overseas countries. These five steps all sound very nice and they are the future policies of the Government. But do we know how high the threshold for policies like these is? When can the

local players be entitled to or have a chance to get a slice of the cake or become players in these activities? I hope very much, and I have great expectation for the government agencies to note and pay attention to these issues.

Now it has been quite a long-standing global trend for the US Dollar to be in a weak position, but it is surprising to note recently the Hong Kong Monetary Authority (HKMA) saying that it would not be practical to have the Hong Kong Dollar pegged with Renminbi. To do this would be unthinkable, inconceivable and impracticable. I object to this view. I have said boldly that I would talk with the parties concerned about this issue. Where in the world is the linking of currencies a law? The Hong Kong Dollar being only one kind of currency and in the past, the Renminbi was not circulated outside China and it was not accepted elsewhere. But now, we cannot say directly or indirectly, that Renminbi is not a legal tender in Hong Kong. Since no one denies that it is illegal and it is regarded as legal, why does the HKMA dare to make a flat rejection here in Hong Kong which is part of the Motherland? Why does it not study and reflect on the question of whether this kind of investments is reasonable or not? How can it say such things today before the Financial Secretary who delivered the Budget? In so doing is it acting in contempt of our Financial Secretary and the entire Government? In my opinion, a monetary policy is crucial to this Budget and the issue must be discussed and explored. It must not be given a flat rejection.

Deputy President, land is an asset of Hong Kong. Although many financial reports say that land sales are not recurrent revenue and they only lead to incidental earnings, over the past few decades, especially in the last 20 years, land sales has been a steady source of income for Hong Kong. In these circumstances, I think the Budget should change this kind of mentality, belief and rationale and regard land sales as a kind of adjustment and regular activity. There may be say, sale of land on eight to 10 occasions a year. Under the current land application system, the developers have to do their own planning and search. But after planning, search and design, the developers may not be able to trigger a lot successfully. Why then should the developers dig a well, so to speak, only to have the water drunk by other people? So the Government must take the initiative to sell land at regular intervals and the proceeds will be regarded as recurrent revenue. As for how much recurrent revenue should there be, if it is 15%, then \$30 billion worth of land must be sold each year; if it is 20%, then \$40 billion, and so on, and so forth. I think the Financial Secretary can work this out very easily.

Recently, in order to challenge Hong Kong's so-called financial or economic position, Singapore has lowered its profits tax rate. We know that apart from some places which are tax-free, the profits tax rate in Hong Kong is still very low in Asia and in the world. Personally, I think that since the profits tax here should only be paid when companies have made profits, so this may not necessarily have to be implemented so soon. In any case, we must plan well ahead as the rentals and salaries here are in fact far too high. Thus, if this idea is brought up in other areas and if the Government can do it and if this is made an assessment criterion for financial institutions around the world, then I think this will work and merits consideration.

Deputy President, in any case, as I have said in my opening remarks, the Budget this time around deserves support from all quarters and while we all should lend it our support, we hope that the Financial Secretary can strike a balance in his future budgets.

MR CHAN KAM-LAM (in Cantonese): Deputy President, government revenue is far higher than expected due to the booming economy. Financial Secretary Henry TANG has generously suggested introducing a series of tax concession and tax rebate measures this year. Apart from a one-off rebate of 50% of salaries tax, the marginal tax bands and marginal rates for salaries tax are reverted to their 2002-2003 levels. The child allowance is increased from \$40,000 to \$50,000 for each child and an additional one-off child allowance for each newborn baby is offered. Rates for two quarters are also waived. These will benefit the middle class and all sectors across the community. It can be said that these are a positive response to the suggestions made by both the DAB and the public on the Budget this year. Therefore the DAB supports this Budget which shares wealth with the community and meets public aspirations.

Public finance in Hong Kong has a very solid foundation and the financial situation is healthy. In the year 2007-2008 which is the year in the next five years with the least surplus in the Consolidated Account according to government forecast, the surplus is estimated to be as much as \$25.4 billion. Therefore, we believe if only the SAR Government will continue with its policy of achieving a fiscal balance and adopt the principles of keeping expenditure within the limits of revenues and prudent financial management, there is no need to widen the tax base at all. On the contrary, with the growing surpluses in the Consolidated Account, we should consider further reducing the direct taxes in

order to leave wealth with the community and enhance our competitiveness in the international arena.

As for the level of fiscal reserves of the Government, the International Monetary Fund (IMF) said at the end of last year when it analysed the financial position of Hong Kong that the ideal level of reserves should be kept at the equivalent of 30% to 50% of the GDP, and subsequently, there should be additional reserves equivalent to another 30%. Leaving aside the assumptions behind such a suggestion, let us look at the GDP figures for the next few years as per government estimates and compare them with the real situation.

In 2006, the GDP of Hong Kong in a full year was \$1,472.3 billion and according to the medium range forecast of the Government, the GDP for that year is about \$1,494.1 billion and that for 2008-2009 will rise to some \$1,600 billion and that for 2011-2012 will increase drastically to some \$1,900 billion. Using the IMF formula, the ideal level of fiscal reserves this year should be somewhere between \$448.2 billion and \$747.1 billion and for the year 2011-2012, the reserves should be as much as somewhere between \$587 billion and \$978.3 billion.

However, according to the medium range forecast of the Government, the fiscal reserves over the next five years will only be maintained at a level from \$390 billion to \$580 billion. The estimated balance of fiscal reserves for 2007-2008 according to the Government is \$391.2 billion, which is obviously lower than 30% to 50% of the GDP. As for 2011-2012, although the balance of fiscal reserves is increased to \$584.4 billion, this is only close to 30% of the GDP.

It must be pointed out that the accumulated public reserves for the next five years will rise to nearly 50%, though this is clearly greater than 30% of the GDP, the balance in fiscal reserves will not be able to meet the standard suggested by the IMF. Therefore, the DAB has great doubts about the idea that the level of our fiscal reserves should be linked to the GDP value. We are worried that once this standard suggested by the IMF is adopted, in the future, in order to meet the requirement, a large amount of surplus has to be amassed every year for such a purpose. On the other hand, we are strongly against the Government's practice of hoarding a huge amount of surpluses and only making conservative investments. We have to point out that reserves should be kept at a reasonable level and that will be enough, and it must never be regarded as the

more the better. The GDP of Hong Kong, measured in terms of our resources or population, is definitely not small. The DAB thinks that instead of pegging the level of fiscal reserves with GDP which is huge in amount, it would be more practical to consider linking it up with the level of expenditure and economic growth.

The DAB is of the view that a suitable level of fiscal reserves could be somewhere between \$350 billion and \$400 billion, that is, about 12 months of government recurrent expenditure. Therefore, the DAB expects the Government to move closer in the direction of a balanced budget in the next financial year and there is no need to worry about the issue of accumulated reserves.

Given the deep fiscal reserves and a prospering economy, the DAB hopes that the SAR Government can make good use of the fiscal reserves to boost social and economic development.

At the beginning of this year, the SAR Government announced the Action Agenda for the Economic Summit on "China's 11th Five Year Plan and the Development of Hong Kong" in which some 200 strategic and specific recommendations were made. These recommendations are far-sighted and they are helpful to facilitating the economic integration of Hong Kong and the Mainland and promoting the economic development of Hong Kong.

The DAB is also very concerned about the economic development of Hong Kong and we have undertaken a systematic study with local and mainland experts and the relevant industries on the future development of financial markets in Hong Kong. A series of reports on the development strategies of Hong Kong as an international financial hub has been published. It is proposed *inter alia* that efforts should be made to encourage more quality enterprises from both overseas and the Mainland to seek listing in Hong Kong and to provide more diversified investment products like gold and petroleum commodity futures, Renminbi futures and financial instruments related to the Mainland. These are similar to those found in the Action Agenda, only that we have also made some other suggestions not found in the Action Agenda.

First, on enhancing innovation. Besides training and attracting talents, we suggest that the Central Authorities should allow the four major national commercial banks in China to open up innovation and R&D departments in Hong

Kong and foster stronger innovative co-operation between the two places in finance. Second, with respect to financing listing activities, we propose that the hi-tech enterprises from the Mainland should be encouraged to go public in the Growth Enterprise Board of Hong Kong to boost the role played by Hong Kong as a financing platform and risk management centre of China. Third, foster co-operation in supervision in the hope of establishing a mechanism with the Central Authorities and the local governments on the Mainland to exchange information on and investigating into mainland companies listed in Hong Kong which have run into problems.

In addition, I would like to talk about the Mandatory Provident Fund (MPF) issue. In order to encourage employees to make sound arrangements for their retirement life, over the past couple of years we have been urging the Government to introduce tax deduction arrangement for voluntary contributions to MPF schemes. Since the Government has not responded to this demand from us in this Budget, the DAB will strive to secure the introduction of a measure from the Government to waive the tax on voluntary contributions to MPF schemes to the amount of 5% of the monthly salary of an employee or a maximum of \$1,000. We hope the Government can give serious thoughts to this in the next financial year. In the meantime, there are certain parts in the existing MPF system that should be amended, such as the introduction of a "savings passbook" for MPF suggested by us before. This change aims at making individual members of MPF schemes as units and the DAB believes that this will be of immense help to making the public develop a greater awareness of MPF and make them more ready to invest more while saving the charges in transferring funds to another account and avoiding the possible losses in trading and the additional charges incurred for accounts retained. We hope that adjustments and changes be made to the MPF system in these respects.

Deputy President, the Budget has devoted some length to the proposition of consolidating Hong Kong's position as an aviation hub to show the Government's support to the air service industry of Hong Kong. The DAB welcomes this and in the report on a study released at the end of last year, we pointed out that Hong Kong's edge in logistics lay mainly in air transport and this should be brought into full play. The capacity in immediate transshipment should be enhanced, together with the value-added services in Hong Kong's supply chain. But the Budget only states that \$3.1 million will be set aside to replace the existing air traffic control system and build a new headquarters for

the Civil Aviation Department on the Airport Island. No specific measures are proposed with respect to raising the efficiency of the Hong Kong airport, expanding the network of flight routes, increasing the passenger and cargo handling capacity and such like crucial areas. There is obviously room for improvement here.

The Budget mentions collaboration with the aviation industry and the Airport Authority to increase the capacity of the existing runways. Now there are 53 flights using the Hong Kong airport each hour. As far as we know, after making a detailed assessment of the present situation, the aviation industry has repeatedly asked the Government to increase its flight handling capacity. But no consensus has been reached so far. As a result, there has not been any breakthrough in raising the air transport capacity of Hong Kong. In view of this, we suggest that a working group be set up between the Government and the industry on improving the runway capacity, formulate co-ordination measures and increase flight numbers in phases. Targets should also be set to increase the number of flights in one hour from 53 to 60 within one to two years.

Hong Kong is now the largest air service centre for China and Southeast Asia. The Hong Kong International Airport now handles 44.5 million passenger trips and 3.58 million tonnes of cargo a year. Many experts have pointed out that judging from the present rate of growth, the Airport will reach capacity in some 10 years and there is a need for expansion. But the Government only holds a wait-and-see attitude with respect to the idea of building a third runway and says that studies will be made. This makes people worry that the air cargo handling capacity and the provision of flights will in the end be restricted by the capacity of the Airport, hence undermining the competitiveness of our aviation industry.

Now the Greater Pearl River Delta is one of the fastest-developing regions in the world. The five major airports in this region will play a crucial role in the regional economic development. We hope that the SAR Government can take reference to the experience of the Netherlands in which collaboration is forged between the major airports and the subsidiary airports. Hong Kong must study positively collaboration with other airports in the Greater Pearl River Delta Region, and formulate competitive collaboration plans in the international and mainland markets so as to achieve the goal of sharing resources and complementing each other's advantages. This will result in a neater division of

labour and planning among the airports in the region and an effective boosting the economic development of the Greater Pearl River Delta.

Deputy President, I so submit.

MR HOWARD YOUNG (in Cantonese): Deputy President, with respect to the fourth Budget prepared by the Financial Secretary in his term of office, at last the proposal to lower the wine duty for which the Liberal Party and the tourist industry have been urging the Government over the past few years is accepted. We are very pleased with that. With the lowering of the wine duty, it is believed that the reputation and position of Hong Kong as a "Gourmet's Paradise" can be affirmed. This will help attract high-spending tourists to come here for travel and consumption, hence giving a boost to the tourism industry. As for the three areas of work which the Financial Secretary has specified to make Hong Kong stay competitive, the tourism industry is still one of the key areas of development in consolidating the strengths. It is therefore evident that the Government agrees that the tourism industry is vital to the economy of Hong Kong. I hope that the Government can continue to develop more tourist infrastructure and open up new tourist spots and hence make Hong Kong more attractive to tourists.

As for air transport, passenger and air cargo throughput had good performance last year and new highs were reached. We are glad that the Government is not paying less attention to the transport industry as a result. In order to consolidate our position as an aviation hub and promote the civil aviation industry, the Government will earmark about \$3.1 billion to replace the existing air traffic control system. Besides, the Civil Aviation Department will enhance existing flight protocols and air traffic control technology to increase runway capacity further. It will also continue the discussion with the aviation authorities of the Mainland and Macao on addressing the problem of "invisible walls" in the airspace, optimizing the utilization of airspace in the region and opening up additional flight paths. The industry hopes that the Government can soon come up with proposals to address the problem of overcrowded airspace in the Pearl River Delta (PRD) Region.

Apart from these, we also hope that the SAR can work out an agreement with the local governments in the Pan-PRD Region to increase the number of flights to second- and third-ring cities in the Pan-PRD Region so that the

development of these cities can directly benefit. This will help the forming of a comprehensive aviation network between Hong Kong and the Pan-PRD too. Such an aviation network may include helicopters and aeroplanes.

As for the promotion of tourism, a number of key tourist infrastructure like the Hong Kong Disneyland, the Hong Kong Wetland Park and the Ngong Ping 360 have been opened and they have drawn in a huge number of tourists. The Ocean Park is also taking active steps to add new facilities. And the Victoria Harbour becomes more attractive with the Symphony of Lights and the pyrotechnic shows. These are well-received by the tourists. Though the number of inbound tourists last year did not reach 27 million as the Hong Kong Tourism Board had expected, it hit a new high still and passed the 25 million mark. Tourism revenue was better than expected. This shows that tourist facilities must be improved and new concepts added before the number of tourists can rise and the tourism industry can pursue sustainable development. Thus the Government must put in more efforts on the development of tourist infrastructure and seek excellence further.

Approval was granted at the end of last year for the redevelopment project of the Ocean Park and the works has already commenced. However, no major tourist facilities will be completed in the next couple of years or so. In the face of rapid developments by our neighbours and in order that we will not lag behind our competitors, work to open up tourist attractions must never stop. I hope the Government can be open-minded and work actively to introduce more tourist facilities, such as the building of a large-scale leisure and entertainment complex with a suitable gaming element on the Lantau Island which we have been advocating for a long time. Ten years ago, when the tourism industry first mooted the idea of building casinos, the idea could still be considered novel. But now a leisure, gaming and entertainment complex has become the standard and even Singapore which has always prohibited gambling will soon have its first casino completed. Why can the Hong Kong Government not adopt a more open-minded attitude and accept the idea of building a leisure, gaming and entertainment complex as proposed by the Liberal Party? The idea of such a complex is mainly for use by tourists only and gaming is merely a part of it. There will be all kinds of entertainment facilities for the entire family. If Hong Kong is to maintain its status as a tourist hub in Asia, we must constantly enhance our facilities. While basic facilities are indispensable, we must always bring in new ideas, open up diversified tourist facilities, make ourselves more

competitive, expand the sources of our clientele and make tourists stay here longer and spend more.

The Financial Secretary mentioned in the Budget that the Government has a plan for a new cruise terminal at Kai Tak. Tender will be invited at the end of this year, and the cruise terminal is expected to open in 2012. When finally there is a decision to build a new cruise terminal, this proves that my repeated attempts in this Chamber to urge for the building of a new cruise terminal have not been in vain. Recently, RMS Queen Mary 2 which is the second largest passenger liner in the world made a port call on Hong Kong and again it was forced to berth at the Kwai Chung container terminal because of berthing problems. How can a place packed with containers attract passengers to disembark and do some sightseeing and shopping? Some newspapers reported that of the some 2 000 passengers on board the liner, only a tiny fraction had disembarked. As a matter of fact, there have been many similar cases over the past few years in which mega liners passed by Hong Kong's doorsteps and did not anchor it. Some of them were forced to berth at the container terminal which does not have any matching facilities. The tourism industry can do nothing about this situation because a new cruise terminal is not yet finalized. As travellers on liners are potential big spenders, our neighbouring rivals are doing their best to make inroads into the cruise liner market. They hope to grab a share in this fast-growing market. The tourism industry hopes that this new cruise terminal can be completed soon and even if it cannot be completed ahead of schedule, at least it will not fall behind.

The tourism industry supports the promotion of green tourism by the Government. But we do not want to see the Government impose numerous restrictions on the tourists in the name of compliance with the principles of nature conservation and sustainable development as this will ultimately affect the development of the tourism industry.

As for promoting the development of the tourism industry, we hope that the Financial Secretary can finalize the proposed tourist infrastructure projects, such as the golf cum spa resort, the tourist project in Aberdeen, the large-scale performance venues in the West Kowloon Cultural District and the permanent commercial heliport for cross-boundary flights, and so on. Moreover, the Liberal Party and the tourism industry hope that the Government can lift the restrictions on the Sha Tau Kok frontier closed area soon and to open the area up to Chung Ying Street in order to boost tourist and economic development there.

The Government should implement co-location of immigration and customs clearance at all the border control points in order to further facilitate passenger and cargo flows between the two places. Last week, the Secretary for Security said at a special meeting of the Finance Committee that the Government planned to provide e-channel service to all visitors holding travel documents under a pilot scheme in 2007. As the Mainland is our largest market and visitors from the Mainland are constantly on the rise, I also hope that the Government can consider to let the large number of holders of Individual Visit Scheme document also use the e-channel service. This will further enhance clearance efficiency and shorten their waiting time, for this will mean they can have more time for shopping in Hong Kong.

The number of inbound tours from the Mainland during the Chinese New Year was somewhat less impressive than that of last year. There are newspaper reports saying that this is related to negative reports of mainland tourists being forced to shop here, abandoned on the streets and those who spend little levied a surcharge, and so on. If these problems are not addressed, the tourism industry in Hong Kong will only go from bad to worse. In the final analysis, these negative news reports all came from a minority of black sheep and tour operators which run "zero-fare" tours. To eradicate this problem, we must address the problem both as it is and at root. Apart from cracking down on tour operators that charge "zero fare", we should also step up publicity on consumer rights in collaboration with the outbound tour operators on the Mainland. When there is no demand for "zero-fare" tours, they will disappear naturally. This is like what happens in other developed cities.

Ever since the launch of the Individual Visit Scheme in 2003, as the number of mainland cities covered by the Scheme has been increasing all the time, the number of mainland residents who visited Hong Kong under the Scheme has reached more than 18 million passenger trips. The Hong Kong Tourism Board will focus its efforts on these 49 mainland cities covered by the Scheme in promoting Hong Kong's quality tourism services and in support of the "honest and quality tourism" policy of the Mainland. Separately, the Consumer Council will review existing measures to protect consumer rights, including ways to improve the relevant legislation to combat misleading and undesirable sales practices. These measures will hopefully minimize the chances of mainland travellers having an unpleasant experience in Hong Kong. There is one thing and that is, we cannot overlook the fact that mainland residents who join tours to visit Hong Kong mostly come from remote and smaller cities. This

is a fact because only these places would fetch new clients. And since these people do not have much information about Hong Kong and as strangers in a strange land, they would rather join a tour. Our publicity in these remote areas should therefore be stepped up.

Although under the CEPA arrangements, Hong Kong tour operators may do business on the Mainland, but the industry still hopes that the Government can strive to persuade the Mainland to relax the limitations on tour services offered by Hong Kong tour operators on the Mainland. For example, permission can first be given to them to organize Hong Kong tours. This will not only guarantee the quality of Hong Kong tours but also boost the confidence of mainland tourists in visiting Hong Kong. In the long run, I think Hong Kong tour operators can make good use of their expertise and the international networks built up over the years to offer outbound tours for mainland visitors via Hong Kong. This will spur the growth of the mainland tourism industry and thereby consolidate our position in the tourism industry.

Despite the common view that prospects are good for the tourism industry, running a business in the industry is difficult owing to fierce competition. The Government is duty-bound to provide a good business environment. Now that the Government has successfully trimmed public service costs by efficiency enhancement programmes, we hope that the Government can look into how the licence fees of the tour operators and other trades can be reduced. In addition, the Government should lean a listening ear to the voices of the industry and improve the licensing framework of, for example, the application for licence from new tourist coaches, and so on. This should match as much as possible the growth needs of the industry and the market. The vetting and approval time taken should also be shortened.

Lastly, I wish to speak on civil service matters on behalf of the Liberal Party. All along the Liberal Party has supported the principle of "big market, small government". Therefore, we have always urged the Government to streamline its administrative framework and conduct regular reviews of the civil service establishment. In 2005, the Chief Executive set a target to reduce the civil service establishment to 160 000 posts by the end of 2006-2007. With the hard work made by the Government, we are glad to see that the civil service establishment has achieved the target on schedule. In order to put into practice the principle of "big market, small government", the Liberal Party thinks that the Government should adhere to the principle steadfastly and conduct regular

reviews of the civil service establishment and the administrative procedures of various departments. Efforts must be made to enhance operational efficiency by doing away with unnecessary procedures and tasks which should not be undertaken by civil servants.

I so submit.

MS LI FUNG-YING (in Cantonese): Deputy President, public response to the Budget delivered by the Financial Secretary is positive. According to a poll taken by the Public Opinion Programme Site of the University of Hong Kong immediately after the delivery of the Budget, more than 60% of the respondents were satisfied with the Budget while less than 10% were not satisfied with it. This Budget stands apart from other budgets delivered in recent years in its being supported by the general public. However, if the Financial Secretary thinks that he has successfully "got the job done", then he has jumped to a rash conclusion. This is because the survey also shows that more than half of the people think that the distribution of wealth in Hong Kong is unreasonable. And more than half of the people do not have any confidence in the Financial Secretary when he said that he would consolidate Hong Kong's competitive edges, develop knowledge-based economy and care for the disadvantaged.

In my opinion, it would not be enough if we just look at popular support for the Budget. The reason is that when there is as much as \$55.1 billion surplus in the Budget and when this amount is 10 times more than previous estimates, it would be easy for the Government to take out some \$10 billion to \$20 billion to win some public applause. On the contrary, when most of the people think that the distribution of wealth in Hong Kong is unreasonable and they do not have any confidence in the pledge made by the Financial Secretary, this highlights again the unresolved conflicts deep-rooted in society.

With respect to the measures taken by the Financial Secretary to hand out candies, I have indicated before the delivery of the Budget that against the backdrop of colossal surpluses, resources should first be used on those who do not benefit in the process of economic recovery. Now the Financial Secretary decides to pay out an extra month of CSSA payment at the standard rate to the recipients so that they can share the fruit of economic prosperity. This is a measure which should be encouraged. However, the Budget has completely

neglected the grass-roots people who do not have to pay taxes and who do not own any property or receive CSSA. They do not get any benefits from the Budget. I do not understand the logic behind the Financial Secretary's deployment of the resources. For those people who live by public assistance, the Financial Secretary is willing to let them share some fruit of economic prosperity. But those grass-roots people who toil hard to earn a living by their own efforts and who lead a life no better than that of those on CSSA do not get anything at all. If the Financial Secretary wants to make use of the opportunity of resource allocation offered by the Budget to encourage the people to apply for CSSA, then I would have nothing to say. If not, then the Financial Secretary should make some adjustment to the current Budget which does not help the grassroots much but serves to make society more divisive. I suggest that the Financial Secretary should follow the Housing Authority's example in conducting a review of the rentals of public rental housing and waive the rentals payable by tenants of public rental housing units and interim housing units for one month. The rentals are to be paid out of public coffers and the expenses will be less than \$1 billion. This sum is even less than the additional sum of \$1.5 billion of social welfare assistance proposed in the Budget.

Another measure which is divisive among the grassroots is the pilot Transport Support Scheme. The Financial Secretary points out in the Budget that the measure is to encourage unemployed and low-income people in financial difficulties who live in remote areas to seek jobs and work across districts. However, seeking jobs and working across districts are not unique to the unemployed and low-income people living in remote areas. Those unemployed and low-income people living in urban areas may also have to face the same situation. I do not think anyone would raise any objection to encouraging the unemployed and low-income people living in remote areas to seek jobs and work. But does it mean that no incentive should be given to those unemployed and low-income people living in the urban areas? I do not believe that a low-income person in the urban areas will get a job in another district and spend some one to two hours of travelling time every day just for the sake of getting a few hundred dollars of travelling allowance. I do not think people in such circumstances will deliberately get a job in a faraway district just to rob the rice bowls of those who live in remote areas. I think therefore that this Transport Support Scheme should be applicable territory-wide and it should not be confined to those living in the North District, Yuen Long, the outlying islands and Tuen Mun.

Deputy President, the Financial Secretary also stresses in his Budget that he will do a good job in three areas. Of these areas, the third one is about helping the disadvantaged. This means helping them achieve self-reliance and improve their lot. I wish to point out that achieving self-reliance does not mean that their living can be improved. The aim of helping the disadvantaged to achieve self-reliance is actually removing their reliance on public assistance and hence reducing the burden on public expenditure. Under the current polarizing situation between the skilled and non-skilled workers in the Hong Kong labour market, where there are no measures like minimum wage and standard working hours, it would be close to trying to reach the stars to resort to self-reliance as a means to improve the lot of the disadvantaged. There is bound to be great disappointment. The Budget suggests that social enterprises be developed to provide jobs for the disadvantaged. I have expressed my views during the motion debate of this Council on job creation. I urged the Government to change its present policy to save public money by briefing out non-skilled services to companies in the market. As the greatest employer in Hong Kong, the Government is best equipped in developing social enterprises. I hope that the Government, while encouraging the business sector to take part in social enterprises, must not forget that it has a role to play. On last Monday that has just passed, the Legislative Council Subcommittee to Study the Subject of Combating Poverty discussed the issue of social enterprises. The Government expressed the willingness to facilitate social enterprises employing a certain percentage of unemployed people in participating in the public procurement procedure. I welcome such a move taken by the Government. However, as the Government stresses that in the tender process, social enterprises will be treated on the same par as other profit-making enterprises, I am worried that this approach taken by the Government to lead the development of social enterprises will only have limited effects.

With respect to the allocation of resources in the Budget, there is a point which must be mentioned and, that is, family support. In a written question raised during the deliberations on Expenditure Estimates, I asked the Director of Social Welfare this question: In 2006 the police recorded 4 704 cases of domestic violence and the number was an increase by 80% as compared to 2005, why was the average number of families in need of support approached by each member of a family support networking team in 2006-2007 233 families, that is, the same as that for 2005-2006? The Director of Social Welfare in his reply said that in view of the small number of staff, the authorities had to peg the caseload requirement for every social worker in 2006-2007 at the same level as that in

2005-2006. Of course, the Director also argued and explained for the Financial Secretary that an extra \$31 million has been allocated this year to enhance family services. But I wish to point out that this sum of \$31 million is not specifically used on handling domestic violence cases. Apart from giving care and attention to victims of domestic violence, the sum of money will also be used to enhance family welfare services and to provide child services to families in need. The Chief Executive has emphasized many times that the Government has zero tolerance for domestic violence. At a time when the surplus accumulated is 10 times that of the original estimate and when there is a drastic surge of domestic violence cases in Hong Kong by 80%, the Financial Secretary is still unwilling to increase resources for family support networking teams to approach families in urgent need, I think that this is a great mockery of the zero-tolerance policy on domestic violence.

Domestic violence cases have already sounded an alarm in society. In my opinion, the Budget has not given enough resources to alleviate the problem. Such a shortage of resources is not just found in resources for crisis management in domestic violence but also for prevention of domestic violence. For example, the findings of a survey on family-friendly employment policy conducted last year by the Equal opportunities Commission and the Women's Commission show that there is generally a low awareness of the relevant policy and measures in society. Only 10% of the organizations in Hong Kong have put into practice family-friendly employment policies or guidelines. If the Financial Secretary thinks that it is necessary to set aside resources to support the development of social enterprises, then it is even more pressing to set aside resources to promote a family-friendly employment policy. I am not saying that with the Government promoting a family-friendly employment policy, the employers will improve their mode of hiring staff. But as a starting point, I think that the Government should now begin working on it and I hope the Financial Secretary can give serious thoughts to it, too.

The measures outlined in the Budget on helping the grassroots and the disadvantaged are not satisfactory. However, I would support the proposals made in the Budget to ease the burden of the middle class. When I expressed my views on the Budget earlier, I said that the first thing to do was to reduce the tax burden of those earning between \$20,000 and \$40,000 a month. Now the arrangements found in the Budget would largely answer my expectations. The Budget may also be good news for the civil servants. This is because before the Secretary for the Civil Service has even made a decision, the Financial Secretary

makes an unusual move of saying in the Budget that should a decision be made on civil service pay adjustment, it is estimated that the 2007-2008 Budget could meet that need. This is clearly hinting at a pay rise for the civil servants. I would think that the level of civil service pay adjustment must be the result of negotiations between the Government and the civil service trade unions and it must not lead to a case of fattening the top but slimming the bottom.

Deputy President, there have been extensive discussions in society of late on the fiscal reserves. Just what is a suitable level of fiscal reserves for Hong Kong? The Financial Secretary has said that a decision on that will be made after more views are heard. I agree with the Financial Secretary on that count. Even in this issue of how much our fiscal reserves should be, which does not look too complicated, there are divergent views in society. I hope the Government can initiate discussions on this issue of fiscal reserves in all sectors across the community and try to forge a consensus. This will be used as an important basis for the Government to handle public finance in future, especially in the context of budgets. I believe only budgets compiled on this basis will have the objective standard to measure whether the budgets can really do as the Financial Secretary says, that is, leave wealth with the community where affordable. Thank you, Deputy President.

MR JEFFREY LAM (in Cantonese): Deputy President, we are certainly overjoyed with the forecast in this year's Budget of a consolidated surplus of \$55.1 billion, the highest since the reunification. Furthermore, the Financial Secretary has not disappointed us for he has made the bold decision to return \$20 billion to the public, including reverting the marginal rates and marginal bands for salaries tax to their 2002-2003 levels, waiving 50% of salaries tax for the current year and waiving rates for the first two quarters of the coming year. These initiatives have not only answered the voices of the middle class complaining of their heavy burden, but also greatly boosted the vigour of Hong Kong economy. The Budget has won a lot of applause from various sectors across the community, and is greatly welcomed by the Liberal Party.

For the purpose of improving the people's livelihood, the Financial Secretary has indeed handed out a lot of sweeteners. However, many hold that the Government can enhance its vigour in promoting Hong Kong's economic development and competitive edge. Given its possession of a huge fiscal surplus, the Government is indeed in an even better position to introduce

initiatives to enhance its competitive edge. Despite Premier WEN Jiabao's earlier affirmation in a press conference held by the National People's Congress (NPC) of Hong Kong's position as a financial, shipping and trade centre, the warning sounded by CHENG Siwei, Vice-Chairman of the Standing Committee of the NPC, to the territory in an interview by Hong Kong media the other day has inevitably heightened the alertness among the people.

During the interview, the Vice-Chairman warned Hong Kong people of the importance of "having a sense of crisis by maintaining vigilance in peacetime and preparing for danger" because Hong Kong's position as a financial hub is facing challenges from Singapore and Shanghai. He warned Hong Kong people not to stand still because people complacent about the present situation will, like the hare falling asleep during its race with the tortoise, be caught up by others in no time. He even commented that the possibility of Hong Kong being marginalized hinges on Hong Kong people.

The remarks made by the Vice-Chairman are no scaremongering but absolutely well-founded. A latest study conducted by the Better Hong Kong Foundation on the competitiveness of Hong Kong and Shanghai shows that Hong Kong's overall competitiveness has fallen, rather than risen, for the first time since the commencement of such studies in 2001. On the contrary, Shanghai's competitiveness has risen, thereby reflecting a further narrowing of the gap between the two places.

Meanwhile, a number of countries in the world have scrambled to reduce profits tax to lure investors. For instance, Singapore, our major rival in Asia, has just announced a reduction of its profits tax rate from 20% to 18%, a mere 0.5% higher than that of Hong Kong. As the gap between the two places continues to narrow, I am afraid that Hong Kong will be unable to maintain its position should the Government refrain from making more efforts in lowering profits tax. Hence, the SAR Government should act in compliance with the situation by expeditiously lowering the profits tax rate to 15% to lure more overseas businessmen and enhance Hong Kong's competitiveness. Judging from the extent of flooding in the coffers, it can be said that there is much room for reduction in profits tax. I hope the next Budget can bring us better news.

On consolidating Hong Kong as an international financial centre, the territory is indisputably in possession of the largest number of financial and monetary talents in the Asian Region and has a perfect investment environment,

strong fund-raising capacity, free flow of capitals, a sound judicial system as well as laws and regulations, and a Real Time Gross Settlement System for stocks, bonds and currencies. These advantages are unrivalled by the Mainland. However, we must not be self-complacent because, compared with the financial markets in London and New York, the one in Hong Kong is still deficient. For instance, the scale of the local bonds market and the funds in the Asian market is still comparatively small. Coupled with the keen competition between Hong Kong and its neighbours, the Government must enhance its vigour in upgrading Hong Kong's financial sector by, for instance, actively striving to establish Hong Kong as the Mainland's stronghold in the provision of offshore financial services through, for instance, according priorities to Hong Kong as the place for the listing of major mainland enterprises outside the country, and so on. It is also hoped that Renminbi business can continue to be liberalized and Renminbi bonds to be issued expeditiously in Hong Kong so that Hong Kong's position and competitive edge can be maintained.

Furthermore, Hong Kong must actively strengthen its status as a logistics hub, as the current situation is quite worrying. Regarding shipping, Hong Kong's container terminals charge higher fees than those in our neighbours. Ports on the Mainland provide not only inexpensive and excellent services; they are much faster than those in Hong Kong in terms of annual growth rate and infrastructure provision. With the growing development of the mainland transport networks and container terminals, Hong Kong must expedite its infrastructure development in order to avoid being marginalized. It is hoped that the construction of the Hong Kong-Zhuhai-Macao Bridge, the logistics park, the third runway, and so on, can be launched expeditiously. Actually, a consultancy study commissioned by the Government has predicted a positive outlook for the cruise industry. With huge demands in the cruise market, we see that quite a number of deluxe cruises have chosen to call on the Hong Kong port in recent years. However, the new cruise terminal at Kai Tak will provide two berths only. Yet, Singapore has already planned to relocate its terminal to a place where eight berths can be accommodated. Are these initiatives adequate if Hong Kong is determined to become a cruise hub in the Asia-Pacific Region? Will RMS Queen Mary 2 be required to berth at the Kwai Chung container terminal again during its next call on Hong Kong? The ocean liner may then "badmouth" Hong Kong for yet another time. The uncertain outlook for the Ocean Terminal at Tsim Sha Tsui has thus given cause for concern about whether Hong Kong has adequate competitiveness in the face of such rivals as Shanghai and Singapore.

Hence, I hope the Government can expedite the implementation of cross-boundary infrastructure projects to tie in with the development of Hong Kong's logistics industry. Owing to various social factors, a number of infrastructure projects have yet been implemented after long delay, and so the development of the territory has not progressed satisfactorily. As rightly pointed out by Premier WEN Jiabao, Hong Kong is in a period of major development. We cannot afford to be hesitant about the implementation of policies, or else Hong Kong will really be marginalized.

On the promotion of economic development, we are very pleased to see that the Financial Secretary has finally got rid of the monkey on his back and taken on board the proposal raised by the Liberal Party for years to reduce the duty on red wine by half. Although the Financial Secretary must have heard it many times today, I still wish to express sincere thanks on behalf of the public to him. With the rising standard of living of the people, drinking red wine has become part of the culture of living of various strata. Many red wines are sold at a very affordable price of \$100 to \$200. The demands for red wine on the Mainland and in Russia and the Middle East have also continued to grow. Red wine in Hong Kong as an international city has also become indispensable to businessmen and tourists in entertainment. In the past, compared to Singapore where the duty on wine stood at a mere 3%, Hong Kong levied a much higher duty of 80% on wine. As imported red wine was sold at exorbitant prices, the duty levied on red wine could at any time be higher than the expenses on a meal, which would do no good to the development of the catering and tourism industries. In the long run, I think that the Government should abolish this duty in order to develop Hong Kong into Asia's distribution centre for red wine and promote tourism. Although this measure will cost the coffers between \$700 million and \$800 million, the overall economic gains brought to Hong Kong will, I believe, far exceed this sum. Furthermore, the long-term development of Hong Kong and various strata will be benefited. I very much support Financial Secretary Henry TANG's willingness to consider abolishing the duty on red wine altogether to bolster Hong Kong's hope to establish itself as the sales centre for red wines. What is more, I hope other political parties and various strata in the community can lend their support too.

Furthermore, I am very glad that the Financial Secretary will spend \$3.2 billion to encourage vehicle owners to replace their old-style diesel commercial vehicles and waive the First Registration Tax for environmentally-friendly vehicles with a view to improving air quality. Actually, insofar as promoting

environmental protection is concerned, it is imperative for mainland manufacturers to make complementary efforts by upgrading their equipment to reduce emissions of pollutants. In this regard, I hope the Government can provide small and medium enterprises with more financial assistance to encourage them to switch to environmentally-friendly equipment so that Hong Kong people can enjoy life of improved quality.

Deputy President, the Government will spend a mere \$20 billion out of the estimated \$55.1 billion surplus. Furthermore, Financial Secretary Henry TANG has also forecast a \$25.4 billion surplus for the next fiscal year. I very much hope that the Government can, in times of prosperity, expeditiously lower the profits tax to strengthen Hong Kong's competitive edge as a base for operating businesses to enable the business sector to benefit more and enjoy the economic gains and not to miss such a golden opportunity. I hope the Government and the Financial Secretary can give careful consideration to this.

Deputy President, I so submit.

DR KWOK KA-KI (in Cantonese): To start with, Deputy President, I would like to congratulate Financial Secretary Henry TANG because his last Budget in office has brought him a surprisingly pleasant high approval rate. I believe this will indirectly (though no one has mentioned this before) help his boss, Mr Donald TSANG, gain high popularity and a large number of votes in the small-circle election.

However, should we be pleased with this Budget? It has been pointed out by many that — I believe I am no exception — it is very difficult to oppose a budget seeking to "give out candies". For many Hong Kong people, the candies distributed represent a waiver of rates for two quarters, a narrowing of tax bands, as well as other tax rebate and concessions. Even the duty on red wine will be slashed, as pointed out by Honourable colleagues earlier. To a large extent, this is substantial assistance to many taxpayers in society.

However, Deputy President, Members should know it very well that the Government's responsibility is more than gaining high popularity — superficial popularity. Under no circumstances should candies be given out in exchange for applause. I believe a visionary and aspiring government must do far more than what our Government is doing in dealing with a huge surplus. The Financial Secretary has made a wrong calculation this time. I only know that

my child might be punished for doing his calculations wrongly by copying, or even "beating the palm". Yet, the Financial Secretary is highly applauded for making a wrong calculation this year. Is this good?

Last year, more than \$10 billion in various policy agendas was unspent. It was mainly because the Financial Secretary had kept repeating in the past year figures of concern to various Policy Bureaux and even added that there might be a need to tighten the belt because money might not be sufficient. While there should be no problem with tightening the belt, how does the Government actually look at the other services?

Let us put aside long tales and matters I am not familiar with. I will focus on health care. During the past two weeks, I have visited different hospitals to canvass the views of some front-line colleagues. Complaining of their miserable plight, many of them were crying out for help. The Financial Secretary will definitely disagree with this remark of mine. He will argue that an additional \$670 million has been allocated this year. Of the more than \$30 billion expenditure incurred by the Hospital Authority (HA), \$670 million represents a mere 2.4%. The Government has made it very clear that the \$670 million will be used mainly for the replacement of worn-out equipment or purchase of essential apparatus. Actually, the Government has not allocated adequate money to them. The amount of money now available is even not sufficient to meet the increments in staff salary. Deputy President, it is estimated that it will cost the HA not less than \$300 million annually to meet the legitimate increments for 50 000 employees.

Besides, Hong Kong comes first in the world in terms of workload and rate of overtime work of many of its front-line staff, including doctors, nurses and other health care workers. Doctors in many places cannot compare to those in Hong Kong in terms of workload and rate of overtime work. Why? There is a self-awareness among health care personnel, especially doctors, that they have a mission, a responsibility, to cure their patients. The Government is precisely taking advantage of this and thus believes that health care personnel will exert their utmost, even if funding is inadequate.

Earlier, the Government promised to raise funding in five years from \$30 billion or so at present (some people put it at more than \$34 billion) to 440 billion, accounting for 15% to 17% of overall expenditure. I would like to point out here that first, there is no assurance as to when the pledge will be

fulfilled. And yet we have also noticed another figure, Deputy President. In Hong Kong, the proportion of public health care services, including the services provided by the HA, Department of Health and other public health care service providers, as a share of Gross National Product (GNP) has been on the decline year-on-year — I repeat year-on-year — to an estimated 2.1% of GNP this year. Even if private health care services are taken into account, the proportion may rise to a mere 5% — somewhere between 5.5% and 5.6%. The financial assistance provided by the Government to the public health care sector has all along been decreasing.

The second excuse made by the Government is that good news might be forthcoming with the introduction of health care financing this year. However, Members should know only too well that health care financing is nothing more than "distant water" to many patients and doctors. We visited some hospitals yesterday, and let me cite two examples. First, to address the deficit, Tseung Kwan O Hospital had to slash 18 rehabilitation beds from 38 last year, and it had originally been planned that a further 20 beds had to be cut in February. The sum of money they are required to surrender this year is approximately \$30 million. The conditions in United Christian Hospital are even worse. They are required to surrender \$70 million in response to the deficit. All departments and doctors have to contribute to the \$70 million surrendered to the person in charge of the hospital, who will in turn hand over the money to the HA. In the end, the HA will surrender the money to the Health, Welfare and Food Bureau for onward transfer to the Financial Secretary. Compared with the items mentioned by me earlier, the \$70 million just mentioned is trivial. The duty on red wine alone exceeds \$600 million.

It is precisely for this reason that services have to be slashed again and again. Even the entire rehabilitation ward has to be scrapped. No recruitment will be conducted to fill any vacancies arising from the departure of health care workers. What sort of a world is this? When we see that Hong Kong is prospering, what we see when we enter a public hospital is yet a different world. How can we tell others about this? The Government has kept expressing its wish to turn Hong Kong into Asia's medical centre. I really hope it can look at the mirror. As the funding for health care continues to fall year-on-year, we see that the standard of our health care services is retrogressing rather than progressing.

I have often referred to some examples including Singapore or other countries. Their governments as a whole have a relatively comprehensive view on health care. Furthermore, some pilot schemes will be implemented in relation to health care funding, health care systems, health care financing, and so on. Actually, it is not until now that we begin discussing health care financing. Since the publication of the Scott Report and the "Rainbow Document" in 1985 and 1992 respectively, such issues have been constantly and repeatedly discussed. Now, more than 20 years down the line, we are still marching on the same spot. I surely hope, and so do Hong Kong people, that health care financing can be implemented by the next government. It will take years from discussion to the time when funding is really made available. Therefore, I have to express great disappointment and regret if the Government continues to treat public health care services with such an attitude.

The problem of ageing population confronting Hong Kong will actually worsen. It is estimated that by 2023, the number of people aged over 65 will exceed 20% of the territory's total population. By 2033, one out of every four persons will be over the age of 65. However, 2023 or 2013 is not far away. With only a little more than a decade, we will be unable to cope if the Government still not implements planning, if any, it wishes to conduct, including the planning for the future development of health care. Therefore, while I feel that the Budget has indeed given out some sweeteners, the Government has failed to do anything in bringing improvements to health care services, which must be addressed and brought to a higher level or given higher priorities.

Secondly, I wish to say a few words on obstetrics and gynaecology services. The Government, on the one hand, is impacted by the influx of mainland pregnant women into Hong Kong for the sake of obtaining birth certificates and, on the other, hopes to boost obstetrics and gynaecology services so that Hong Kong people will become more willing to give birth. If we look at the relevant figures, we will find that the resources allocated to obstetrics and gynaecology services have continued to diminish. The amount of new resources has fallen from \$200 million in 2001-2002 to \$160 million in 2005-2006. The wastage of midwives is also alarming. I believe the situation will continue to worsen should the Government fail to address the problem squarely. Although the Government has kept making a lot of promises, including promises of improving health care services, obstetrics and gynaecology services, and so on, they are merely empty talk.

The hospital cluster system actually poses a major problem. The HA is worrying about scarcity as well as unequal distribution. If we look at the figures of a number of hospital clusters, we can easily find that some districts in the territory have not received due attention from the Government. I would like to cite two examples: one in New Territories West and the other in Kowloon East. New Territories West has the lowest number of hospital beds per 1 000 persons in the territory, with the ratio standing at 1.53 to 1 000 persons in 2005-2006. I would like to quote some other figures — the number stood at 5.64 for Hong Kong West and 6.08 for Kowloon Central. Why are lives in New Territories West taken less seriously? The number of doctors per 1 000 patients stood at 0.51 in New Territories West, 0.95 in Hong Kong West and 1.18 in Kowloon Central. Members can see that both the numbers of doctors and hospital beds are relatively small in New Territories West. The situation will only worsen should the Government fail to allocate more resources to places where medical resources are acutely inadequate.

Another example is Kwun Tong in Kowloon East. According to the 2005-2006 figures, the ratios of doctor and hospital beds to every 1 000 people stood at 0.59 and 2.18 respectively in Kwun Tong, far lower than the highest ratios of 6.08 and 5.64. Even brain surgery service is unavailable in the district. When I talked with some doctors at United Christian Hospital yesterday, they told me with a grin that the lives of the people in Kwun Tong or Kowloon East were probably cheaper. During my visit to New Territories West, I was also told by the doctors with a grin that the lives of the people in New Territories West were cheaper. I feel that the Government should open its eyes to see what it is actually doing while expressing its wish to build a harmonious society and care for it.

Another issue I would like to raise concerns psychiatric services, a topic mentioned in one of the motion debates sponsored by me this year. At present, psychiatric services are mainly provided by just 250 or so psychiatrists in Hong Kong, and 70% of the hospitalized patients are relying on varying degrees of assistance. For many psychiatric patients, any of the health care financing options we are talking about and the efforts to encourage collaboration between the public and private sectors in providing health care services are just empty rhetoric because many of them actually cannot afford the consultation fees. Given that the average time spent on a follow-up patient is five to 10 minutes, the doctors are described as doing the job of palm-reading rather than providing medical consultations.

I have therefore asked the Government this very interesting question this year: How much on average was spent on each psychiatric patient? The expenditure incurred by each psychiatric patient was just around \$260. This is astonishingly low and is nearly the same as the expenditure incurred by a patient consulting a general practitioner. Actually, the reason for such a low level of expenditure is that a doctor was required to treat 50 patients instead of the original five, and prescribe the cheapest drugs. Expenditure on new drugs, including the new funding for this year, stands at 45%, compared to the world level of 70% and the mainland level of higher than 70%. Given that Hong Kong is an affluent society, I wonder how I should explain to others that the needy are really being taken care of in Hong Kong.

When it comes to assisting the disadvantaged, we will certainly mention the \$900 million financial assistance offered by the Financial Secretary, including the \$300 million set aside for the purpose of assisting some poverty-stricken children, as stated by the Financial Secretary earlier. I really find it laughable when the Financial Secretary said that he was saving money for these children, and the money might be useful to them when they grew up for meeting their expenses on pursuing university studies, for instance. To many disadvantaged families, the most formidable barrier may probably be that their children cannot even complete primary or secondary education. Many doctors, social workers and I share the view that these children have learning difficulty of varying degrees, and they urgently need assistance from certain people, including counselling by education psychologists, social workers and child psychiatrists. With less than 10 qualified child psychiatrists in Hong Kong's public hospitals and only three child psychiatrists in private practice, this means that the ratio of a child psychiatrist to his patients is one to 700 000. How can psychiatrists in the public health care sector take care of the disadvantaged with needs of varying degrees?

What these children need are the provision of direct and timely assistance by the Government and different forms of assistance throughout their various stages of development. These funds might turn out to be very useful — in the event that they succeed in overcoming those formidable barriers. I earnestly hope that the Government can make some efforts instead of merely looking at figures. What has been presented for discussion so far is, besides tax rebates, red wine, which has been fondly described by many Honourable colleagues. I do not know what to say — a colleague remarked earlier that red wine was very cheap for it cost only \$100 or so a bottle. However, for many disadvantaged,

they have to support four or five family members with a monthly household income of less than \$10,000. Therefore, \$100 might probably be enough to meet the daily expenses of an entire family.

I so submit. Thank you, Deputy President.

MR RONNY TONG (in Cantonese): Deputy President, it is quite right that this year's Budget won much applause when it was presented to the public. However, from the angle of the interest of society as a whole, I can only use "unequal distribution" to describe the Budget. Furthermore, the Budget underlines the Government's culture of biasing towards a certain stratum. Our political system is unbalanced and hence, so are our social system and culture. Some influential people with power in society can even make serious remarks like these: What right do these people who have no money and pay no tax have to vote? Does the money made by society belong to them? Have they paid any tax? It is already very kind and generous of the Government to give them some "breadcrumbs" in return, and it would only be right that they should be pleased with the Government's grace.

Let us look at these "breadcrumbs". Deputy President, salaries tax. Taxpayers in Hong Kong will be offered a rebate of \$4.9 billion and \$8.1 billion in personal assessment tax. Furthermore, the stamp duty and duty on red wine will be reduced, costing the Government \$250 million and \$350 million respectively. I believe many people must have heard the story about people being told to drink red wine if they are thirsty and eat cake if they having nothing to eat rice. The total will add up to \$18.8 billion if the \$5.2 billion in rates waiver is included. In contrast, the amounts of expenditure spent on travel allowance, other expenses for assisting the disadvantaged and the provision of CSSA payments for one additional month are \$300 million, \$900 million and \$300 million respectively, or \$1.5 billion in total. The Government's message is crystal clear: Why should money be distributed to them when they have paid no tax? Have they anything to do with it? They have contributed nothing at all to Hong Kong's prosperity.

Deputy President, this sort of culture must be smashed. Perhaps I should cite a not entirely appropriate but relevant example here. When a couple petition for divorce in modern civilized society, the Judge will not ask the

woman how much she can make. Instead, the Judge will tell her that it does not matter even if she is not working, and she can still have half of the family's assets. Though some men feel very sorry about this, this example does show that the wife in a family is actually performing unpaid and yet essential work because only in this way can the husband goes out making money. However, this does not mean that her work is useless or she has no contribution to the family. By the same token, many grass-roots workers in Hong Kong society are not taxpayers but this is not what they want. Only that their wages are not legally protected. Yet, they have contributed to society as other people do. Can Hong Kong prosper as it is now without these people performing odd jobs, buying things and renting accommodation?

Hence, one should never think that they have not paid anything. They do have paid. They have a share in the money collected by the Government. The fact that they are not taxpayers does not mean that they do not have a share. Because they have worked, they have a share in contributing to that sum of money. We should never think that they have nothing to do with that sum of money, and that it is absolutely fair that no money be distributed to them. Deputy President, this Budget has not only shown great disrespect to this group of people who have actually been toiling silently for the prosperity of Hong Kong, but also demonstrated a total indifference to them. Deputy President, from a macroscopic perspective, if I or my political party have options, or if the Budget can be revised or voted piecemeal, I will absolutely not give my support.

However, Deputy President, from a macroscopic perspective, will a wrong message be delivered if we vote against the Budget? Are we telling others we disagree that the middle class should enjoy the benefits when the economy is turning for the better? We have no objection to this. Deputy President, what we object to is that under the present circumstances, the Government has failed to act fairly in allowing the most needy people to share these benefits. This is precisely the basis of our objection.

Deputy President, I personally, and even my political party feel very sorry about this. To vote for the Budget is a great test of my conscience. From a holistic perspective, we cannot vote against it either. There might be scope for further consideration if the Budget can really be rejected should we vote against it. However, if we do not act in this way, a wrong message might be delivered.

Deputy President, I would now like to say a few words on the so-called issue of travelling expenses the Financial Secretary has been bragging of. I recall that a study on the poverty facing young people in remote areas was conducted by me last year. After the publication of the study report, I have been requesting the Government to provide a cross-district travel allowance. Last year, many of our friends in the democratic camp met with the Financial Secretary and, after begging for a long time, he finally made an undertaking. However, the scheme is still not implemented after a lapse of one whole year. We even suggested that a meeting be held to pass a motion of regret, but then we were told that it was right that the Government had made such an undertaking but somehow forgotten about it. Excuse me, the Government has actually not said it has forgotten it but what it meant was nearly the same. Anyhow, its undertaking has not been honoured. The incident actually took place last year, not this year. Therefore, this sum of money must not be included here. The \$300 million, an outstanding payment last year, should not be counted as payment to be made this year.

Besides, in a study conducted by us this year on the poverty of women in remote areas, it was found that this travel allowance would not be helpful to them. We note that in the North District of the New Territories, including Tuen Mun, Yuen Long, Sheung Shui, Tin Shui Wai and Tai Po, the employment rate of women was just 34.6%, far behind the territory's overall employment rate of 51.8%. In such districts as Tuen Mun, Tin Shui Wai and Yuen Long in particular, the proportion of women working in their own districts stood at 70%, and their average income was around \$5,700, precisely half of the territory's median income of \$10,000. In Tin Shui Wai and Sheung Shui in particular, their average income was just \$4,700. They cannot work across districts because of the exorbitant transport expenses, long travelling hours, plus the fact that they have to work part-time. Even when they cannot make enough from one job, they would rather take up two or even three jobs, by cycling to their workplaces, than receive CSSA. I wonder if Financial Secretary Henry TANG has recently read a book on 12 housewives in Tin Shui Wai (《天水圍十二師奶》), the introduction of which was written by Ms Margaret NG. One of the passages in the book was about a housewife, who cycled across districts to work. Despite her short height, she was likened to a giant. In spite of our self-proclamation that Hong Kong is a world city, a prosperous society, and our

GDP as our pride, should the Government feel proud of itself, given such circumstances?

(THE PRESIDENT resumed the Chair)

I hope the Government can reconsider making extra efforts in the provision of cross-district travel allowance. What is more, I hope it can consider, in its planning for remote areas, the need to introduce a pluralistic society embracing a number of strata. Tai Po is a case in point. Wages in the district are nearly 50% higher than those in Sheung Shui, Tuen Mun and Tin Shui Wai because Tai Po is a pluralistic society with many well-off people living there. As they will employ home helpers, this is particularly good to women seeking employment. This excellent example should be considered carefully by the Government.

As regards CSSA, President, the granting of an additional month of CSSA payments is certainly good. I have never heard anyone object to being granted an additional month of CSSA payments. However, there are worries about "unequal distribution", as mentioned by me earlier in the speech. How much help can they get from the additional grant? In terms of normal disability allowance, we are actually talking about \$1,140. How long can they survive on this sum of money? Actually, it is most important and imperative for the Government to address the issue of developing local community economy so that the people can seek employment in their own districts, earn reasonable wages without the need to work across districts. Only in doing so can the poverty problem in remote areas be tackled in concrete terms. In this connection, the Government has proposed supporting the development of social enterprises. Having said so, what practical steps have been taken? It was pointed out in a recent meeting that if the authorities are determined to do so, they should follow the practice of Britain or Spain. Both countries have injected a lot of resources into developing and reshaping their regional economy to really give abandoned people an opportunity to become self-reliant and enjoy the fruits of economic development.

The Government said it would give the people subsidy in terms of free provision of land and tax waiver. Will this be the same as scrambling for

profits with the business sector? No way. How can the Government help them but not the business sector? This is actually not what we meant. We are actually referring to the development of district undertakings to give these people an opportunity to rejoin society and rid themselves of CSSA. When will they reach a stage where they will scramble for profits with the business sector? Therefore, when it comes to developing local community economy and social enterprises, the Government must demonstrate its determination instead of indulging in empty talks. The Government has always described the pan-democratic camp as chanting empty slogans. Now that the Government's words have been heard, I hope it will look at itself closely and refrain from merely chanting empty slogans.

President, I will turn to several other topics very soon because time is running out. The fair competition law is greatly welcomed by Members in the Civil Party. The Government has finally realized that this has to be done. However, we are still afraid that the Government's timely rain has come a bit late. We were told by Secretary Stephen IP the day before yesterday that the legislation would not be tabled to this Council until late this year. If that is the case, coupled with the possibility that there might be voices of dissent from this Council or the business sector, it is extremely doubtful as to whether the relevant legislation can be passed in this term of the Legislative Council. I hope the Government will again not chant empty slogans and, instead, demonstrate its determination and sincerity by not only speeding up its pace but also expediting education in Hong Kong to enable, in particular, small and medium enterprises and people who have misunderstandings about the fair competition law to truly understand that the legislation is actually helpful, not harmful, to them. In this respect, if the Government requires assistance, I believe many people in Hong Kong are prepared to help.

President, with only two minutes or so left, I would like to say a few words on the issue of fiscal reserves. A lot of disputes arose during the Chief Executive Election. I do not intend to talk about figures because I am not good at them. My arithmetic is the worst. As Members should know, I wish to talk about matters of principle. Although our fiscal reserves have already reached \$370 billion, the Government still insists that, according to a report by the International Monetary Fund (IMF), our fragile structure has made it necessary for our reserves to reach 30% to 50% of our GDP before we can cope with our ageing population in the future. Such being the case, Hong Kong has to boost its reserves by at least \$80 billion. I think the Government's saying is

tantamount to changing the goal posts frequently because to date, even the Government admits that, given its small size, our reserves are already adequate so long as they can meet expenditure for 12 to 17 months. However, if we calculate it according to the requirements of the IMF report, our reserves might have to be equivalent to 20 months or more than 20 months of expenditure. Actually, the IMF has merely asked for a stable revenue, and there are many ways to achieve this. One of the ways is, as we proposed last year, for the Government and the Hong Kong Monetary Authority to reach a more reasonable agreement on a fixed-term and fixed-amount accounting arrangement to stabilize the Government's revenue. Another way is for the Government to levy a goods and services tax (GST). We are not saying that this objective can definitely be achieved by levying a GST, but it is apparent that the Government's efforts in this regard are inadequate. It has merely presented the proposal for some brief discussions and withdrawn it come the election. Discussion in society was actually inadequate.

President, a colleague has pointed out earlier that the size of our fiscal reserves must not be too large. Actually, only the United States will be benefited. We really do not know the purpose of keeping such a huge sum of money there. Neither does it do any good to Hong Kong. President, I subscribe to those views fully. I hope the Government can conduct another review to examine if this policy is appropriate. Thank you, President.

DR YEUNG SUM (in Cantonese): Madam President, on behalf of the Democratic Party, I will speak on major social policies relating to such areas as education, health care and social welfare, in relation to Hong Kong finances.

Madam President, I would like to start with education. While this year's surplus has exceeded \$55 billion, the second highest in a decade, \$57.2 billion will be spent on education, slightly more than the \$56.5 billion spent last year. However, if the \$2 billion earmarked for the kindergarten voucher scheme to be implemented next school year is deducted, the Government's expenditure on education other than early childhood education (ECE) will actually be reduced.

Over the past three fiscal years, for instance, the Government has seen unused education expenditure of over \$3 billion each year. The amounts of upspent funding in 2004-2005, 2005-2006 and 2006-2007 were \$3.8 billion, \$3 billion and \$3.4 billion respectively, which had all been returned to the

coffers by the Education and Manpower Bureau. Despite the constant slashes in education resources over the past several years, educational workers have seen their work pressure continue to rise, with primary and secondary schools and universities badly hit. Given its abundant surplus, the Government should really soothe the trauma sustained by the education sector because of the funding reduction. In the next year, the Government should start by implementing small-class teaching (SCT) and subsidizing associate degree programmes to be followed by increased funding for universities and, as a step further, full subsidy for ECE. At the same time, the education problem faced by ethnic minorities must not be forgotten.

During his election campaign, Chief Executive designate Donald TSANG raised the proposal of gradually implementing SCT. However, he later pointed out in the election forum that it would cost the Government \$6.7 billion to fully implement SCT in secondary schools. The amount of expenditure would reach \$9 billion if the \$2.4 billion to be spent on primary education was added. We believe this figure has been exaggerated, like what the authorities did in calculating expenditure on implementing SCT for primary schools. We request the Secretary to provide us with the method of calculating the relevant expenditure.

Meanwhile, the Government should enhance the subsidy for associate degree students and provide more top-up places for associate degree graduates with a view to riding students of the pressure caused by repayment of student loans and providing students with more opportunities of further studies. In recent years, the number of subsidized associate degree places has continued to decline year-on-year, dropping by more than half from more than 11 000 in 2003-2004 to 5 500 this year. While the number of subsidized places is expected to fall in the next several years, the number of students enrolling at associate degree programmes will continue to rise. As these programmes will be operated on a self-financing basis, their students will very often be heavily indebted upon graduation. What is more, the number of top-up places for associate degree graduates is very limited. The number of newly created places for these graduates to advance to year two and year three of degree programmes starting from the 2005-2006 school year is only 1 000-odd. Compared to more than 20 000 associate degree and higher diploma graduates each year, this is utterly inadequate and not helpful at all. The Government should strive to provide more degree places to enable associate degree students with outstanding academic results to pursue university studies.

The Government's freezing of university funding over the past three years and its several previous attempts to slash university funding have seriously impeded the development of universities, not to mention turning Hong Kong into a regional education hub. With the imminent introduction of the "3-3-4" academic structure, the expenditure incurred by universities to construct new premises, recruit additional teaching staff, and so on will rise. Hence, it is now suitable time to make adjustments to increase funding in the relevant areas. Meanwhile, the Government must not forget a group of ethnic minority school children who do not know Chinese. In designing the new senior secondary curriculum, the Government should separately tailor-make Chinese-language programmes for these ethnic minority students, and ensure that their qualifications gained through examinations are recognized by both universities and employers.

The "Pre-primary Education Voucher Scheme" introduced by the Government last year has finally marked a big step towards subsidized pre-primary education. However, it is still a far cry from the demand made back in the era of the United Democrats of Hong Kong for providing funding for pre-primary education across the board by extending free education from nine to 12 years. Hence, we call on the Government to expeditiously formulate policies to subsidize pre-primary education. The first and foremost task for the Government is not to impose artificial restrictions by rigidly classifying kindergartens into two major categories. Instead, government funding should be offered to all kindergartens across the board. Given that the Government can afford to spend \$300 million in public money to subsidize film production, why did it choose to impose barriers one after another on funding for private independent kindergartens? We call on the Government to seriously consider the proposals raised by the Democratic Party in this regard.

Madam President, I would like to say a few words on health care.

This year's Budget happened to be announced before the Chief Executive Election. In the Chief Executive's election platform, health care is considered a quite important part, and the study of a contributory health care financing option has also been mentioned. Furthermore, the Budget mentions the intention to consult in the middle of this year various sectors on reform of health care service delivery and related financing arrangements, including studying the proposal to provide tax deduction for premiums paid to private medical insurance schemes.

While the consultation proposal has not yet been published, the Budget has made this prior announcement and specially revealed that consideration would be given to providing tax deduction for premiums paid to private medical insurance schemes. Such a move, which will definitely be welcomed by private hospitals and private medical practitioners, can indeed be described as an act to canvass votes for the Chief Executive Election.

While the incentives offered to private health care will produce a profound impact on the entire health care system, whether they are helpful to addressing the financial pressure on public health care services has to be analysed in detail. What is more, specific operation has to be handled with care. The private medical insurance scheme proposed to be introduced in Hong Kong is different from the mandatory scheme implemented in Switzerland under which all citizens must purchase private medical insurance and the medical scheme implemented in Australia under which, in conjunction with the offer of an insurance rebate of tax, all medical insurance providers must ensure that every citizen may participate in private medical insurance schemes for risk sharing. At present, the private medical insurance schemes provided in Hong Kong are not opened to all, and their risk-sharing function is extremely weak. Members of the public may decide on their own whether or not to take out insurance, whereas insurance purchasers are mainly high-risk clients and insurance providers may choose their clients. As insurance providers aim at profit-making, they have a general tendency to choose lower-risk clients, and high-risk clients will definitely be requested to pay higher premiums. Yet the most needy persons, including the elderly, the vulnerable and people with disabilities, may even be shut out of the door, and their applications for taking out insurance will simply be rejected. Furthermore, private medical schemes incur high administrative costs and abuses are quite common. In the end, we might end up with a medical system which is neither cost-effective nor fair. If the private medical market thrives and private medical insurance companies become wealthy and powerful, vested interests will seek to thwart health care reform which will undermine their interests. Given the existing private medical insurance system, the desirability of encouraging the public to take out insurance must be examined carefully.

We hope the contributory health care financing proposal put forward in the future consultation exercise will involve participation, risk sharing and equal access to medical opportunities by all people. The findings of a survey

conducted by the Democratic Party in various districts of the territory reveal that the public is generally in support of a universal medical insurance scheme.

In this year's Budget, a number of one-off "candy" initiatives have helped the Chief Executive secure more support in the election. It is disappointing that, even though the consolidated surplus for the next four years is forecast to reach \$159.9 billion, the Government has failed to capitalize on its surplus to invest boldly on recurrent expenditure on people's livelihood to improve social services such as health care. The Budget can be described as lacking long-term vision.

Let me cite the Hospital Authority (HA) as an example. Although its recurrent expenditure has been increased by \$300 million according to last year's undertaking, the amount of funding to the HA has been slashed annually over the past couple of years. Even with the additional funding of \$300 million, the funding received in the new financial year is still 3.1% less compared to 2003-2004, not to mention the annual increase of 0.4% in the size of Hong Kong population and the year-on-year increase in the number of people aged 65. Yet, the Government has failed to honour its promise of making annual adjustment to its funding according to the population and the number of elderly people. The additional \$300 million allocated to the HA this year is simply inadequate to maintain the original standard of service. Given that Hong Kong has an abundant surplus, it will be even better for the Government to increase its funding to the HA by more than \$300 million.

Lastly, Madam President, I would like to seize the time left to say a few words on the social welfare problem relating to institutional care places for the elderly.

Madam President, it is extremely difficult for elderly people to be allocated a subsidized institutional care place. Over the past three years, the number of elderly people on the waiting list for such places has remained high. As the problem of ageing population continues to worsen, the demand for such places naturally continues to rise. Given the continued slash of welfare expenditure in recent years, the number of elderly people on the waiting list has repeatedly reached new heights. The number of elderly people on the list has risen from 20 000 or so in 2004 to 22 000 or so in 2006. Information has shown that the average waiting period for an institutional care place for the elderly ranges from nine to 38 months. In some extreme cases, the waiting

period may even exceed 40 months. The Government's request for the chronically ill and the helpless elderly to take care of themselves during the waiting period is tantamount to paying no regard to them. Worse still, a number of elderly people had passed away before they were offered institutional care because of illness or lack of proper care. This reflects the helplessness of the elderly in society. We propose that the Government allocate an additional funding of \$800 million to provide more subsidized institutional care places on a long-term basis under the premises-led programme and, in the short run, purchase more places from quality private elderly homes to resolve the problem caused by the long waiting period.

Besides, I would like to say a few words on the problem of domestic violence. In the light of the worsening domestic violence problem in recent years, more resources should be allocated to provide more urgent assistance to cases which may possibly turn into tragedies. According to the figures provided by the Social Welfare Department, 3 400 or so newly reported spouse abuse cases were received in the first three quarters last year, representing an increase of 37%, or close to 40%, over the year before last. A number of domestic violence cases have also been recorded recently. We hope the Government can set up more family support teams. Furthermore, the Financial Secretary can double his efforts in this respect by providing more family support teams too. It is also hoped that legislation can be amended to make it compulsory for abusers to receive counselling to alter their practices of resolving family disputes by violent means.

Furthermore, it is hoped that the housing policy can be expeditiously amended to expedite the provision of compassionate housing to domestic violence victims to enable them to live separately from abusers and be allocated Home Ownership Scheme flats expeditiously. We hope the Government can give very serious consideration to the above proposals made by the Democratic Party. Thank you, Madam President.

MR ALBERT CHAN (in Cantonese): President, first, I congratulate Financial Secretary Henry TANG on using the Budget to help the Chief Executive in his election bid successfully and enabling Donald TSANG to get elected with "three highs". One can say that the contributions made by the Budget cannot be discounted because the Budget adopts the approach of "handing out sweets", so that the great majority of the members in the 800-strong Election Committee can

get quite a lot of benefits. Greatly delighted, they of course very much support the Chief Executive election this time. The Budget published this time around can be described as a blatant act of buying votes with public funds because we can see that the benefits that many members of the Election Committee (particularly the major estate developers) can get in the form of waived rates run into hundreds of millions of dollars and even billions of dollars. Of course, many other people therein belong to the upper-middle class and the benefits they can get in terms of waived tax also make them grin from ear to ear. Therefore, the contributions of the Budget cannot be discounted.

However, the aftermath of handing out sweets will definitely be considerable. Not only will giving people who are fat or even obese, or people who are so fat that they cannot put on their socks more sweets to eat be harmful to their teeth, this will also have side effects on their body, that is, what people call hastening them to their deaths. It is not just obese people who will be hastened to their deaths. The entire Hong Kong economy will also get some sweeteners because of the distribution of sweets, however, this will be very harmful to the body. As a doctor, Secretary Prof Arthur LI can give more professional advice to the Government and tell it that it is actually not very good to eat so many sweets.

Some time ago, our State Premier talked about the problem of deep-rooted conflicts on various occasions. However, it can be seen clearly that this Budget has done nothing to target the so-called deep-rooted conflicts. It can be said that the extremely serious problems in Hong Kong have been disregarded for the sake of the election on this occasion and of winning short-lived applause. When responding to the comments of the Premier, Donald TSANG also said that the deep-rooted conflicts in Hong Kong — although he denied that they referred to political issues, he pointed out that they included high land prices, high rent and high wages — concerning the inability of the Hong Kong economy to restructure properly, he said that we would face a lot of challenges. However, I cannot see what this Budget has done about the deep-rooted conflicts in Hong Kong.

The central leadership stressed a number of times that Hong Kong had to move towards harmony, however, in view of the situation of the rich enjoying the luxuries and the poor lingering at the brink of starvation, I cannot see any chance of achieving harmony. The suicide rate of elderly people in Hong Kong still ranks high in the world and many people in their forties and fifties in Hong

Kong are still living in poverty. What is more, there are 1 million families living below the poverty line. In these circumstances, how possibly can there be harmony in Hong Kong?

If we compare the Report on the Work of the Government published by the Central Government with the Budget, we cannot help but shake our heads in lament. President, allow me to cite some examples. In the Report on the Work of the Government published recently, there are several main points:

The Central Authorities are still using a deficit budget and this is different from Hong Kong.

Appropriate adjustments will be made to the minimum wage system and the system will be strictly enforced, whereas such a system is still under discussion in Hong Kong.

Development of major projects that strengthen overall economic and social development and long-term development will be stepped up (this is what the Central Authorities proposed). However, apart from giving away money, no such consideration can be seen in the Budget of Hong Kong.

Efforts to ensure order in the real estate market will be intensified. In this regard, the situation in Hong Kong is even laxer and nothing whatsoever has been done. Sales brochures are still not considered legal documents.

The steady development of grain production will be ensured; the overall production capacity of agriculture will be substantially raised; efforts to boost rural infrastructure development will be redoubled; rural incomes will be increased through a variety of channels; and the training of people in practical skills needed in the countryside and the development of rural human resources will be promoted. If put in a meaner way, one can say that not a fart has been made in this regard in Hong Kong and no attention whatsoever has been paid to the employment situation of the low-income families and the general public in Hong Kong.

The report of the central authorities also mentions that strong measures to save energy, lower energy consumption, protect the environment and use land economically and intensively will be taken. However, nothing in this regard has been mentioned in Hong Kong.

The service industry will be greatly developed and the level and technology of industry will be improved. There is often a lot of talk about how to develop the service industry in Hong Kong, however, concerning ways to actually provide assistance in the establishment of an excellent service industry, often, there is only a lot of talking but no material assistance.

The development of education, health care, culture, sports and other social programmes will be accelerated. This year's government allocations for rural compulsory education total RMB 223.5 billion yuan, up RMB 39.5 billion yuan from last year. During the implementation of the 11th Five-Year Plan, RMB 10 billion yuan will be allocated from the central government budget.

In addition, a system of scholarships will be launched for regular undergraduate institutions, vocational colleges and secondary vocational schools. Funds appropriated for this purpose by the Central Government will be increased from the RMB 1.8 billion yuan of last year to RMB 9.5 billion yuan this year and RMB 20 billion yuan next year. Members can see that the increase is very substantial and the Central Authorities will continue to take forward work in this area.

To accelerate reform and development of public health programmes, RMB 2.8 billion yuan has been allocated in the central government budget and the development of the social safety net is also substantially strengthened with an increase of RMB 24.7 billion yuan over last year.

Members can see that when it comes to economic development, that on the Mainland in the past few years has been faster and more vibrant than that in Hong Kong. The growth rate is greater than that in Hong Kong, however, having a high growth rate and more tax income does not mean that it is necessary to give away money. Many items and a lot of resources obtained from society should be..... The Government has the responsibility to distribute and redistribute resources, so that the socially disadvantaged groups and people in lower classes in society, as well as the group of people who cannot be benefited under the system can get reasonable care.

The policy arrangements with specific targets made by the Central Government represent a conscious approach adopted by the Central Government. However, if we look at the Budget prepared by Financial Secretary TANG, one can say that it has made a fundamental mistake for budgets. On addressing the

structural problems in society and the problems facing the socially disadvantaged groups, apart from nominally granting an additional month of CSSA payment to recipients and a trivial transport subsidy to residents living in remote areas, the Government has made no mention whatsoever of the structural or deep-seated problems. Perhaps next time when Financial Secretary TANG meets Premier WEN, Premier WEN has to give Mr TANG two slaps in the face to wake him up.

They will never listen to the problems raised by the opposition, will they? Therefore, I have cited a lot of problems that the Central Government is handling, so that the senior officials in Hong Kong can gain an understanding of the basic directions and concepts in dealing with public finance and learn from other people, instead of thinking conceitedly that if they can manage a company, they can manage Hong Kong properly.

Back to the Budget this year, several Members have already commented on it and Mr Ronny TONG has also voiced many of my thoughts. I have great admiration for the speech he gave just now, however, the only shortcoming is that he is still unwilling to vote against the Bill. Since the entire Budget cannot solve or deal with the problem of distribution and redistribution of financial resources, it has made a fundamental mistake. I do not care how much applause it has won because what is wrong is still wrong. No matter how beautiful the outer design of a building is, if it may collapse, we will not approve the plan. The principle is just that simple.

The Budget this year has won a lot of applause, the more so because the groups with vested interests can all get their shares of the pie, for example, for those who like red wine, the duty on wine will be reduced, and it will be possible to get back some of the salaries tax and there is no need to pay rates, so they are feeling rather delighted. However, I have heard many people of the middle class say that they would rather the Government does not give them a rebate and instead, invest the money in small-class teaching, improving the environment, doing a proper job of education and providing good medical care services. Financial Secretary, in Tung Chung, someone in that neighbourhood has made an appointment to receive specialist treatment and the waiting time is three years — it is necessary to wait three years in order to receive specialist treatment. Why can the Government not commit the money to providing social services and to assisting the socially disadvantaged groups?

The League of Social Democrats has presented many views to the Government, but the Government has disregarded its views and perhaps the Government has not even taken a look at them. We proposed offering tax deduction on the cost of repairs and maintenance incurred by owners of old buildings and establishing a fund amounting to \$20 billion to improve the living of grass-roots members of the public, so as to improve the people's lot. In fact, it is only necessary for the Government not to grant a rebate and rates waiver in order to establish this \$20 billion fund. It will be possible to help tens of thousands and even hundreds of thousands of families and members of the public, including organizing activities for students on CSSA and providing subsidies to them. It will be possible to assist not just residents living in remote areas; even people on low income will also be able to receive the transport subsidy. In fact, it is also a long trip to go to work in Mui Wo from Tsuen Wan. A lot of people have to go to work in Tin Shui Wai from Kwun Tong. Why are they not eligible for the transport subsidy? The Government is only fobbing people off. A lot of political parties have made such a proposal, so they trumpet in various local communities that they have successfully secured a cross-district subsidy for residents in remote areas. Why should people who go to work in Tin Shui Wai from Kwun Tong not be eligible for the subsidy? The proposal of the League of Social Democrats is that since we are talking about remote areas, it is only necessary for one to prove that the workplace is far away in order to be eligible for the subsidy. However, the Government has no sincerity whatsoever in helping people in low-income families.

We also said that the Government should focus its resources on solving the problem of an ageing population. Since there are tens of billions of dollars of surplus, we should consider what should be done. For example, Dr YEUNG Sum has mentioned the problems relating to homes for the elderly and the League of Social Democrats has also made some specific proposals. There are serious problems with the services of homes for the elderly, including those provided by private homes and I have raised them many times with Secretary Dr York CHOW. But it seems the Government is unable to deal with this problem with urgency through the overall allocation of resources.

For many years in a row we have urged the Government to consider adopting some ways of revitalizing the local community economy, not just by operating the Disneyland. Back in those years, Antony LEUNG only suggested the operation of alfresco cafes but this is not what local community economy is about. The Government should develop a diversified local community

economy and assist in promoting projects relating to the local community economy, so that Hong Kong people will spend their money locally and more people will come to Hong Kong to spend their money here.

President, on the whole, I am extremely disappointed by this year's Budget and I have also pointed out many times that when Henry TANG initially took office as the Financial Secretary, I had some expectations because of his background as an industrialist. I hoped that he could make use of his vision in the field of industry. Mr CHIANG Chen is held in such great esteem he could make use of industry to develop society. I hoped that he could make use of his capacity as the Financial Secretary to revive the industries in Hong Kong — not necessarily all industries and they may not be able to regain their former glory either. However, looking at the entire Budget, I cannot find the smallest sign that he has any sentiment for the industries.

I remember that many years ago, I had a chat with some alumni and they knew that I was a Member of the Legislative Council. I asked them some questions about the industries in Hong Kong and they said that I was wasting my breath. They said that there were only two types of people in the second generation of industrialists in Hong Kong. One type only used their money to speculate on property and the other type were those who had become the spoiled sons of their rich fathers, therefore, we should not hold any hope that they knew how to run industrial undertakings. There was hardly any one else who was like the family of Mr CHIANG Chen. Therefore, this example and this Budget fully reflect the thinking, values and mindset of the second generation of industrialists in Hong Kong.

Basically, the League of Social Democrats is intensely disappointed with the direction, principles and tone of the entire Budget, therefore, we will resolutely vote against it.

MR TIMOTHY FOK (in Cantonese): Madam President, in the Oscar Awards Ceremony this year, "The Departed", which was adapted from a creative script written in Hong Kong, rose to prominence and became the winner, thus indirectly casting a glow on the film industry in Hong Kong. Furthermore, it is a shot in the arm for the film industry in Hong Kong, which has continued to wallow in a downturn in recent years. The Oscar Award fully illustrates that

the outstanding talents in Hong Kong are fully capable of making good films with artistic and commercial merits that are well-received in the international market.

However, the reality is that in the '80s and '90s of the last century, the output of films in Hong Kong was as high as 300 films per year, whereas the output last year was only 51 films and the total box office proceeds amounted to only \$282 million. Obviously, the film industry in Hong Kong is going from boom to bust and I think it has come to a stage where rescue action is called for.

As we all know, the crucial factor that enables Korean films to become so popular is government support. At an early stage, the Hong Kong Government regarded film making as a commercial endeavour, therefore, it refused to lend a helping hand. In recent years, it established the Film Guarantee Fund Scheme and the Film Services Office, and in the Budget this year, it is announced that \$300 million will be allocated to develop the film industry, and the Government will invest directly in film making. Together with the pledge made by the newly re-elected Chief Executive, Mr TSANG, in his policy address to establish the Film Development Council, all these show that the Government has become aware of the difficulties confronting the industry and it is capable of discarding its baggage of non-intervention. This is a rare sign of progress and a cause for celebration.

Of course, if we think that the film industry can be revived merely with the \$300 million funding by the Government, we may be too naive. The present problem is: Apart from investing in film-making, what other support should the Government provide? Actually, from the front-stage to back-stage, from preliminary preparations, through shooting, post-production to promotion and publicity, together with the interwoven commercial and artistic elements, film-making is a complex and huge endeavour. Every work process is independent but also interrelated. It is necessary for the Film Development Fund and the Hong Kong Film Development Council to delineate each stage of work properly and follow the example of the UK Film Council by establishing various types of funds and provide funding and management tailored for various types of films and different stages of film production. It is worthwhile to make reference to such a direction. In addition to the establishment of a fund, combating piracy, offering assistance in overseas promotion, developing the mainland and international markets and training talents in a systematic manner are efforts that should be made on a sustained basis.

In fact, under the trend of globalization, the mobility of and competition for talents as well as the competition for markets are very great, so nearly all major productions are the work of an international team. Therefore, what Hong Kong should do is to revive the famous brand of films known as Hong Kong films and further the integration with the industry, talents and market on the Mainland, thus building an even more robust and powerful team that targets the international market.

Madam President, another point that I wish to add is that although the film industry no doubt needs the support of the Government, I also gather that the Cantonese opera sector is in even greater need of government assistance. "To nurture Cantonese Opera" is not just a slogan but also a magical potion on which the survival or demise of the Cantonese opera depends. As we all know, the Queen's Pier is regarded as a collective memory of society. I think Cantonese opera is also a kind of traditional performing art and culture that can claim a very proper status in Hong Kong. It is a shame that the Cantonese opera sector does not have any performance venue specifically designed for it and other kinds of funding and support are also sorely lacking. The sector strongly demands that the Government follow the approach of establishing the Hong Kong Film Development Council and the Film Development Fund in supporting and promoting the sustained and systematic development of the Cantonese opera sector. Moreover, the Government has to allocate more resources and establish a Cantonese opera school, so that this traditional performing art and culture known as Cantonese opera can be passed down to posterity and continue to be developed.

I so submit.

DR RAYMOND HO: Madam President, our Financial Secretary should be the envy of his counterparts in other countries. There are no money worries for him, either in his personal capacity or his official one as the Financial Secretary. More than that, he has not only a surplus at his disposal but also a huge one, at least 10 times more than his forecast.

Flushed with a surplus of \$55 billion which will be higher when the final accounts are completed for the financial year, the Government has finally done something in response to our repeated calls for sharing the wealth. I am pleased that some of my proposals have been included in this year's Budget. Many

taxpayers will therefore benefit from the revision of marginal tax rates and tax bands to their 2002-2003 level, higher tax allowances for children and new born babies, tax rebates up to \$15,000 and the waiving of rates for the first two quarters of 2007-2008. But their impacts cannot be overrated as some of them are on one-off basis.

Given the fact that the middle-class earners have been bearing a major share in bailing the Government out of its fiscal deficit during the decade-long economic downturn, the Government should and could do more to help alleviate their financial burden. Raising the maximum annual deduction for home loan interest from \$100,000 to \$200,000 and extend the limit for the deduction to a total of 20 years is among the possible options.

In the past decade, the salaries of civil servants have been substantially reduced. It is high time for the Government to review their pay and bring it up to an appropriate level based on a longer term or duration in comparison with the private sector in order to improve their morale.

With a large surplus in hand, it is disappointing that the Financial Secretary only reiterated in the Budget the Government's commitment of spending \$29 billion per annum on infrastructure projects for the coming few years. As I have said on many different occasions in this Chamber, the annual \$29 billion expenditure on infrastructure development is simply not enough to revitalize the local construction industry in Hong Kong. The unemployment rate in the engineering and construction sector is still standing at more than twice the general unemployment rate of Hong Kong. Moreover, the Government's repeated commitment to the annual expenditure of \$29 billion is quite misleading. The annual expenditure on Capital Works Programme in 2005-2006 reached only \$26.5 billion, while that for 2006-2007 and 2007-2008 will only be \$22.1 billion and \$20.4 billion respectively. The engineering and construction industry is asking the Government to address this urgently.

Failure of the Government to dish out enough Category B and Category C works during the last 10 years has created such a vacuum of projects. I have repeatedly warned the Government for this undesirable consequence and, in fact, although it was stated in the policy address some three years ago confirming more such contract preparation work, it did not, however, materialize.

Rail development is another area of serious underspending in recent years. There is no rational basis whatsoever to put our railway development on hold pending merger of the two railway companies. The Sha Tin to Central Link (the Link) has been dragging on for years. Its early implementation is essential to the transport infrastructure development of Hong Kong as the Link will offer another important central harbour railway crossing. The project should be proceeded with the full alignment from Sha Tin to Central rather than phased implementation from Sha Tin to Hung Hom in the first stage as the Government is now suggesting. The Government must take into consideration the interests of commuters, particularly when the Government is reporting a huge surplus. For the same consideration, the Government should also expedite the implementation of the MTR South Island Line and West Island Line.

On the other hand, the Government should make use of this year's surplus to invest in our cross-boundary infrastructure development. The Hong Kong-Zhuhai-Macao Bridge, Guangzhou-Shenzhen-Hong Kong Express Rail and Eastern Crossing at Sha Tau Kok have long been overdue. As I have suggested before, it is more cost-effective to incorporate the rail link in the proposed Hong Kong-Zhuhai-Macao Bridge rather than build a separate rail link on its own at a later stage. But a swift decision on the subject is necessary. Further delay in constructing the Bridge will be detrimental to the interests of all parties concerned including Hong Kong.

The construction of the Guangzhou-Shenzhen-Hong Kong Express Rail must also be expedited, too. Instead of running on tracks of existing West Rail as initially proposed, the Express Rail should have a separate route alignment so as to allow the trains to run at full speed in the Hong Kong section. It makes absolutely no sense to have a city-to-city express train service connected to a local urban train system. We must be aware that the Mainland is talking about express trains running at 250 km per hour. The "designated corridor" option is surely within the realm of our affordability. As for road link, the construction of the Eastern Crossing at Sha Tau Kok should start without further delay so as to alleviate the traffic congestion at our border crossings.

For the sake of the future of Hong Kong, I urge the Government to review its annual spending on infrastructure development. Its strong financial position should allow it ample room to increase its investment in this respect. Investing

in infrastructure development will spur our economy on and create employment in the short run while it will strengthen our competitive edge in the long run with better infrastructure and facilities.

With these remarks, Madam President, I so submit. Thank you.

MS EMILY LAU (in Cantonese): President, on 29 March last year, when the Financial Secretary gave his reply in the Budget debate, he pointed out that Members of different political parties had made various demands, for example, to revise the CSSA rates, to increase the funding for early childhood education and to allocate more resources for the prevention of domestic violence, to deal with issues relating to medical care and environmental protection, and they even demanded the introduction of a community-wide elderly retirement scheme and the provision of additional resources to help socially disadvantaged groups. He said that political parties demanded tax cuts and the reduction of rates, yet they opposed the introduction of a Goods and Services Tax. The Secretary said that such demands were easy to make but impossible to deliver together.

However, after the passage of one year, a lot of things have become possible. President, why is this so? Because the authorities have an abundance of money and it is estimated that the consolidated surplus this year will exceed \$55 billion, a figure that is 10 times greater than the original estimate. At that time, the Secretary also said that it was a happy problem, however, I believe that this is a troubling question to the Legislative Council because it is troubled by why so many of the estimates made by the authorities leave so much to be desired.

President, since we have such a huge surplus, the Secretary has proposed a series of measures such as tax deductions as well as other measures involving a total of \$20 billion to share wealth with the community. We in the Frontier support them, however, a question remains. There will still be more than \$30 billion left, so what should we do? I call on the Secretary not to credit this sum of money to the fiscal reserves because by the end of this financial year, the fiscal reserves will exceed \$370 billion and the accumulated surplus in the Exchange Fund will also exceed \$500 billion, so the combined total will be close to \$900 billion.

Since Hong Kong is in possession of such huge fiscal reserves and accumulated surplus and the money is allowed to continue to snowball, we in The Frontier believe that this is not reasonable. In 1998, the then Financial Secretary, Mr Donald TSANG, said that it would be enough for the fiscal reserves to be able to meet 18 months of government expenditure. Subsequently, there were difficulties in public finance and a deficit occurred. The reserves were drawn down and the then Financial Secretary, Antony LEUNG said that it would be enough for the reserves to be able to meet 12 months of government expenditure.

Now, the Financial Secretary, Mr TANG, on seeing that the fiscal reserves are increasing continuously and since it is estimated that it will rise to \$600 billion several years later, has cited the recommendation of the International Monetary Fund, saying that the levels of reserves could be around 30% to 50% of the GDP. However, President, if we include the accumulated surplus of the Exchange Fund in the fiscal reserves, the Government has by now accumulated \$900 billion and this figure is more than half of the total GDP, which stands at \$1,400 billion, so what excuse can there possibly be?

President, you are also aware that many advanced countries actually do not have any reserve and some of them are even heavily in debt, however, their economies have not been affected as a result. I believe there is no need for the SAR Government to continue to accumulate a huge sum of reserves. Moreover, the present amount of reserves should be enough for maintaining the stability of the linked exchange rate and it has even far exceeded the required amount. If the Government continues to accumulate a large amount of surplus, it will only induce more sectors to hold out their hands and ask for subsidies. Since a Financial Secretary of the past said that it would be enough for the fiscal reserves to be equivalent to 12 months of government expenditure, I hope the authorities will follow this criterion in their work.

Financial Secretary Henry TANG took office in 2003. At that time, the target was to solve the problem of fiscal deficit and he proposed three major goals: reduce the operating expenditure to \$200 billion, restore fiscal balance in the operating and consolidated accounts and bring public expenditure down to 20% of GDP or below. These goals were attained in the year 2005-2006.

From the Budget published last month, we learn that in the Revised Estimate for 2006-2007, public expenditure only accounted for 16.7% of the

GDP and this is lower than the 20% proposed by the Financial Secretary. We in The Frontier support the 20% target. The Financial Secretary pointed out in his speech on 29 March last year that the share of public expenditure in GDP was much lower than that of many developed economies and the corresponding proportion of members of the Organization for Economic Co-operation and Development was, on average, 40%. The Financial Secretary said that that the Government could provide first-class services in medical care, education, public order and housing to the public, even with our low tax regime, fully reflected the commitment to ensure the efficient use of resources and achieve the best value for money.

The question is whether the tax rate is really that low. The Financial Secretary is also aware that the housing expenses alone borne by many members of the public are already very difficult for them to stomach. Besides, is the education system in Hong Kong really first-class? If so, why do so many senior officials, Members and rich people send their children to study overseas or in international schools? I hope the authorities will commit more resources to training more kindergarten teachers and funding kindergarten education fully, so that pre-primary education can be improved. In respect of university education, the authorities should also commit more resources to enabling more young people of the relevant age to receive subsidized university education. The implementation of small-class teaching in primary and secondary schools is something that many teachers, parents and school principals have been yearning for, however, the authorities said that it was necessary to study it for some more years and it was not possible to meet the aspiration of society.

President, since the population is ageing, the authorities should also commit more resources to strengthening the care and support services for the elderly. The Budget proposes allocating an additional \$38 million to 156 elderly centres throughout Hong Kong to enhance their outreach programmes, so as to assist more elderly singletons now. President, you are also aware that there are 100 000 elderly singletons now. Will the allocation of \$38 million not be a drop in the ocean? The Budget also proposes allocating an additional \$16 million to provide more subsidized residential care places in new purpose-built residential care homes for the elderly. However, may I ask how many places can \$16 million create? At present, there are more than 20 000 elderly people waiting for admission to this kind of residential care homes and many elderly people could not be admitted even by the time they died. The Financial Secretary admitted that as the population aged, the demand for subsidized

residential care places for the elderly would increase. He said that the Commission on Poverty and the Elderly Commission will continue to explore ways of responding to the challenge. It seems that a prolonged wait is in store for many elderly people. I believe the authorities should commit more resources to this area and build more residential care homes for the elderly to solve this problem that has been plaguing Hong Kong for a long time.

President, another problem that has been a thorn in our side is the wealth gap. The Gini Coefficient indicates that this problem is worsening. However, when responding to this problem, the authorities did not try to find ways to raise the income of the impoverished. Instead, they pointed out that the Gini Coefficient had so far not factored in most of the income redistribution effects stemming from in-kind social benefits and taxation and that many overseas countries had already incorporated the income redistribution effects into the compilation of their Gini Coefficients. Thus, a direct comparison between the Gini Coefficient in Hong Kong and those in other countries is inappropriate.

President, I find it most strange that why the authorities seem to have woken up and found that the Gini Coefficient calculated by us is problematic only when the wealth gap problem is deteriorating. The authorities said that this problem was very complicated and the Census and Statistics Department was collecting more comprehensive information based on the Population By-census last year and that the report could be published only in the middle of this year.

I do not understand why the authorities have discovered such a problem all of a sudden. I hope that after completing the study, the authorities will not cite figures to back their claim that there is no disparity of wealth in Hong Kong, hence, there is no need for the authorities to take follow-up action. However, no matter what the result of the study is, it is not possible to change one hard fact and that is, according to the figures of the authorities, the number of households with a monthly income of less than \$4,000 has increased from 91 000 at the end of 1996 to 172 600 at the end of last year and the number has almost doubled. There are so many poor people in Hong Kong but the coffers are awash with cash. In view of this, I think the Financial Secretary should do more to take care of these people.

In order to take care of needy members of the public and to secure Members' support for the Budget, the Financial Secretary undertook when giving a reply in last year's Budget debate that he would provide support on

transport fare to low-income people living in remote areas and the target was to launch a pilot scheme in the year 2006-2007.

President, the financial year 2006-2007 will end in a few days' time, however, this pilot scheme is still nowhere to be seen. Members of the Subcommittee to Study the Subject of Combating Poverty in the Legislative Council were extremely dissatisfied and they even proposed moving a vote of no confidence on the Financial Secretary. After a great deal of hubbub, the authorities eventually proposed a more acceptable proposal. Under this scheme, about 80 000 eligible members of the public living in four remote areas will be benefited and the estimated expenditure is \$336 million.

President, the public have for many years complained continually about the expensive transport fares, with some saying that transport fares account for 25% to 30% of their incomes, as a result, they are subjected to immense pressure. I hope the Financial Secretary will honour his pledge this year, so that these members of the public can be benefited early.

President, on the efforts to remove barriers and improve the business environment, as Deputy Chairman of the Business Facilitation Advisory Committee, I have joined a number of task forces in the past year to do my best to encourage a number of government departments to streamline their work procedures, as well as consulting the affected sectors adequately to help them cope with various types of regulation and control proposed by the authorities.

In the meetings of this committee and its task forces, I could hear some members of the real estate and construction sectors complain that the attitude of some government departments in handling matters was very rigid and the process of handling various types of applications very lengthy, as a result, many projects were delayed time and again, thus affecting the job opportunities of people in the relevant sectors. Some members further pointed out that civil servants were now extremely skittish after the incidents relating to the Cyberport, the Hunghom Peninsula, the Grand Promenade, and so on, and they were very afraid of being accused of collusion between property developers and the Government. As a result, when they dealt with some applications, they adopted an extremely prudent attitude and could not make any decision for a long time. The concerns of civil servants are easy to understand. I urge the authorities, in particular the Financial Secretary, to review this issue and adopt a fair, just and open approach by all means possible when dealing with such applications, so that

all civil servants will know what rules they should follow and there can be more business opportunities for the construction sector.

President, I have always been very concerned about one subject, that is, constitutional development. The Constitutional Affairs Bureau will be allocated more than \$120 million in the next financial year, however, only \$1.5 million will be spent on taking forward the work on a roadmap for universal suffrage. Meanwhile, the Chief Executive said that after the summer vacation, that is, after the rally on 1 July, the discussions on the methods and roadmap for electing the Chief Executive and the Legislative Council by universal suffrage would be summarized and a public consultation document would be published.

However, I am worried that this consultation exercise will be a bogus one because on 21st of this month, when Mr Donald TSANG met the senior management of various mass media, he talked about finding an ultimate plan for universal suffrage and letting Hong Kong people have a great time, saying that he hoped that he could gain the support of 60% of members of the public. However, he said he also had to tell "the likes of Ms Emily LAU" that the proposal for universal suffrage demanded by them could only be found in paradise. President, he also said that in view of this, the proposal put forward by him would be a mongrel proposal. He also said that with the presence of competition, the election this time around was a good one and there would also be competition in the future. By that time, even a wimp stood for election, Hong Kong people would still vote for him. President, Mr TSANG must have got carried away by his victory and that is why he breathed out such ravings and spoke in such insulting and racially discriminating terms. However, if what he said is true — and I have reasons to believe that he was speaking his mind — the consultation to be launched in future will only be a bogus one because it will not be possible to find a proposal for universal suffrage in the consultation document, even if it is not a proposal that could only be found in paradise. Moreover, since only \$15 million will be spent — no, it should be \$1.5 million and I have added one more digit to the figure, President, it should be \$1.5 million — this consultation will probably only be a show and it will be concluded shoddily. Moreover, his comment about finding an ultimate proposal is perhaps just a load of nonsense.

President, we in The Frontier will support the Budget this year because we think the Financial Secretary has really answered some aspirations of the public

and used the surplus to relieve their hardships. However, I hope the Financial Secretary will not credit any more money to the fiscal reserves, and what is more, he even has to reduce the fiscal reserves. In respect of such areas as education, medical care, services for the elderly and dealing with domestic violence, many issues were raised last year but they are still have this year. In addition, some Members have mentioned the issue of government projects just now and so did some Members in the meetings of the Finance Committee. I also hope that a special meeting can be called to deal with this issue. Although the Financial Secretary has won the support of many Members for his Budget, I hope he will understand that Members have pointed out many deep-seated problems facing Hong Kong pending solutions from the authorities.

With these remarks, I support the Bill.

MR CHEUNG HOK-MING (in Cantonese): Madam President, be it in Budgets or in policy addresses, in recent years, the Government would always dangle a very enticing figure, namely, to commit about \$29 billion to infrastructure projects each year. How many job opportunities will actually be created by this? I cannot be sure. However, at a time when the Hong Kong economy as a whole is on the upswing, the latest unemployment rate in the construction sector is still very high, close to 10%. I hope at a time when the Government has hoarded more than \$50 billion in surplus, it can expedite the implementation of a number of major projects in Southeast Kowloon, West Kowloon and on Lantau Island. We do not want to just admire the exquisite models showing the proposed plans, for one can only look at them but not to touch them. Nor do the public wish to find a large piece of deserted land in the city centre. What is more, the sector wants the projects to go ahead at full steam in order to truly honour the pledge of the Government to promote employment and further enhance the city that we live in, so as to breathe a breath of fresh air into Hong Kong.

In the past, town planning was a very abstract term in the eyes of most members of the public. In recent years, various parties in the community have realized that in order to have a desirable city, we should start with planning. Today, I wish to talk about the present situation in planning from three dimensions, including transport planning, the planning on greening and land use planning, in the hope that the Government can move faster and better the inadequacies in planning.

The first thing that I wish to talk about here is transport planning. Modern cities rely heavily on railways and Hong Kong is no exception. I would use "blocked main and collateral channels" to describe the present situation of the development of railways in Hong Kong. Although Hong Kong is only a tiny spot in the world, its railways are disconnected. A case in point is the existing West Rail. One can say that the actual situation is that of caught between two stools. The West Rail was originally designed to make it convenient for residents in New Territories West to go to the urban area direct, however, the terminus of the West Rail is located at Nam Cheong, which is far away from the centre of Sham Shui Po. Although it will be possible to transfer to Tsim Sha Tsui East from the Nam Cheong Station two years later, in reality, one can say that the existing West Rail is debilitated. It is neither connected to the existing Sham Shui Po MTR station, so that one can go to Hong Kong Island direct, nor does it go to Kowloon East. In addition, the property developments above the stations of the West Rail have been deferred, so the number of passengers is insufficient, thus leading to the present situation of blocked main and collateral channels. Similarly, the same problem of remoteness also exists in respect of the Tsuen Wan West Station and it is not possible to bring people into the city centre.

Not only are the internal channels all blocked, one can say that externally, the circulation is also poor. The proposed Guangzhou-Shenzhen-Hong Kong Express Rail Link and even the Hong Kong-Zhuhai-Macao Bridge originally represent a breakthrough in the development of railway and road transport between China and Hong Kong. Unfortunately, these concepts have only remained on the drawing board and the plans have been drawn and re-drawn time and again. May I ask how can this kind of mere paper talk create opportunities for the construction sector? How can this facilitate further economic and commercial co-operation between Hong Kong and the Pearl River Delta? I hope very much that the Government can make good its promise by taking this opportunity of the merger of the two railway corporations to review the existing railway alignments of the two railway corporations and putting into practice the planning for the Hong Kong-Zhuhai-Macao Bridge at an early date, so as to consolidate our fundamentals.

Second, I wish to talk about the planning on greening. According to the latest forecast, global temperature will rise by 6 degrees from the original basis by the end of this century. If changing our present way of life can help slow down global warming, it is possible for Hong Kong to contribute greater efforts

in this regard. It is only necessary for us to step up our planning on greening. Talking about this matter, I have to revisit an old subject and urge the Government to establish a conservation fund at an early date.

Madam President, the Government proposed a new conservation policy last year, under which 12 priority conservation sites were identified and two schemes, namely, the management agreements and private-public partnership (PPP), would be run as trials, in an attempt to remedy the inadequacies of the present policy. Unfortunately, at present, the situation has been largely like "cooking congee without rice".

I believe that the so-called new schemes proposed by the Government is merely addressing the symptoms rather than solving the problem at root. It is necessary for the Government to be more proactive. In fact, the DAB and the Heung Yee Kuk have all along strongly requested the Government to establish a conservation fund in Hong Kong and inject the regrant premium received from change of land use or the proceeds from development under the PPP scheme into the conservation fund. The Government will then inject a reasonable proportion of funds so that it will be possible to pool together the so-called "first bucket of gold" for the purpose of conservation at the initial stage. In future, the Government can inject funds again in view of actual need. As the conservation fund becomes robust, it will be possible to take over the conservation of all the 12 priority conservation sites and eventually, the deadlock in the conservation policy can be undone satisfactorily by leasing or gradually purchasing the private land in the conservation sites. Hence this will be an all-win proposition. In the past few years, the Hong Kong economy has not completely recovered, so the Government's mentality of managing its finance prudently is understandable. Now, the financial situation of the Government is better off but it is still not doing more for the Earth. In view of this, how possibly can one talk about "Clean Air for a Cool Hong Kong"?

The third point that I want to talk about is the issue of land use planning. In recent years, the Government has slowed down the development of new towns and a shadow is cast over the long-term overall development of Hong Kong. There is not enough land in the city centre of Hong Kong for large-scale public housing development. We expect that the building density on the land made available through urban renewal will not be very high either. With waning supply and waxing demand, the land available for development will only decrease. In its plan to open up the closed area, the Government should

actively consider forging a tenth new town to tie in with the long-term development of Hong Kong.

Madam President, after talking about planning, I wish to talk about the transport problem, which is very relevant to the general public. This year marks the tenth anniversary of Hong Kong's reunification. Apart from the two big pandas presented by the Central Government as gifts to celebrate the occasion, the Hong Kong-Shenzhen Western Corridor (HK-SWC) linking Shekou and New Territories West of Hong Kong will also be commissioned in July this year. This road, which adopts the first ever co-location arrangement, has evoked in me a conflicting mood of being happy and apprehensive. I am happy certainly because of the fact that this corridor will bring the residents and economies of the two places closer, but I am apprehensive for a large number of cross-boundary vehicles will enter Hong Kong. Since it is expected that these vehicles will mainly use the toll-free Tuen Mun Highway, serious congestion will definitely occur on this road, which is already used by 100 600 vehicles daily. The residents in New Territories West are now very anxious and we hope that the SAR Government will solve this problem as soon as possible. In contrast, our SAR Government is still displaying an attitude of complacency, insisting that the road is capable of coping with vehicles coming in via the Western Corridor until 2016.

The DAB and I have always doubted this claim and consider that the most direct and effective approach is to divert these vehicles. The existing Route 3 is capable of serving as a balance and being complementary to the Tuen Mun Highway. It is only because it is a tollway operated by a private company that drivers prefer to use the toll-free Tuen Mun Highway after weighing the cost-effectiveness. As a result, it looks as though the Route 3 were pinioned and its daily volume of traffic is only 40% of its capacity, so resources are being greatly wasted.

In fact, various parties have already raised this problem innumerable times. On 7 February this year, in the motion debate on cross-boundary infrastructure projects moved by me in the Legislative Council, I already proposed some solutions to the Government. The Government should actively negotiate with the Route 3 (CPS) Company on ways to increase the utilization of Route 3, including extending the franchise period of Route 3 and buying back the ownership of Route 3. I think that at a time when a considerable surplus has been recorded in public finance, it is an appropriate time to study this issue seriously.

Madam President, please allow me to remind the Government, to the point of nagging, that the HK-SWC will be commissioned very soon and cross-boundary vehicles will swarm to New Territories West without end. Do the authorities want to wait until there is traffic congestion in New Territories West every day and public discontent is simmering before they will solve the problem hastily? Or are they going to prepare for rainy days by solving the problem in advance and making preparations for this?

Madam President, in fact, it is not just in the problems caused by the HK-SWC that the SAR Government gives one the impression that it is using a delaying tactic as the "imperial sword" in solving the problem. Take the merger of the two railway corporations as an example, members of the public have all along been hoping that the fares of the two railways will be reduced and that the construction of the Shatin to Central Link (SCL) will be expedited, however, all along, the SAR Government has put up the merger as the golden shield: the merger of the two railway corporations must be accomplished before a fare reduction will be possible, otherwise, the latter will be out of the question.

The MTRCL's performance announced last week shows that its net profit last year was \$7.7 billion and the income from fare alone stood at more than \$6 billion, so the profit is very substantial and so there is certainly room for the two railway corporations to reduce their fares. However, as the authorities deliberately link the merger with fare reduction, the long-time hope of the public for a fare reduction cannot become reality despite the passage of a long time.

I find that in the present rail merger package put forward by the Government and in the fare adjustment mechanism that allows for both downward and upward adjustment of fares, there are many areas that beg doubts. For example, why are the fares for different stations allowed to differ by 10% when adjustments upwards or downwards are made according to the fare adjustment formula? In view of the data of the past decade, why is the increase under the new mechanism even greater than the ones back in those years? Does it mean that the new mechanism cannot truly reflect the affordability of the Hong Kong public?

I am really very worried that this merger proposal will have to be deferred because too many problems cannot be solved and consequently, the fare

reduction that the public has been hoping for will in the end be put on hold indefinitely and this matter will end inconclusively. Moreover, the construction of the SCL will also eventually come to naught. The DAB believes that since the Government is represented in the boards of the two railway corporations and it is also the biggest shareholder, it should exercise its power and delink the issue of the merger from that of a fare reduction, so that the two railway corporations can reduce their fares speedily and the SCL can be given the green light immediately.

Madam President, apart from the unresolved fare problem of the two railway corporations, it seems that it is not possible for the general public to benefit from the new mechanism that allows both upward and downward adjustment of bus fares and from the proposal on fare reduction implemented at the beginning of last year. I have discussed this issue with many members of the public and they all consider that at present, there are too many restrictions on the bus fare concession. For example, passengers must take the same bus route in the return trip and the concession cannot exceed 10%. One can say that it is not at all helpful to relieving the burden from transport expense. Moreover, in respect of the fares of short bus routes, which are taken by the greatest number of people, not even one cent has been reduced, so it can be seen how disappointing this long-coveted mechanism is.

For this reason, the DAB and I hope that when the authorities review the relevant mechanism, they should thoroughly review the ways in which bus fare concessions are offered. For example, the existing conditions on offering fare concession should be removed and the fares for all trips should be reduced across the board, so that passengers can truly benefit from the fare concessions and their burden of costly transport fares can be reduced. Only by doing so can the Chief Executive, who has just been successfully re-elected, really honour his pledge of "I will get the job done" and add one benevolent measure to the performance report that he has to submit to his bosses in Hong Kong, that is, the Hong Kong public.

Madam President, I so submit.

MISS TAM HEUNG-MAN (in Cantonese): Madam President, I wonder if it is the practice of the SAR Government headed by Mr Donald TSANG: That the most important policy papers, such as the policy address delivered in October

last year, the platform on which Mr TSANG seeks re-election and even the Budget published by the Financial Secretary, Mr Henry TANG, here a month ago, all share one characteristic and that is, a lack of vision and a tendency of short-sightedness.

In a rare development, the Government accounts recorded a surplus of \$55.1 billion this year. All professionals, including the professional group in the accountancy sector and major accountancy firms, had to eat the humble pie. Now that the Government has hoarded a huge amount of surplus, of course, it does not mind sharing some of it through such measures as tax reductions, tax rebates, CSSA payments, making an extra month of payment and waiving the rates, so as to return wealth to the public. It is certain that the Budget will win applause from the majority public. However, after the applause has subsided, can we see the shortcomings of the Budget?

In mid-march, I collected the views of more than a hundred friends in the accountancy sector. Accountants are middle-class people and of course, most of them highly approve of the government proposal to offer relief and the salaries tax rebate, however, they also criticized the Government for a lack of long-term policy.

Madam President, first of all, I wish to talk about the level of government reserves. Financial Secretary Henry TANG and Secretary for Commerce and Economic Development Frederick MA have both cited the recommendation of the International Monetary Fund (IMF) in this Council, stating the view that the level of Hong Kong's reserves should amount to at least 30% of the GDP, that is, based on existing figures, it should amount to \$450 billion, or 21 months of government expenditure. However, the Financial Secretary and the Secretary have both overlooked one very important assumption made by the IMF when it made this recommendation.

The IMF pointed out that this recommendation on the level of fiscal reserves was made on basis of the current government policies. That is to say, if the Government changes its policies, this level of reserves will lose its justifications. Financial Secretary TANG and Secretary MA have only told half of the story and this is really unfair. Is the SAR Government telling us that all government policies will not change in the foreseeable future?

I have also collected the views of accountants on the level of the reserves. About 40% of them do not agree with the practice of the Government in linking

the level of reserves to the GDP. Most of them consider that the level of reserves should be linked to government expenditure. The appropriate level of reserves should be equivalent to 12 months to 18 months of government expenditure. I hope the Government will consider this suggestion.

In respect of the tax regime, I welcome the Government's adoption of the professional views of the accountancy sector, namely, reverting the marginal bands and marginal rates for salaries tax to their 2002-2003 levels and as one-off measures, to grant a salaries tax rebate and to waive the rates for the first two quarters, thus returning the surplus to the public. However, although the accountancy sector has all along advocated that the Government review the tax regime in Hong Kong, particularly the tax regime for profits tax, the Government's attitude towards this matter is one of "I couldn't care less".

Whenever we proposed that studies be conducted on measures to improve the tax regime in Hong Kong and to enhance Hong Kong's attractiveness to overseas investors, Financial Secretary TANG and Secretary MA would always raise the shield of "Hong Kong has to maintain a simple tax regime" to ward us off and cite all sorts of excuses. Has the Government really listened to the views of the business and professional sectors?

Of course, on some controversial policies that require a longer period of study, for example, those on group relief and carry back tax losses, the Government has to handle them more prudently, however, it does not mean that nothing should be done. Just now, Dr David LI and Mr James TIEN have presented their views in this regard and I can also tell everyone that most of the members of the accountancy sector have also made similar demands, so the Government really cannot disregard them.

However, in fact, the Government can still do many other things. For example, at present, Hong Kong has entered into Agreements for the Avoidance of Double Taxation with several countries only. Let us not compare with other overseas countries. A simple comparison with the Central Government will reveal that we are also lagging far behind it. At present, the Central Government has entered into Agreements for the Avoidance of Double Taxation with more than 40 countries. The views I collected from accountants sometime ago show that more than 80% of them consider that the Government should more actively enter into this kind of agreements with overseas countries.

Furthermore, many accountants have expressed the view that the assessment guidelines for profits tax of the Inland Revenue Department often causes inconvenience to them and their clients, and there are a lot of uncertainties. According to the views of accountants collated by me, over half of them hope that the Department can amend the relevant guidelines to ensure clarity and consistency in implementation.

Our competitor, Singapore, has introduced tax concessions to attract overseas corporations to establish regional headquarters long time ago. Many members of the accountancy sector are in favour of Hong Kong following suit to attract more foreign capital and create more job opportunities. Why does the Government not bother even to conduct any study on this and why did it even tell us that there was no need to follow overseas practices in everything? Should it not make such a comment only after it has conducted a study?

Besides, the quality of the Estimates compiled for various policy areas also leave much to be desired. It is only necessary to look at the differences between the Estimates and the Revised Estimates for the year 2006-2007 to appreciate this point.

For example, each time when the Government responded to the criticisms from society on education, it would always stress that it had already committed a quarter of the Budget to education. However, it turned out that the Government was only paying lip-service and the funding for education was not used completely. The original estimate for education for the year 2006-2007 was \$56.5 billion, however, after one year, what is the revised estimate, which is closer to the actual expenditure? It amounts to only \$53.1 billion, which is \$3.4 billion less, and this latter sum of money already suffices to meet the additional annual expenditure required for implementing full-scale small-class teaching in primary schools.

Can these differences be attributed to the deviations in the preparation of Estimates by the Government, or are the Estimates proposed by the Government merely slogans intended to please members of the public? If the funds earmarked under the Estimates are in the end not used, that is meaningless. Of course, we do not want the Government to be a spendthrift, however, since it has money, why does it not consider how to put resources to good use? If the Government proclaimed aloud that it would commit resources but in stealth, it ended up spending less than the proclaimed sum, is that not a breach of the trust of the public?

Another example is that each year, the Government would say with great fanfare that it would commit \$29 billion to infrastructure investment, however, in recent years, the actual annual expenditure did not amount to that much, so what is happening actually? What is even more puzzling is that it is not true that the Government has no money, so why are the outstanding projects of the two former Municipal Councils delayed without end? Is the claim of investing substantially in infrastructure only a kind of publicity gimmicks?

The Chief Executive, Mr TSANG, has always maintained that it is necessary to solve the existing social problems by promoting employment. Infrastructure investments made by the Government constitute a major source of jobs for construction workers and the Government wants to promote employment, yet it is not willing to spend money on infrastructure, so what sort of logic is this?

Another subject that I wish to talk about is the income-sharing arrangement of the Exchange Fund. In view of the call in society on the Government to stabilize the income from this area, the Government has finally given a response on this occasion. Although the Government has not decided to credit a fixed amount of investment income to the coffers, sharing the income according to the average rate of return over the past six years and including the guarantee of a minimum return in the final analysis still represent some sort of progress.

The share of investment income from the Exchange Fund has all along been regarded as non-recurrent revenue, therefore, no matter how the performance of the investments of the Exchange Fund is, we should not hold any hope that this income will be used to fund the recurrent expenditure of the Government. However, now that a minimum rate of return has been set, the Government may as well regard most of the investment income from the Exchange Fund as recurrent revenue and spend it on various policy areas.

The minimum return proposed by the Government is the average yield of three-year Exchange Fund Notes for the previous year. According to the latest figure, the yield is 4.13% and based on the Government's fiscal reserves of \$350 billion, its share of income from investment return next year should be at least \$14 billion. The Government may well use this sum of money to respond to the demands of the public, in particular, to the demands of socially disadvantaged groups and the so-called people of three have-nots.

Madam President, having said all this, I really cannot help criticize this year's Budget. On long-term policies, one can say that nothing has been delivered. On this, the majority of members of the accountancy sector have expressed dissatisfaction. They hold that the Government should take this opportunity of having a surplus to give priority to allocating more resources to the two domains of education and environmental protection. Meanwhile, members of the accountancy sector also hope that although the Government has stopped promoting a goods and services tax, it should still deal with the issue of broadening the tax base more actively.

That the Budget lacks vision certainly calls for improvement. I hope the Government of the new term can commit more resources to the study and implementation of long-term policies.

As an accountant, I am even more concerned about the effectiveness in the use of public resources. For this reason, I am particularly concerned about the internal audit system of each department and the work of the Audit Commission, so I wish to express some views in this regard.

The efficiency of the financial management of such statutory organizations as the Hong Kong Tourism Board, the Equal Opportunities Commission (EOC) and the Office of the Privacy Commissioner for Personal Data in Hong Kong has all along been a cause of concern. I have purposely asked the Government whether internal auditing mechanisms would be established in these organizations, however, I found the response of the Government most disappointing. The Government said that it would not establish internal auditing mechanisms for the EOC and Privacy Commissioner for Personal Data, instead, the Audit Commission would carry out value-for-money audit when necessary.

Certainly, I always have faith in the performance of the Audit Commission and I also believe it will strive to ensure the cost-effectiveness of every cent of public money used. However, the audits carried out by the Audit Commission each year are limited but there are many government departments. We really cannot depend entirely on the Audit Commission. Therefore, I hope that the Government can establish internal auditing mechanisms for major departments and statutory organizations in the light of actual need.

Separately, I hope the Government can increase the resources for the Audit Commission appropriately so that it can carry out more audits and assist various government departments in improving their financial management and administrative procedures, so as to enhance the administrative effectiveness of these organizations. As a member of the Public Accounts Committee of the Legislative Council, I will be happy to co-operate with the Audit Commission in monitoring whether government expenditure complies with the principle of cost-effectiveness.

Madam President, although the last piece of assignment done by Financial Secretary TANG in his tenure is well-received by a lot of people in society and his popular support as well as that of the Chief Executive, Mr TSANG are edging up as a result, the Budget really cannot benefit all the people in society. This is a considerable flaw, so the whole Budget can only be considered average.

I so submit. Thank you, Madam President.

MR TOMMY CHEUNG (in Cantonese): Madam President, I am very grateful to the Financial Secretary for accepting the catering industry's proposal of reducing the duty on alcoholic beverages in the Budget this year. I am also very happy to receive the support of Members belonging to other political parties.

As far as I know, many alcohol traders and retailers have already pitched in and reduced prices by 15% to 20%, benefiting consumers with the gains received from the duty reduction. Some supermarket chains have even launched massive price-reduction campaigns to promote the sale of wine. Yesterday, the Hong Kong Wine and Spirits Industry Association, representing more than 80 major wine and liquor brands, issued a press release in conjunction with the Beer Coalition, stating that new lists of reduced prices had been issued to retailers.

I undertake that I shall continue to monitor the industry on whether or not they can honestly fulfil their commitment to the Financial Secretary and the general public on price reductions. I also call upon the public to be wise consumers, comparing prices whenever they purchase any alcoholic beverages. If they discover that the prices of the alcoholic beverages sold by any shops have not been reduced, they may, first, telephone my office, so that I can follow up the matter; and, second, look for other shops offering price reductions.

The reduction of the duty on alcoholic beverages is definitely a good policy for the simple reason that the duty-included prices of more than 80% of wine brands are just some \$100 per bottle. The prices will certainly go further down after the duty reduction. So, the beneficiaries will not be restricted to a handful of consumers. Rather, the common masses will also benefit, and so will those grass-roots people who regularly drink beer for enjoyment. I am convinced that the reduction of duty on alcoholic beverages will be conducive to the development of the local catering, tourism and even retail wine industries.

However, even after reduction, our duty on alcoholic beverages is still higher than those in neighbouring places. In Taiwan, for example, the wine duty is just 10%. Even when the sales tax of 5% is included, the combined rate is still lower than our 40% after the reduction. In Japan, the duty on alcoholic beverages is levied per alcohol content. The duty on beverages with an alcohol content of lower than 13% is just less than \$8. The high duty on alcoholic beverages still poses a problem in Hong Kong.

What is more, it is a great pity that the duty reduction this time around does not cover spirituous liquor. As a matter of fact, the duty on liquors in Hong Kong is almost the highest in the world. We may take a bottle of Black Label Johnnie Walker as an example. The price per bottle in the Mainland, even after the inclusion of sales tax, is still lower than that in Hong Kong by \$189, or close to 50%. In Macao, the price is \$247, or some 60%, lower than that in Hong Kong.

However, in contrast to people in the Mainland and Macao, Hong Kong people do not have as strong a desire for liquors. Usually, they will just have one or two glasses on each occasion, and they like to mix liquors with other soft drinks for consumption. I really cannot understand why a higher duty rate on liquors must be levied in Hong Kong as a means of suppressing the liquors market.

What worries me even more is that the Government now also relaxes the duty-free concession for visitors and Hong Kong residents entering Hong Kong. This means that while people could each bring into Hong Kong the equivalent of one bottle of duty-free alcoholic liquor in the past, they can now bring along two bottles. Duty-free shops will of course benefit; there is no doubt about it. And, there will not be any significant change in the business volumes of wholesalers either. But the retail liquors industry in Hong Kong will be the worst-hit.

As a matter of fact, the local liquors market has been shrinking severely. Between 2001 and 2005, it declined at an average rate of 7.5% a year. With the new duty-free concession at control points, the liquors market is bound to shrink further, aggravating the situation. I believe that the Government's revenue from liquors next year will certainly decline still further.

For this reason, what the authorities must do now should be to correct its mistake by refraining from distorting the market. It should promptly reduce the duty on all alcoholic beverages, so as to bring them on a par with those in nearby regions. Or, the duty on wine should even be abolished, so as to develop Hong Kong into a sales centre of wine.

The *Newsweek*, an international magazine, reported in early March that in 2005, China already eked into the world's top-10 wine-consuming countries. Chinese wine imports of cases each with a dozen 750-ml bottles, for example, doubled from 1.15 million cases in 2005 to 2.2 million in 2006. Wine-market analysts foresee a 36% increase in Chinese wine imports by 2010.

We can hence see that as China becomes increasingly affluent and the consumption power of its people increases, its demand for wine is becoming very enormous. Practically all places in the world are setting their eyes on the huge China market, hoping to export alcoholic beverages to it.

Therefore, Hong Kong has the best conditions to become the wholesale centre of wine in the Asia-Pacific Region because we have more than 1 billion mainlanders at our back, and we have established a well-developed transportation network connecting us to the rest of Asia, one which gives us an unrivalled advantage in logistics. At the same time, Hong Kong enterprises enjoy a very good reputation in the whole world, and the alcoholic beverage industries in various places, including the Mainland, all hope to establish co-operation with Hong Kong enterprises to facilitate their development.

For this reason, I urge the Financial Secretary not to miss this very excellent opportunity. Opportunities will not wait for us. If we can turn Hong Kong into the sales centre of wine in the Asia-Pacific Region, we will succeed in consolidating Hong Kong's status as a shoppers' and gourmets' paradise. At the same time, we will be able to attract inward investments from the Mainland and overseas, thus boosting the development of various industries such as transport, logistics, insurance, exhibition, tourism and hotel and in turn creating

large numbers of job vacancies. Even air-raid shelters and factory buildings with high vacancy rates can be turned into wine cellars to cope with demand, thus creating an all-win situation. How can the public possibly refuse to render their support? When there is public support, how can Members belonging to other political parties possibly say no?

Therefore, provided that the Government has the determination to take a bold step forward and abolish the duty on wine, it will be able to draw up a blueprint for the development of Hong Kong into the sales centre of wine in the Asia-Pacific Region.

Another policy of Financial Secretary Henry TANG that merits my high commendation is his resolute attempt to explore ways of streamlining the licensing system for the catering industry. I am also a member of the Business Facilitation Advisory Committee under his chairmanship, so I am well aware of the Government's determination to remove the various obstacles standing in the way of small and medium enterprises (SMEs) in their business environment. The Efficiency Unit under the Office of the Chief Secretary for Administration, in particular, has conducted in-depth studies on the issuance of liquor licences and proposed some proactive improvement schemes. I have rarely seen such activeness and enthusiasm in the civil service team.

I understand that specific measures on improving the liquor licence issuing system have already been put forward. I believe that if these measures can be implemented, they will be of immense help to the catering industry. This is especially the case with allowing companies to hold licences. I hope that the Financial Secretary, the Chief Secretary for Administration and other relevant Bureau Directors can all strive to launch the work required, doing their best to reconcile inter-departmental conflicts, so that the amendment ordinance can be put before the Legislative Council for scrutiny as early as possible. I hope that Members can fully support the bill and join hands to improve the business environment of SMEs with a pragmatic attitude.

In regard to food safety, the Government has been making continuous investments in recent years. It now even plans to spend \$49.9 million on establishing a food safety testing centre this year. But when it comes to food samples collected for testing by the Centre for Food Safety, the target this year is just 2 000 more than that of last year (The target this year is 65 000, while that of last year was 63 000). The rate of increase cannot meet people's expectation.

What is more, from the recent incidents involving oil fish and trans fats, we can observe that the authorities concerned have so far failed to grasp the latest trends in the food market.

I hope that the authorities can make proper use of the new funding. In particular, they must establish a comprehensive databank on food ingredients and nutrients as soon as possible and provide the relevant industries with clear guidelines on the translation of food labels. At the same time, public education must be stepped up to tell the public how they can control the intakes of various food ingredients, with a view to encouraging the forming of balanced and healthy diets.

Besides, since the authorities are about to invite tenders for the operation of a central poultry slaughtering centre, we can expect to see the doomsday of the live poultry industry. I must therefore urge the Financial Secretary to earmark funding in the Budget next year for providing reasonable compensation and assistance to the employers and employees engaged in the wholesale, transportation, retail and farming of live poultry. A motion on this was already passed by the Legislative Council on 29 November last year. It is now up to the authorities to show respect for public opinions and implement the proposals therein.

Finally, on behalf of the Liberal Party, I wish to say a few words on education funding. The Budget mentions the necessity of developing a knowledge-based economy, advocating the nurturing of talents. In 2007-2008, the provision for education will be \$50.1 billion, an increase of \$2.2 billion over that of the current financial year, accounting for nearly a quarter of our total recurrent expenditure. Efforts will be made to attract talents from around the world through various talent admission schemes. Attempts will also be made to induce tertiary students from outside Hong Kong to study and stay here to work after graduation. The Liberal Party supports all these measures.

The scramble for talents is now a world trend. The Liberal Party has always maintained that Hong Kong must not lag behind the neighbouring countries in this respect, and that besides inducing talents to come, we must also nurture our own talents through the provision of quality education. Therefore, we support the allocation of additional funding for the development of local education services, with a view to upgrading our quality of education.

While we must attach importance to primary, secondary and tertiary education, we must not ignore pre-school education. Last year, the Government introduced an education voucher scheme to subsidize early childhood education. We think that this is a praiseworthy measure. To those middle-class families with heavy financial burdens, this is a particularly benevolent policy.

However, under this policy, there will be a transition period of just three years for private independent kindergartens. After 2009-2010, these kindergartens will be excluded from the voucher scheme. This is unfair to the parents of those children studying in private independent kindergartens, running counter to the principle of fair competition and the scheme's original purpose of fostering competition.

Currently, some 10% of the pre-school children in Hong Kong are studying in private independent kindergartens. Like the remaining 90% of parents, these parents must also pay tax. But why are they denied equal subsidy? Is that because while they have the obligation to pay tax, they are not supposed to enjoy the right to subsidy?

Actually, even if the scheme is extended to private independent kindergartens on a long-term basis, the additional expenditure will just be \$200 million a year, and since the Government is flooded with so much cash now, it is believed that it is more than able to shoulder the financial burden. The authorities may set a ceiling for subsidy, but it should extend the scope of the subsidy. Only this can realize the principle of providing fair subsidy to parents with pre-school children.

Madam President, I so submit.

DR JOSEPH LEE (in Cantonese): Madam President, I shall speak on the treatment of health, housing and food safety in the Budget. Although the Secretaries concerned may not be present in the Chamber now, I still hope that they can hear the problems I am going to raise and address them squarely. Madam President, I welcome the increased funding for health care in 2007-2008 as mentioned in the Budget. But does an increased health care expenditure necessarily mean that there will be improvements to public health and the quality of health care services? I am a bit doubtful.

Concerning the promotion of mental health, the Budget mentions an additional provision of \$20 million for strengthening community outreach services to promote mental health and provide the needy with assistance. Life in Hong Kong is indeed very tense. People are extremely busy and subject to serious mental stress. The absence of any outlets for prolonged periods may result in mental diseases or even lead to domestic violence. Therefore, we very much agree that the Government should invest resources in enhancing community outreach services, so that the promotion of mental health can penetrate deep into the community and those with psychological disturbances can be identified for early assistance.

Under the community mental health intervention programme, most of the additional resources will be spent on assisting non-governmental organizations in establishing roughly 12 community health intervention teams. The main purpose of these teams is to look for people who have not yet been referred to any services or who are suspected of having mental problems. Specialized social workers will conduct initial analyses of such cases and then refer them to the organizations concerned for appropriate treatment. We observe that this practice is not quite in line with the promotion of community mental health through health care teams. Actually, community psychiatric nurses in health care teams already possess certain professional knowledge, ability and experience of health assessment. To a certain extent, they already have the expertise in and skills of assessing or judging whether a person is suffering from mental problems. However, constrained by the existing Mental Health Ordinance, community psychiatric nurses cannot directly refer people with such problems in the community to the attention of the Hospital Authority (HA). Referrals must be made through social workers, so delay may result, thus preventing patients from receiving appropriate treatment. If the Government can implement an appropriate administrative measure to allow community psychiatric nurses to make direct referrals of people with mental problems, appropriate treatment will be possible. Services will become more effective, thus directly benefiting patients.

In regard to psychiatric beds, statistics indicate that the Government will reduce the number of beds in Castle Peak Hospital and Kwai Chung Hospital by a combined total of 122. According to the Government, the reason for the reduction is that instead of relying solely on in-patient care, it now needs to extend psychiatric services to the community and day care, in the hope that

patients can thus integrate into society. We naturally agree to such an approach. This is the current world trend, and the reduction can lead to a saving of some \$33 million, but we must ask whether the money thus saved will be spent on treating psychiatric patients and following up their rehabilitation in the community. Why do I want to ask this question? The reason is that, as indicated by the statistics on psychiatric services set out in the Budget, the authorities will only employ two additional community psychiatric nurses in the coming year. The saving amounts to some \$30 million, but only two more community nurses will be employed. How can this provide suitable follow-up and rehabilitation services to psychiatric patients in the community? We fear that the Government is just using the low utilization rate of in-patient psychiatric beds as an excuse for reducing the number of psychiatric beds, thus forcing in-patients to switch to community treatment and further curtailing the services available to psychiatric patients.

As for nursing manpower, Madam President, I must say that this is a very big headache. The coming of mainland pregnant women to Hong Kong for delivery in the past one year highlighted the shortage of midwives. Actually, for years, Hong Kong has been facing a shortage of not only midwives but also nurses. The root cause of the shortage is the Government's failure to draw up any long-term planning for the nurturing of nursing manpower. Since I became a Legislative Council Member in 2004, I have been fighting on behalf of the health care sector, urging the Government to formulate a long-term plan on training up health care personnel. I have been hoping that the Government can squarely address this problem. Back in 2000, there were roughly 1 200 nursing graduates a year. In 2007, the number has dropped to 700. But while the demand for hospital services continues to rise in the meantime, the Government simply seems to be turning a deaf ear to our voices. We have been expressing the hope that the Government can intensify its efforts, step up the training of nurses and increase the number of nursing degree places. But the Government has done nothing throughout all these years. It has simply been juggling with seven lids, trying to keep eight pots covered. Noticing the shortage of nurses, it has hastened to reopen the school of nursing and enrolled nurse training. But even though the school of nursing is reopened now, it will still be three to four years before there can be any graduates. By 2010, will there be an excessive supply of nurses? I believe the Government has never paid any proper attention to the issue of nursing personnel, nor do I think that it has ever made any long-term planning. We are therefore very disappointed.

Besides, I hope that the Government can continue to make provision in the Budget for increasing the number of first-year nursing degree places, so as to train up enough nurses to stabilize the supply of nurses in Hong Kong. Apart from inadequate provision of training, the manning ratio of nurses and their promotion prospects also pose very great problems. Currently, in the public hospitals of Hong Kong, each nurse has to take care of roughly eight to 10 patients. In foreign countries, the ideal ratio is 1:4. And, in the case of Hong Kong, if we care to look at past statistics, we will notice that before the establishment of the Hospital Authority, the Medical Council of Hong Kong actually suggested that one nurse should attend to five patients only. There is thus a very great discrepancy in ratio. We have been discussing with the authorities for a very long time, but the Budget has not reserved any funding for increasing nursing manpower, or for squarely addressing the ratio of nurses to patients. I therefore wish to tell Members that we in the nursing sector are very disappointed. We are doubtful as to whether the Government will pay any serious attention to the manpower planning for nurses, and we are also very disappointed at this. We will hold a march this Saturday, that is, 31 March, to show our dissatisfaction with the Government and our hope that it can squarely address the problem.

So much for nurses. I now wish to say a few words on the mental and physical development of children. The authorities have been advocating the Comprehensive Child Development Service. Since 2005, the Comprehensive Child Development Service has been implemented in phases in Sham Shui Po, Tin Shui Wai, Tuen Mun and Tseung Kwan O. I of course welcome this. I hope that the Budget this year can make provision for extending the Service to other communities. I even hope that the scope of such service can cover not only children but also adults, so that comprehensive development can be fostered of more people in different districts.

Concerning health care, the hottest topic in town is of course health care financing. The authorities mention in the Budget that the feasibility of setting up multi-partite medical centres of excellence in Hong Kong will be explored. With the co-operation of the public health care sector, the private health care sector and universities, and also with their participation, the project will promote the exchanges and development of professional expertise, thus upgrading professional standards and enhancing health care services for patients. This proposal naturally has our strong support. The project will also provide valuable training opportunities to burgeoning health care personnel with

potentials in both the public and private health care sectors. But while we support the proposal, we also hope that the Government can tell us more as soon as possible. The reason is that health care affects the well-being of all Hong Kong people, so it cannot possibly be tackled satisfactorily simply by allocating funding for establishing medical centres of excellence. The Government should announce all the details of health care financing and reform as early as possible, so as to enable us to conduct sensible discussions and give Hong Kong people a more satisfactory health care system in the future.

I also wish to say a few words on the elderly. The Budget this year allocates \$96 million in the next four years to implement a trial scheme in two districts to provide one-stop support services to elderly dischargees. This is a good proposal that can enable an additional 6 000 elderly dischargees to receive one-stop services. The aim is to shorten elderly persons' unnecessary and protracted hospitalization time, and to save them the trouble of travelling to and from hospitals for follow-up consultation. That way, they can recover more quickly after discharge. Actually, under the Hospital Authority, there is already a group of community nurses who are mainly responsible for a similar task, that is, the task of following up the conditions of discharged patients or elderly people to make sure that they can recover more satisfactorily in the community. These community nurses are experienced and specially trained, so they are most suitable for taking up such work.

The authorities also admit that community nurses can reduce patients' dependence on hospital services and their incidence of hospitalization and re-hospitalization. There are currently 390 community nurses in Hong Kong. Together, they pay roughly 790 000 home visits a year. The cost per outreach visit is \$300, which is far lower than that of the one-stop outreach service. However, the authorities will only employ eight more community nurses next year. I cannot help asking the Government one question. It claims that \$96 million will be allocated to enhancing the one-stop service. The cost of community nurses is very low and they are highly effective. But only eight more nurses will be employed next year. How much can they achieve in reducing patient's re-hospitalization and improving community rehabilitation services? If we spend the \$96 million on strengthening the services of community nurses and the provision of comprehensive assistance to discharged patients, it will be possible to increase the number of home visits by 320 000 within the coming four years. This means that the community nurses will then be able to conduct 80 000 home visits a year. In that case, patients can receive

rehabilitation and follow-up services in the community. Is it not a much more effective way of resource utilization?

Besides, the Budget also mentions that an additional \$16 million will be spent on providing more subsidized residential care places for the elderly and on purchasing places in private residential care homes. Since resources will be spent on purchasing private residential care places for the elderly, will the Government consider the introduction of a pilot "portable subsidy" scheme for them, so that subsidy can be offered directly to private residential care homes and the elderly can choose the homes they want to live in? I guess this will be more effective to the elderly and private residential care homes and can also encourage healthy competition.

Concerning ophthalmologic and dental care services for the elderly, I already proposed last year that the Government might offer health care vouchers to people aged 65 or above under a dental and eye care scheme, whereby they could receive annual physical checks on a regular basis. Although various elderly centres already provide eye and dental checks for the elderly, we still learn from media reports that many elderly people must line up overnight outside government dental clinics for dental services. This can show the acute shortage of dental services.

The Government also emphasizes that it has no special plan on case referral between private-sector and public-sector dental and ophthalmologic institutions, saying that the existing services are already adequate. However, from the fact that elderly people need to get up around 2 am and line up outside government dental clinics, we can observe that their demand for dental and eye checks is indeed both very urgent and great. I hope that the Government can make provision in the Budget this year for the introduction of a pilot health care scheme for the elderly, whereby they can decide how to use their health care vouchers and choose the dental and ophthalmologic institutions they prefer for appropriate checks. The advantage to them is that they can receive health checks more quickly and ensure the proper protection of their health.

In regard to housing, the Government once promised to promote the concept of living with the elderly. However, the Budget this year proposes to review the small house policy for the New Territories. Small houses are suitable for small families only, so they are not compatible with the concept of living with the elderly. We urge that when reviewing the small house policy and the investment of resources, the Government should adopt a family-based

approach that is conducive to the development of community care for the elderly. It should not focus only on the massive construction of small houses and run counter to the concept of living with the elderly.

Admittedly, the Government did make some attempts to provide barrier-free facilities for people with disabilities and the elderly last year. However, even now, some private buildings and old tenement blocks are not yet equipped with any facilities to cater for the special needs of the elderly. We hope that some of the additional resources mentioned in the Budget can be spent on helping those elderly people living in old tenement blocks and providing them with a barrier-free living environment.

Finally, I still wish to say a few words on trans fats. A food labelling scheme will soon be implemented. We hope that the Government can conduct a review immediately and include trans fats in phase 1 of the food nutrient labelling scheme. If the government departments concerned can do a good job on this issue, Hong Kong will certainly remain a healthy city in terms of public health, the elderly and housing.

Thank you, Madam President.

MR LAU WONG-FAT (in Cantonese): Madam President, first of all, I must congratulate Financial Secretary Henry TANG on his surging popularity rating after the announcement of the Budget. This reflects that the Budget this year generally meets people's expectations. The Financial Secretary once remarked that he did not long for any public acclaim. But the public support for the Budget is nonetheless a sign confirming the trend of economic recovery. And, such support also highlights the achievements of the SAR Government. From whatever perspective, this phenomenon is always very delightful.

The most-welcomed measures in the Budget are naturally those relating to tax reduction and returning wealth to the people. After so many years, the SAR Government has finally agreed to show some meaningful generosity and share the fruit of prosperity with the people. It is particularly worth mentioning that this time around, even middle-class people, who have been "exploited" for too long, will also be taken care of. Although it is a bit late, the generosity must still be appreciated. For many years, I have been criticizing the authorities for

turning a blind eye to the heavy burden of the middle classes. I have also been saying that the authorities are not fair enough, because while they require the middle classes to share the burden in times of difficulties, they do not let them share any benefits during good times. But this Budget is generally satisfactory and has delivered.

That said, I must still point out that when trying to "leave wealth with the people where affordable", the Government is not entirely fair and reasonable. In some cases, its measures even run counter to its own policy concepts. It seems that the measures can evenly look after the middle classes and the grass-roots people. But, as a matter of matter, the measures simply ignore all those families with unyielding backbone who, despite their hardship, still insist on standing on their own feet, refusing to apply for CSSA.

The authorities propose to provide one additional month of standard rate payments for CSSA recipients. Many mass media call this "double pay" or "bonus". There is nothing wrong with this measure *per se*. But then, those low-income families who have been fending for themselves can benefit from neither any tax reduction nor any "bonus". They are simply forgotten. As a result of their backbone, they are forgotten altogether. Can we imagine how they feel? I believe that this is just a careless omission on the part of the Government. It must not be the Government's original intent, because the practice obviously runs counter to the Financial Secretary's oft-repeated emphasis of "helping people to help and strengthen themselves". Such a practice is not conducive to fostering social harmony either.

"One must not hesitate to correct one's mistake", as the saying goes. In order not to deliver a wrong message that the public are encouraged to apply for CSSA, the authorities should compensate all those individuals and families concerned for being ignored by the Budget, so as to do justice and fairness to them. As for what specific measures should be adopted, I must say that there are numerous able hands in the machinery under the Financial Secretary. The implementation of such measures is a very easy job for them.

Madam President, the Government has stopped before it is too late and refrained from hard-selling a Goods and Services Tax (GST). This is a wise decision. The public opinion is all but very clear: Hong Kong must maintain its simple tax regime and refrain from introducing the GST. It is of course desirable to prepare for crises even during good times. However, as in the case

of constitutional reform, the GST levied in other countries may not be suitable for Hong Kong, so we should not blindly introduce it into Hong Kong. As a matter of fact, the low and simple tax regime of Hong Kong is proven and has helped Hong Kong to create many economic miracles to the envy of the whole world.

While talks about our narrow tax bands and potentially unstable tax revenue are still going on in society, there comes the good news that Hong Kong has recorded a huge fiscal surplus. This shows that the most important thing is whether we can sustain our prosperity, rather than the introduction or otherwise of any GST. Hong Kong possesses the unique advantage of being able to "leverage on the Mainland and engage itself globally". If the SAR Government and the public fail to capitalize on this advantage to sustain our prosperity, how can the mere introduction of a GST save Hong Kong? The first words of the Financial Secretary in the Budget are "revitalizing the economy". I strongly agree with him because this should be the aim and also the solution.

The Financial Secretary has responded positively to the demand of various social sectors for the expeditious implementation of infrastructure projects. His attitude is correct and merits our commendation. As rightly pointed out by the Financial Secretary, the implementation of infrastructure projects can help boost economic development, bring about more employment opportunities and improve the people's livelihood. In the past years, the construction of infrastructure facilities in Hong Kong clearly lagged behind the times. The authorities should grasp the excellent opportunity offered by financial improvement and increase its efforts of implementing large-scale infrastructure projects. In recent years, the Government has frequently been criticized for failing to fully utilize the funding allocated to infrastructure construction. Actually, the best way to make use the relevant funding is the expeditious completion of the works projects left behind by the two former Municipal Councils. It has been many years since the "scrapping" of the two former Municipal Councils, but many of the projects left behind are not yet implemented. There can hardly be any excuses for this. Besides, the Government is actually duty-bound to expedite the improvement of the infrastructure facilities in the New Territories, especially the remote areas. It must construct new roads, repair existing roads and river courses and provide recreational and cultural facilities in these places, so as to narrow the differences between city and rural areas and also benefit residents of the rural areas.

Madam President, the consolidated surplus in 2006-2007 amounted to \$55.1 billion, the highest since the Asian financial turmoil and the second-highest in the history of Hong Kong. This is really something. What is even more worth mentioning is that the amount of surplus is 10 times the Financial Secretary's original forecast. People may well search the relevant records. They may thus find that Hong Kong has already broken the world record on inaccurate projection of fiscal surplus.

I can remember that when the Financial Secretary announced this astounding amount of surplus, all Members in the Chamber, including me, immediately burst into laughter. But on second thoughts, I must say that this is no funny matter at all. As we all know, for obvious reasons, financial officials of the Hong Kong Government have always tended to underestimate the surplus. For this reason, in the end, the surplus usually far exceeds the projection. This has already been regarded as something normal. But I must point out that this is certainly not a healthy phenomenon.

Madam President, projections of fiscal deficits and surpluses are an integral part of the Budget. Such projections are particularly important because under the Basic Law, the SAR Government is required to observe financial discipline and keep expenditure within the limits of revenues. If the revenue and surplus are gravely underestimated, the Budget will be twisted. The expenditure part will fail to appropriately and realistically realize the principle of "spending whenever it is necessary" and appropriate.

As a matter of fact, last year, many commentators and Legislative Council Members already pointed out that given the good momentum of economic improvement in Hong Kong, the Financial Secretary's projection of the surplus was too conservative. They even pointed out that many concession measures of benefit to the people were well within the means of the Government and could actually be introduced as early as last year.

Madam President, I am afraid that the public may have come to regard the huge discrepancy of surplus projection in the Budget as some sort of "cry wolf". In order to defend the authority and dignity of the Budget, government officials responsible for formulating the Budget in the future must attach great importance to finding ways of narrowing such discrepancy. This is the only way in which

the SAR Government can effectively realize the principle of prudent financial management and keeping expenditure within the limits of revenues.

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

MR WONG YUNG-KAN (in Cantonese): Madam President, the Financial Secretary has so delightfully announced the full recovery of the Hong Kong economy. But the situation of the agricultural and fisheries industries of Hong Kong is certainly not as good as that of the overall economy, which has recorded a growth rate of 6.8%. It is particularly worth mentioning that a voluntary licence surrender scheme was implemented by the Government for the livestock and poultry industry in the past two years. So, it is easy to imagine the drop in production volume and value. In the fisheries sector, many fishermen were forced to sell their fishing boats, change their jobs or simply retire due to their inability to cope with soaring fuel prices. In the florist trade, as a result of abnormal weather, many flowers blossomed well before the Chinese New Year, thus reducing the profits of flower farmers.

As mentioned by the Financial Secretary, Hong Kong's perennial headache of deflation has already disappeared since the start of economic recovery in 2004. In other words, the age of inflation has returned. Basically, mild inflation can lead to corresponding increases in wages and profits. But the industries I represent must cope with the rising operating costs and drop in production resulting from inflation. For instance, in the past two years, the costs of production equipment, transportation and labour also went up. Worse still, the international standard for the maximum load of animal feed to be carried by one container truck has been reduced from 22 tons to 18 tons since February. This has led to a 40% increase in the prices of animal feed. Fishing boat diesel also saw the highest rate of price hike. In the past four years, the price has quadrupled. The fuel cost per fishing trip accounts for 70% to 80% of the total costs.

Madam President, the Financial Secretary has inserted a new section of "improving the business environment" in the Budget, in which he talks eloquently about his work of removing various barriers and improving the business environment. But all this sounds like a great irony to the agriculture and fisheries industries, especially the livestock and poultry farming trades. These trades are constrained by harsh laws on the one hand. On the other hand,

there is also the invisible wall erected by land use planning laws. As a result, their hands are tied, and they are unable to achieve any development.

I am most dissatisfied with one thing. After the Government's introduction of the voluntary licence surrender scheme, not many chicken farms are left now. But instead of removing the barriers facing these farms, the Government has virtually made a saw with sharp teeth and placed it over the necks of these farms. This saw is called the "points deduction system", with a 31-tooth blade. And, even before this saw was made, the Government already felt that more teeth were required. So, it started to make another saw with 64 teeth, called "code of pig farming". I wonder whether the department will also want to make yet one more knife called "code of chicken farming", so as to drive the industry entirely out of existence in Hong Kong.

Madam President, "eroticism is harmful", as the colloquialism goes. But even the Business Facilitation Advisory Committee has proposed to streamline the licensing procedures for dancing schools and massage parlours which may be engaged in sexual services. But agriculture is all about green produces. Is that because the Agriculture, Fisheries and Conservation Department is afraid that the spring breezes may bring us to life again, so it wants to weed us of all our roots? Actually, the industry has many licence-related demands. For instance, they hope that the licensing conditions for constructing farm house extensions and greenhouse farms can be relaxed, and they also want to see a relaxation of the application procedures applicable to imported farm hands.

Some people in Hong Kong who have joined the voluntary licence surrender scheme now want to move their production bases from Hong Kong to the Mainland. They hope to establish experimental farms in the Mainland and transport their produce back to Hong Kong for sale. However, they are constrained by the quota policy of the Mainland in this respect, so they must rely on the SAR Government to seek policy support from the relevant mainland authorities, notably the Ministry of Commerce. We hope that apart from leading deputations to look for business opportunities in the Mainland, the Financial Secretary, as the opposite number of the Ministry of Commerce, can personally lead deputations of the industry to Beijing to seek support for Hong Kong-Guangdong economic co-operation projects, or at least assign some top ranking officials to do so.

I must clarify that we do not want to be "parasites", because farmers will all bring along real cash for establishing farms in the Mainland. And, the sites chosen for the establishment of experimental farms are basically poor and remote areas, but the investments of our farmers will boost the economic development of these villages. I have organized a number of deputations to Shaoguan and Meizhou for site inspection. Their municipal governments and mayors as well as Agriculture Bureau Directors all talked with us personally. They are no ignorant people, so if we are really "parasites", how can we possibly develop the industry there in such a high profile?

I also wish to say a few words on the fisheries industry. Just now, in the Ante-Chamber, I already had some discussions with the Financial Secretary. Some say that no one in the industry wants to develop offshore fishing. However, Secretary Frederick MA should be aware of the situation. I have in fact held several discussions with the current Director on offshore fishing, in the hope that the authorities can provide more loans to assist the industry in engaging in offshore fishing. The Financial Secretary should note that since the number of offshore fishing vessels from Taiwan and Japan has decreased, there will be greater prospects for the fisheries industry in China and Hong Kong. I hope that apart from assisting local fishermen in transformation, the Government can also step up manpower training for the industry.

Another point is that the Government put forward a fish culture loan scheme last year in the hope of fostering the development of the fish culture industry. I actually support this measure fully. But how should the fish culture industry develop? At present, what Hong Kong people want are quality produce. But over the years, apart from the 26 existing fish culture areas and fish ponds, the industry has seen no development in any other places. Since their establishment in 1980, all the fish culture areas have remained in the same places and have never been relocated. There has been no improvement, nor any upgrading of fish culture techniques.

Does the Government agree that it should conduct more studies if Hong Kong wants to develop this industry at all well? The Government says that it will establish a committee with responsibility for the sustainable development of the fisheries industry. This is encouraging, but I do not want to see a repeat of what happened to the \$20 million loan scheme implemented by the Agriculture, Fisheries and Conservation Department (AFCD) years ago. I hope that the formation of the committee will not be held up when another Director assumes

office, and the industry will not be asked to wait five more years and still five more years afterwards. How can fishermen put up with such a policy? How can they have any interest in doing any business with you? The authorities' attitude is that when they feel like it, they will give the industry some help, but when they do not feel like it, they will simply let the industry perish. I do not think that this is at all reasonable.

However, I still think that the Government should be praised for one thing — its support for the development of leisure fishery. The New Territories Association of Societies has lodged an application under the Enhancing Self-Reliance Through District Partnership Programme, and it has been granted a government subsidy of \$2 million for offering assistance to Tolo Harbour fishermen in developing leisure fishery. But I think that whether or not this can bear any fruit will have to depend on the industry's persistent efforts to update and change its mindset, apart from the Government's policy support which I have talked about. It is only in this way that any development of leisure fishery can be possible. If there are good results, we can then proceed to implement the proposal on developing tourism in New Territories East as suggested in the Chief Executive's policy address. Therefore, I maintain that we should now consider how we should develop this eco-tourism project.

In recent years, the AFCD has been assisting those farmers who have joined the voluntary licence surrender scheme to switch to the growing of high-yield mushrooms. This is a desirable direction of restructuring. The Government may as well help them to switch to other farming projects such as organic farming and greenhouse farming. Although farmers can receive a sum of compensation after surrendering their licences, most of them will not have sufficient capital for any restructuring investment following the repayment of loans. Therefore, they must still depend on the assistance of a special government loan scheme.

Hong Kong has basically been restructured into a services-based economy. Large numbers of low-skilled workers face unemployment or the problem of low income in the process of economic restructuring. As a primary sector, the agriculture and fisheries industries face an even worse situation, so the Government must not just sit there with folded arms. It is naturally desirable for the Government to promote the development of social enterprises as a means of enabling low-skilled unemployed workers to reintegrate into society. But I also hope that the Government will not forget all those in the agriculture and

fisheries industries because all these people have always been sacrificed in the name of urbanization. I hope that while trying to boost the development of enterprises (which are able to enjoy the fruit of development without making any sacrifices), the Government can also assist those in the affected industries in re-integrating into society through the development of social enterprises.

Madam President, I now wish to say a few words on food safety. The monitoring of food safety has been a topic of frequent discussions in the Legislative Council in recent years. This is also an important issue in the Mainland. Even Premier WEN Jiabao has repeatedly mentioned that only registered farms are permitted to export food to Hong Kong. A couple of days ago, a number of Members and I met with the Director of Food and Environmental Hygiene. We expressed the hope that they could have more communication with the Mainland on the inspection system for vegetables supplied to Hong Kong to be introduced on 1 April. A few days ago, I also personally met with some wholesalers and Hong Kong farmers operating in the Mainland. They told us that since the Government had not said anything about the procedures of registration at the very beginning, problems might arise in the course of implementation. We expressed the hope that chaos would not occur on 1 April, and that the Government could pay attention to this problem. The Government subsequently replied that with effect from 1 April, all vegetables (leafy vegetables) supplied to Hong Kong must be produced by registered farms in the Mainland and they must also undergo inspection and quarantine in accordance with State requirements beforehand. However, for vegetables belonging to the gourd family (that is, melons), the inspection and quarantine system will not take effect until 1 October. I think that this is something that the Government can do to help the industry. I hope the Government will not think that the industry opposes safety supervision. Actually, many years ago, we already mentioned the need for strengthening the monitoring of the vegetable industry, including the export requirement on registered farms. We maintain that this is the ultimate solution. I hope that the Government can assist the industry in doing a good job in this respect.

Madam President, I also wish to talk about the issue of loans. I have already mentioned to the Financial Secretary that when I attended a banquet in Macao at the end of last year, the Chief Executive of Macao, Mr Edmond HO, told me that Macao intended to offer interest-free loans to assist the development of its fisheries industry. I was told that the sum involved would be \$50 million,

but the details were still under discussion. Seeing that some 200 vessels are still engaged in fishing, the Macao Government finds it necessary to assist the fishermen concerned in struggling for survival and to come up with ways of sustaining the development of the fisheries industry. Macao has recently implemented a policy, whereby the licence fees for all types of fishing vessels are waived. The amounts involved are very small, ranging from several hundred to a thousand dollars, but the policy nonetheless shows that the Macao Government is willing to assist a needy industry or do something for it.

In contrast, although our Government also offers many forms of assistance, it has imposed all sorts of constraints. In the end, it is possible that nothing can be achieved. This includes the sea-land market in Tolo Harbour mentioned by me. Some government departments now argue that the idea is not feasible in many ways, so they question why we should go ahead. Since the authorities want to boost the local community economy and require the inclusion of social work organizations in the Enhancing Self-Reliance Through District Partnership Programme, why is it impossible for them make more efforts to remove the various barriers?

Madam President, I so submit.

MR BERNARD CHAN: Madam President, as the Financial Secretary noted in his Budget last month, the Hong Kong economy has made a very impressive recovery since the time he first took over the post. Most of the indicators, such as growth rates, job creation and unemployment, show a very positive picture.

Most of all, he has recorded a large budget surplus. Compared with four or five years ago, this is a significant turnaround. And of course the surplus from last year is much bigger than expected.

When revenue overshoots the budget, it is only natural that people expect the Government to return the excess money to the community. And it is inevitable that there will be disagreement about how exactly to distribute that surplus.

I believe the Financial Secretary has struck a good balance with his salaries tax, rates and social security bonuses. The salaries tax bonus will give middle-class taxpayers a break. The relief on rates will help households and

small businesses. At the same time, the bonus for social security recipients will help out the elderly and other people on very low incomes.

By going back to the 2002-2003 marginal tax rates and bands, he will also benefit the vast majority of salaries taxpayers. And the increase in tax allowance for children will obviously help our families. These are popular measures, but they are also sensible, given the Government's financial position.

The Financial Secretary's spending plans are also reasonable. I particularly support the range of projects aimed at the disadvantaged. Some of these projects are focusing on specific areas of need, like the provision of more places in pre-schools and elderly care centres. And some of them are exploring ideas that are new to the Government, like encouragement for social enterprises and the establishment of a child development fund. It will be interesting to see how successful these new approaches are.

I also look forward to the forthcoming consultation on health care reform, which the Financial Secretary mentioned.

Madam President, a big surplus probably makes the Financial Secretary's job harder rather than easier. He has to choose how to use the excess money, and inevitably he will disappoint some people.

But I think he has made the right decisions here. Although our economy performed strongly in 2006, we cannot guarantee that it will do just as well this year or the next. This Budget relieves at least some burdens and offers more help where it is needed. Yet it is still prudent.

I support the motion, Madam President.

MR ALAN LEONG (in Cantonese): President, we can remember that the announcement of the Budget this year was first met with an uproar and then a burst of laughter in this Chamber. The reason was that the Government's fiscal surplus this year turns out to be far greater than the original estimate. The consolidated surplus stands at \$55.1 billion and the operating surplus at \$38.6 billion, exceeding the original estimates by nine times and 63 times respectively. Besides, the Government is very optimistic in the projection of its financial conditions in the coming few years. It is projected that the operating surplus

will amount to \$41.4 billion five years later, and the consolidated surplus will reach \$58.7 billion.

President, at a time when the financial condition of the Government has managed to attain a satisfactory level, it is only reasonable for people to expect measures on returning wealth to the people and saving for the rainy days. We cannot deny that the Budget this year contains various kinds of measures to share wealth with the community, some examples being measures to help the poor, the reversion of the marginal bands and marginal rates for salaries tax to their 2002-2003 levels, increases in tax allowances, one-off rebates of salaries tax and rates and the provision of one additional month of standard rate payments for CSSA recipients and one additional month of allowance for "fruit grant" recipients. It seems that these measures can benefit all social strata, but it does not mean that this is a flawless Budget which can make all happy.

The Public Opinion Programme of the University of Hong Kong published the findings of an opinion poll on the Budget yesterday. As much as 60% of the respondents were satisfied with the Budget; another 60% of the respondents were satisfied with the financial management strategy of the SAR Government. However, there was one survey item which collected more negative views than positive views: more than 52% of the respondents were of the view that the distribution of wealth in Hong Kong was uneven. When compared with the rate of those who thought the otherwise, this rate was 13% higher.

Six years ago, the Gini Coefficient, which reflects the wealth gap, was 0.525 in Hong Kong. This was quite a high ratio among developed regions. Since the completion of the Population By-census last year, the authorities have not released any statistics on our Gini Coefficient. Then, it so happened that Chief Executive Donald TSANG recently remarked in the Legislative Council that the Gini Coefficient, which is a universally accepted standard of measurement, is not suitable for Hong Kong. Since 1.2 million people in Hong Kong nowadays belong to low-income families, we cannot help wondering whether the wealth gap in Hong Kong has widened to such an extent that even the Government does not dare to face it.

President, as pointed out by many Honourable colleagues, when we look at the measures of sharing wealth with the various social strata as set out in the Budget this year, we will notice that grass-roots people's share is disproportionately small. For instance, the rebates of tax and rates amount to

\$19 billion, but the only benefits for the disadvantaged are just an additional month of standard rate CSSA payments and one additional month of "fruit grant", both costing \$1.5 billion only, and the \$900 million for non-recurrent items, which will not be fully granted until several years later. Can such a principle of distribution narrow the wealth gap? Or, will it instead aggravate the problem?

I must, however, add that we are not asking the Government to place sole emphasis on handing out more and bigger candies to the grassroots. Honestly speaking, this is not in the best interest of the grass-roots strata either. They actually need the Government to make good use of our public money and reform its existing policies, so that the lowest social strata can be given equal opportunities to change their prospects, improve their livelihood and stand on their own feet. When a government possesses an operating surplus of almost \$40 billion, and when such a surplus is expected to increase continuously in the coming few years, it is really rich enough and duty-bound to formulate a long-term and integrated strategy of poverty elimination.

President, an additional month of standard rate CSSA payments will only give each recipient roughly \$3 to \$11 more a day, which is not even enough to buy a meal. Why does the Government refuse to review the standard rate CSSA payments, which have not been adjusted for such a long time? Can such additional CSSA payments compare in any way with a prompt redistribution of public expenditure and the establishment of a universal retirement protection scheme? Can they be of any help to all those elderly housewives who cannot benefit from MPF schemes, and who are not in receipt of CSSA? Many single-parent women want to shake off poverty with their own efforts. But the Government refuses to provide sufficient childminding services, and not only this, it even reduces their single-parent CSSA payments (if they do not want to work). Is the Government really trying to ease the poverty problem? Or, is it actually trying to aggravate the impoverishment of women?

We can see the world in a grain of sand. If we examine this Budget from a macro perspective, we will agree that it may be more appropriate to say that the Government is just trying to run a business, instead of trying to co-ordinate a reasonable distribution of benefits to different social strata. At a time when the operating surplus and fiscal reserve are both snowballing, the proportion of public expenditure as a share of the GDP instead shrinks continuously. In 2012, it will only account for 16.3% of the GDP. The Government has time and again emphasized the need for keeping public expenditure below 20%. But

now, it still wants to further reduce the proportion. It seems that it will be an endless task.

President, the Government has probably come to regard "20%" as one of the Ten Commandments handed down by God on Mount Sinai. This is always considered sacrosanct, no matter what the actual conditions in society are. It is considered that adhering to "20%" is far more important than appropriately increasing expenditure to cope with an ageing population, improve health care services and upgrade our education quality. And now, the Government is even telling us that "20%" will not do, and the proportion must go further down to 18%, 17% and even 16%. But, on the other hand, it seeks to increase the level of its reserves instead of suppressing it. It now says that the level of reserves must be equivalent to 17 months, 18 months, 19 months and even 24 months of government expenditure, instead of just 12 months!

The Government frequently asks us, "Where is money supposed to come from?" Today, I must ask the Government in return, "Money is being amassed endlessly, but the people's livelihood is not improved. What is the point of keeping so much money?"

President, the economy is improving and the Treasury is "flooded with cash". But when society asks the Government to seize this opportunity to make longer-term investments that can help foster social equality and harmony, it grumbles that it has no money. But at the same time, it is wasting money continuously. As repeatedly emphasized by Mr CHEUNG Man-kwong recently, the class reduction and closures of schools have led to the greatest wastage of resources in the history of the Hong Kong education sector. Vacant school premises have resulted in a wastage of billions of dollars; not only this, there is also the \$900 million spent on school improvement works. How can the Government still have the face to refuse to implement small-class teaching expeditiously and expand basic education on the ground of having no money?

President, finally, I wish to say a few words for the Civic Party on the Government's strategy of providing employment opportunities through the implementation of infrastructure projects. I believe that it is especially necessary for the Civic Party to say a few words on this because we have probably been attacked by more reasonable criticisms than any other political parties.

Concerning the earmarking of \$29 billion a year for infrastructure investment, the Civic Party has always adopted a supportive attitude. Our focus is not on the \$29 billion only. We hope that this \$29 billion can create a further \$29 billion, or even \$58 billion, for society. However, to achieve this aim, we must make sure that the infrastructure projects concerned can really add to the value of our local communities and upgrade people's quality of life. We must also make sure that the projects will not create more social problems, increase social costs elsewhere and thus necessitate the spending of more public money.

President, the Government complains that since such projects require lots of advance work, including public consultation, many projects with great contract value are being held up. I do not know whether this is a kind of threat. But I strongly believe that such an argument is very unfair to those people who are concerned about community development, and who have been actively expressing views on planning. Are lengthy procedures really the main impediment to public consultation? Or, is that all because the "consultation" procedures themselves are based on the decade-old practices and mindset and have thus lagged behind the times and failed to meet the needs arising from sustainable development?

I am convinced that if the Government is really sincere in joining hands with the public to formulate planning and promote community building, if it does not think that "consultation" is over once notices are posted and gazetted, with at most one more newspaper advertisement, then government officials will surely discover that many more projects which are equally valuable, which can similarly create jobs, and which can produce far more positive effects than negative ones on the communities, are waiting to be launched. I am referring to the 70 works projects left behind by the two former Municipal Councils, projects with a total value of \$11 billion and capable of creating as many as 5 000 jobs. The Government's plans to complete these projects within five years. We however advise the Government to accord top priority to all these projects and increase their share in the \$29 billion earmarked for infrastructure construction this year.

President, the Civic Party also wants to put forward other suggestions that can help create jobs for grass-roots people and improve the physical environment of Hong Kong. As pointed out by the Environmental Protection Department on Monday, Hong Kong produced totally 6.2 million tons of waste last year. Instead of achieving the target of reducing waste by 1% a year, Hong Kong

produced 3.6% more. For this reason, the authorities will consider announcing the details of a waste collection charge in the second half of this year. We urge the Government to consider the establishment of an urban waste recycling system as soon as possible. In this way, industries such as waste collection, separation, transportation and recycling will be able to create roughly 16 000 jobs.

President, in the past few years, Hong Kong was caught in an economic recession. Government revenue thus became unstable. The various social sectors all shared the difficulties faced by the Government. Today, the Government has not only recovered but also built up a very strong financial base never seen before. I urge the Government to make good use of the remaining weeks and give serious thoughts to adjusting its financial management strategy, so that it can invest in society in a fairer manner. That way, it can also prepare itself for long-term challenges, thus succeeding in building communities that are more harmonious and capable of sustainable development.

President, I so submit.

MR FREDERICK FUNG (in Cantonese): President, with regard to today's Second Reading debate on the Appropriation Bill 2007, I shall try to divide my speech into two parts. First, I shall discuss the views of the Hong Kong Association for Democracy and People's Livelihood (ADPL) on the Budget as a whole, including the underlining philosophy in managing public finance and the practice of resource allocation. And the second part of my speech shall comment on poverty alleviation and welfare measures in the Budget.

President, in the small-circle Chief Executive Election just held this past Sunday, apart from the only surprise of Mr Alan LEONG's participation in it, thus making the people more concerned about the subject of election by universal suffrage and the direction of future development of society, and so on, under this closed and undemocratic system, all the prearranged scenes with known results took place one after the other according to the original script. Among the various episodes in the prepared script, the Budget of this year plays an important role in canvassing support for "the person in power", helping him to boost public support and win the hearts of the people. Of course, the Financial Secretary has not disappointed his boss by drawing up an unprecedented Budget that aims at winning some transient applause from the people.

I still remember that, throughout my career as a Legislative Council Member, on the eve of announcement of each Budget, the ADPL would invariably put forward a carefully written proposal to request the authorities to face up to the problem of the worsening disparity between the rich and the poor; to put forward various pragmatic and effective policy initiatives; to boldly demand the Government to take account of the needs of the grass-roots people. Unfortunately, regardless of the financial position of the Government at that time, be it good or bad, the government officials would invariably dismiss the proposals as worthless and adhere to their "miser mentality" and ignore the needs of the grass-roots people. In addition, they have even publicly stressed on many occasions that they would not spend the taxpayers' money generously in exchange of "some transient applause".

Today, the circumstances have changed. The contested election has brought about obvious changes. This is something all Members present today cannot deny. In this Budget, many short-term and one-off relief measures are introduced. This has exactly reflected the fact that the Government has exploited the situation to the fullest, meaning that it has made use of its own advantageous position of being in control of the vast resources to achieve some short-term political effects and to win the applause from the people. Obvious enough, these moves are all made for building up the momentum for Mr Donald TSANG's successful re-election as the Chief Executive. It is not on the agenda of today to discuss whether such a practice is right or wrong. Besides, such a practice has frequently been employed by people in power in many Western countries during the election year. However, President, what we are discussing today is — since the election is already over, the Budget has already accomplished its mission. But in the Budget, even though large amounts of money are handed out, in fact it has just reflected the conservative financial management philosophy, including the seriously tilted allocation of resources and the lack of commitment to the future development of our society, and so on. These are all issues that our Government should reflect upon.

First of all, in this Budget, the Government expands over \$20 billion to share the so-called "economic fruits" with the people. However, we can easily see that only less than 15% of such money will be spent to benefit the grass-roots people. I have already skipped mentioning those who are in marginal poverty or those who are the so-called "three naughts", that is, they are people not paying tax, not owning any properties and not receiving CSSA. These people cannot get any support and sharing at all. Obviously, the Government has not been fair

in this distribution ratio, in that it has ignored the structure of the economy of Hong Kong on the one hand, and it has also ignored the great disparity between the rich and the poor on the other.

As we all know, given the present structure of the economy, there has been a serious imbalance in the entire wealth redistribution exercise. As a result, people who benefit most at time of economic prosperity are only a handful of large consortia as well as those in the relatively upper class of society. The general public absolutely cannot share the fruits of economic prosperity. This is closely related to the long-standing economic policy adopted by the authorities. The Government has all along adopted an attitude of the so-called "positive non-intervention". On the surface, it relies on the market mechanism to make adjustments. But, behind the scene, it intervenes in the market selectively, and exercises favouritism towards the trades with vested interests and advantages in the business sector, thus leading to tilted economic developments and the lack of prospects for low-skilled workers. In addition, it has always overlooked the long-time exploitation of workers in the market. The grass-roots people are actually living in extreme hardships.

Unfortunately, the Government has all along overlooked the above facts without making any efforts to rectify the situation and bring its function of resource redistribution into full play. Instead, it continues mismatching the resources and this Budget is no exception. While hoarding an enormous surplus, the Government only allocates an extremely small proportion of it to the grassroots, ignoring that they, when compared with other classes in society, actually have greater needs. Is this not the root of all class contradictions? Instead of refusing to confess that he is the trouble-maker, the divisive force in society, someone even accuses others of provoking troubles, and boasts that he is building up a harmonious society. How ridiculous it is!

Besides, this Budget has also overlooked the problem of worsening disparity between the rich and the poor in society. It simply does not have any vision of solving this wealth gap problem; the Government refuses to adopt any long-term solutions for development problems in society. We can see that the practice of mismatching resources will only further widen the wealth gap between the rich and the poor. Is the Government so naive as to think that, by making the Census and Statistics Department withhold or delay the release of the latest Gini Coefficient and presenting the brighter side of society, then the

problem of disparity between the rich and the poor can be removed altogether? But now the Government is still insisting on adopting the past erroneous economic policies. While allocating social resources in an inappropriate manner and refusing to improve the present taxation system, it goes even further to propose broadening the tax base by including the poor people in the tax net, in order to build up a harmonious society. I can say that all these are only illusions which can never become real.

The ADPL thinks that this cycle of economic recovery provides the best opportunity for the Government to review the tax regime. We must improve the present tax regime with regard to the current structure of the economy and the present state of distribution of wealth. For example, we must explore whether or not there are tax items still incompatible with the principle of "those who have the means pay more". Just like the cases of the profits tax and rates, we should examine them to see if it is possible to introduce some progressive element into their calculation.

President, it was originally estimated that there would be a fiscal surplus of \$5.6 billion in 2006-2007. What is the actual figure eventually? It turns out to be \$55.1 billion. It involves a difference of nine times of the original figure. Of course, a great part of the difference originated from the underestimated revenue of the Government, and secondly, it came from the unused funds already allocated to the various departments. I have refrained from mentioning the Government's conventional tactics of "overestimating the deficits and underestimating the surplus" over the years. This is definitely related to the Government's consistent conservative mindset in managing public finance.

I still recall that during the Chief Executive Election, the people in the establishment invariably considered Mr Donald TSANG's performance better in tackling questions on administrative experience and government finance. He had even become so self-contented as ridiculing his opponent in the election. In fact, the one who had got the calculations wrong was none other than the SAR Government led by Donald TSANG. As the head of the Government, he has the complete control of the full range of financial resources of the Government. Yet, to our amazement, he still has underestimated the surplus year after year. If he is not deliberate in doing so, he must have a hidden agenda of trying to suppress the expenditure. I really cannot think of any other reasons for such underestimation.

President, I must stress that it is stipulated in Article 107 of the Basic Law that "The Hong Kong Special Administrative Region shall follow the principle of keeping expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product." However, the problem is, the Government's past conservative mentality in managing public finance has already obliquely violated this article of the Basic Law. Why? In fact, with regard to the "limits of revenues", the Government has invariably underestimated its revenues and overestimated its expenditures, so it has created the false impression that it has only very small reserves, thus reducing the people's expectation of the Budget. In this way, it aims at keeping the Government's expenditures at the minimum level. This is obviously a financial trick employed to distort the original intentions of the Basic Law in "keeping expenditure within the limits of revenues" by accounting tactics.

Such a practice of underestimating the revenues adopted from the past has led to the ineffective use of the surplus resources of the Government for many years. It is because all expenditures in the past were estimated on the basis of the underestimated revenues, so this has led to erroneous reduction or downward adjustments of certain items of expenditure. As a result, the Government has failed to provide adequate resources to meet the people's rising demands. The ADPL does not accept such a situation, and we find that this has run contrary to the original intention of the Basic Law. As such, the Government should review its philosophy of public finance management.

President, I would like to move to the second part of my speech, in which I shall expound my views on the parts of the Budget on poverty alleviation and welfare initiatives.

Although the Treasury is "flooded with money" and it has to hand out money generously to the people, I believe Members must agree that handing out money is by no means the best way of solving the problem of disparity between the rich and the poor. More importantly, the Government must identify the causes of the wealth gap before it can prescribe right solutions to the problem. As for the key to the successful elimination of poverty, it depends entirely on whether or not the Government can provide adequate resources and the right environment to enable the poor people to become self-reliant. However, as evident in the Budget, the amount of resources that the Government has allocated

to poverty alleviation is still too meagre for achieving the target. Measures for assisting the socially disadvantaged groups cover five areas, namely, promoting employment, developing social enterprises, strengthening family support, fostering child development and taking good care of the elderly. However, the Government has only allocated \$900 million, which is even less than the overall provision for the Tourism Board.

First, in the aspect of promoting employment, the Government has eventually launched the Transport Support Scheme to encourage unemployed and low-income people who live in remote areas to seek jobs and work across districts. However, Members should also recall that the Scheme had already been put forward in the Budget of last year. What the Government has been doing is simply adopting delaying tactics meant to delay taking forward the work of poverty alleviation. It has been delayed for one whole year. During the past year, the Government has been negotiating with Members. Sometimes it proposed to exclude the low-income people from the Scheme, and sometimes it proposed to exclude part-time workers and sometimes it also proposed to introduce various incomes and assets restrictions for applicants. All these proposals have made the Scheme, which should be implemented within 12 months, unable to materialize. It is totally unresponsive to the needs of the poor. The Government does not understand the grievances of the people in the same way as an ancient muddle-headed emperor who commented on the situation in which many poor people died of starvation, "Why don't they eat some meat congee?".

On the other hand, the prospects of the Commission on Poverty (CoP), which proposed to introduce transport allowances, are rather obscure. It seems that the CoP will be dismissed before it can accomplish its mission. There are speculations that the CoP will be disbanded in June of this year. But let us take a look at the CoP: Having come into existence for two years, how much work has it done in alleviating poverty? What has it accomplished? Although the Chief Executive has successfully won a second term, and he has also undertaken to solve the problem of disparity between the rich and the poor, what kind of concept does he have in alleviating poverty? How should it be done? What are the specific targets of poverty alleviation? Or will he once again leave all the poverty problems to another consultative body with ambiguous roles but no supervisory or binding authority over the various departments? The Chief Executive should answer these questions as soon as possible, and in addition, he

should live up to his own promises and do a good job in alleviating poverty, so as to improve the present poverty situation in Hong Kong.

The Government also mentions that it would vigorously promote the development of social enterprises. I think this would enable social enterprises to fulfil their social responsibilities, satisfy the needs of society and take care of the socially disadvantaged groups, thereby attaining sustainable development. In fact, if social enterprises can operate on commercial principles, it should reduce their reliance on the Government in the long term. However, the present social enterprises are only at an early stage of development, so the Government should provide some supporting measures to assist the development of such enterprises. According to the experience I have gained from fact-finding visits to Shanghai and Britain, during the initial phase after the establishment of social enterprises, I think the Government should provide them with funding and tax concessions. The Government may award some of its outsourced contracts to social enterprises with certain conditions; lease the Government's vacant premises to social enterprises at rents lower than the market rate (such as leasing shop spaces in markets); or even assist social enterprises in obtaining low-interest loans from banks. Of course, the Government may also act as an intermediary to arrange matching co-operation among private organizations, private enterprises and social enterprises, so as to make such enterprises a type of new enterprises which commands common concern, joint efforts and contribution to promote their development, thus enabling some socially disadvantaged groups to become self-reliant through operating social enterprises and really achieving the effect of poverty alleviation. At present, the Enhancing Self-Reliance Through Partnership Programme launched by the Government has provided only a small number of the proposals mentioned by me just now. I hope the Government can expeditiously launch more initiatives to support social enterprises.

However, we cannot rely solely on social enterprises to solve the problems generated by low incomes. Social enterprises are by no means panaceas; they simply cannot cure all the ills. In order to really solve the problem of disparity between the rich and the poor, the Government needs to re-examine the existing economic model to find out why low-income persons are excluded from the mainstream labour market and ensure that work can bring reasonable returns. For this reason, it is imperative for the Government to expeditiously implement policies to develop a diversified economy and prescribe a minimum wage, and so on.

With regard to measures for strengthening family support, fostering child development and taking care of the elderly, I am not going to speak on them further because I have discussed such issues on many occasions in the past. These should have been done by the Government a long time ago, and there is no reason why it has delayed them until today. Several years ago, the Government slashed the expenditure on CSSA substantially when there was an economic downturn. Only now the Government has started to introduce some one-off relief measures. However, all these measures can only cure the symptoms, but not the root causes. As a matter of fact, the CSSA payments still have not been restored to the level of 2003.

President, at a time when the Treasury is "flooded with money", it is really necessary for the Government to hand out money generously. However, in poverty alleviation, the Government still has not done it with sufficient vigour and in the right direction, nor has it the capability to make explicit decisions. In tackling the problem of working poverty, it still has not adopted any direct approach to address it. In solving the wealth gap problem between the rich and the poor, the Government can only implement piecemeal plans and measures, but it lacks the vision and a long-term development direction. I hope both the Financial Secretary and the relevant Directors of Bureaux can review these areas, and I also hope that they can expeditiously propose some new policies. I so submit.

MR FRED LI (in Cantonese): Madam President, luckily, Secretary Ambrose LEE is kind enough to stay in the Chamber, otherwise I shall have to speak to rows of empty chairs.

Regarding this Budget, many journalists also find it very boring because there are not too many controversial issues in it. As the spokesman of the Democratic Party on several policy areas, I would like to speak specifically on several aspects, though they may not bear any relevance to the Secretary.

First of all, I would like to discuss the food safety problems. Madam President, the Government said that a new Food Safety Testing Laboratory (FSTL) would be established in this financial year. The FSTL will be manned by 23 professionals and 60 technicians who will perform many food chemical analyses, including analyses on the main ingredients, additives, pollutants, pesticide residues, veterinary medicine residues and transgenic elements in food,

so as to perform surveillance and checking, and ensure that all foods should comply with statutory standards.

The Democratic Party welcomes the Government's establishment of this FSTL. We have all along hoped that the Government can strengthen its capacity in testing foods. The establishment of the Centre for Food Safety last year was the first step. And now, on the foundation of this step, it moves forward a bit. However, we think that there is still room for improvement on the part of the Government. Apart from strengthening its capacity in testing foods, the Government must at the same time do more in legislation. In handling the pesticide residues in fruits and vegetables, the Government should not treat them as "non-high risk foods" and overlook them. The Democratic Party suggests that the Government should expeditiously enact subsidiary legislation and specify the standards governing pesticide residues, so as to ensure that all the vegetables and fruits sold in Hong Kong meet the standards and can be consumed by the people without any worries.

Madam President, next I shall speak on the issue of fair competition legislation. We support the Government's recent decision of agreeing to enact legislation on fair competition that would govern different industries, and hope that the Government can table the detailed provisions within this Legislative Session to this Council for discussion and enactment.

As Members all know, the Democratic Party supports the introduction of a comprehensive fair competition law because this would ensure a reasonable level playing field and protect the interests of the three parties, namely, the large consortia, small and medium enterprises and consumers. During the last consultation period, there were still many people opposing this, thinking that the problem of anti-competitive conduct was not too serious.

However, we disagree because there are lots of anti-competitive activities of varying degrees of seriousness in Hong Kong. Sometimes, we simply cannot clearly define such acts, and that explains why we are not aware of the seriousness of the problem. First of all, there is no supervisory body with independent power to investigate into anti-competitive conduct. In March last year, the consultancy commissioned by the Government completed a report on the market of auto-fuels. In the report, though the consultancy mentioned that the market was highly concentrated with three oil companies taking up more than

90% of the market shares and that the three companies had implemented price increases and reductions and concessionary measures at more and less the same time, no conclusion could be drawn to confirm the existence of anti-competitive conduct. It was because the Government does not have any statutory authority to require the oil companies to provide on a mandatory basis "sensitive information" that may be relevant. Therefore, their conclusion was only made on the basis of information voluntarily provided by the industry. Since the information was provided voluntarily, so such information was only restricted to certain aspects; information unfavourable to them was not provided. Thus this report had obviously highlighted its own weaknesses. If there is no fair competition law, and if the Government can only rely on the companies to provide information voluntarily, there is no way for it to exercise supervision.

Another reason explaining why it is not easy for such anti-competitive conduct to be exposed is the victims' fear of retaliation. Even certain enterprises may think that they are affected by anti-competitive conduct, such as the boycotting moves made by their competitors, they could only tolerate it due to their fear of retaliation. The Chinese University of Hong Kong has discovered in a recent survey that 70% of local suppliers have been forced by the two major supermarket chains — we all know we are referring to Wellcome and PARKnSHOP — to supply goods to them exclusively and at specified prices, and they also have to pay unreasonable and additional commissions, in addition to shouldering part of the promotional expenses.

Although 70% of the suppliers said that they had signed "unequal treaties", in fact they dared not voice their anger. In the face of the enormous pressure exerted by the consortia's supermarket chains, suppliers can do nothing other than submitting to their requests. In the past, one of the major reasons contributing to the business failures of both Carrefour and AdMart was the two major supermarket chains' exertion of pressure on suppliers not to supply goods to them. In future, when the fair competition law is drafted, we hope it can specifically provide that the conduct of large consortia in "abusing their market positions" should be regulated, and efforts should be made to study how the provisions can be drafted to become more effective deterrents.

Madam President, the retail market has been monopolized, resulting in fewer choices for consumers. Consumers' rights are naturally injured. On the

other hand, there are more and more complaints about defective beauty and slimming products and services which made many lady consumers incur losses.

The sales of beauty and slimming products and services have all along been targeted at ladies. The total turnover of such products and services amounts to several billion dollars in a year. However, the number of complaints lodged against beauty parlours and fitness clubs surged to 918 in 2006, reflecting that there is room for improvement in the consumption and sales conduct in respect of such products. Recently, I have also received some complaints, in which many ladies are involved. Among these ladies, some are secondary school students, some are university students and some are even working adults. They paid as much as tens of thousand dollars to patronize some "face creation associations" to assist them to grow taller, saying that they can become taller by one to five inches — I should use their services because I also want to become taller, but is it possible for one to become taller at such a lightning speed? There are also some services that claim that, without undergoing any operations, a person's single eyelids can become double eyelids in 20 minutes. They also claim that they can help a person to lose 10 pounds — I also want to lose 10 pounds in 20 minutes without undergoing any operations. All these advertisements appear weekly in substantial coverage in some local Chinese magazines such as *Next Magazine*, *Eastweek*, *Easy Finder* and some other weeklies. The details disclosed in such advertisements really hit us as magical — perhaps this is the only description for them.

However, according to the information provided by them, I think they have been cheated. So I shall follow up and provide assistance in such cases. Recently, I have also received a complaint from a lady. The beauty parlour against which she had lodged a complaint was surprisingly a listed company. I am not going to disclose the name of this company. She was detained in that company for eight hours and had drunk a lot of soup. And then she had signed many credit card vouchers in a semi-conscious manner, the total value of which amounting to over \$100,000. The contract she had signed included the provision of over 700 sessions of "tuina" therapy for the lymphatic system and massage, and so on, within a period of three years. The voucher bore a value of \$98,000 — a single invoice that costs \$98,000. How would a normal person buy services in such a manner? Eventually this lady called the police. This all happened in a large beauty parlour which is also a listed company. I definitely believe that there must be some problems with the soup she drank,

otherwise, she would not have dozed off eight hours there. And she signed the vouchers at the same time as she was dozing.

Madam President, what kind of question I am going to raise now? First, we can have a "cooling-off period" even when we take out an insurance policy. And the Travel Industry Council has also implemented a "14-day 100% Refund Guarantee Scheme" since February 2002. For tourists shopping at registered shops, if the goods are returned intact, they can enjoy full refunds within 14 days. Since there is a shopping refund period for tourists, local residents should all the more deserve to enjoy reasonable protection in the form of a "cooling-off period" when they purchase "long contract" and "expensive" beauty and slimming services — what we are talking about usually entails the payment of \$4,000 for every 10 sessions of service, or \$8,000 for every 10 sessions — that is, when it entails the payment of a lump sum for buying such slimming or beauty services.

At present, some of such beauty and fitness services are really expensive, and they can cost \$10,000 to tens of thousand dollars. Among the 10-odd cases received by me, the amounts at take range from \$8,000 to \$57,000. When I met these young girls, I am not sure if I should describe them as "innocent", I really felt very sorry for them, especially those who had to get their parents to pay such bills, and that was why they dared not complain even when they had been cheated. And as a result, more and more people become victims in such situations. Regarding this problem, I think I really need to follow it up with the Consumer Council.

For this reason, we propose to hold a tripartite meeting, in which the Government, the Consumer Council and the relevant trade associations should study the issue immediately, with a view to stipulating that beauty and slimming services with specific conditions shall introduce in phases a "cooling-off period". For example, a contract that covers a period longer than half a year or its payment exceeding \$3,000 should carry a "cooling-off period", so as to enable both sides to understand the restrictions or obligations on their respective conduct, thereby assisting consumers in making better decisions.

The Government gives away candies and hands out money in this Budget, it can of course gain some credits. I believe there would not be too many Members voting against this Budget because, according to the findings of many opinion polls, including the one conducted by the Democratic Party, this Budget

is widely supported by the people. I believe we do respect public opinions. But I would like to stress one point, that is, I have personally held residents' meetings in three public housing estates and one consultation with a care and attention home for the elderly. Some 60 to 70 inmates of the care and attention home listened to my elaboration. As for the three residents' meetings, many residents living in the neighbourhood attended to listen to my elaboration and explanation of the Budget.

Their conclusion was very explicit. Many people would naturally find this Budget quite good. However, for some other people, especially the elderly, when they mentioned the "fruit grant", that is, the old age allowance, they said that its rate had not been raised by a single cent since the reunification 10 years ago. So this time they can enjoy the "double pay" — still subject to the approval of the Finance Committee later on (possibly in May and June), I believe we would give the green light. So, they could possibly get one extra month's payment of the old age allowance, disabilities allowance and the basic CSSA payment. In spite of this, their response was: Since an additional \$600 to \$700 will be given to them in a month, why could the Government not consider raising the actual amounts of such payments? They had longed for this very earnestly, for a very long time. When Mr TUNG first assumed office, he once said that he would consider handing out \$1,000 as the payment for old age allowance. But consequently, nothing had happened in this regard. Then, Mr Donald TSANG has assumed his office now. I hope the new leadership can consider this issue again.

Besides, there is also the issue of free education. Many people think that, if the Government is well-off, instead of just handing out money, it should make investments in two aspects. One aspect is making investments on education. What does education mean? At present, we are providing nine years of free education. But some local residents ask me why Macao can afford the provision of 15 years of free education. Therefore, even Premier WEN Jiabao had highly commended Edmund HO, saying that he had done a good job and felt proud of him. With regard to education, can Mr TSANG take pride in this aspect? In the debate, I can recall that Mr Alan LEONG had challenged Mr Donald TSANG many times in respect of education. Mr LEONG quoted Mr TSANG as saying that we were doing very well — our primary school education was doing very well and our secondary school education was also doing very well and in his opinion, we were doing very well in everything. He asked Mr

TSANG whether or not it was true that we were really doing very well in everything. Now he is elected. I hope he would not just say that we are doing very well. The more often we hear this, the more worried we would feel. We must really reflect upon ourselves: Are we really doing that well?

Many problems exist in our education. I hope we can have three years of free kindergarten education — of course, this is a new starting point now. But actually we are already funding 82% of the education at Secondary Four and Five. Just adding another 18%, we can then provide free education up to Secondary Four and Five. I think we can take one step further to have 10 years of free education, and then we can move closer to Macao and will soon be on a par with Macao, our brother city, on this count.

In respect of medical services, many elderly people and the grass-roots people worry that the increase in medical fees would make them pay a lot more in medication. If the Government has adequate resources, I think we should provide more medical services, care about the health of the grass-roots people. We should enhance their protection by way of disease prevention and treatment. These measures would prove to be even better than just giving them some money or some one-off allowances.

These are the opinions I collected from the three residents' meetings and the consultation with one care and attention home for the elderly. I am duty-bound to convey their views here.

Madam President, I so submit.

MS MARGARET NG (in Cantonese): Madam President, our consolidated fiscal surplus this year amounts to \$55.1 billion, which is 10 times more than the Government's original estimate. Many Members have mentioned this point, and whenever this is mentioned, everyone cannot help laughing. How can this Government make such a serious mistake? Meanwhile, this enables the Financial Secretary to hand out money very generously, and naturally, he succeeds in winning a general applause. However, this Budget has actually exposed some problems that really exist in the Government's mentality, principles and actual operation of public finance management.

When we are in an economic downturn, short of financial resources, we can understand why the Government cannot take adequate care of the needs of society. However, when we are so exceedingly well-off in our finances, we cannot forgive the Government for not displaying any intention of fulfilling its responsibility of enhancing social security. On the one hand, it chooses to waive tax, reduce the rates charge and grant one additional month of CSSA payment to recipients as "lucky money"; and yet on the other, it resorts to some excuses to raise the necessary level of fiscal reserves from an amount equivalent to 12 months of government expenditure to that of at least 24 months. As a result, everything goes back to square one. The situation is so twisted that it looks like not much money is left, or what is left is nearly insufficient for meeting the needs. It has led to the situation in which certain pressing issues, that were not addressed by the Government over the years, will continue to remain untouched.

This kind of mentality of public finance management was in effect the colonial mentality of managing public finance: The guiding principle is not to bring about any long-term financial burden for the Government; should there be any grievances among the people, let them solve the grievances on their own. However, even the colonial government would still be concerned that the uneven distribution of wealth between the rich and the poor must not bring about any feeling of unfairness that was so strong as to affect social stability. When circumstances had become too bad, the colonial government would adopt some policies to make some adjustments to make those who have everything ("the haves") make some concessions, so as to slightly ease the grievances of those who have nothing ("the have-nots"). However, the present SAR Government has already been controlled by large consortia, so it cannot even do anything that can balance the situation slightly.

Meanwhile, during the colonial era, that is, the '70s, '80s and '90s, luckily, the economy of Hong Kong was booming, so there was social mobility for people of the lower class to climb up the social ladder, and many people could improve and enhance their standards of living through their own efforts. But nowadays, this phenomenon no longer exists. In particular, under the reality of economic globalization, the phenomenon has already been replaced by the trend that the rich become richer and the poor become poorer.

On the other hand, the aggravation of the ageing population problem has made elderly poverty one of our major hidden worries. Becoming old is a

phase of life everyone has to cope with. Therefore, everyone in Hong Kong has to face the problem of elderly poverty or even together with illnesses. In fact, middle-aged persons already have to face the dual problems: Apart from worrying about the means of living in their own retirement, they also have to worry about that of their own parents, and in addition, whether or not they have the capability of taking care of their parents.

In the face of such social circumstances, actually the Government should proactively identify a possible way out and seek to change the old mindset, instead of relying on the hope that "those powerless might one day become powerful, the poor might become rich", as Donald TSANG said in one of his election debates. What was once true in his younger days is not longer valid in the reality of this day and age. A government of today should strive to identify the solutions for resolving the wealth gap between the rich and the poor as well as the ageing population problem. In fact, other regions also face the same kind of problems like the wealth gap and the ageing population, and so on. But these regions, such as Ireland, have seriously implemented poverty-alleviation measures and policies in a bid to eradicate the problem, and made very good achievements in this regard. Yet the SAR Government is only doing some piecemeal remedial work, and it just hopes the best of luck can fall on Hong Kong — just hoping that our economy can revive, so that the grievances of the people can be reduced. What I am worrying is, everything will maintain the *status quo* and, while enjoying the latest round of applause from the people, the Financial Secretary can easily pass this hurdle. Once this hurdle is passed, he would not have to address these issues anymore. Although Donald TSANG did mention the ageing population in 2003 when he released a report on population policy, he has never suggested any positive proposals to tackle the problem. When he ran in the Chief Executive Election, I meticulously examined his platform and found that he had not mentioned any positive suggestions to address the problem of elderly poverty. All he had said was how the elderly should integrate successfully into society. I do not know whether he was suggesting that the elderly should go out to make money by picking up waste cartons on a rainy day. If so, what reasons can we have for our optimism?

Let me use an analogy to drive home my points. A large family that has been poor for a long time suddenly has the luck of receiving a small windfall. We would not expect this family to spend half of this fortune on extravagant parties and enjoyment and then it bury the remainder under their beds. For a

family with any common sense, after holding some initial celebration, it would at least spend some of the money on improving the long-term living environment of this household, such as doing some maintenance work on the house, strengthening the financial capacity of the family or providing the children with better education, so that they can have the chance of getting better prospects in the future.

If this analogy is extended to the Government's mentality of managing public finance, it should take the opportunity to strengthen social security, make some social investments and improve urban construction.

As regards strengthening social security, the urgent issue is of course the provision of universal retirement protection and public medical services. If the Government can think of some good solutions in these aspects, it can surely reduce the pressure and the sense of insecurity of not only the retirees or the elderly, but also the middle-aged persons as well.

In the aspect of social investment, it is most imperative for us to improve the quality of education. As Mr Fred LI has said just now, this should cover small-class teaching, a study on the possibility of implementing 15 years of free education and the establishment of a heritage conservation fund, so that the Government can implement comprehensive heritage conservation policies in a serious manner.

With regard to improving urban construction, it should include reforming the town planning procedure so as to enable the various districts to preserve their unique characteristics, facilitating better air circulation and reducing pollution, and so on. All these are efforts in the hardware. Equally important are the efforts made to the software, including the strengthening of the good institutions of Hong Kong, thus making such institutions better meet modern international requirements and standards.

Madam President, every time I run in an election as a candidate, voters in my constituency, the legal sector, would ask me when the Companies Ordinance of Hong Kong can be overhauled in order to catch up with the times. Now, we have lagged behind for a long time. When I last heard of this issue from the Government, it was said that a bill would hopefully be tabled to the Legislative Council in 2010. In other words, it is hoped that we can catch up with the

requirements of our time in this regard after having lagged behind by 24 years. However, by the time the reform proposal is tabled, we could already have lagged behind again by many years. This never-catching-up situation is really a heavy blow to Hong Kong's status as an international financial centre.

The above policy objectives can on the one hand guarantee that all the people, be they rich or poor, can enjoy a basic living and be able to lead their lives in a dignified manner, regardless of their ups and downs. On the other hand, they can enhance the competitiveness of the Hong Kong Special Administrative Region, making us better equipped to move forward in development. I believe the Secretary would also be concerned about our international ratings in terms of our competitiveness and the degree of our freedom, and so on. We should not feature prominent reports when others say that we rank first on certain tables; nor should we ignore it altogether when we are said to be the 28th, which is even lower than that of the previous year. In fact, you should examine the report and read its contents and analyses. And then you would be able to find out that we are left behind not because mainland cities have overtaken us or we have been marginalized; instead, it is because our institutions have failed to keep abreast of the times, and there are many areas to which improvement is wanting. Therefore, the reform practices of enhancing our education and legal systems are implemented not only for the general public, but also for Hong Kong as a whole.

Madam President, the SAR Government should change its short-sighted mentality in managing public finance. In building up the long-term future of Hong Kong, we should change our mindset of using economic growth figures as the only index of measuring our economic development. In fact, the Government should use the people's quality of life (its improvement or otherwise) as an index. Otherwise, our claim of "seeing the strong momentum of our economic revival" is meaningless to the vast majority of the people.

The same rationale should apply to all government policies. Let us take infrastructure projects as an example. We should not think that everything is fine if we can spend \$29 billion annually to create a certain number of employment opportunities. For some large-scale infrastructure and development projects that may satisfy developers' aspiration to make a lot of money, they may have great destructive impact on the environment, heritage conservation and town planning, thus making the people lose more than they can gain in the process. With regard to job opportunities created, we are not sure

how many such jobs will eventually go to Hong Kong people. On the other hand, the construction of many community facilities can also create job opportunities, and such projects can at the same time make the people's life more comfortable and enjoyable. Why do government officials keep delaying these projects? On the other hand, why is it necessary for the \$5.2 billion project of constructing the Government Headquarters in Tamar for the "honour" of certain officials to be given the green light before a specific deadline in order to implement it immediately?

Madam President, I cannot refrain from mentioning the expenditure estimate for maintaining law and order, and in particular, in the area of legal aid. During each of the past three years, there is always an unused portion of the funds allocated to legal aid services. The unused portion ranges from 15% to 23%. Does it mean that our legal aid service is already adequate? In fact, it is quite the contrary. For a long time, the vast majority of members of the Panel on Administration of Justice and Legal Services (AJLS Panel) have been of the opinion that the threshold for applications for legal aid, including the Supplementary Scheme of Legal Aid, is too high; too many rigid rules have to be followed, and the scope is too narrow, thus making many victims unable to seek justice through legal channels.

From the figures provided by the Government, we can see that in each of the past three years, the Legal Aid Department (LAD) had received over 40 000 civil case enquiries, but the number of applications received was only about 40%, and only about 50% of the applications received were issued with legal aid certificates. Regarding criminal cases, the number of applications received has dropped substantially for two years in a row, from over 4 000 to only some 3 000 in 2006, and it is estimated that there will only be some 3 000 in 2007.

Regardless of whether the applications are civil cases or criminal ones, large numbers of applications were not approved. The LAD has only roughly classified the reasons into "financial resources reasons" and "merits reasons". In fact, has the LAD been adopting too stringent standards in making the decisions, thus deterring the people from using the service?

There are too many examples in which justified cases are not granted legal aid. Two days ago, in a meeting convened by the AJLS Panel to review legal aid policies, a citizen, Mrs WONG, told us her situation. Both she and her husband have been leading a very simple and frugal way of living. Her

husband has already retired. The couple rely on the meagre rent collected from a tenement flat to support their living. A year ago, their son died in an accident. She applied for legal aid in a bid to claim damages. However, as the value of her assets exceeded the prescribed ceiling, her application was rejected. Her only recourse was some damage-claiming companies which kept promoting their services to her. The AJLS Panel learned that, as revealed by a lot of information, these damage-claiming companies would sacrifice the interests of their clients in order to reap their returns. As legal aid has failed to meet the needs of the applicants, it has given rise to such damage-claiming companies. On the one hand, the Government is unwilling to relax the requirements for legal aid applications, and on the other, it is unwilling to actively tackle the problem of damage-claiming companies jeopardizing the interests of the people. At that meeting, the Director of Legal Aid ridiculously suggested that Mrs WONG should first sell her tenement flat to finance her legal suit, and that she could apply for legal aid again after she had spent part of her money (which originally exceeded the assets ceiling) and become eligible for legal aid. Such a suggestion is really most unreasonable. Should this trend be allowed to develop this way, what kind of realistic implications can law and order have on the ordinary people?

Madam President, Donald TSANG keeps reminding Members of the pro-democracy camp that the people are only concerned about economic affairs, and they do not care too much about democratic political system. I hope Mr TSANG just intends to cheat us on this issue and he has not cheated himself as well in the process. In being concerned about economic affairs, the people care not only about the figures in relation to our economy, but they also care about people's livelihood. But people's livelihood and the economic fruits they can enjoy are closely related with democracy. In order to illustrate this point, I would like to quote part of an article written by a columnist, Mr LEUNG Man-to, on 15 March. The article is entitled "Those in power are having fun, but the people find it helpless". The writer commented in the conclusion, "Hong Kong faces two major obstacles: One is the uneven distribution of political power, and the other is the great wealth gap between the rich and the poor. Both uneven distribution of political power and wealth, if become serious, can cause imbalance in society, deterioration of the economy and the decline of democracy. Too many examples in history have told us that an uneven distribution of wealth and an uneven distribution of political power are always mutually affected, or they even happen simultaneously. As a result, it would lead to class rivalry, and in the worst scenario, it could lead to unrest or

even revolutions. Of course, Hong Kong will remain peaceful and stable. But if we take a look at the world beyond Hong Kong, we can find that this kind of system or arrangement, in which the richer people possess greater political power, is rare if not altogether an isolated example

"It will be a major difficult task for the Donald TSANG administration to identify a way of solving this dilemma. In order to resolve the class contradiction that has already emerged, he must start doing work simultaneously in two aspects, namely, promoting political openness and achieving social equality."

Madam President, I hope the Government has listened to these remarks made by Mr LEUNG. Thank you.

MS MIRIAM LAU (in Cantonese): Madam President, subsequent to the announcement of the Budget, the popularity rating of the Financial Secretary has surged substantially in a number of opinion polls. The reason is very simple. The Secretary has sought to return wealth to the people by means of "giving away candies" to people from different walks of life. The middle class are not benefited too much, and the benefits they receive are largely one-off concessions, but presumably they could still feel some warmth this time, considering the way they have been cold-shouldered by the Government in the past. However, the Financial Secretary's popularity rating will be substantially lower if the views of the shipping and transportation industries are consulted, because members of these industries generally think that the Secretary has not utilized the enormous surplus properly to enhance the competitiveness of the shipping and logistics industry for creating more wealth for Hong Kong.

We keep saying that the shipping and logistics industry is one of the four major pillars supporting the economy of Hong Kong. However, among the 88 paragraphs of the Budget speech, only four paragraphs are related to the development of the logistics industry. The first paragraph consists of some opening remarks which reiterate the fact that the trade and logistics activities have made great contribution to the economy of Hong Kong, and the remaining three paragraphs cover projects the Government has already undertaken to implement. No new idea has been proposed.

Although the demand for cargo transport in the Pearl River Delta (PRD) Region and in Southern China has kept escalating in recent years, the competition among ports and airports in the Region has also become increasingly keen. It has become imperative for Hong Kong to adopt corresponding measures to consolidate our status as the logistics hub. Instead of adopting the present piecemeal approach to remedy our land, sea and air logistics and transportation policies, the Government should promote the overall development of the shipping and logistics industry by devising a comprehensive development plan and providing support facilities on a long term and continuous basis.

Madam President, I will now illustrate the essential elements that the Government should take into consideration when it undertakes planning for the matching facilities in the three aspects of sea transport, land transport and air transport.

With regard to land transport, the Secretary believes that, through improving the operational efficiency of the freight transport industry, we can enhance the competitiveness of our logistics industry. While the efficiency of the freight transport industry is important, the Secretary knows better than I do that in today's business environment, customers demand services which are the most inexpensive, in addition to timeliness and reliability. Therefore, if we fail to tackle directly the cost issue of freight transport, no matter how many measures we adopt, we shall not be able to enhance the competitiveness of our logistics industry effectively. Since the high land transport cost is the major cause undermining the competitiveness of the port of Hong Kong, the Secretary should help reduce the costs for the freight transport industry as far as practicable. In this regard, a feasible and effective way is to reduce or waive the diesel duty. If the Secretary does not accept this, I hope he can put forward other feasible and effective proposals which could reduce land transport costs. If the Secretary cannot put forward some other proposals, I hope the Secretary will refrain from evading the discussion of the proposal of either reducing or waiving the diesel duty.

In fact, diesel has a lot to do with the economy. The higher the oil prices, the greater the impact on our economic activities. If wine duties can be reduced to help promote the tourism industry, why can we not reduce or waive the diesel duty in order to help promote the logistics industry? Furthermore, diesel is a commodity that has a profound bearing on the livelihood of the people. The higher the oil prices, the less income drivers will be making. Therefore, the

Government should reduce or waive the diesel duty which directly affects the livelihood of people of the transportation industry.

With regard to air cargo transportation, though Hong Kong has once again set a record throughput of nearly 3.6 million tonnes last year, the airport of Hong Kong is in fact not completely free of hidden worries. Please take a look at some figures. The growth rate of our air cargo throughput has dropped from 10.1% two years ago to 5.2% of last year, whereas in the first three months of this year, a growth rate of merely 1% to 2% was recorded. The competition between the airport of Hong Kong and airports in the neighbouring region has been intensifying. The Bai Yun Airport of Guangzhou, in particular, is posing a huge challenge to Hong Kong because of its very strong determination to become the major airport hub in the Asia Pacific Region. In order to enhance the status of the Hong Kong airport as a regional hub, the Government should, in addition to the measures proposed in the Budget, adopt other proactive measures to enhance our capability and efficiency in handling cargoes, such as increasing the number of parking bays for cargo planes, enhancing the facilities of the cargo terminal, building a third runway, and entering into bilateral air services agreements with other regions with a view to increasing Hong Kong's capacity in handling air cargoes. Furthermore, studies should be undertaken with a view to amending the Air Cargo Transshipment (Facilitation) Bill 2000 for the purpose of providing multi-modal transshipment to make up for the inadequacy in the existing air-to-air only transshipment. I believe arrangements for greater flexibility can attract more cargo owners to come to Hong Kong for transshipment of cargoes.

As regards the Airport Authority's ongoing tendering exercise for the construction of an additional cargo terminal, I hope the tendering process can be open, fair and honest. Meanwhile, regarding the anticipated completion date as well as the design capacity of the new cargo terminal, the Government, the Airport Authority and members of the industries should conduct comprehensive and in-depth studies and discussions, so as to ensure its timely commissioning.

Marine freight transportation is not mentioned in the Budget at all. I am not sure if the Secretary is of the opinion that sufficient measures are already in place, or if it is his belief that nothing more can be done. In fact, a major problem faced by the shipping industry these days is a shortage of talents, particularly the shortage of experienced seamen at the senior management level.

Although there is a Sea-going Training Incentive Scheme, the Government has all along committed only \$9 million to the four-year project, which will end in 2008. Only 20-odd participants are benefited under the Scheme every year, which can by no means satisfy the demand of the industry. The Government should extend and expand the scope of the Scheme, step up publicity, and attract more young people to join the industry.

Moreover, although the Central Government has explicitly supported Hong Kong to maintain its status as an international shipping centre and to actively develop its logistics business, the fact remains that a multitude of ports and airports are thriving in the PRD Region, and all of them are exerting their best to expand their throughput. To avoid duplication of resources in the same areas and unnecessary competition, Hong Kong must work with the Provincial Government of Guangdong to effectively co-ordinate the development of ports and airports. On the other hand, although there is a large number of ports in the PRD Region, they mainly deal with containers, and modernized facilities are lacking in mainland ports for handling break-bulk cargoes. Under such circumstances, Hong Kong should explore if we could expand freight shipment services for break-bulk cargoes, so that more diversified services can be offered by the port of Hong Kong.

With regard to shipping and logistics services in general, frequent schedules for passenger and cargo services are available in Hong Kong, which cover an extensive network and provide diversified transshipment services. The Government should step up overseas promotion campaigns on the multi-modal transshipment and logistics service Hong Kong can offer. Meanwhile, comprehensive studies should be conducted with a view to further streamlining the procedures for trades and customs clearance, enhancing the efficiency of the entire logistics supply chain, as well as enhancing the productivity of logistics service providers, so as to attract more customers to use the land, air and sea multi-modal transshipment and logistics services provided by Hong Kong. Furthermore, the Government could reduce or waive certain government charges, such as waiving the import and export customs clearance fees to encourage buyers to import, export or tranship goods and cargoes via Hong Kong.

However, even if more customers are willing to make use of the land, air and sea multi-modal transshipment and logistics services offered by Hong Kong, so much so that they would like to set up distribution centres or procurement centres in Hong Kong, in many cases, suitable back-up areas are not available to

facilitate the development of such businesses. This problem has existed for many years. There are only several lines in the Budget which mention the Logistics Park. After years of discussion, the Logistics Park still has not proceeded beyond the discussion phase. Compared to the situations in our neighbouring regions, are we taking a positive approach or a negative approach in the way we develop a Logistics Park? Interested parties with an intention to set up a distribution centre or a procurement centre in the Asia-Pacific Region must have gone elsewhere to launch their projects.

Besides, during the past few years, the amount of resources allocated by the Government to research and development of the shipping and logistics industry has been meagre. No provision for this purpose has ever been budgeted, nor has there been any formal allocation of funds. Some funds are allocated only on an ad hoc basis. To facilitate the comprehensive development of the shipping and logistics industry, the Government must allocate funds annually, so that research and development of the shipping and logistics industry could be carried out systematically.

Madam President, apart from the logistics, I would also like to talk about the issue of passenger flow. With the anticipated commissioning of the Western Corridor in July, the people will be able to travel between Hong Kong and the Mainland through this corridor without paying any government charges or taxes, just as they do at the other three land crossings, namely the Lok Ma Chau/Huangguan crossing, the Man Kam To crossing and the Sha Tau Kok crossing. In future, when the Hong Kong-Zhuhai-Macao Bridge is completed, I believe the people will be able to travel between Hong Kong, the Mainland and Macao completely free of any government charges — I am not referring to the fees for using the bridge. Instead, I am talking about the charges levied by the Government. This is because the SAR Government has made it clear that, as part of China, and as an important economic city, Hong Kong should minimize all hurdles affecting its integration with the Mainland, and it has been decided a long time ago that no tax will be levied for cross-boundary infrastructure.

However, hurdles affecting Hong Kong's integration with the Mainland still exist, namely the \$15 embarkation fee that passengers are required to pay when they take a ferry to the Mainland or Macao — and this is a government levy, or duty, as it may be called. I have said on many occasions that this is an unfair arrangement, because no such tax is levied at other land crossings. It is

unfair that ferry passengers are required to pay this fee. For the purpose of facilitating the integration of Hong Kong with the Mainland, I demand that the embarkation fee be abolished immediately, so that passengers leaving Hong Kong through land crossings and at sea are treated the same, and neither of them would need to pay any charges.

Madam President, I will now talk about issues of environmental protection. Recently, I was invited to a commissioning ceremony for Hong Kong's first Euro IV coach. On that occasion, I was overwhelmed with mixed feelings. I was pleased that the Government had finally shared the views of members of the industry, and I was proud that members of the industry were supporting environmental protection. However, although it was a favour extended by the Government, I was worried that the majority of the members of the industry might still be unable to afford taking up the favour offered by the Government.

I remember that seven or eight years ago, diesel cars were like mice on the street — everybody was quick to give them a kick. Somebody went so far as to argue that as long as there is black smoke, penalty should apply indiscriminately. Those people believed that heavy penalties could stop diesel cars from emitting black smoke, and the whole problem could then be resolved.

When everybody was frenetically opposing diesel vehicles, I worked with transport groups who were using different kinds of vehicles in proposing a comprehensive solution package, including the introduction of low sulphur diesel, the introduction of a set of more stringent vehicle emission standards for imported vehicles, raising the standards for vehicle inspection and maintenance, the installation of environmental devices, the provision of financial incentives for speeding up the vehicle-replacement process, and stepping up education and publicity, and so on, in a bid to resolve full scale the problem of pollution caused by vehicles. Today, the Government has undertaken to commit \$3.2 billion to providing incentives for replacement of old diesel vehicles, which is exactly one of the proposals made by the transport groups in the past. The industry welcomes this move, albeit it has come rather belatedly. However, members of the industry would like to remind the Government that they are still facing a harsh reality, as the business environment today is not as robust as it was in the past, while new models of diesel vehicles are getting a lot more expensive. They are worried that even with the incentive provided by the Government, they might still be unable to afford the new vehicles. Certainly, from my personal

point of view, I very much hope that members of the industry can replace their diesel vehicles as soon as possible if they are capable of doing so, and I do encourage them to do so. But I also hope that the Government can consider extending the concession period, so that vehicle owners with financial difficulties can have more time to raise the money required for replacement.

Madam President, I so submit.

PROF PATRICK LAU (in Cantonese): President, the Budget this year has used more than \$20 billion for the "distribution of candies". In distributing interests, it seems everyone is given a share of the pie.

However, I do not understand the reason for earmarking \$300 million for the film industry while other sectors do not enjoy a share.

By comparison, the total provision earmarked for a number of poverty-alleviation measures amounts to \$900 million only. Is this amount not too small? I am most dissatisfied that some poverty-alleviation measures come with many restrictions. Furthermore, with the exception of the amount of \$300 million earmarked to set up a child development fund, other items have only been allocated in small amounts of under \$10 million. The numbers of items are many but the actual allocation for each item is so small that I wonder whether it is of much practical help.

Out of the \$900 million earmarked for the alleviation of poverty, the Government has allocated \$150 million for elderly services, providing subsidized residential care places, outreach programmes and one-stop support services for discharged elderly patients. But I think the services are much too scattered to be of any real help to the elderly. It would be advisable to use the \$150 million to establish an "elderly village". In addition to that, the amount not fully utilized in the \$29 billion earmarked for infrastructure projects can be used to construct a number of care homes modelled on the school village. It is envisaged that this elderly village will be equipped with a geriatric hospital, providing one-stop medical and rehabilitation services as well as wide open space to the elderly.

The elderly village should be equipped with adequate facilities as well as recreational and sports facilities. The provision of a comfortable environment

is of the utmost importance to the elderly. Families and friends are welcome to visit so that the elderly living in the village can be assured that they are not abandoned.

President, with respect to the development of infrastructure in Hong Kong, recently Mr Akers-JONES levelled some harsh criticisms at its lack of progress in that development has been marching at the same place. "Over the past 10 years, with the exception of the Phase II of the International Finance Centre, nothing spectacular was constructed in Hong Kong. The best infrastructure in Hong Kong, the new airport, the Cultural Centre all these major projects were completed before 1997. What have we accomplished over the past 10 years?"

Frankly speaking, since the reunification 10 years ago, we have not capitalized on Hong Kong's previous advantage of developing our city at a rapid pace. Many prime sites are left to idle. Take the sites in West Kowloon, North Point Estate, the old Kai Tak airport and other sites subject to development in the New Territories as examples. They are now used to store containers, tyres and even electronic waste that endanger the ecology, and are becoming breeding grounds for mosquitoes and weeds. Why have we lost the impetus for urban development? Where has it gone wrong?

The amount of \$29 billion earmarked annually by the Government for infrastructure projects is often not fully expended, resulting in a waste of the approved funding. Although the Government has claimed that unspent funding for infrastructure projects will be accumulated for future use, I believe the expeditious implementation of more projects will be the most effective way of resource utilization. When I suggest the implementation of more projects, I am referring to more construction projects and not just infrastructure projects as most of our major infrastructure projects are adopting prefabricated units that are not locally made, our local construction workers and professionals may not be benefited. The Government has claimed that 37 000 posts will be created in the construction industry, but out of this number, how many posts will actually bring benefits to the local construction industry?

The architectural sector has been going through a hard time in the past few years. Not only is the sector unable to enjoy the \$300 million earmarked for the film industry, applications for the Innovation and Technology Fund are also rejected. This is because of the unfortunate misconception of most people that the architectural industry is not one of the creative industries. In fact, architects

have to be creative, and their architectural designs have to be continuously innovative. Moreover, enormous efforts have to be made in research before innovative concepts in design can be realized, and buildings that emphasize energy conservation, environmental protection as well as sustainable development can be constructed. However, research in these aspects need a substantial investment of capital and cannot be realized without government subsidization. Small and medium architectural firms, in particular, may have many innovative designs that cannot be realized.

In view of this, to align with the need of sustainable building designs and planning in the future so that a quality living environment can be built for our people, the Government should allocate funds to support research by the architectural sector, including the subvention given to universities for carrying out more research in these areas. Regarding short-term measures, the Government should at least subsidize the small and medium enterprises of the architectural industry to upgrade their computer software and hardware. A large amount is spent annually on upgrading the costly software for drawing. It will be useful if the Government can help in obtaining a bargain price for block purchase of the software.

In addition to support in terms of funding, a good business environment is also very important. As the Government has not given any support to the professionals of the architectural industry, the industry is facing the crisis of a decline. In view of this, subsequent to talks about the Cyberport, the Traditional Chinese Medicine Port, I hope the Government will refrain from engaging in "empty talk". Instead, it is advisable that it should set up a "Professional Port" or "Professional Estate". Resembling the Industrial Estate, this Estate can pool the talented architects, surveyors, planners and landscape architects together, so that through drawing on collective wisdom and professional skills, an impetus can be given to creative industries.

Just like the Silicon Valley, the "Professional Estate" can be located in the vicinity of a university. This will facilitate research to be carried out by joint efforts of the university and the industry. Other choices of location include Kwun Tong and Kowloon Bay, where the transition of revitalized industrial districts is taking place. The future new office buildings to be constructed in Kai Tak can also be considered. To attract more professionals to the Estate, rental concessions and even child care services should be provided by the Government — President, I am proposing this on behalf of female architects,

whom, as professionals, have to deal with a lot of work at the expense of their children not being taken care of. In addition to providing service to Hong Kong, the industry can also capitalize on the opportunities brought by CEPA and export professional services to the Mainland. It is also advisable for the industry to dovetail with the mission under the National 11th Five-Year Plan by setting up a professional service centre to provide a "service platform" that links the Mainland with overseas countries. Co-operation with the Mainland will enable the industry to tap enormous business opportunities in areas like the Middle East with a view to earning foreign currencies for both the Mainland and Hong Kong.

President, I think that setting a minimum wage is not the best solution to resolve the problem of poverty. Instead, an increase in works projects, and community works projects in particular, offers the fundamental solution to resolving unemployment and reducing the disparity between the rich and the poor. If the Government can increase the number of works projects, it will succeed in giving impetus to the development of the construction industry and creating a large number of employment opportunities. With employment and income, workers will be free from financial stress, resulting in alleviation of the problem of domestic violence.

It is unfortunate that there are incessant delays in many projects. The project of the Shatin to Central Link is put on hold. The commissioning of the cruise terminal in Kai Tak is postponed to 2012. The pace of these projects is much too slow. I think the Government should utilize financial resources in a more effective way. Given that we have a surplus now, the Government should commence various projects expeditiously and promote urban development with a view to consolidating the competitive edge of Hong Kong, attracting more overseas capital, and extending the duration of fiscal surpluses. All of these will enable the Government to invest more in education, social welfare and health care.

The Government should put more efforts in programmes of greening and urban beautification so as to improve the quality of life of residents, enhance the vitality and attraction of our city, and give impetus to the developments of our tourist industry, trading and local economy. The capital thus generated from the economic proceeds brought by these activities can then be recycled and used in urban construction. As a result, there will be an inexhaustible supply of employment opportunities.

The greatest obstacle to expeditious urban development is the absence of a department charged with the responsibility of handling development projects. Therefore, I hope that the new government under the leadership of Chief Executive Donald TSANG will complete the preparatory work in setting up the Development Bureau as soon as possible, and "get the job of urban development done" as quickly as possible. The first and foremost task of the future Development Bureau is to review the existing problem of co-ordination among various departments. And of the utmost importance — Secretary Frederick MA is present today, he has heard me mention this issue before — is the "two-envelope" tendering system, so that the progress of works can be expedited to help the Government to be more effective in the utilization of resources and to construct quality buildings.

Another important task of the Development Bureau is the expeditious identification and grading of monuments, with the aim of striking a balance between urban development and conservation of heritage and monuments. Currently, only eight persons are responsible for work in this aspect. In this year's Budget, provision is earmarked for the grading of one statutory monument only — President, just one item — while we have more than a thousand items waiting to be graded. If only one item is graded in a year, when will the job be completed?

President, the Budget has mentioned the programme of replacement and rehabilitation of water mains. In my view, the Administration should, at the same time, commence work on the overall planning programme of underground pipelines immediately. Currently, many greening projects of tree planting in urban areas have been delayed because of the complicated networks of underground utilities. It was unfortunate that due to the problems that involved underground utilities, the proposal for the preservation of the Queen's Pier was rejected. Hence, the confusion caused by underground utilities has to be expeditiously resolved once and for all. To dovetail with the needs of urban development and to reduce road opening works in the future, integrated planning of pipelines by putting all utilities together has to be conducted regardless of they being construction sites of new buildings or underground areas of old buildings.

Since an improved environment is very important to urban development, I support the concession in First Registration Tax (FRT) for environmentally-friendly vehicles. However, some salesmen told me that environmentally-friendly vehicles could only save fuel when they run on highways. They do not save much fuel in the city environment of Hong Kong.

Besides, batteries have to be changed every three to five years. While it costs \$50,000 for each battery replacement, the amount is almost the same as the saving from the FRT concession. I doubt if the initiative will be attractive to drivers. Nevertheless, as the ultimate purpose of using environmentally-friendly vehicles is to reduce air pollution, I believe it should be actively supported.

On the whole, the middle class and the low-income earners are mainly the beneficiaries of "candies" distributed in the Budget. Despite the fact that not all residents are benefited by this Budget, when compared to Budgets of the past five year, it is already more generous. Among the concessions listed in the Budget, I particularly appreciate the initiative of increasing the amount of deduction for self-education expenses. This will encourage more people to seek continual self-advancement, which will result in the enhancement of the overall competitiveness of Hong Kong. However, with respect to the problem of inadequate hostels for overseas students, the Government has not proposed any solutions at all. I would really like to know how the Government plans to resolve the problem of accommodation for overseas students and making Hong Kong an educational hub in the region.

President, Chief Executive Donald TSANG has pledged to revert the standard tax rates and profits tax rates to 15% and 16.5% respectively in his next term. I believe many small and medium enterprises are hoping that he will honour his pledge. Since the mainland authorities have announced the phasing out of tax concessions for foreign enterprises in the next five years, the profits tax rates in Hong Kong has all the more become the focus of concern.

Finally, President, I sincerely hope that at this time next year, the Financial Secretary and the new governing team of the Chief Executive will deliver a budget that will honour the pledge of the Chief Executive, so that those without power will have power, those without votes will have votes, and most importantly, those without money will have money — a budget that will embrace new thinking and the Hong Kong spirit.

Thank you, President.

MR LI KWOK-YING (in Cantonese): Madam President, the focus of the 2007-2008 Budget is on three areas. Care for the disadvantaged is one of them.

The Financial Secretary has specially pointed out that he would make an additional provision of over \$30 million to enhance the outreach programmes, so as to assist the unidentified elderly to develop their social life. It is good that the Government has become aware of the life of elderly singletons. In my opinion, friends are obviously important, but what the elderly need most is the blessedness of a home life. I hope that the Government will examine various aspects of the existing public rental housing (PRH) programme ranging from architectural design to allocation policy in order that PRH units in the same estate but under different roofs can be allocated to two generations and even three generations of the same family. In this way, the younger generation will be able to look after the elderly while the elderly will be able to take care of their grandchildren. With the benefit of killing three birds with one stone, this proposal is certainly worth considering.

According to the estimation of the Census and Statistics Department, a quarter of the population in Hong Kong will be over 65 years of age in 20 years' time. In short, Hong Kong is facing the acute problem of an ageing population, and the problem of an ageing population in PRH estates can be said to be the microcosm of the community of Hong Kong at large. Currently, nearly 100 000 households of the elderly are occupied by singletons or two elderly persons looking after each other. Although the Housing Department (HD) has continuously introduced new policies to encourage the younger generation to live with the elderly in recent years, such as three years of priority allocation of PRH units or allocating a family in "one estate, two units" in remote areas, the average number of applications for this programme is under 2 000 per annum. The unpopularity of the programme is self-explanatory in the number of applications. This is probably due to the remote location of estates under the programme.

In the past, views from tenants reflected the fact that while the parents are living in a PRH unit, their children are allocated another unit after marriage. However, the far distance between the two units simply mocks the idea of two generations looking after and giving support to each other. If resources are available, I hope that the HD would realize the concept of bringing three generations under the same roof in the future design of PRH estates. In other words, there will be units catering for three to four persons as well as units catering for one to two persons on each floor of PRH blocks. The former category of units will be allocated to the younger generation so that they will have space to raise their families while the smaller units can be allocated to their

parents. This design will enable the children to look after their parents while the parents can help looking after their grandchildren. I believe this housing pattern which offers closeness between family members as well as independence of each family unit will be accepted by the younger generation.

In respect of the aged estates, with the younger generation moving out after marriage, an elderly may find himself living alone in a large unit that used to house five to six persons. The HD sometime ago considered relocating these tenants with more generous space provision to smaller units. But given that these units are usually located in estates aged 30 years, even if the vacant units are larger with more space, they may not be able to attract families allocated with PRH units for the first time. In the end, a unit originally occupied may become vacant. Is this not a waste of resources?

As I said at the beginning, the ageing population is a social problem of Hong Kong as a whole. About one third of the people in Hong Kong are living in PRH units. We hope that the concept of bringing three generations under the same roof but in different units can be realized so that a genuinely harmonious and sustainable society can be built. I hope that the relevant proposal will be considered by the Government.

Madam President, with respect to public health care, I have the following views. A number of problems have been found plaguing the public health care system for a long time, including the shortage of resources and the increasing demand for services. In addition, the recent problems of a drain of health care personnel from the public health care system, and the sharp increase in demand for services brought by pregnant women from the Mainland, are causing much concern among the public about whether or not the public health care system will be able to perform the function of protecting the health of the people. The Government has provided an additional subsidy of \$670 million to the Hospital Authority (HA). There are queries that, given the large surplus of the Government, why the Government has not provided more funding to the HA in order to resolve the problem of shortage of resources. There are also views that the existing demands for health care service is too concentrated in the HA, and that under the policy of high subsidization, it is difficult to develop a market for private health care. Moreover, the *modus operandi* and financing approach of the existing public health care system is not sustainable, so substantial reforms are necessary. This is particularly so in developing a new thinking in financing, so that both the public and private sector health care systems will be able to

operate in a more open environment in the provision of services to members of the public with various needs. These two different views aptly represent the conflicts existing in the health care system in Hong Kong and the most urgent problem that needs to be addressed when the Government promotes reforms.

In respect of health care service, the community has currently focused its attention on the latest round of consultation to be conducted by the Government in the next few months. According to reports of various media, it is believed that insofar as the new financing option is concerned, the Government is inclined to adopt the model of personal contributory accounts which is similar to the Health Protection Accounts proposed in the last report on health care financing. However, at that time, quite a number of people already held that the system of personal contributory accounts would be of limited help to low-income earners. Although we do not know the difference between the new system of personal contributory accounts proposed by the Government and the Health Protection Accounts, I believe that regardless of the system to be adopted, the need to confirm the role to be played by the Government in health care service is of the utmost importance. In fact, the public is worried that with the introduction of a new system, the Government will reduce its commitment to health care service. In view of this, to address their concern, it is necessary for the relevant authorities to explain to the public that the Government will provide an adequate safety net to those who suffer diseases which need costly medical treatments but have financial difficulties.

Madam President, the most effective way to further alleviate the pressure on health care services is disease prevention, and immunization is one of such important strategies of preventing illnesses. Despite the fact that vaccination programmes in Hong Kong have been implemented for nearly half a century and individual vaccination has reached a coverage rate of almost 100%, the efficiency of updating the vaccinations in use is very low. Although the Government has just spent over \$20 million to update one of the combined formulation of the immunization programmes of babies, that is, switching the three-in-one formulation used in the past to the current four-in-one combined formulation, this four-in-one combined formulation is, in fact, a product of years ago. To provide babies with greater protection through immunization, the private-sector health care market has been using the five-in-one and even the six-in-one combined formulation. It is necessary for the Government to further update the vaccination programmes as soon as possible, thereby providing more comprehensive protection for babies.

Madam President, with the development of medical science, many illnesses can be prevented by vaccination. Vaccines against Hepatitis B and Cervical Cancer are now in use. Nevertheless, with the exception of preventing influenza, vaccination programmes provided by the Government are targeted mainly on children. Since the existing financial position of the Government is more stable, it is advisable to consider extending the coverage of free immunization programmes to new vaccines and free vaccination programmes to adults, so that chances of the public falling ill can be reduced.

Madam President, finally, I would like to express my opinions about health care services for the elderly. The elderly health centres have always been popular among the elderly. There has been a continuous increase in the number of elderly persons waiting for the service of these centres. Unfortunately, the Government has not responded to the demand by allocating additional resources to meet the need. The Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) opines that this is contrary to the policy of the Government in strongly advocating the prevention of diseases and the improvement of primary health care services. We hope that the Government will respond to the needs of the elderly by making more flexible use of resources so that more service quotas would be provided.

Regarding the Chinese medicine out-patient clinics which are popular among the elderly, a total number of nine clinics are operating or under construction. It has always been the view of the DAB that the Government should honour its pledge of constructing 18 Chinese medicine out-patient clinics in Hong Kong as early as practicable in order to provide service for members of the public in need, and to offer more bases for the extended training of the increasing number of Chinese medicine students graduating from local universities. Moreover, in the implementation of the policy concerning Chinese medicine, the Government should not allow the development to remain at the provision of out-patient service. It is necessary for the Government to strengthen the development of in-patient services, with a view to providing more opportunities of in-depth clinical training and research to Chinese medicine practitioners as well as offering more options to the public. Furthermore, the development of Chinese medicine will help to effectively build Hong Kong into an outstanding health care centre and foster a platform for launching the health care service of Hong Kong to the world.

Madam President, finally I would like to talk about the direction of development of the legal services of Hong Kong in the future. Due to the strong momentum of overall development and rapid economic development in the Mainland, to maintain the smooth operation of the existing economic and trading activities, there is a need for the Mainland to bring in talents from outside to help fostering and developing a mature and professional market of legal services in the Mainland. The development of the local legal services in Hong Kong has reached a mature or even maximum level. In seeking further development, our legal profession has to go north and look for opportunities in China. The development of the legal services of both places is complementary and supplementary to each other. When I refer to the direction of development of the legal services of Hong Kong in the future, I am referring to how the legal profession can proactively participate and help the Mainland achieve further economic reforms, and how the SAR Government will pave the way for the legal professionals to head north for business development, so that they will become participants of the huge mainland market under economic and trade reforms.

In the past, the Central Government had liberalized the tourist industry by adopting the policy of Individual Visit Scheme. It succeeded not only in giving a great boost to the economy of Hong Kong so that the local economy could rapidly rebound from its rock bottom, but also in removing the barriers and enabling the tourist industry of the Mainland to develop beyond China, thus creating a win-win situation for both places. In view of this, it is the expectation of the communities in both places that the signing of CEPA and the subsequent adoption of the policy of "Individual Visit Scheme for Professions" will stimulate the development of legal services in both places. It is hoped that the barriers for the legal professionals of Hong Kong to practise in the Mainland will be removed. Meanwhile, with the supply of legal service providers at a higher level of professionalism and competitiveness, the legal services market in the Mainland will also grow from strength to strength.

The signing of CEPA is the result of proactive negotiations and strenuous efforts between the SAR Government, the industries and the Central Government. However, subsequent to the implementation of CEPA, the local legal professionals have found that many existing regulations and systems of the Mainland are not conducive to their setting up businesses north of the boundary. This is particularly so with the small and medium law firms. Restricted by various reasons, these law firms are unable to enjoy the benefits brought by

CEPA in respect of setting up legal offices in the Mainland. According to information collected, among the 650 law firms in Hong Kong, only 10% has set up offices in China. The low percentage reflects that with the implementation of CEPA, law firms in Hong Kong are still encountering difficulties in setting up and developing businesses in the Mainland.

The DAB has all along believed that if local law firms hope to develop businesses successfully in the Mainland, they will have to strengthen their relationships with mainland law firms in the form of joint ventures. However, according to the terms specified in CEPA, the joint ventures of local law firms and mainland law firms are still subject to many unnecessary regulations. For instance, after a Hong Kong law firm has entered into a joint venture in one region, it has to wait for two or three years before it can set up a second joint venture office in other regions. The relevant regulation has forced many Hong Kong law firms to make painful decisions. Given that CEPA is an agreement that fosters the development of legal services in the Mainland, and since all regions in the Mainland are engaging in active commercial and trade activities and are in urgent need of legal services, we find the necessity for preserving regulations that restrict the setting up of offices incomprehensible. Why are Hong Kong law firms required to give up setting up offices in Shenzhen or other regions when they have made the decision to set up offices in Beijing or Shanghai? These unnecessary restrictions not only hamper the development of Hong Kong's legal profession, which is contrary to the intention of CEPA, but also weaken the momentum in promoting the development of service industries of the two places under the auspices of the "Individual Visit Scheme for Professions".

Despite the fact that CEPA has provided a channel for the local legal profession to develop businesses in the Mainland, the legal profession is encountering problems in opening offices and setting up businesses in the Mainland, which can only be resolved with the assistance of the SAR Government. With respect to the abovementioned restrictions that impede the business development of Hong Kong's legal profession in the Mainland, the DAB believes that through continuous negotiations conducted in a positive and proactive manner by the Governments on the two sides of the boundaries that aim at assisting the legal professions of the two places, such restrictions can certainly be removed.

Madam President, I so submit.

MR ANDREW LEUNG (in Cantonese): Madam President, when Financial Secretary Henry TANG delivered the 2007-2008 Budget in the Legislative Council last month, I was pleased to find that there was a series of measures aimed at alleviating the plights of the people, reducing taxes and waiving rates. The \$55.1 billion surplus revealed by Financial Secretary Henry TANG is nine times more than the original estimate. This can be attributed to the buoyant market as well as good performances in revenue from taxes and land sale. In addition, the principle of "spending only on necessary items" adopted by various departments has also resulted in good management of the public accounts.

When the Government has recorded a large surplus, I welcome the Government's initiative of using \$20.3 billion to implement a number of measures with a view to returning wealth to the people so that the tax burden on the middle class can be alleviated. I believe the relevant measures will stimulate consumer spending, resulting in further promotion of such consumer trades as retail, tourist and catering industries, and consolidation of the existing strong momentum of growth.

It has been almost 10 years since the reunification. I believe many colleagues of the Legislative Council as well as members of the public will agree that this Budget is by far the most popular one. Taking into account of low-income earners, the Budget has introduced various poverty-alleviation measures that help the grassroots find jobs. These efforts proactively and positively promote the concept of self-reliance with a view to helping them get rid of poverty gradually. However, it is disappointing that the Budget has not mentioned much about assistance for the business sector. I agree with Financial Secretary Henry TANG that as far as several major economic areas are concerned, the Budget has already mapped out the principal direction for economic development, and that is, the further economic integration with the mainland economy. As this is similar to the direction announced earlier in the report of the Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong", I am not going to repeat it here.

As a whole, the Budget has struck a balance among the interests of all classes in society. It has not only responded to the requests of the middle class in various areas, but also adopted a targeted approach in the introduction of measures to alleviate the problem of disparity between the rich and the poor with a view to building a harmonious atmosphere in society. For this reason, the Budget can be considered as a good one.

Madam President, when Hong Kong experienced an economic downturn during the past few years, small and medium enterprises had to operate in a very difficult business environment. Now that they have to face increases in rent and rising production costs, we hope that the Government will give more convenience to the business sector in their business operation by introducing measures that remove barriers. These include streamlining the procedures of changing the uses of industrial buildings, and avoiding the introduction in haste of new legislation that may hamper business development.

As the representative of the industrial sector in the Legislative Council, my main concern is how policies formulated under the Budget can help the long-term economic development of Hong Kong. I also welcome the initiative to relax restrictions on the Small Entrepreneur Research Assistance Programme and the University-Industry Collaboration Programme under the Innovation and Technology Fund proposed in the Budget as this will help enhance the competitiveness of Hong Kong.

Financial Secretary Henry TANG said sometime ago that to give impetus to economic development, the business sector had to develop innovative concepts and break away from traditional frameworks so as to develop its own designs and brands with a view to enhancing the competitiveness of the high value-added industries of Hong Kong. In earmarking \$300 million to establish a new fund to help the development of the film industry, the Budget has taken an important step in the development of creative industry.

The Hong Kong film "Infernal Affairs" has proved that creative ideas have enormous value. Good movies are able to attract producers in Hollywood while good scripts sell at good prices. The animation movie "Teenage Mutant Ninja Turtles" which has just been screened (not screened yet, but will be shown in Hong Kong tomorrow) has proved to the world that Hong Kong can make movies that are box-office winners. Please do not mistake "Teenage Mutant Ninja Turtles" for a foreign production. In fact, this three-dimensional animation was made in Hong Kong. It had taken the concerted efforts of 300 local computer animation artists to complete the production in two years' time. The movie has proved that creativity and techniques of our animation can compare with those in the productions of American companies such as Pixar and Dreamworks. With the production cost was only one fifth of those produced in the United States, the movie was the number one box-office winner during the

first weekend of screening in the United States and Canada where the gross proceeds amounted to HK\$200 million. It is evident that there are markets and good buying prices for creative ideas and productions of Hong Kong, which can be described as offering good value for money.

Apart from the film industry, the Government should not neglect the needs of the manufacturing industry. As the industrial sector has been facing competition from different countries in the region and different regions in recent years, the business environment is becoming increasingly difficult for them. With increasingly higher demands from all countries, the industrial sector can no longer rely on the production of traditional products. I have found that countries all over the world, with the East Asian countries in particular, are trying to encourage their domestic enterprises to develop high technologies and creative industries, and to attract overseas companies engaged in the business of high technologies to invest locally. The Mainland is also offering a concessionary rate of 15% to enterprises engaged in the businesses of high technologies and high value-added products.

In order to attract more enterprises to invest in product design and technological development, the Federation of Hong Kong Industries (HKFI) has been asking the Government to offer 300% tax deduction to enterprises engaged in product research and development. I have to emphasize that the proposal does not require the Government to subsidize the business sector direct on their product research and development activities. Instead, the Government will be introducing measures that offer incentives for the enterprises to carry out research and make accurate investments. Since all tax concessions will be offered only when the enterprises have recorded profits, they will not be abused. The Government does not stand to lose much, and the tax concessions offered will have little impact on the overall revenue.

The HKFI and I have all along emphasized that the relevant measure will not only encourage the industrial sector to invest in high technologies and product design, but also create more employment opportunities. Take the animation company that produced "Teenage Mutant Ninja Turtles" as an example. Among the 400 persons they have employed in Hong Kong, 100 of them are graduates of the Vocational Training Council. It is evident that creative industries and high technologies can provide suitable employment opportunities for the younger generation.

The conference and exhibition industry is very important to the future development of Hong Kong. At the end of last year, Hong Kong was confirmed by the Central Government as the international conference and exhibition centre and base of the whole country. However, in terms of floor area, the ranking of the conference and exhibition venues of Hong Kong does not even reach the top 40 of the world. Given the challenge of our neighbouring regions and cities actively expanding their conference and exhibition venues, even with the inclusion of the extension of the atrium link, we still find our venues inadequate. The conference and exhibition sector and exhibitors have requested repeatedly the expeditious construction of a new conference and exhibition venue in the urban area to meet the increasing number of trade shows and bigger fairs. The extension of the atrium is only a temporary measure to meet the demand of the industry. It is obvious that the venues will not be able to meet the demand of 10 mega fairs to be staged in 2015. I raised my concern about the development of the conference and exhibition industry with the Government earlier this year. The reply given by Secretary Joseph WONG was positive and encouraging. However, the competition in the conference and exhibition industry can be said to be zero-sum competition. In other words, when Hong Kong is staging the Electronics Fair in autumn — the largest of its kind in Asia, and the second largest in the world — many similar trade shows in the region will be shrinking in size. With the continuous expansion of our conference and exhibition industry, the threshold of our competitors will have to be higher as well.

The conference and exhibition industry is a profitable business. According to the Hong Kong Exhibition and Conference Industry Association, the conference and exhibition industry earned as much as \$19 billion for the Hong Kong economy in 2004. In addition, 47 000 employment opportunities were created while overseas visitors made 710 000 trips to Hong Kong. We estimate that if the Phase 3 construction project of the Conference and Exhibition Centre can be completed in 2015 or before, in each year of the subsequent years — and I emphasize each year — it will be able to net in a total of \$4.9 billion additional revenue for the local economy, create 5 700 posts, and attract visitors to make 127 000 trips to Hong Kong. I have to emphasize, with an increasing number of large international conferences and exhibitions staged in Hong Kong, there will be greater opportunities for the local industrial sector to participate in these events, thus creating more opportunities of contact between the industry and overseas buyers as well as counterparts. To consolidate our existing

advantage, and build Hong Kong into a premier sourcing centre so that relevant economic activities will be benefited, the Government picks up paces and catches up with others in the strengthening of hardware facilities.

Moreover, I welcome the Budget proposal of reducing the duty rates on wine and beer by half. But I believe there is still room to reduce the duty to zero. Our proposal of full exemption of the duty on wine is based on the need to capitalize on the increasing trend of wine drinking with a view to building Hong Kong into a distribution centre or even an auction centre of wine in the region. As a matter of fact, my proposal is based on precedents. The Paspaley Auction of Pearls, an auction fair of pearls of the South Seas, is a large auction fair of the jewelry industry held five times a year. In the past, the fair had always been held in Kobe, Japan. But since 1994, the venue of the fair has been transferred to Hong Kong. The main reason for this transfer is that Japan levies a sales tax. Despite the fact that tax refund is offered to purchasing and exporting pearls, the mechanism of "paying before refunding" holds up a large amount of cash. As it takes time for the refund procedure to be completed, the organizer has chosen to hold the fair in the free port of Hong Kong. This event is held five times every year. With the exception of the November event, which is still held in Japan, currently the other four events are held in Hong Kong. The average transaction amount for these four auction fairs amounts to \$360 million per year. Further, since 1998, Hong Kong has also become the venue for the Robert Wan Tahiti Pearl Auction Fair, another auction event of the Paspaley Auction Series. This event is held four times a year, with an average transaction amount as high as HK\$50 million to HK\$60 million. It has even attracted the Russian pearl auction company Alrosa to participate for the first time in the Hong Kong event this year. With all these activities, Hong Kong is gradually transforming from an auction centre to a raw material centre.

I believe we can also develop our wine business along the same line. Levying zero duty and streamlining the import and export procedures will give impetus to developing Hong Kong into a red wine distribution and trading centre. This will eventually benefit not only those drinkers of wine, but also the financial and various service industries as well as the logistics and warehouse sectors, thereby creating a large number of employment opportunities locally.

Since the Budget has not mentioned any initiatives that will assist the local environmental industry, I hope that the Government will expeditiously implement measures which offer assistance to the environmental industry and

clean production processes. If only the Government can open up a feasible outlet for the environmental industry, the sector will be able to create opportunities of employment. The Government should adopt in the Budget a more proactive attitude towards green procurement, such as requiring departments to set out the purposes of using environmentally-friendly and recycled products in their procurement policies and tenders. In assuming a leading role in the use of more green products, the Government will display its determination in protecting the environment, set a good example for the community, and most important of all, create a market for environmentally-friendly products and foster the development of the local environmental industry.

Finally, I would like to talk about profits tax. On 1 February 2007, when Chief Executive Donald TSANG officially announced that he would contest in the Chief Executive Election, he made a pledge that he would reduce the rate of profits tax and standard rate of salaries tax to 15%. I hope that the Chief Executive will honour his pledge after 1 July so that wealth would be left with the people just as his policy platform has pledged, and the rate of profits tax and standard rate of salaries tax would be reduced to 15% with a view to enhancing the competitiveness of Hong Kong.

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

MR CHEUNG MAN-KWONG (in Cantonese): President, Arthur LI emphasized that education was still the largest expenditure item of the Government when he attended a meeting of the Finance Committee. However, during Donald TSANG's election campaign for the office of the Chief Executive, education was found to be the most dissatisfied area among the public. There is a need for the Government to seriously reflect: While the Government is investing the largest amount of expenditure in education, why does the public have the most discontent in this area? The surplus of the Government reaches \$55.1 billion this year. In the next five years, the fiscal reserves may reach as much as \$580 billion. In respect of the four major contradictions in education, it is imperative for the Chief Executive to address them squarely and seek to resolve them.

The first contradiction in education is the massive reduction of classes and closure of schools. When the Government projected that from 2002 to 2010,

the number of students of primary schools would drop by 15%, I had asked the Government repeatedly to suspend school building projects in the districts where classes would be reduced. But the Government wilfully clung to its own course and continued to build schools. As a result, a large number of unfilled school places were created artificially. In the 2006-2007 year alone, there were 27 000 unfilled school places in primary schools and close to 23 000 in secondary schools. Consequent to the large number of unfilled school places, a series of schools were closed, including the recently completed Y2K schools. Whose fault is this? During the five school years from 2003 to 2007, 54 primary schools were closed, and the number kept on increasing. In this year alone, another 13 schools were closed, including quality schools under the special review programme. It is not surprising that there has been widespread discontent among parents who have suggested paying tribute to schools by observing a moment of silence. President, errors in planning have resulted in the wastage of school places while the policy of closure of schools has resulted in the wastage of school premises and school improvement programmes. In fact, the huge wastage of public funds has reached a state of being out of control.

Let me speak on the wastage as a result of building too many schools. During the four school years from 2003 to 2006, consequent to school closures, 39 school premises were left vacant. Six of these were used as schools, five were used for other educational purposes, and the remaining 28 were returned to the Government, which were left vacant and unused. As for those used for other purposes, since they were not used as schools, conversion and renovation had to be carried out. However, the original school halls, playgrounds and laboratories were all wasted. In recent years, school premises tend to be larger than before and schools tend to be newer than before. Unfortunately, with the number of closures increasing, vacant school premises have also increased. Excluding the land premiums, the construction cost of school premises alone amounts to millions of dollars and even over \$100 million. Although construction cost is an item of capital expenditure, it is still public money that amounts to billions. Who should be accountable for this?

There is another huge amount of public money wasted in the school improvement programmes. The education sector supports the improvement of old school premises. But the aim of implementing school improvement programmes is to enhance the quality of education, not to close schools or waste public money. During the period from 2002 to 2007, 41 primary schools were closed just after they had completed school improvement works. The cost of

improvement for each school ranged from \$1 million to \$35 million. Even if the median was adopted for calculation, the improvement of these schools represented a further wastage of \$880 million. This amount, together with the cost of improvement for five secondary schools closed after the completion of improvement works, wasted \$920 million of public money. This expenditure on improvement programmes alone is sufficient to fund the operation of the 13 primary schools already closed this year for 150 years. The harsh conclusion drawn from these absurd figures is that the Education and Manpower Bureau had made grave errors in school planning which resulted in the oversupply of school places, the continuous closures of schools, and the under-utilization of vacant school premises. When schools are closed after they have just undergone improvement works, the cost of improvement is translated into instant wastage which amounts to billions of public money. This ongoing wastage is the most serious case recorded in the history of the education sector. I have to ask again: Who should be accountable for this?

During the 10 years since the reunification, the number of new births has continued to drop. In 2003, the number of new births was 46 000, representing a drop of 35% in 10 years when compared to the 70 000 new births in 1994. Children born in the year of the outbreak of SARS will have to enrol in primary schools in 2009, which will rub salt into the wound and further aggravate the enrolment situation of Primary One. The peak of decline in secondary school student population will be the year 2010, when the number of Secondary One students will drop from some 84 000 in 2007 to about 69 000, a drop of nearly 20%. Faced with the problem of a continuous drop in population, making good use of unfilled school places in both primary and secondary schools, implementing small-class teaching, enhancing the quality of education, suspending the massive closures of schools will offer a solution of killing two birds with one stone and achieve a win-win situation. During the election, the Chief Executive expressed his confidence in successfully implementing small-class teaching with 25 students in each class in the majority of schools in the next five years. In view of this, the Education and Manpower Bureau should honour the pledge of the Chief Executive and implement small-class teaching. It is better late than never to mend the fold and turn crises into opportunities.

During the election campaign, Donald TSANG revealed that the expenditure of implementing small-class teaching in secondary schools was \$6.7 billion. Together with the expenditure of \$2.4 billion for the implementation in

primary schools, the total annual expenditure would be \$9.1 billion. Is this figure exaggerated? According to records, two years ago, the Education and Manpower Bureau said that the implementation of small-class teaching would require \$3.6 billion. But the figure was substantially revised to \$2.4 billion two years later. There is a difference of \$1.2 billion within a span of two years. Is this not an exaggeration? Is this not a threat? The Government is deliberately distorting the facts. The figure of \$9.1 billion in implementing small-class teaching is calculated on the basis that small-class teaching will be implemented in every form for both secondary and primary schools with effect from tomorrow. But the small-class teaching advocated by the education sector refers to the proposal endorsed by the Legislative Council in 2004, and that is, to start implementation in Primary One and Secondary One first, with progressive reduction in each year and in each form, until the size of each class is 25 students. In this way, with the drop in population, the expenditure on small-class teaching will automatically be substantially reduced. Besides, the Chief Executive had said before that the current financial position was good. With the reduction of classes, the Bureau had successfully saved more than \$1 billion in expenditure over the past five years. Therefore, the implementation of small-class teaching does not hinge on resources, but on the determination and sincerity of the Government.

The second contradiction in education is the shortage of talents with university degrees. According to the Report on Manpower Projection to 2003, it is estimated that Hong Kong will be short of 82 600 talents with degrees in 2007. The Commission on Strategic Development also admits in its documents that only 14.8% of the employed population in Hong Kong are degree holders, much lower than many major economies. These two research reports led by the Government have identified the shortage of talents with degrees to be the greatest deficiency of Hong Kong. However, the annual quota of 14 500 government-subsidized degree places has remained unchanged for 18 year. This number has lagged far behind the economic development and the expectation of the community. Recognizing the importance of talents, Financial Secretary Henry TANG emphasized in the Hong Kong Economic Summit held in August 2004 that if Hong Kong had to develop its economy, it would have to continuously invest in education and training of talents, and to attract mainland and overseas talents to our city so that Hong Kong would become the meeting place of talents. But the Bureau charged with the responsibility of training talents, namely the Education and Manpower Bureau,

has maintained the annual cap of admitting only 14 500 university students for 18 years. Who should be accountable for this?

Prof CHENG Yin-cheung of The Hong Kong Institute of Education said that for the past eight years, the accumulated reduction in recurrent expenditure on tertiary education had amounted to \$12.3 billion, a reduction of over 20%. Does this represent a continuous investment or a continuous reduction? Henry TANG had once told a number of secondary students that there were no natural resources in Hong Kong. "There is no oil to be drilled from Diamond Hill, no stones to be quarried from the Lion Rock, no iron to be mined at Tai Mo Shan". Manpower is our only resource. Since this is the case, the maximum number of 14 500 subsidized degree places per annum should be eliminated, the cap of admitting only 18% of the local students should be increased, and the quota of subsidized first-year undergraduate places should not remain unchanged.

While the degree places are insufficient to meet the demand, the sub-degree programmes are afflicted with problems, with the emphasis on quantity rather than quality. The young people who have enrolled on self-financing sub-degree programmes face the triple sufferings of very few opportunities for further education, uncertain prospects of employment, and heavy debts. Currently, the total number of sub-degree students and graduates stands at over 100 000. The pent-up discontent is increasing, like a timed bomb in the administration of the SAR Government. The oversupply of sub-degree places has reached a serious stage where tertiary institutions have to spend huge amounts of money to attract students. Unfortunately, we have to pay for what we are given. Tertiary institutions have to save costs by implementing large classes, reducing credits of learning, lowering enrolment requirements, admitting students just to balance the accounts and avoid losses. For the past few years, the loans for construction of school premises have exceeded \$4 billion. But they have to be repaid. Tertiary institutions have to take a certain percentage of tuition fees paid by students to repay the loans, the average amount of which being \$12,000 per student per annum. In other words, the tuition fees paid by students are used to repay the mortgage of school premises, with the percentage taken from tuition fees to repay loans amounting to approximately 30%. The tertiary institutions are facing heavy debts, a continuous drop in intake, and a continuous reduction in teaching resources. Currently, the unit cost of teaching in tertiary education is lower than that of the Sixth Form. That

is the so-called university education. This failure to live up to its name is the most serious case in history. Who should be accountable for this?

There is a severe shortage of articulation places for associate degree programmes. Despite the fact that the Administration has undertaken to increase the articulation places to 1 900 in 2010, the percentage of associate degree holders being offered subsidized degree places to pursue university education is only 6%. The percentage is really too little to be of any help. The Administration is offering comfort to students with false hope. I urge the Government to regard sub-degree programmes as investments, freeze associate degree programmes, strengthen the regulation of curriculum, enhance the quality of intake, and substantially increase articulation places, so that students with quality and potentials can have the opportunities to pursue university education. I also urge the Government to increase the subvention for associate degree programmes and tertiary institutions, and exempt the loans of school construction, so that the full amounts of tuition fees are used as teaching expenditure. In other words, the fees paid by students are devoted to their education purposes. Moreover, I am asking the Government to subsidize tertiary institutions in the form of direct subsidy on the basis of the number of students, so that institutions will be able to provide campus facilities urgently needed to enhance the teacher qualifications and quality of curriculum. It is only through these measures that order can be restored to sub-degree education for further healthy development.

The third contradiction in education is the integrated education. It has proved by practice that the implementation of the whole-school approach to integrated education was too hasty with inadequate preparation. As schools have to take care of too many categories of students with special educational needs, they can only grumble when they cannot cope. Teachers without adequate expertise have to put their training to real tests, as a result they cannot manage. The outcome of implementing full integration is that schools are not able to discharge their duties, students are not offered appropriate assistance, and parents are not given channels to seek help, resulting in discontent of all parties. In this respect, I have to reiterate the five proposals passed by the Legislative Council, namely: (1) encourage professional division of labour in schools to develop expertise in handling students with one or two types of special educational needs; (2) in respect of autistic and hyperactive children, adopt the principle of "funding following the student"; (3) extend the new funding model for primary schools to secondary schools, pending finalization of the secondary school funding model; (4) implement small-class teaching with a class size of 20

in the skills opportunity schools; and (5) implement integrated education by way of small-class teaching.

The fourth contradiction in education is the kindergarten voucher system. According to last year's policy address of the Chief Executive, there will be an annual injection of \$2 billion to subsidize early childhood education in the form of vouchers. The proposal has come belatedly for the pre-primary education sector. Unfortunately, the voucher system is not applicable to all, and not every child will be subsidized. Further, the elimination of the existing salary scales for kindergarten teachers has resulted in criticisms from the pre-primary education sector and parents. It is rare for the Government to propose such a policy. It has even made an annual financial commitment of \$2 billion in recurrent expenditure for its implementation. However, the proposal has attracted so much criticism that it has been smashed to smithereens. This kind of situation has never happened before. So what is the reason for this? President, since the Government has abundant financial resources, the subsidized categories under the voucher system should be extended while the subsidy cap of school fee at \$24,000 should be eliminated. Teaching quality should be adopted as the basis for subsidy, so that children of both non-profit-making and private independent kindergartens can equally enjoy the right to subsidy. Of course, our greater expectation is that early childhood education can be included in the scope of subvention so that salary scales for kindergarten teachers of different qualifications can be formulated, resulting in the full-scale upgrading of the quality of pre-primary education.

President, in the Chief Executive Election debate, the mostly criticized area was education. Education is not only the area in which the Government has made the greatest investment but also the area with which the public was most discontented. It has been 10 years since the reunification, a period that saw damages had been inflicted by the education reform not only on schools, but also on teachers, parents and students. In fact, nobody has felt about it. In the new term of the Chief Executive, we have every reason to review and rethink education of the past 10 years. Then we can make changes. We cannot allow these resentment and discontent to keep on spreading. It is my sincere wish that damages and injuries will no longer be allowed to be inflicted continuously on our education system.

With these remarks, President, I urge the Government to face squarely and seek to resolve the four major contradictions in education.

MR WONG TING-KWONG (in Cantonese): Madam President, when Chief Executive Donald TSANG reported duty to Beijing at the end of last year, Hong Kong's status as an international aviation centre was once again recognized by the Premier WEN Jiabao. We are pleased to find that the necessity to enhance the competitiveness of the logistics industry, and proposals to raise the efficiency of the freight forwarding industry have been set out in this year's Budget, which serves to represent the response of the SAR Government to the expectations of the Central Authorities.

The Government has recognized the advantage of the aviation sector and attached great importance to it, confirming that air logistics will be one of the major directions for the future development of Hong Kong. However, to fully capitalize on the effectiveness and advantage of our airport, and to transform it into the immediate transshipment hub of mainland cargoes, the co-ordination of rail and highways transport, and the cross-boundary integration of land transport for both Hong Kong and the Mainland should be proactively sought.

Since Hong Kong is limited by the relatively high structural cost, it is difficult to compete with the mainland logistics industry on price. Now that a licence quota fee has to be paid when a container truck registered in Hong Kong enters the Mainland, with the additional cost at about \$300 per trip, the difference in the costs of land transport between the two sides of the boundary is further increased. According to the spirit of CEPA, the Government should strengthen the communication with the Mainland and proactively lobby for the elimination of the licence quota scheme so that the restrictions on the Hong Kong cross-boundary trucking sector to enter the Mainland can be relaxed. It is only through offering equal treatment to both Hong Kong container trucks and mainland container trucks, such as granting a business licence at the same cost, that the problem of the relatively higher cost for Hong Kong container trucks to operate in the Mainland can be resolved, which will in turn lower the overall transportation cost.

In respect of the transportation and infrastructure facilities of the Pan-Pearl River Delta (PPRD), as Hong Kong is located right next to Guangdong, we should be able to capitalize on the transportation networks in Guangdong to facilitate a closer connection between Hong Kong and other provinces. However, if we are to effectively utilize the larger transportation networks within Guangdong Province, we will have to construct transportation facilities that connect us with Guangdong first, including the comprehensive and extensive

connection with the railway and highway networks. During the period covered by the National 11th Five-Year Plan, there will be a number of significant projects that aim at connecting Guangdong and Hong Kong, including the construction of railway lines, highways and bridges. Insofar as the majority of these projects in Guangdong are concerned, construction works have already been commenced, or are ready to commence. On the contrary, the progress of these projects is slow in Hong Kong. It can be envisaged that when the construction works are completed in Guangdong, the works in Hong Kong will not be completed in time for connection. This will constitute a major obstacle in the connection of Hong Kong and the PPRD.

Apart from the expeditious implementation of projects such as the Hong Kong-Shenzhen Western Corridor and the Hong Kong-Zhuhai-Macao Bridge, we believe that the Government should proactively strive for the early commencement of the construction works of the Guangzhou-Shenzhen-Hong Kong Express Rail Link. The Government should also proactively conduct a study on the feasibility of constructing a railway line for cargo transportation with a view to shortening the time for transporting cargoes from the Mainland to the container terminal in Kwai Chung. It is also advisable for the Government to follow up the preparatory work of the freight through-train service between Dongguan Shenping and Hung Hom. Moreover, the SAR Government should strengthen its communication with Guangdong Province in the areas of customs clearance and regulation in order to enhance the efficiency of cargo flow. Expeditious planning of the construction of the Liantang Control Point, and exploring the possibility of extending the opening hours of Sha Tau Kok and Man Kam To Control Points should also be carried out with a view to promoting the flow of passengers and cargoes of the two places, and consolidating the advantage of Hong Kong in immediate transshipment.

Madam President, in integrating Hong Kong into the Greater Pearl River Delta and in developing a logistics hinterland, Hong Kong has encountered another obstacle, and that is, the differences in the existing institutions. There are differences in the systems of customs clearance as well as standards of inspection and quarantine for the two sides of the boundaries. The lack of effective convergence between the systems has also resulted in increased time cost which greatly weakens the competitiveness of Hong Kong. If Hong Kong wishes to capitalize on the "Nine plus Two" regional arrangement to strengthen the development of logistics, it will have to actively consider regional co-operation in the PPRD in building a common electronic platform for customs

clearance, and in streamlining the declaration procedures of various cities in the region, thereby improving information exchanges within the region in order to meet the requirements of high transparency in modern logistics.

Apart from promoting the logistics industry, helping the professional services of Hong Kong is also a subject of wide concern. On the action agenda of the "China's 11th Five-Year Plan and the Development of Hong Kong" announced by the Government early this year, the report of the Focus Group on Professional Services, Information & Technology and Tourism proposed that the SAR Government should entrench and develop Hong Kong's position as an outstanding professional medical treatment centre in the region, strengthen the exchanges of special medical cases of Hong Kong and the Mainland, lower the thresholds of practice for the relevant sectors, and encourage medical practitioners in Hong Kong to practise in the Mainland. According to the report, exchanges at different levels should be promoted, and areas of mutual exemption in the examinations for professional qualifications of the two places should be augmented, so that professionals will be able to open businesses in the Mainland in the form of sole proprietorship.

But many sectors have reflected to me that the failure of professional services of Hong Kong in smoothly accessing the mainland market is, to a large extent, due to the excessively high thresholds set by the Mainland, including requirements of minimum investment amounts, business turnovers as well as the numbers of professionals. With such high thresholds, only large professional service companies are able to meet the requirements. It is quite impossible for companies of average size to cross the thresholds. As a result, the benefits of CEPA have not been brought into the fullest play.

In developing businesses in the Mainland, professionals of Hong Kong, such as professionals of the medical, engineering, and accountancy sectors have encountered problems not only in the mutual recognition of qualifications, but also in application for licences for practice. The procedure of applying for a licence usually takes half a year, or even a year. The authority also requires a company to have a capital of \$20 million for registration and employ at least three qualified professionals of the Mainland. A medical practitioner of Hong Kong is also required to deposit \$20 million in the Mainland before he can practise as a doctor, which makes it very difficult for him to set up an individual professional service in the Mainland.

To enhance CEPA's benefits, the SAR Government should proactively strive for a lowering of the requirements for registration of various types of Hong Kong professionals who wish to develop their businesses in the Mainland, including permitting small and medium accountancy firms and law firms of Hong Kong to establish joint venture businesses with their counterparts in the Mainland, and streamlining the relevant application procedures for business operations. With the geographical advantage of Hong Kong bordering Guangdong, it is advisable for the authorities to consider using Guangdong as the pilot city for lowering the thresholds to facilitate professionals of the medical, engineering and accountancy sectors in setting up individual businesses in the Mainland.

In respect of the building and engineering service sector, the Government should strive for the relaxation of engineering regulations of second-line cities in the Mainland, such as Zhongshan, Huizhou and Foshan, so that the engineering sector of Hong Kong can opt for sole proprietorship and introduce the provision of one-stop service to the Mainland, with a view to jointly promoting the further development of urban construction in the Mainland.

I so submit. Thank you, Madam President.

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

(No Member indicated a wish to speak)

SUSPENSION OF MEETING

PRESIDENT (in Cantonese): Altogether 39 Members have spoken today. I now declare the meeting suspended until 2.30 pm tomorrow afternoon.

Suspended accordingly at one minute past Seven o'clock.