

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 16 April 2008

The Council met at Eleven o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

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

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI, S.B.S., J.P.

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

THE HONOURABLE WONG YUNG-KAN, S.B.S., 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, J.P.

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 ANDREW CHENG KAR-FOO

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

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

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

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

THE HONOURABLE TOMMY CHEUNG YU-YAN, S.B.S., 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 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 KWONG CHI-KIN

THE HONOURABLE TAM HEUNG-MAN

THE HONOURABLE MRS ANSON CHAN, G.B.M., J.P.

MEMBERS ABSENT:

THE HONOURABLE CHOY SO-YUK, J.P.

THE HONOURABLE ALBERT JINGHAN CHENG, J.P.

PUBLIC OFFICERS ATTENDING:

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

THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE JOHN TSANG CHUN-WAH, J.P.

THE FINANCIAL SECRETARY

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

THE SECRETARY FOR JUSTICE

THE HONOURABLE MICHAEL SUEN MING-YEUNG, G.B.S., J.P.

SECRETARY FOR EDUCATION

DR THE HONOURABLE YORK CHOW YAT-NGOK, S.B.S., J.P.

SECRETARY FOR FOOD AND HEALTH

THE HONOURABLE DENISE YUE CHUNG-YEE, G.B.S., J.P.

SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE TSANG TAK-SING, J.P.

SECRETARY FOR HOME AFFAIRS

THE HONOURABLE MATTHEW CHEUNG KIN-CHUNG, G.B.S., J.P.
SECRETARY FOR LABOUR AND WELFARE

PROF THE HONOURABLE K C CHAN, S.B.S., J.P.
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

THE HONOURABLE MRS CARRIE LAM CHENG YUET-NGOR, J.P.
SECRETARY FOR DEVELOPMENT

THE HONOURABLE EDWARD YAU TANG-WAH, J.P.
SECRETARY FOR THE ENVIRONMENT

CLERKS IN ATTENDANCE:

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

MRS CONSTANCE LI TSOI YEUK-LIN, ASSISTANT SECRETARY
GENERAL

MRS VIVIAN KAM NG LAI-MAN, ASSISTANT SECRETARY GENERAL

TABLING OF PAPERS

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

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Airport Authority Ordinance (Map of Restricted Area) Order	73/2008
Securities and Futures (Contracts Limits and Reportable Positions) (Amendment) Rules 2008	74/2008

Other Papers

- No. 85 — Annual Report of The Standing Committee on Legal Education and Training for the period from 1 September 2006 to 31 August 2007
- No. 86 — Approved Estimates of Income and Expenditure for the financial year 2008-2009, Securities and Futures Commission

WRITTEN ANSWERS TO QUESTIONS

Illegal Modification of Vehicles and Illegal Motor Racing

1. **MR ANDREW CHENG** (in Chinese): *President, regarding illegal modification of vehicles (that is, modification of vehicles rendering them not in compliance with the Road Traffic (Construction and Maintenance of Vehicles) Regulations) and illegal motor racing, will the Government inform this Council:*

- (a) *of the respective numbers of prosecutions and convictions involving illegally-modified vehicles in each of the past three years;*
- (b) *of the respective numbers of complaints, prosecutions and convictions involving illegal motor racing in each of the past three years, and the number of traffic accidents suspected or confirmed to*

have been caused by illegal motor racing, as well as the resultant casualties;

- (c) whether it has assessed if illegal motor racing has become increasingly rampant in recent years; if the assessment result is in the affirmative, of the new measures in place to step up combating illegal motor racing; and*
- (d) whether it will consider increasing the penalties for illegal modification of vehicles and illegal motor racing; if so, of the details?*

SECRETARY FOR THE ENVIRONMENT (in the absence of Secretary for Transport and Housing) (in Chinese): President,

- (a) The police institute prosecutions against vehicles which are illegally modified or which fail to comply with the requirements on maintenance, markings, and so on, under the Road Traffic (Construction and Maintenance of Vehicles) Regulations (Cap. 374A). Since the police do not have the breakdown on the statistics on the above types of prosecution, we cannot provide the relevant statistics involving illegally-modified vehicles.
- (b) In 2005, 2006 and 2007, the police received 319, 351 and 497 complaints involving illegal motor racing respectively. Among these complaints, 70, 42 and 31 cases respectively were confirmed to be related to motor racing after investigation.

In the past three years, 5 596, 7 916 and 9 167 persons were prosecuted in police's operations against illegal motor racing respectively. Depending on the circumstances and evidence of individual cases, these persons were charged the offences of illegal motor racing, dangerous driving, careless driving or speeding. Most of them were convicted.

Regarding the related traffic accident and casualty statistics, since neither the police nor the Transport Department (TD) have the breakdown on traffic accidents caused by illegal motor racing, we cannot provide the relevant statistics.

- (c) Statistics of the past three years do not indicate that illegal motor racing has become increasingly rampant in recent years. The number of prosecutions against illegal motor racing instituted by the police demonstrates that their planning and execution of enforcement operations against illegal motor racing have been effective. The police have always accorded attention to the problem of illegal motor racing. They will continue to carry out enforcement operations against illegal motor racing through collection of intelligence and strategic planning. They will also review the effectiveness of these operations, with a view to further enhancing the effectiveness in the combat of such illegal and dangerous driving behaviour.
- (d) According to existing legislation, any person who uses or causes or permits to be used on any road any vehicle which does not comply in all respects with the provisions of relevant regulations is liable to a fine of \$10,000 and to imprisonment for six months. In addition, the TD can issue a maintenance order to the vehicle owner. If the owner fails to comply with the maintenance order, the TD is empowered to suspend his vehicle licence.

Moreover, a person who promotes or takes part in a race or trial of speed between vehicles on roads, to which the Commissioner of Police has not given consent in writing, commits an offence and is liable to a fine of \$10,000, 10 driving-offence points, disqualification from driving for a period of 12 months and 12 months' imprisonment.

We have introduced a Bill into the Legislative Council in February this year to introduce a series of measures to enhance road safety, including, *inter alia*, requiring drivers who have committed serious traffic offences (including illegal motor racing) to attend driving improvement courses on a mandatory basis so as to improve their driving attitude through education.

The police and the TD will continue to monitor the situation and take active enforcement action against illegally-modified vehicles and illegal motor racing, and will review the relevant legislation if the situation so warrants.

Emissions from Franchised Buses

2. **MR MARTIN LEE** (in Chinese): *President, regarding emissions from franchised buses, will the Government inform this Council:*

- (a) *of the number of buses in the fleet of each franchised bus company, broken down by the emission standards which they meet;*
- (b) *of the respective average numbers of buses, deployed daily by each franchised bus company to ply the routes passing Hennessy Road, Queensway, Des Voeux Road Central or Nathan Road, which only meet the pre-Euro and Euro I emission standards;*
- (c) *of the current number of buses which are over 17 years old in the fleet of each franchised bus company; and whether the Government has a policy for phasing out such buses as early as possible; if so, of the details of the policy; if not, the reasons for that;*
- (d) *whether it has calculated the quantities of various types of air pollutants emitted by franchised buses meeting various emission standards; if it has, of the results of the calculation; and*
- (e) *whether it has studied the feasibility of designating "low emission zones" in Hong Kong, where no pre-Euro and Euro I buses, which have higher emissions, are allowed to ply; if it has, of the outcome of the study; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): *President,*

- (a) **As at end 2007, the numbers of franchised buses in each of the franchised bus companies broken down by emission standards are given in Table 1 of the Annex.**
- (b) **As at end 2007, the numbers of pre-Euro and Euro I franchised buses of each of the franchised bus companies plying along Hennessy Road, Queensway, Des Voeux Road Central or Nathan Road, are given in Table 2 of the Annex.**

- (c) At present, there are no buses over 17 years old in the franchised bus fleet.

Franchised bus companies have all along run franchised bus services with buses not exceeding 17 years old. According to the Public Bus Services Ordinance (Cap. 230), a franchised bus company shall submit to the Commissioner for Transport each year a "Forward Planning Programme", which contains a programme for the scrapping of buses that are unfit for use, and for the purchase of new buses. The Commissioner for Transport, when considering the Forward Planning Programme including the programme for scrapping buses that are unfit for use, shall ensure that the franchised bus company is able to maintain a proper and efficient public bus service.

- (d) In 2006, the emissions of nitrogen oxides, respirable suspended particulates, volatile organic compounds and carbon monoxide from franchised buses were about 2 120 tonnes, 100 tonnes, 100 tonnes and 350 tonnes respectively. The franchised bus emissions, broken down by emission standards, are given in Table 3 of the Annex.
- (e) The Government will study the feasibility of designating "low emission zones" that deny access to pre-Euro and Euro I buses and their effectiveness in improving roadside air quality.

At present, about one third of the existing franchised bus fleet are of pre-Euro or Euro I models. In Yau Ma Tei, Tsim Sha Tsui, Mongkok, Causeway Bay and other busy districts, a lot of people commute in and out. They are also the main service areas of franchised bus services. In considering restricting older buses from entering into these districts, the Government needs to examine carefully the impacts of the restriction on the overall road traffic network, the public transport services, as well as on passengers.

The Government also needs to study carefully whether deploying all pre-Euro or Euro I buses to operate outside the "low emission zones" will shift the roadside air pollution problem to areas which are currently unaffected, or worsen their current situation.

Annex

Table 1:

The number of buses owned by franchised bus companies as at end 2007
(broken down by emission standards)

<i>Franchised Bus Company</i>	<i>pre-Euro</i>	<i>Euro I</i>	<i>Euro II</i>	<i>Euro III</i>	<i>Euro IV</i>	<i>Total</i>
The Kowloon Motor Bus Company (1933) Limited	511	940	1 492	1 081	3	4 027
New World First Bus Services Limited	47	91	481	75	0	694
Citybus Limited (Franchise for the Hong Kong Island and cross-harbour bus network)	48	314	371	9	5	747
Citybus Limited (Franchise for Airport and North Lantau bus network)	0	4	168	0	0	172
Long Win Bus Company Limited	3	0	136	16	0	155
The New Lantao Bus Company (1973) Limited	0	2	63	24	5	94
Total	609	1 351	2 711	1 205	13	5 889

Table 2:

The number of pre-Euro and Euro I buses plying along Hennessy Road, Queensway, Des Voeux Road Central or Nathan Road as at end 2007
(broken down by franchised bus companies)

<i>Franchised Bus Company</i> <i>(Note (1))</i>	<i>Hennessy Road</i>	<i>Queensway</i>	<i>Des Voeux Road Central</i>	<i>Nathan Road</i> <i>(between Prince Edward Road and Jordan Road)</i>	<i>Total</i> <i>(Note(2))</i>
The Kowloon Motor Bus Company (1933) Limited	0	0	0	68	68

<i>Franchised Bus Company (Note (1))</i>	<i>Hennessy Road</i>	<i>Queensway</i>	<i>Des Voeux Road Central</i>	<i>Nathan Road (between Prince Edward Road and Jordan Road)</i>	<i>Total (Note(2))</i>
Citybus Limited (Franchise for the Hong Kong Island and cross-harbour bus network)	80	151	69	47	227
Citybus Limited (Franchise for Airport and North Lantau bus network)	0	0	0	0	0
New World First Bus Services Limited	11	12	7	1	16
Total	91	163	76	116	311

Note : (1) The New Lantao Bus Company (1973) Limited and Long Win Bus Company Limited do not have bus services on these roads.

(2) In calculating the total number of buses passing through these roads, buses passing through more than one road have not been repeatedly counted.

Table 3:

**The emission inventory of air pollutants by franchised buses in 2006
(emissions are rounded to 10 tonnes)**

	<i>pre-Euro</i>	<i>Euro I</i>	<i>Euro II</i>	<i>Euro III</i>	<i>Euro IV</i>	<i>Total Emission[#]</i>
Emission of nitrogen oxides (tonnes)	310	670	880	260	0*	2 120
Emission of respirable suspended particulates (tonnes)	20	30	40	10	0*	100
Emission of volatile organic compounds (tonnes)	20	20	50	10	0*	100
Emission of carbon monoxide (tonnes)	80	80	160	40	0*	350

* Euro IV model buses were introduced into Hong Kong after the implementation of Euro IV vehicle emission standard on 1 October 2006. Hence, the emissions from these buses in 2006 were very low.

Due to rounding, the total emission may not be equal to the sum of emissions of different vehicle models.

Power Breakdown

3. **MR FRED LI** (in Chinese): *President, regarding the incident of extensive power breakdown in Hong Kong on 25 February this year, will the Government inform this Council:*

- (a) *of the total number of reports received by the Government on accidents caused by the power breakdown; whether the Electrical and Mechanical Services Department (EMSD) has received the occurrence reports on the incident submitted by the power companies; if so, of the cause(s) of the power breakdown and the improvement recommendations of the authorities;*
- (b) *whether the Government has assessed the economic losses caused by the above incident; if not, of the reasons for that; and*
- (c) *whether the Government and the power companies have received any claims for compensation or complaints from members of the public or enterprises regarding the above incident; whether currently there is legislation to help members of the public or enterprises suffering from economic losses arising from power breakdown to claim compensation from the power companies, and whether there are such terms of protection in the new Scheme of Control Agreements signed between the Government and the two power companies; if there are no such legislation or terms, of the reasons for that?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President, in the afternoon of 25 February 2008, consumers in some districts experienced a voltage dip of around 0.08 seconds owing to an electrical fault at the 400kV high-voltage electrical installations of CLP Power Hong Kong Limited (CLP Power) at Lai Chi Kok. The effect of the voltage dip was also experienced by consumers on Hong Kong Island through the CLP Power — Hongkong Electric interconnectors. For a small number of consumers, their electrical equipment with more voltage sensitive protection device was affected by the incident, including 54 lift service interruptions as well as the signal system of the Mass Transit Railway (MTR) causing a slight delay in the service of the MTR Island Line.

The CLP Power submitted a report on the voltage dip incident to the EMSD on 17 March. According to the report, the incident was caused by the fact that the CLP Power's engineering staff did not follow the proper safety procedures. After completing maintenance works and before energizing the circuit, the concerned staff had not removed the Additional Earths, resulting in the voltage dip incident. The CLP Power is now reviewing its safety procedures for electrical works.

The EMSD is examining the investigation report submitted by the CLP Power and will investigate the incident in accordance with the Electricity Ordinance (Cap. 406). If there is evidence that the relevant CLP Power engineering staff failed to comply with the requirements in the law, the EMSD will take appropriate disciplinary actions on them. The EMSD will also monitor closely the CLP Power's implementation of the improvement measures put forward by the company.

The Government has assessed the impact of the voltage dip incident. Based on information available, the incident did not cause any casualties nor any substantial economic losses.

There is currently no provision in the Electricity Ordinance governing compensation matter arising from power interruption. However, the public may seek compensation from the relevant power company through civil proceedings. According to the CLP Power, less than 10 enquires on claims from customers were received after the incident and the amount involved was several thousand dollars on average.

Various incentive and penalty schemes will be set up under the new post-2008 Scheme of Control Agreements signed between the Government and the two power companies, covering amongst other things supply reliability of the power companies. In this respect, if the supply reliability index of a power company is below a stipulated level, its permitted rate of return will be cut by a 0.01 percentage point. As a corollary, to encourage the provision of a better quality service, if the supply reliability index of a power company is above a stipulated level, the power company is entitled to earn an additional 0.01 percentage point in its permitted return. This new arrangement will encourage the power companies to continue to improve their supply reliability.

Retirement Age

4. **MR WONG TING-KWONG** (in Chinese): *President, it has been reported that Hong Kong is facing the problem of ageing population and the Government will study whether or not the existing retirement age of 55 to 60 should be raised, with a view to improving the ratio of the labour force to the elderly population. In this connection, will the Government inform this Council:*

- (a) *when the above study will commence and is estimated to complete, as well as the specific contents of the study;*
- (b) *whether it will publish the outcome of the above study and conduct a public consultation exercise; if so, of the specific consultation work; if not, the reasons for that;*
- (c) *given that a number of Asian countries will raise the national retirement age from 60 to 65 or 67, whether the authorities will consider raising the retirement age in Hong Kong to 65 or above; and*
- (d) *apart from conducting a study on raising the retirement age, what other studies the authorities are currently conducting or will conduct and the proactive ways they are adopting or will adopt to resolve the problem of ageing population?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President,

(a) to (c)

There is currently no mandatory retirement age in Hong Kong. Employees and employers are free to negotiate on a mutually agreed basis for a suitable retirement age, same as other terms and conditions of employment, when they enter into an employment contract. Employers are also free to recruit or continue to employ elderly people.

The present arrangement allows flexibility and suits the needs of different employers and employees having regard to the market situation and we have no plan to change it. In any case, any change to the existing arrangement will have to be fully discussed by the community, as well as thoroughly and carefully examined in the light of the socio-economic circumstances and developmental needs of Hong Kong.

The present retirement age of the Civil Service has been set, after taking into account all relevant factors including the impact on civil service manpower planning, public finance, promotion prospects of the lower ranks and employment prospects of young workers. We have no plan at present to change the retirement age in the Civil Service.

- (d) As reported to the Legislative Council House Committee in October 2007 following the announcement of the Chief Executive's 2007-2008 Policy Address, the Government is well aware of the social and economic challenges arising from changes to the local population profile in the next 30 years, including an ageing population, and is taking steps to meet such challenges. On-going efforts include:
- attracting a larger pool of talented people from the Mainland and overseas to improve our population structure;
 - raising the education level of our labour force and enhancing the skills and competitiveness of people of all ages through training and retraining and lifelong learning to increase our per capita productivity;
 - increasing public resources for health care while reforming our health care system to ensure long-term sustainability. In this regard, the first stage of the public consultation on health care reform is currently underway;
 - strengthening our support to the elderly through provision of subsidized day care, residential care and infirmary places, as well as home care services; and

- promoting healthy and active ageing and facilitating more diverse choice in post-retirement life so that healthy seniors would remain a resource to their families and the community.

The Government will continue to do its best to develop strategies and practical measures to meet the challenges arising from an ageing population and maintain Hong Kong's competitiveness and vitality.

Kindergarten Teachers Leaving Their Jobs or Transferring to Other Schools

5. **MR CHEUNG MAN-KWONG** (in Chinese): *President, the Government has implemented the Pre-primary Education Voucher Scheme (PEVS) since the current school year. A teacher development subsidy is embedded in each voucher for principals and teachers serving at PEVS kindergartens or kindergarten-cum-child care centres (hereafter collectively referred to as "KGs") to enhance their professional standards. However, I have learnt that the mobility of KG teachers has been on the rise recently. In this connection, will the Government inform this Council:*

- (a) *of the number and percentage of KG teachers who left their jobs or transferred to other schools during the first half of the current school year, and whether it has assessed if the situation is serious as well as the main reasons for their departure or transfer;*
- (b) *how the figures in (a) compare to those of the last school year; and*
- (c) *among the KG teachers mentioned in (a) who had left their jobs or transferred to other schools, of the respective numbers and percentages of those who have obtained the Certificate in Early Childhood Education (ECE) and a Bachelor in Education in ECE?*

SECRETARY FOR EDUCATION (in Chinese): *President, the Education Bureau conducts the Teacher Survey in September each year, from which the number of KG teachers who had left their job or transferred to other KGs will be compiled. In the Teacher Survey, the former refers to teachers serving in KGs as at September of the preceding school year but no longer serving in any of the*

KGs as at September of the school year concerned. The latter refers to teachers serving in a KG as at September of the previous school year but had left that KG as at September of the school year concerned and continued to serve in another KG. Accordingly, the number of KG teachers leaving the profession or transferring to other KGs in the current school year will only be compiled from the Teacher Survey 2008-09 to be conducted in September 2008 and the provisional figures will be available in early 2009.

According to the result of the Teacher Survey 2007-08, the number (percentage) of KG teachers who had left the profession (teachers serving in KGs as at September 2006 but no longer serving in any of the KGs as at September 2007) was 1 042 (10.6%). As compared to 1 224 (11.5%) of the previous year, it represented a slight 0.9 percentage point decrease. As regards the number (percentage) of KG teachers transferred to other KGs, they were 1 249 (11.7%) and 1 235 (12.6%) respectively which represented a slight 0.9 percentage point increase. Information collected from the Teacher Surveys of the last two years indicate that most of the teachers leaving the KG sector with known reasons are due to personal considerations such as marriage/child-caring, retirement, illness, migration, and further studies while some left to take up other employment.

According to the Teacher Survey 2007-08, 186 (17.9%) of the 1 042 KG teachers who left their job had obtained Certificate in ECE and another 31 (3.0%) of them had obtained Bachelor in Education in ECE. Four hundred and three (32.6%) of the 1 235 KG teachers who transferred to other KGs had obtained Certificate in ECE and another 52 (4.2%) of them had obtained Bachelor in Education in ECE.

Medical Services for AIDS Patients and HIV Infected Individuals

6. **DR YEUNG SUM** (in Chinese): *President, will the Government inform this Council:*

- (a) *of the medical services currently provided by the authorities to Acquired Immune Deficiency Syndrome (AIDS) patients and Human Immunodeficiency Virus (HIV) infected individuals; and*
- (b) *as I have learnt that the medication and therapies currently used by the authorities in treating AIDS are more effective than those used in*

the past in terms of delaying HIV infected individuals' progress to AIDS and lengthening the survival time of AIDS patients, whether it has assessed if the existing services are adequate to meet the demand at present and in the next few years; if the assessment result indicates that they are inadequate, whether it has any plan to allocate more resources to ensure that the service quality can be maintained?

SECRETARY FOR FOOD AND HEALTH (in Chinese): President, both the Department of Health (DH) and Hospital Authority (HA) are providing medical services to AIDS patients and HIV infected individuals. Services span from treatment and prevention of incidental infection, antiviral therapy, regular blood testing to monitoring the treatment progress and psychological support provided by a multi-specialist support team.

The application of highly active antiretroviral therapy (HAART) or "cocktail therapy" was introduced to Hong Kong in 1997, and has proven to be successful in achieving clinical benefits and good public health outcomes. Studies indicated that the accessibility and effectiveness of medical services for AIDS patients and HIV infected individuals in Hong Kong are comparable to the best standards in developed Western countries. The medical services as described are accessible to all local patients, and there has been a 80% to 90% reduction in AIDS mortality and morbidity rate since HAART was introduced.

With the accumulation of patients from improved survival and the rising HIV epidemic among men who have sex with men, an increasing number of HIV and AIDS patients are under the care of the above services. Such patients increased by about 15% to 20% every year from 2005 to 2007. The annual drug cost for treating each patient was approximately \$100,000. To meet the increase in demand, the Government has allocated an extra \$30 million and \$12 million to the DH and the HA respectively in 2008-2009 for the additional drugs, manpower and laboratory tests required.

The Government will continue to monitor the situation closely and ensure that sufficient resources are made available to provide medical services for HIV infected people and AIDS patients.

Investment by Public Organizations

7. **DR JOSEPH LEE** (in Chinese): *President, it has recently been reported that the Hospital Authority (HA) used part of its funding from the Government for short-term investment, but as HA is bound by the investment guidelines which were issued by the Financial Services and the Treasury Bureau many years ago, it cannot invest in any non-Hong Kong dollar assets and stocks, its investment opportunities have therefore been limited, and the use of public funds has also been affected. In this connection, will the Government inform this Council:*

- (a) *which other public organizations besides the HA are also bound by the investment guidelines issued by the Financial Services and the Treasury Bureau;*
- (b) *whether it knows, in the past three years, the means of investment of the public organizations referred to in (a) and the returns of their investments; and*
- (c) *whether the authorities will revise the above investment guidelines; if not, of the reasons for that?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese): President, the Financial Services and the Treasury Bureau did not issue any investment guidelines for the HA. Under the Hospital Authority Ordinance (Cap. 113), the HA may invest money that is not immediately required. Such forms of investment shall be approved by the Secretary for Food and Health (SFH) after his consultation with the Secretary for Financial Services and the Treasury (SFST). In considering the HA's proposals, the SFH will strike a balance between enhancing investment returns and reducing investment risks. The current investment guidelines for the HA enable the HA to invest in a prudent and cost-effective manner through different fixed-income instruments, including certificates of deposit and bonds. The HA has also been given the flexibility to invest in equities and the HA would explore the best arrangement to make such an investment. As regards the three questions raised, the reply is as follows:

- (a) The statutory bodies that require the SFST's approval of their investment strategies mainly include the Hong Kong Housing Authority, Employees Retraining Board and Pneumoconiosis Compensation Fund Board.

- (b) The major investment instruments used by these bodies include bank deposits, bonds or equities. The rates of return on their investment for the past three years are as follows:

<i>Statutory Bodies</i>	<i>Rate of Return</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
Hong Kong Housing Authority	3.7%	6.1%	(Note)
Employees Retraining Board	3.4%	4.3%	4.0%
Pneumoconiosis Compensation Fund Board	4.4%	4.6%	4.8%

Note: The relevant financial year ends on 31 March 2008 and the figures are being worked out.

- (c) The above bodies or their finance or investment committees conduct regular reviews of their investment returns and strategies. They will submit proposals to the SFST for consideration if there is a need to revise their investment strategies.

Issue of Closed Area Permits

8. **MR CHEUNG HOK-MING** (in Chinese): *President, it has been reported that the Closed Area Permit Office has implemented a new measure on closed area permits since 1 April this year, under which residents, visitors and persons who need to access the Closed Area because of their work are issued grey, yellow and pink permits respectively in place of the original grey permits. Some residents of the Closed Area pointed out that the new measure might split the people within the Closed Area. In this connection, will the Government inform this Council:*

- (a) *of the purpose and details of introducing the above new measure; and*
- (b) *whether it has thoroughly consulted the District Councils (DCs), Rural Committees and residents concerned on such measure; if it has, of the relevant details (including the duration of consultation); if not, the reasons for that?*

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in the absence of Secretary for Security) (in Chinese): President,

- (a) The police introduced the newly designed Closed Area Permits (CAPs) on 1 April 2008, with grey, yellow and pink CAPs to be issued to residents of the Frontier Closed Area (FCA), visitors to the FCA and persons who need to enter the FCA for work purposes respectively. The new CAPs replace the original ones which were all grey in colour.

The introduction of CAPs of different colours is to facilitate front-line police officers in identifying different CAP categories and verifying the identity of CAP holders. It will also minimize the possibility of forgery of CAPs, thus enhancing the police's operational efficacy in maintaining the security of the FCA. The existing CAP application procedures and issuing criteria have remained unchanged.

- (b) In March 2008, the police issued a document to the North DC to explain the new measure. The police also consulted the Rural Committees of the North District, including the San Tin, Sheung Shui, Ta Kwu Ling and Sha Tau Kok Rural Committees, and obtained the Committees' support.

Admission Schemes for Mainland People

9. **MR JAMES TO** (in Chinese): *President, regarding the various admission schemes for mainland people, will the Government inform this Council:*

- (a) *in each of the past five years, of the respective numbers of mainland people who were granted visas to work or reside in Hong Kong under the Admission of Talents Scheme, the Admission of Mainland Professionals Scheme, the Admission Scheme for Mainland Talents and Professionals and the Quality Migrant Admission Scheme, as well as the number of overseas Chinese nationals who were employed to work in Hong Kong as professionals; of the total number of these people in the past five years and, among them, the number of those who had already left Hong Kong, broken down by age groups each covering five years;*

- (b) *of the number of dependants who came to Hong Kong with these people in the past five years; and, among these dependants, the respective numbers of those who have already left Hong Kong and those who are still staying in Hong Kong and are engaged in jobs, broken down by their education attainment and age groups (each covering five years);*
- (c) *whether it has assessed the average number of local employment opportunities created by each of these people; and*
- (d) *whether it has assessed the impact of the authorities' allowing these people to bring in their dependent children to study in Hong Kong on the opportunities for local young people to enter universities, as well as the impact of granting visas to mainland people aged under 30 to work in Hong Kong under the above schemes on the employment opportunities of local university graduates; if it has, of the details; if not, whether it will make the relevant assessment?*

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in the absence of Secretary for Security) (in Chinese): President, regarding the breakdown figures of the various admission schemes, our reply is as follows:

- (a) The numbers of mainlanders and overseas Chinese nationals who were allowed to come to work or reside in Hong Kong in the past five years are as follows:

<i>Scheme</i> \ <i>Year</i>	2003	2004	2005	2006	2007
Admission Scheme for Mainland Talents and Professionals	1 428*	3 745	4 029	5 031	6 075
Overseas Chinese nationals entering Hong Kong to take up employment#	205	264	235	346	437
Quality Migrant Admission Scheme^	Not Applicable	Not Applicable	Not Applicable	21	151
Total	1 633	4 009	4 264	5 398	6 663

- * The Admission Scheme for Mainland Talents and Professionals was introduced in July 2003 to replace the Admission of Talents Scheme and the Admission of Mainland Professionals Scheme. The above figure of 1 428 mainlanders allowed to come to Hong Kong for work under the new scheme in 2003 includes 78 allowed to come under the two previous schemes in the same year.
- # The arrangement for overseas Chinese nationals entering Hong Kong to take up employment is applicable to holders of People's Republic of China passport who do not have permanent residence overseas but are residing overseas at the time of application and have lived overseas for at least one year immediately before an application is submitted.
- ^ The Quality Migrant Admission Scheme has been implemented since June 2006.

The Immigration Department (ImmD) does not keep statistics on the number of people who were allowed to come to Hong Kong under the above arrangements but then left. For breakdown figures of each type of approved entrants by age groups as mentioned in the question, only those in respect of the Quality Migrant Admission Scheme are kept:

Approved Entrants under the Quality Migrant Admission Scheme

<i>Age</i> \ <i>Year</i>	<i>2006</i>	<i>2007</i>
50 or above	0	0
45 – 49	2	6
40 – 44	1	32
35 – 39	8	35
30 – 34	7	54
25 – 29	2	22
20 – 24	1	2
Under 20	0	0
Total	21	151

- (b) The numbers of people who were allowed to come and stay in Hong Kong as dependants (that is, spouses and unmarried dependant children below the age of 18) of the above mainlanders and overseas Chinese nationals in the past five years are as follows:

<i>Scheme</i> \ <i>Year</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
Admission Scheme for Mainland Talents and Professionals	253*	528	638	897	1 347
Overseas Chinese nationals entering Hong Kong to take up employment	62	64	51	63	80
Total	315	592	689	960	1 427

* The figure of 253 dependants allowed to come to Hong Kong in 2003 includes 47 dependants of applicants admitted under the two previous schemes in the same year.

As regards the Quality Migrant Admission Scheme, a total of 205 dependents of 212 successful applicants (including 172 mainlanders and overseas Chinese nationals) were allowed to come to Hong Kong in 2006 and 2007.

The ImmD does not keep information on the education attainment and age profile of these dependants; and whether the dependents have already left Hong Kong or are still in Hong Kong, and so on.

- (c) The pace of job creation in private enterprises hinges on various factors, including the rate of economic growth, the human resources policies of the enterprises, the demand and supply in the local labour market, and so on. Therefore, it is difficult for the Government to assess the number of local employment opportunities created by mainlanders admitted under the various admission schemes. That said, the Government recently conducted a questionnaire survey with the local employers who have successfully sponsored mainland talents to come to Hong Kong under the Admission Scheme for Mainland Talents and Professionals. According to the survey findings, the employers concerned estimated that arising from every mainland talent admitted, on average about 1.2 new posts for local people were created in their companies.

Moreover, those employers generally consider that the talent admitted could help raise work efficiency, improve customer

relations, tap new markets and expand their business profile, in addition to strengthening networks between Hong Kong with the Mainland. Such spin-off benefits could help increase the overall production capacity of our economy and promote economic growth, thereby creating more jobs in the local labour market.

- (d) The future population structure of Hong Kong is affected by a number of factors, including the local birth rate, the number of immigrants and emigrants, and so on. As such, the Government has difficulty in assessing the impact of the entry of accompanying dependent children into Hong Kong on the opportunities for local young people to enter universities.

According to the graduate employment surveys conducted by the institutions funded by the University Grants Committee (UGC), the unemployment rate of graduates of full-time UGC-funded programmes in the 2005-2006 academic year was 1.4%, which was lower than those of the 1.6% and 2.0% in the 2004-2005 and 2003-2004 academic years respectively (the relevant figures were calculated as at 31 December following the end of those academic years). These figures show that with the sustained economic development, the employment situation of local university graduates has been improving and unaffected by the increasing number of mainland professionals allowed to come to work in Hong Kong in recent years. The Government will continue to keep in view the employment situation and endeavour to facilitate economic development in order to facilitate the market to create more job opportunities.

Enforcement of Legislation to Prevent Cruelty to Animals

10. **MISS CHOY SO-YUK** (in Chinese): *President, although the Prevention of Cruelty to Animals (Amendment) Bill 2006 was passed by the Legislative Council at the end of 2006 to raise the penalties for offences relating to cruelty to animals, incidents involving serious animal abuse, some of which even caused the death of the animals concerned, occurred frequently in recent months. In this connection, will the Government inform this Council:*

- (a) *whether it will review the enforcement of the existing legislation concerned; if it will, of the details; if not, the reasons for that;*
- (b) *whether it will review if the existing penalties concerned have adequate deterrent effects; if it will, of the details; if it will not, the reasons for that; and*
- (c) *of the statistics on the prosecutions instituted and penalties imposed under the Prevention of Cruelty to Animals Ordinance (the Ordinance) (Cap. 169) in the past two years (broken down according to the following tables)?*
- (i) *By prosecution results and penalties imposed*

<i>Prosecution results</i>	<i>Number of cases</i>		
	<i>2006</i>	<i>2007</i>	<i>Total</i>
<i>Not convicted</i>			
<i>Penalties imposed on the convicted persons</i>			
<i>(i) Immediate imprisonment</i>			
<i>(ii) Community service order</i>			
<i>(iii) Bound-over/Conditional discharge</i>			
<i>(iv) Fine</i>			
<i>(v) Caution</i>			
<i>(vi) Total</i>			
<i>Total number of prosecutions</i>			

- (ii) *By the government departments which instituted the prosecutions*

<i>Prosecuting departments</i>	<i>Number of cases</i>					
	<i>2006</i>			<i>2007</i>		
	<i>Not convicted</i>	<i>Convicted</i>	<i>Total</i>	<i>Not convicted</i>	<i>Convicted</i>	<i>Total</i>
<i>(i) Hong Kong Police Force</i>						
<i>(ii) Agriculture, Fisheries and Conservation Department</i>						
<i>Total</i>						

(iii) *By the term of imprisonment imposed on the convicted persons*

<i>Term of imprisonment imposed on the convicted persons</i>	<i>2006</i>	<i>2007</i>	<i>Total</i>
<i>Number of cases in which the following term of imprisonment was imposed:</i>			
<i>(i) Less than one month</i>			
<i>(ii) one month or above</i>			
<i>Total number of cases in which imprisonment was imposed</i>			
<i>Average term of imprisonment imposed</i>			

(iv) *By the amount of fine imposed on the convicted persons*

<i>Amount of fine imposed on the convicted persons</i>	<i>2006</i>	<i>2007</i>	<i>Total</i>
<i>Number of cases in which the following amount of fine was imposed:</i>			
<i>(i) Less than \$1,000</i>			
<i>(ii) \$1,000 to \$1,999</i>			
<i>(iii) \$2,000 to \$2,999</i>			
<i>(iv) \$3,000 to \$3,999</i>			
<i>(v) \$4,000 or above</i>			
<i>(vi) Total</i>			
<i>Average amount of fine imposed</i>			

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

- (a) The Ordinance is the main legislation against animal abuse. The Administration will review the enforcement of the Ordinance from time to time. To enhance co-operation in handling animal cruelty cases between departments, the police, Agriculture, Fisheries and Conservation Department (AFCD), Food and Environmental Hygiene Department and Society for the Prevention of Cruelty to Animals (Hong Kong) have jointly reviewed the existing procedures for initial investigation at incident scenes, subsequent investigation

and follow-up work. The current enforcement of the Ordinance is considered to be generally satisfactory.

- (b) The maximum penalty under the Ordinance was increased to a fine of \$200,000 and three years' imprisonment in 2006. It should constitute substantial deterrence. The Administration will continue to monitor the implementation of the Ordinance to see if there is a need for further review of the penalties.
- (c) Figures on prosecutions instituted and penalties imposed under the Ordinance in the past two years are tabulated below.
- (i) Breakdown by prosecution results and penalties imposed

<i>Prosecution results</i>	<i>Number of cases</i>		
	<i>2006</i>	<i>2007</i>	<i>Total</i>
Not convicted	2	2	4
Penalties imposed on the convicted persons			
(i) Immediate imprisonment	3	7*	10*
(ii) Community service order	1	7	8
(iii) Bound-over/Conditional discharge	3	0	3
(iv) Fine	21	26*	47*
(v) Caution	0	1	1
(vi) Total	28	40*	68*
Total number of prosecutions	30	42*	72*

* In one of the cases, the defendant was both imprisoned and fined for a single crime.

- (ii) Breakdown by government departments which instituted the prosecutions

<i>Prosecuting departments</i>	<i>Number of cases</i>					
	<i>2006</i>			<i>2007</i>		
	<i>Not convicted</i>	<i>Convicted</i>	<i>Total</i>	<i>Not convicted</i>	<i>Convicted</i>	<i>Total</i>
(i) Police	2	20	22	2	30#	32#
(ii) AFCD	0	8	8	0	10	10
Total	2	28	30	2	40	42

Including two joint operations by the police and AFCD

- (iii) Breakdown by the term of imprisonment imposed on the convicted persons

<i>Term of imprisonment imposed on the convicted persons</i>	<i>2006</i>	<i>2007</i>	<i>Total</i>
Number of cases in which the following term of imprisonment was imposed:			
(i) Less than one month	0	2	2
(ii) one month or above	3	4	7
Total number of cases in which imprisonment was imposed	3	6	9
Average term of imprisonment	About seven weeks	About six weeks	About six weeks

- (iv) Breakdown by the amount of fine imposed on the convicted persons

<i>Amount of fine imposed on the convicted persons</i>	<i>2006</i>	<i>2007</i>	<i>Total</i>
Number of cases in which the following amount of fine was imposed:			
(i) Less than \$1,000	9	4	13
(ii) \$1,000 to \$1,999	9	5	14
(iii) \$2,000 to \$2,999	3	10	13
(iv) \$3,000 to \$3,999	0	5	5
(v) \$4,000 or above	0	2	2
(vi) Total	21	26	47
Average amount of fine	About \$905	About \$2,187	About \$1,614

Nuisances Caused by Aircraft Noises

11. **MR ALBERT CHAN** (in Chinese): *President, in reply to my question at the Council meeting on 29 March 2006, the Government indicated that the Civil Aviation Department (CAD) had since October 1998 implemented a series of aircraft noise mitigating measures to minimize the impact of aircraft noise on the communities near the flight paths (for example, to avoid aircraft overflying densely populated areas in the early hours, arrangements were made for flights departing Hong Kong between 11 pm and 7 am to use the southbound route via the West Lamma Channel as far as possible, while flights arriving in Hong Kong between midnight and 7 am were directed to land from the waters southwest of the airport). However, I have learnt that up till now aircraft noise during the above hours still often causes nuisance to residents of many housing estates, making it difficult for them to fall sleep. In this connection, will the Government inform this Council:*

- (a) *of the figures on aircraft noise levels which reached 70 to 74, 75 to 79, and up to or over 80 decibels (dB) during the above hours, as recorded by various noise monitoring terminals last year;*
- (b) *of the types of aircraft the aircraft noise levels of which reached 80 dB or above last year and their operating airline companies; and*
- (c) *whether the existing aircraft noise mitigating measures will be enhanced to reduce the nuisance caused to residents; if so, of the details?*

SECRETARY FOR THE ENVIRONMENT (in the absence of Secretary for Transport and Housing) (in Chinese): *President,*

- (a) **At present, there are 16 noise monitoring terminals in Hong Kong. The required noise events recorded at these terminals in 2007 are set out at Annex 1;**
- (b) **The types of aircraft with noise events exceeding 80 dB in 2007 and the operating airlines concerned are set out at Annex 2;**

- (c) Without affecting flight safety and air traffic operation, the CAD has since October 1998 implemented a series of noise mitigating measures to minimize the impact of aircraft noise on the areas near the flight paths. Such measures, apart from those mentioned in the question, include:
- (i) to reduce the aircraft noise impact on Tsing Lung Tau, Sham Tseng and Ma Wan, all aircraft taking off towards the northeast of the airport are required to follow the noise abatement departure procedures prescribed by the International Civil Aviation Organization to reach a higher altitude within a shorter distance;
 - (ii) aircraft approaching from the northeast between 11 pm and 7 am adopt the Continuous Descent Approach when landing to reduce aircraft noise impact on areas such as Tseung Kwan O, Sai Kung and Ma On Shan; and
 - (iii) with effect from July 2002, the CAD has banned all aircraft which has a higher noise level, as defined in Chapter 2 of Volume I, Part II of Annex 16 to the Convention on International Civil Aviation, from landing and taking off in Hong Kong.

The CAD will continue to monitor the use of the flight paths of aircraft landing and departing the airport and the aircraft noise impact through the Aircraft Noise and Flight Track Monitoring System. It will also continue to closely monitor international aviation technology developments and consider all possible measures to further mitigate aircraft noise.

Annex 1

Noise Events Recorded at the Noise Monitoring Terminals in 2007 (Aircraft Noise Events Exceeding 70 dB Recorded During 11 pm to 7 am the Next Day)

<i>Noise Monitoring Terminals</i>	<i>Noise Level (dB)</i>		
	<i>70 to < 75</i>	<i>75 to < 80</i>	<i>≥ 80</i>
1. Mei Lam Estate, Tai Wai	18	0	0
2. On Yam Estate, Kwai Chung	132	8	0

<i>Noise Monitoring Terminals</i>	<i>Noise Level (dB)</i>		
	<i>70 to < 75</i>	<i>75 to < 80</i>	<i>≥ 80</i>
3. Yiu Tung Estate, Shau Kei Wan	29	5	0
4. Beverly Height, Cloud View Road, North Point	37	7	0
5. Fairmont Garden, Conduit Road, Mid-Levels	13	2	1
6. Hong Kong Garden, Tsing Lung Tau	3 025	316	18
7. Sha Lo Wan, Lantau	2 358	1 041	114
8. Fu Tung Estate, Tung Chung	215	30	6
9. Ma Wan Marine Control Centre, Ting Kau	1 288	57	8
10. Park Island, Ma Wan	6 168	1 995	310
11. Tai Lam Chung Tsuen Public Building	316	27	5
12. Greenview Court, Yau Kom Tau, Tsuen Wan	326	9	6
13. Cheung Hang Estate, Tsing Yi	229	18	1
14. Siu Ho Wan MTRC Depot, Sunny Bay	5 012	745	13
15. Mount Butler Road, Jardine's Lookout	27	4	0
16. Mount Haven, Liu To Road, Tsing Yi	75	18	1

Annex 2

**Aircraft Types and Their Operating Airlines with Noise Events
Exceeding 80 dB Recorded
From 1 January to 31 December 2007**

<i>Airlines</i>	<i>Aircraft Type</i>
AHK Air Hong Kong	Boeing 727-200
Air Bridge Cargo	Boeing 747-200
Air Canada	Airbus Industrie A340-500
Air China	Boeing 747-200

<i>Airlines</i>	<i>Aircraft Type</i>
Air France	Boeing 747-200
	Boeing 747-400
Air New Zealand	Boeing 747-400
All Nippon Airways	Boeing 767-300
Atlas Air	Boeing 747-200
Aviation Enterprise tesis	Boeing 747-200
British Airways	Boeing 747-400
Cargolux Airlines International	Boeing 747-400
Cathay Pacific Airways	Airbus Industrie A330-300
	Airbus Industrie A340-300
	Boeing 747-200
	Boeing 747-300
	Boeing 747-400
	Boeing 777-300
China Airlines	Airbus Industrie A330-300
	Boeing 737-800
China Eastern Airlines	Airbus Industrie A319
	Airbus Industrie A320
	Airbus Industrie A330-300
	Boeing 767-300
	McDonnell Douglas MD-90
China Southern Airlines	Boeing 737-300
El Al Israel Airlines	Boeing 747-200
Emirates	Boeing 747-400
EVA Air	Airbus Industrie A330-200
	Boeing 747-400
Evergreen International Airlines	Boeing 747-100
	Boeing 747-200
Federal Express	McDonnell Douglas MD-11
Hong Kong Airlines	Boeing 737-800
Hong Kong Dragon Airlines	Airbus Industrie A320
	Airbus Industrie A321
	Airbus Industrie A330-300
	Boeing 747-300
	Boeing 747-400
Japan Airlines	Boeing 747-200

<i>Airlines</i>	<i>Aircraft Type</i>
Kalitta Air	Boeing 747-100
	Boeing 747-200
KLM Royal Dutch Airlines	Boeing 747-400
Korean Air	Boeing 737-800
Lufthansa Cargo	Boeing 747-200
Martinair	Boeing 747-400
Northwest Airlines	Boeing 747-200
Oasis Hong Kong Airlines	Boeing 747-400
Ocean Airlines	Boeing 747-200
Philippine Airlines	Airbus Industrie A330-300
Qantas Airways	Boeing 747-400
Saudi Arabian Airlines	Boeing 747-200
	Boeing 747-300
Shanghai Airlines	Boeing 767-300
Singapore Airlines Cargo	Boeing 747-400
Sky Express	Boeing 747-200
Thai Global Airlines	Boeing 727-200
Transmile Air Services	Boeing 727-200
	McDonnell Douglas MD-11
United Airlines	Boeing 747-400
UPS Parcel Delivery Services	Boeing 747-100
	Boeing 747-200
	McDonnell Douglas MD-11
Volga-Dnepr	Boeing 747-200

Capital Investment Entrant Scheme

12. **DR DAVID LI:** *President, according to statistics provided on the website of the Immigration Department (ImmD), as at 31 December 2007, a total of 1 114 Chinese nationals with permanent residence overseas had been granted formal approval under the Capital Investment Entrant Scheme (CIES), while 244 other such persons had been granted approval-in-principle. In this connection, will the Government inform this Council:*

- (a) *whether the above statistics refer to the total number of approvals granted since the introduction of the CIES, or to the number of approvals granted in 2007 alone; and*

- (b) *of the breakdown of the above statistics by country of permanent residence of such persons?*

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in the absence of Secretary for Security): President, our reply on the data of the approved applications under the CIES is as follows:

- (a) The 1 114 Chinese nationals with permanent residence overseas (relevant applicants) who have been granted formal approval refer to the cumulative total from the introduction of the CIES in October 2003 till 31 December 2007.

The 244 relevant applicants who have been granted approval-in-principle refer to the figure as at 31 December 2007. Having proved they had made the required investment, these applicants can obtain formal approval and permission to stay in Hong Kong.

- (b) The breakdown by country/place of permanent residence of the above 1 114 relevant applicants who have been granted formal approval is as follows:

<i>Country/Place</i>	<i>Applicants granted formal approval</i>
Gambia	414
Canada	208
New Zealand	126
Nauru	75
Australia	62
The Philippines	61
Niger	58
Guinea-Bissau	42
The United States of America	35
Singapore	11
Kiribati	5
The United Kingdom	3
Japan	3

<i>Country/Place</i>	<i>Applicants granted formal approval</i>
Thailand	3
Brazil	1
Costa Rica	1
France	1
Hungary	1
Madagascar	1
Mali	1
Malta	1
Poland	1
Total	1 114

The ImmD does not keep statistics regarding the country/place of permanent residence of the above 224 relevant applicants who have been granted approval-in-principle.

Liver Transplantation

13. **DR KWOK KA-KI** (in Chinese): *President, it has been reported that the efficiency of the liver transplant team of the Liver Transplant Centre of the Queen Mary Hospital (QMH), which was formed by teaching staff of the University of Hong Kong (HKU) Li Ka Shing Faculty of Medicine and doctors of the Hospital Authority (HA), has dropped as a result of the resignation of some of the team's doctors due to staff disputes which had arisen earlier. There have been comments that as the team is the only liver transplant service provider in Hong Kong, the above incident will have a long-term impact on Hong Kong's liver transplant service. In this connection, will the Government inform this Council:*

- (a) *whether the Government will urge the HKU and HA to give an account of the above incident;*
- (b) *given that it has been reported that the above staff disputes involved the Head of the Department of Surgery, local and expatriate doctors, as well as faults in liver transplant surgeries, whether the Government knows how the HKU ensures that doctors who are local graduates have sufficient opportunities to receive training and gain*

sufficient clinical experience, in order to handle the work of the liver transplant team;

- (c) given that the above Liver Transplant Centre is currently the only liver transplant service provider in Hong Kong, what contingency measures will be adopted by the authorities upon disruption of the Centre's normal service due to emergency, personnel or other factors to ensure that the impact of such incidents on the public will be minimized; and*
- (d) whether the Government has formulated any long-term plan to facilitate the training of health care staff who provide liver transplant service?*

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

- (a) Liver transplants in the Liver Transplant Centre of QMH are currently performed by the Liver Transplant Team under the Hepatobiliary and Pancreatic Surgery Division. Staff changes of the Liver Transplant Team are internal matters of the HKU and the HA. We do not comment on individual cases of staff changes.
- (b) The Liver Transplant Centre of QMH is a world-renowned surgical centre and there are from time to time overseas doctors coming to the Centre to undergo practical training. At present, doctors undergoing training in the Liver Transplant Centre include those doctors under specialist training. Through engaging in liver transplant operations under the personal guidance of professors or consultants, they can acquire the necessary expertise, experience and skills for becoming liver transplant professionals.
- (c) Before the liver transplant operations in the HA are centralized in QMH, the overall survival rate of the HA's liver transplant patients at one year post transplant was 83%. Since QMH became the only Liver Transplant Centre in Hong Kong in 2003, the HA has been able to consolidate its relevant resources and expertise at a single location. This has not only facilitated the co-ordination and performance of liver transplants, but also allowed the transplant

team to continuously accumulate more valuable experience. So far, the Liver Transplant Centre of QMH has completed over 619 liver transplants. Since each operation is led by professors or consultants in person, the overall patient survival rate at one year after transplant is 95%, which is at the top-tier level internationally. Hence, it can be seen that the current arrangement has greatly enhanced the effectiveness of liver transplant operations.

Over the past five years, the Liver Transplant Centre performed 52 to 76 liver transplant operations each year. As at January 2008, there are in total around 11 full-time equivalent doctors in the hepatobiliary and pancreatic surgery team with seven of them attached to the liver transplant team. The team is assisted by other doctors under training and doctors in other specialties (such as intensive care, anaesthesiology, and so on). The HA has always been able to ensure that the Centre has sufficient manpower and experienced personnel for conducting liver transplant operations to meet service demands. In addition, the Central Co-ordinating Committee on Surgical Services of the HA reviews the operation of the Liver Transplant Centre from time to time to ensure the smooth operation of the Centre.

- (d) The achievements of the Liver Transplant Centre of QMH have been well recognized internationally. The Centre will continue its efforts to provide training for health care personnel and specialist doctors on liver transplant operations in order to meet the service needs in Hong Kong and maintain good clinical outcome of the operations. Meanwhile, we will step up promotional efforts on organ donation to enhance public awareness of the importance of organ donation and nurture a social culture which embraces the notion of voluntary organ donation.

Handling of Exhibits by Police

14. **MS EMILY LAU** (in Chinese): *President, some members of the public have recently told me that in February this year when the police were investigating a case relating to the circulation of nude photos of artistes on the Internet, some police officers made copies of the photos inside an artiste's*

portable computer, produced CD-ROMs of them and stored them in flash memory chips, and circulated such CD-ROMs and memory chips within the Police Force and among their relatives for perusal. In this connection, will the executive authorities inform this Council:

- (a) whether they are aware of the aforesaid situation; if so, how they will deal with the police officers concerned; if not, whether they will conduct an investigation into this matter;*
- (b) how the police take care of exhibits stored in electronic form, and whether they have assigned staff to guard these exhibits to prevent unauthorized access to them; if so, of the details;*
- (c) of the persons who are authorized to access exhibits stored in electronic form, and whether they are required to report to their superiors that they have accessed the exhibits and record the details of such access; and*
- (d) how the police will prevent the leak of personal data and privacy information involved in exhibits stored in electronic form?*

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in the absence of Secretary for Security) (in Chinese): President,

- (a) The police are not aware of any instance of the situation described in the main question. If there is any evidence suggesting that police officers were involved in improper behaviour or act in contravention of the Force's internal guidelines, the police will initiate investigation in accordance with established procedures.

(b) to (d)

The police handle all types of exhibits (including exhibits stored in electronic form) in accordance with the same procedure. If a police officer seizes any exhibit in the course of an investigation, he is required to deposit the exhibit with the officer in the respective police station who is responsible for handling exhibits. This officer will record, seal and properly store the exhibit. Only

authorized officers or officers handling the case may retrieve the exhibits for specified purposes, including follow-up investigation, attendance in court, forensic examination, and so on. The reason for the retrieval or return of the exhibit, as well as the details of the relevant responsible officer(s), must be recorded.

Supervisory officers conduct regular checks on exhibits and monitor the officers who are designated to handle exhibits in order to ensure that exhibits are properly managed. Upon the completion of a case, an officer at the rank of Chief Inspector will be responsible for authorizing the return, destruction or other disposal means of the relevant exhibits.

The Personal Data (Privacy) Ordinance (Cap. 486) stipulates the requirements concerning the handling and use of personal data for the purpose of protecting privacy. The police strictly comply with the relevant requirements. The existing Force's procedures on the handling and use of exhibits (including exhibits stored in electronic form) comply with the requirements for protecting data as set out in the Personal Data (Privacy) Ordinance.

Installation of Wi-Fi Antennas on Lamp Posts

15. **MR SIN CHUNG-KAI** (in Chinese): *President, the Government has made available facilities in public streets and government properties to authorized operators for the installation of Wi-Fi antennas. However, I learnt that recently, an operator planned to install Wi-Fi equipment on lamp posts for conducting tests, but the power company concerned indicated that it could not install a separate electricity meter for the operator, and the Highways Department (HyD) also indicated that sharing its power supply with the operator was infeasible. As a result, the operator was unable to conduct the relevant tests. In this regard, will the Government inform this Council:*

- (a) *of the government departments, other than HyD, which have received applications from operators for the installation of Wi-Fi equipment, and the facilities identified for installing Wi-Fi equipment in those applications;*

- (b) *whether it knows the technical problems encountered by operators in carrying out plans to install Wi-Fi equipment on various types of government properties and facilities; and*
- (c) *of the technical details of power supply problem involved in the installation of Wi-Fi equipment on lamp posts under HyD; how the Office of the Telecommunications Authority (OFTA) will co-ordinate the efforts of various parties to resolve the power supply problem for Wi-Fi equipment?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, to promote the development of Hong Kong as a leading wireless city, the OFTA revised in March 2007 the "Guidance Note for Submission of Application for Installing Micro-cell Base Station on Highway Facilities or on Unleased and Unallocated Government Land" to facilitate operators to install Wi-Fi equipment on facilities in public streets (such as lamp posts). The Guidance Note sets out in detail the relevant application methods, procedures and requirements. The OFTA is also responsible for co-ordinating with relevant departments to process applications from operators.

My reply to the question is as follows:

- (a) Apart from using lamp posts under the management of the HyD to install Wi-Fi equipment, applications from operators have been received by the Housing Department for installing Wi-Fi equipment at public housing estates under its management. The applications have been approved and currently there are some 900 public Wi-Fi hotspots set up at the lobbies on the ground floor of public housing estates. Besides, applications from operators for installing Wi-Fi equipment at public payphone kiosks have been received by the Lands Department. Following the approval of the applications, some 900 Wi-Fi hotspots have been set up at public payphone kiosks.
- (b) To provide free Wi-Fi service at government venues for the public, we have launched the Government Wi-Fi Programme in phases to roll out free Wi-Fi wireless broadband Internet services at some 350 government venues with high public patronage. The operator

concerned has not indicated any significant technical problems encountered when installing Wi-Fi equipment at the Government venues.

Regarding the installation of Wi-Fi equipment on lamp posts, operators have to submit a specific technical proposal to the HyD and the Transport Department in order to ensure that the Wi-Fi installations to be mounted on the lamp posts will not adversely affect the structure of the lamp posts, the operation of the street lamps, road users and the environment. Currently, since the electrical installations of lamp posts are not designed to supply electricity on a 24-hour basis, operators have to submit proposals on the arrangement for electricity supply.

- (c) As the electrical installations of lamp posts are not designed to supply electricity on a 24-hour basis, operators have to arrange for separate electricity supply for the Wi-Fi installations on lamp posts. The OFTA, together with the HyD, has held meetings with the operators interested in installing Wi-Fi equipment on lamp posts to discuss the issues to be noted when installing such device, including the issue of electricity supply. Arrangements have also been made for individual operators to visit the street lamp maintenance centre of the HyD to learn more about the structure and internal wiring of lamp posts, with a view to assisting them in developing feasible options for supplying electricity to the Wi-Fi equipment on lamp posts. After deliberation, the operators are now considering various options, including (1) to supply direct current (DC) power to the Wi-Fi equipment on the lamp posts from the operators' existing facilities in the vicinity; (2) to transmit power to the installations along with the Wi-Fi data link through the same cable (that is, Power over Ethernet); and (3) to apply to the power companies direct for electricity supply. In this connection, if the operators need to conduct tests for their Wi-Fi equipment, the HyD will make available lamp posts and/or controller boxes at suitable locations to facilitate their testing with temporary overhead wires.

The OFTA will continue to co-ordinate with relevant departments to actively discuss electricity supply arrangements with operators so as to facilitate the provision and expansion of wireless services and network coverage in Hong Kong by the industry.

Services and Development of Public Libraries

16. **MR FREDERICK FUNG** (in Chinese): *President, last year, the Audit Commission and the Committee on Libraries respectively put forward a number of recommendations on the services and development of public libraries. In this connection, will the Government inform this Council:*

- (a) *of the progress of the regular checking of inventories of library materials and the details of the work in this respect, the missing rates of library items in various libraries and the measures to reduce such rates;*
- (b) *whether it has reviewed the reference proportions of and the acquisition policy for library materials; whether it will consider enhancing the provision of library services for specific groups of persons and the elderly (for examples, providing more large print books in libraries situated in areas where more elderly people live; providing home delivery service of library materials for the elderly and persons with disabilities; providing materials in the languages of the ethnic minorities in libraries situated in areas where more such ethnic minorities live; providing more materials on vocational skills and language learning in libraries situated in areas with more low-income families, as well as extending library opening hours so as to facilitate the use of library services by the working people);*
- (c) *of the progress of the involvement of various District Councils (DCs) in the management of public libraries, the progress of the Community Libraries Partnership Scheme and the details of the work in this respect, and whether it will substitute public libraries with community libraries; if not, whether the government departments concerned will co-ordinate their efforts so as to expeditiously set up a public library in the West Kowloon New Reclamation Area (that is, the area around Hoi Lai Estate, AquaMarine and Fu Cheong Estate);*
- (d) *whether it will consider making more use of public libraries to promote civic education by, for example, allowing non-profit-making organizations and social enterprises to rent libraries for holding promotional and sales activities in this respect; and*

- (e) *of the number of professional librarians and their percentage in the existing staff establishment of public libraries, whether it will set a target for raising the percentage to international standards and the implementation timetable in this respect?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President,

- (a) Since mid-July 2007, stock-taking of library collection have been conducted in various public libraries under the Leisure and Cultural Services Department (LCSD) according to a prescribed schedule and the sampling approach recommended by the Audit Commission. Forty-five libraries have completed the exercise by now, and the average success rate of stock-taking is 98.6%. It is expected that the stock-taking of all the 76 libraries under the public library system will be finished in a year. Libraries will, pursuant to the established mechanism, follow up and deal with as early as possible those items which cannot be successfully taken stock. All libraries are now installed with book detection systems and closed circuit television surveillance systems for enhancing the security of library materials. The status of individual items is also regularly monitored through status reports and the annual stock-taking exercise. The LCSD has planned to conduct a pilot scheme on the use of the Radio Frequency Identification Technology for better management of library materials in six libraries in 2010. The result of the pilot scheme will help the Hong Kong Public Libraries (HKPL) to formulate services improvement plans.
- (b) The HKPL have been following the principles laid down in the UNESCO Public Library Manifesto in acquiring library materials for the building up and continued development of a balanced and diversified library collection to meet the community's needs for information, research, self-learning, and profitable use of leisure. To align with the overall direction of collection development, the libraries in drawing up their annual plans for acquiring materials do not only assess the reading needs and interest of the community, but also take into consideration the relevant social, economic, and population factors of their respective districts. In addition, the

public libraries make reference to statistics on library usage, analysis of library users' reading interest, demographic data, readers' suggestions on library purchase, views of customer liaison groups and district organizations, and so on.

The development of library collection supports the provision of lending, newspaper and periodical reading, and reference services. The materials acquired should cover as many subjects as possible and cater for the self-learning needs of the community. In planning for the provision of library materials, individual libraries will take into account the population mix and needs of their respective districts and make appropriate adjustments to the proportion of library materials to be acquired. Examples of such adjustments include the increase of reading materials suitable for the elderly in accordance with the proportion of the elderly population in the district, and the provision of newspapers and periodicals in the languages of the ethnic minorities in libraries located in districts with a high population of ethnic minorities.

All branch libraries maintain close liaison with schools and local organizations in their respective districts. Apart from providing lending services of library materials to schools and non-profit making organizations including those voluntary agencies serving the disabled, the branch libraries join hands with local organizations to promote the services and development of libraries through the scheme of involving DCs in the management of libraries. The branch libraries also collaborate from time to time with other organizations in providing library extension services, such as organizing activities suitable for the youth, elderly, and ethnic minorities in libraries or local organizations.

On the issue of library opening hours, the Government has provided all DCs with additional resources for their involvement in the management of district facilities. Individual DCs may, in the light of specific local needs, extend the opening hours of public libraries in their respective districts in consultation with the LCSD. The extra expenditure incurred from the change of library service hours may be funded by the additional resources provided to the DCs.

- (c) The scheme to involve DCs in the management of district libraries in all the 18 districts was implemented in January 2008. In the past three months, district libraries have submitted their extension activity programmes for 2008-2009 to their respective DCs, and the proposals and relevant funding applications have been endorsed by the DCs. A total amount of \$710,000 for funding these programmes has been granted to the 65 district libraries.

Furthermore, the LCSD is actively studying and following up the various suggestions raised by individual DCs, including extending library opening hours and setting up community libraries. Subject to compliance with relevant government policies, the district libraries will, in the light of the resources and manpower available, provide all possible support and assistance to the DCs with a view to delivering library services that better meet the needs of local residents.

To further develop the district libraries as community learning and reading centres for their respective districts and to extend library services to various sectors of the community, the HKPL introduced the "Libraries@neighbourhood — Community Libraries Partnership Scheme" in December 2005. The total number of materials on loan since the introduction of the scheme has amounted to about 1 million, and 54 community libraries are currently serving residents in various districts.

Under close collaboration with the District Facilities Management Committee of the Tuen Mun District Council and with additional resources provided through the pilot scheme, the HKPL set up four new community libraries in the district. The services provided have been well received so far. In Sai Kung District, nine community libraries have also been set up by seven local organizations under the funding of the Sai Kung District Council to provide booklending services to the local residents.

Since libraries of different types complement one another in their provision of services to different types of readers, the LCSD has no intention to substitute public libraries by community libraries. It will nonetheless join force with district bodies, including the DCs

and local organizations, to continue to make use of existing resources to implement, in an extensive scale, the Community Libraries Partnership Scheme to promote reading in the community.

Regarding the planning of library facilities, the LCSD plans new libraries in accordance with the standards set out in the Hong Kong Planning Standards and Guidelines (HKPSG) by the Planning Department, which stipulate that there should be a district library for every 200 000 persons and that planning should be made on a district basis so that at least one district library is provided for each district.

The population of Sham Shui Po District now stands at about 370 000. In this district the LCSD currently operates two district libraries (Lai Chi Kok and Po On Road Public Libraries), two small libraries (Pak Tin and Un Chau Street Public Libraries), and three mobile library service points (located in Hoi Lai Estate, Tai Hang Tung Estate, and Fu Cheong Estate). Generally speaking, the LCSD has conformed to the standards set out in the HKPSG in its provision of public library facilities in Sham Shui Po District. In addition, preparatory work for reprovisioning Pak Tin Public Library within the district to upgrade its facilities and to provide room for a larger library collection is in full steam. The LCSD is also preparing for the establishment of the third district library in the proposed Tung Chau Street Complex. Upon the completion of the project, there will be three district libraries, two standard small libraries, and three mobile library service points in Sham Shui Po District. As such, the Government does not have any plan to set up public libraries in the West Kowloon New Reclamation Area around Hoi Lai Estate, AquaMarine and Fu Cheong Estate for the time being.

- (d) The promotion of civic education is an integral part of the pluralistic cultural programme of public libraries. The HKPL organize cultural activities and seminars on a regular basis, for example, forums on "New Vision in the 21st Century: Outstanding Young Persons' Discourse on Globalisation, China Fever and Technology Revolution", subject seminars on "Cosmopolitan Hong Kong", talk series on "China and Hong Kong by Renowned Scholars and

Celebrities" and on "The Development of Hong Kong — Past and Future", and so on. These activities help young people and students enhance their community awareness and sense of identity.

In addition, the exhibition gallery, lecture theatre, and activity rooms of the Hong Kong Central Library are available for hire by community organizations for holding activities relating to arts, education, literary arts, library services, and government services, while the activity rooms of major and district libraries are available for hire by groups as venues of cultural activities. The HKPL will continue to work closely with community organizations so as to achieve synergy in the promotion of civic education.

- (e) At present, a total of 294 staff from the Librarian grade are responsible for the management of the HKPL. They are all trained professionals with practical experience. The ratio of professional staff is about 20%. Since library services and facilities vary from one city to another, the staff composition and ratio of libraries in other cities should only be taken as a reference. The HKPL will continue to strengthen the professional skills of its library staff through training and internal deployment with a view to providing the general public with quality library services.

Drug Addiction and Abuse of Psychotropic Substances Among Adolescents

17. **MR LAU KONG-WAH** (in Chinese): *President, regarding the problem of drug addiction and abuse of psychotropic substances among adolescents, will the Government inform this Council:*

- (a) *of the number of cases in the past two years in which adolescents were diagnosed with serious illness or found dead as a result of being addicted to drugs or abusing psychotropic substances, with details such as the drug addiction/substance abuse history of such adolescents, their average age, and so on.;*
- (b) *how the above figures compare with those in developed countries, and whether it has assessed if the problem is serious in Hong Kong;*

- (c) *whether the Task Force on Youth Drug Abuse has examined the measures taken by developed countries to tackle the social problem of adolescents suffering from illness or losing their lives as a result of drug addiction or abuse of psychotropic substances, and whether any of those measures have been identified as suitable for implementation in Hong Kong; and*
- (d) *whether it has reviewed the effectiveness of the publicity work on the harmful effects of drug addiction and abuse of psychotropic substances undertaken in the past by the authorities concerned, and whether it will step up its efforts to put the message across to adolescents that addiction to drugs or abuse of psychotropic substances can result in serious illness?*

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in the absence of Secretary for Security) (in Chinese): President,

- (a) The number of deaths resulting from drug abuse in Hong Kong was 194 and 155 in 2005 and 2006 respectively. Among them, there were respectively three and two cases involving youngsters aged below 21, with an average age of 17. We do not collate figures on drug abuse period of these youngsters and the number of youngsters diagnosed with serious illness as a result of drug abuse.
- (b) Since different places in the world adopt different definitions of drug-related death and reporting methods, there are practical difficulties to make direct comparison of statistics. But as an illustration, according to the definition of drug-related death adopted by the European Monitoring Centre for Drugs and Drug Addiction and latest statistics available, the rate of drug-related death involving youngsters (aged below 25) of Hong Kong (3.8 persons per million population in 2006) is lower than that of the United Kingdom (14.2 persons per million population in 2004) and that of Germany (7.3 persons per million population in 2005).
- (c) The Administration has all along adopted a "five-pronged" strategy, namely legislation and law enforcement, treatment and rehabilitation, preventive education and publicity, research and

external co-operation, to combat the menace of drug abuse, including the problem of youngsters suffering from illness or losing their lives as a result of drug abuse.

Over the past few months, the Task Force on Youth Drug Abuse (Task Force) led by the Secretary for Justice has conducted in-depth examination of the drug abuse problem including looking into relevant measures and experience of other countries, and devised a series of initial measures that can be implemented in the short to medium term.

Taking into account overseas experience, the Administration will launch a pilot scheme to enhance collaboration between medical professionals and social workers on the provision of body checks and motivational interviews to young drug abusers, and will provide training to private medical practitioners to widen the network for early intervention and referral to treatment at the community level. The Hospital Authority will also strengthen the medical treatment service of its substance abuse clinics. The Task Force will continue its deliberations in the coming months on other and long-term measures to tackle the problem.

- (d) The Administration evaluates the effectiveness of anti-drug publicity programmes from time to time. Our efforts include consultation with the Action Committee Against Narcotics and its Sub-committee on Preventive Education and Publicity; conducting public opinion survey; conducting regular surveys of drug use among students (including their views on anti-drug publicity and preventive education work); and arranging focus group meetings with front-line social workers, school heads, teachers, parent associations, students and rehabilitated young drug abusers. The evaluation is conducted through multiple means and perspectives to further enhance the publicity strategy.

On the preventive education front, the Task Force observes that many young people harbour misconceptions about psychotropic substances and wrongly believe that ketamine, ecstasy, and so on, are not as harmful as heroin. To mobilize the whole community to

fight against youth drug abuse and to correct misconceptions and wrong attitudes among the youth towards psychotropic substances, the Task Force will launch a territory-wide campaign against youth drug abuse in late June. At the central level, we will increase publicity efforts, including launching a new series of television and radio Announcements in the Public Interest, posters, leaflets, anti-drug theme songs, and booklets. We will also collaborate with District Councils, District Fight Crime Committees and local organizations to promote district-based anti-drug activities. Various sectors of the community including professional organizations, women associations, private corporations and business associations will be engaged to help foster a drug free culture.

Aside from efforts through the media and different sectors of the community, the Administration will strengthen drug education in schools in four areas, namely school policy, teacher professional development, parent education, and preventive education for students. We are committed to enriching teachers' knowledge and skills, encouraging parents to start preventive education at home, and building up students' ability to stay away from drugs.

CSSA Fraud Cases

18. **MR WONG TING-KWONG** (in Chinese): *President, it has been reported that in 2005-2006, the number of Comprehensive Social Security Assistance (CSSA) fraud cases substantiated by the Social Welfare Department (SWD) amounted to 764, involving an amount of over \$47 million. In 2006-2007, there were 896 such cases, involving an amount of over \$50 million. As at February this year, there were 960 such cases in 2007-2008, involving an amount of \$45.4 million. There is an upward trend as far as the numbers of cases are concerned. In this connection, will the Government inform this Council:*

- (a) *whether it has explored the causes of the rising number of CSSA fraud cases and how the persons involved in the above cases used the CSSA payments obtained by fraud;*

- (b) *of the heaviest penalty imposed on the persons convicted of defrauding the Government of CSSA payments;*
- (c) *how the authorities handle the problem of increasing CSSA fraud cases, and whether they have explored more effective preventive measures; if so, of the details; if not, the reasons for that; and*
- (d) *given that the SWD has specially appointed four former investigation officers of the Commercial Crime Bureau of the Police Force and Independent Commission Against Corruption as investigation advisers to investigate CSSA fraud cases, whether the SWD has assessed the effectiveness of their work and whether they can cope with the incessantly increasing CSSA fraud cases; if such an assessment has been made, of the outcome?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President, the CSSA Scheme provides a safety net for those who cannot support themselves financially. It is non-contributory but means-tested. The SWD reckons that those in genuine need should apply for CSSA to meet their basic needs. In the meantime, the SWD has made every effort to guard against fraud and abuse of CSSA.

My replies to the specific questions are set out below :

- (a) The increase in the number of substantiated CSSA fraud cases in recent years is partly due to greater public awareness, which leads to an increase in the reporting of suspected CSSA fraud cases to the SWD. The SWD conducts investigations with the information provided by members of the public. In addition, the SWD has strengthened the training for front-line staff to enhance their alertness to refer any suspected case immediately to the Fraud Investigation Teams (FITs) for in-depth investigation.

The CSSA recipients are free to spend the CSSA payments disbursed to them. We do not have information on how the recipients used the CSSA payments which could have been obtained by fraud.

- (b) From 2005-2006 to 2007-2008 (as at the end of February 2008), the heaviest penalty imposed on persons convicted of CSSA fraud cases was 18 months' imprisonment.
- (c) To ensure the integrity of the social security system, the SWD strives to enhance service efficiency and effectiveness in preventing and combating CSSA frauds and abuses.

In handling CSSA applications, SWD staff interview the applicants and pay home visits in order to verify the data provided by the applicants and their family members. They cross-check the data with the employers (including previous employers) or landlords of the applicants and their family members where necessary. Regular reviews are conducted on approved cases to ensure the continued eligibility of the recipients. In addition, data matching processes with other government departments and relevant organizations are regularly conducted to cross-check the information provided by the applicants and their family members.

The SWD has established the Special Investigation Section (SIS) for the prevention and investigation of CSSA fraud and abuse cases. Upon receiving reports from the public or referrals from front-line staff, the FITs under the SIS conduct in-depth investigation into the suspected fraud cases. To deter CSSA fraud, substantiated fraud cases are submitted to the Internal Committee on Fraud Cases for consideration on whether or not to refer them to the police for follow-up action. The Data-matching Team and Target Investigation Team of the SIS conduct data matching with other government departments and organizations, and review approved cases on a random basis.

To facilitate members of the public to report on suspected fraud cases, the SWD provides the Report Fraud Hotline and Information Form on Fraudulent Claims for CSSA. Anti-fraud panels are also installed at the reception and waiting areas of the social security field units in all districts to provide updated information on the number of fraud cases and penalties on convicted cases. This measure aims to serve as a deterrent and remind recipients to make honest reports on their circumstances and beware of the serious consequences of cheating on CSSA payment.

- (d) The SWD has appointed retired officers from the disciplined forces as Fraud Investigation Advisers. Apart from taking part in investigation work, they pass on their investigation and law enforcement experience to FITs of the SWD. They are making an important contribution in strengthening FITs' skills in investigation, enhancing their effectiveness in the collection of evidence and speeding up the investigation process of fraud cases.

With the assistance of the Fraud Investigation Advisers, the SWD is able to cope with the increasing number of CSSA fraud cases more effectively and combat CSSA frauds.

LPG Vehicles Queuing up for Gas Refills

19. **MR FRED LI** (in Chinese): *President, regarding liquefied petroleum gas (LPG) vehicles queuing up for gas refills, will the Government inform this Council:*

- (a) *of the average time currently taken by LPG taxis and LPG public light buses (PLBs) waiting at LPG filling stations for gas refills during rush hours, and whether the figure has increased as compared to the annual average figures for 2005-2006 and 2006-2007;*
- (b) *whether it has any plan to increase the number of dedicated LPG filling stations, so as to reduce the time taken by taxis and PLBs waiting at such filling stations for gas refills; if so, of the details of the plan; if not, the reasons for that;*
- (c) *of the names of manufacturers, models and the relevant specifications (including the cylinder capacity) of LPG PLBs which have been approved by the Government for registration;*
- (d) *whether it will consider allowing the introduction of LPG PLBs with larger cylinder capacity; and*
- (e) *whether it has studied if existing PLBs can be modified to increase their cylinder capacity, and if there is a need for legislative*

amendments to make way for that; if it has, of the outcome of the study; if it has not, the reasons for that?

SECRETARY FOR THE ENVIRONMENT (in Chinese): President,

- (a) At present, Hong Kong has 58 LPG filling stations including 12 dedicated stations and 46 non-dedicated stations. They can meet the refilling demand of the whole taxi and light bus fleets. However, when a large number of taxis go to dedicated stations for refilling concurrently, such as around day/night shift-changing hours, queuing for refilling is unavoidable. The current average queuing time at peak hours is about 20 minutes, similar to that in 2006-2007 but much shorter than that in 2005-2006, which was about 30 minutes. The queuing time has been shortened because of the introduction of a new LPG ceiling price adjustment mechanism for dedicated filling stations in March 2006, which revises the ceiling price every month instead of every six months. The new mechanism makes the LPG prices at dedicated stations follow more closely with the changes in international LPG price and reduces the occurrence of unreasonable LPG price gap between dedicated and non-dedicated stations that attracts a large number of taxis queuing at dedicated stations for refilling.

If a taxi goes for refilling in off-peak hours, it in general needs not queue for more than 10 minutes, even at a dedicated station. To solve the problem of long queuing time at dedicated stations during day/night shift-changing hours, the taxi trade should change the current practice of going for refilling in such a period. The Government will continue to encourage LPG vehicle users to go for refilling during off-peak hours through the quarterly liaison meetings between the operators of dedicated stations and the LPG vehicle trades.

- (b) As explained above, the existing LPG refilling network can meet the refilling demand of the whole taxi and light bus fleets. The queuing problem at dedicated stations during peak hours is due to a large number of taxis going there for refilling concurrently. Hence, the Government has no plan to increase the number of

dedicated stations. However, to extend the LPG refilling network, the Government has since June 2000 implemented a policy that petrol filling stations in the land sales programme have to provide LPG filling facilities, subject to safety requirements being met.

- (c) At present, there are two LPG light bus models complying with the statutory requirements. The specifications of the two models are as follow:

<i>Make</i>	<i>Model</i>	<i>Engine Capacity (c.c.)</i>	<i>LPG Tank Capacity (litres)</i>	<i>Wheel Base Distance (mm)</i>
Toyota	Coaster	4 104	122	3 200
Toyota	Coaster	4 104	122	3 935

The Government has all along been encouraging vehicle suppliers to supply more LPG light bus models that meet the statutory requirements to the local market.

- (d) The Government will allow LPG light buses with a larger LPG tank to be introduced into Hong Kong if their overall design and construction can comply with the requirements of relevant legislation including the Road Traffic (Construction and Maintenance of Vehicles) Regulations and the Gas Safety Ordinance.
- (e) The capacity of the LPG tank of an LPG light bus is an important part of the overall design and safety of the vehicle. Retrofitting an existing LPG light bus to increase its LPG tank capacity may impair its safety. Based on safety considerations, the Government will not allow retrofitting existing vehicles to increase the size of its LPG tank.

Enforcement of Speed Limits

20. **MR CHEUNG HOK-MING** (in Chinese): *President, a member of the public has relayed to me that he was prosecuted by the law-enforcement department concerned for speeding while driving along Fan Kam Road in the*

New Territories at a speed of 60-plus kilometres per hour (km/h). In this connection, will the Government inform this Council:

- (a) whether sectional speed limits have been set for Fan Kam Road; if so, of the details and the names of other major highways for which the same limits have been set;*
- (b) how the authorities effectively enable drivers to know the speed limits on the roads concerned in accordance with the existing arrangements for displaying speed limit signs;*
- (c) whether it has adopted the measure to erect appropriate speed limit signs at intervals of 200 m on the roads concerned; if it has, of the details of the measure and its implementation, and whether there are any roads on which speed limit signs have not been erected in accordance with such measure; if so, of the reasons for that; and*
- (d) how and based on what criteria the government departments concerned enforce the law to combat speeding on roads on which speed limit signs are not erected?*

SECRETARY FOR THE ENVIRONMENT (in the absence of Secretary for Transport and Housing) (in Chinese): President,

- (a) The speed limit for the whole of Fan Kam Road is 50 km/h with no sectional speed limits. Many roads in Hong Kong do not have sectional speed limits, such as Nathan Road, Hennessy Road and King's Road in the urban area as well as Texaco Road, Route Twisk, Kam Tin Road and Man Kam To Road in the New Territories.
- (b) and (c)

Under the Road Traffic Ordinance (Cap. 374), unless otherwise specified, the speed limit for roads in Hong Kong is 50 km/h. There is no provision in the law requiring the Commissioner for Transport (the Commissioner) to erect related traffic signs. Generally, the Commissioner does not display speed limit signs on roads with a speed limit of 50 km/h.

According to the same Ordinance, the Commissioner is empowered to prescribe a speed limit other than 50 km/h for any road section. The Commissioner may by notice in the Gazette announce the variation of speed limits other than 50 km/h, and he is required to erect speed limit signs on the road sections concerned. To effectively inform drivers of these different speed limits, the Transport Department erects speed limit signs in accordance with the following standards:

- (1) For road sections with a reduction in speed limit, the following arrangements for installation of signs are generally adopted to alert drivers of the speed limit reduction ahead:
 - (i) a warning sign is erected 100 to 200 m before the starting point of a road section with reduced speed limit;
 - (ii) speed limit markings are painted on the traffic lanes near the starting point;
 - (iii) in the case of a major road with high speed leading to a slip road of lower speed, yellow hatch markings are painted on the deceleration lane leading to the slip road to alert drivers to slow down gradually; and
 - (iv) the speed limit sign is erected at the point where the reduced speed limit starts.
- (2) For road sections with an increase in speed limit, there are generally no advance warning signs apart from the speed limit sign erected at the starting point. Drivers can accelerate gradually after passing the starting point, having regard to actual road and traffic conditions.
- (3) In accordance with the different speed limits on roads with speed limits other than 50 km/h, speed limit signs are erected at different intervals along the roads, so that drivers are advised of the speed limits around every 15 to 20 seconds. The arrangements are as follows:

- (i) for road sections with a speed limit of 70 km/h or above, speed limit signs are erected along the road at an interval of 400 to 900 m; and
- (ii) for road sections with a speed limit below 50 km/h, speed limit signs are erected along the road at an interval of 200 m.

The above arrangements for the erection of speed limit signs are in line with international standards.

- (d) The police carry out enforcement actions against speeding on roads, including those with a speed limit of 50 km/h where erection of speed limit signs is not required, in accordance with the Road Traffic Ordinance (Cap. 374).

BILLS

Second Reading of Bills

Resumption of Second Reading Debate on Bills

PRESIDENT (in Cantonese): Bill: Second Reading. This Council now resumes the debate on the Second Reading of the Appropriation Bill 2008. And Members will be speaking at the meetings today and tomorrow.

Up to 9.00 am this morning, a total of 27 Members have indicated to the Secretariat their wish to speak today. I will let as many of them as possible to speak today. And I also hope that a greater number of Members can speak today. I will suspend the meeting at around 8.00 pm this evening.

Although some Members have indicated to the Secretariat their wish to speak, they have to press the request-to-speak button, so that I can see their names on the screen and then invite them to speak.

According to the Rules of Procedure, each Member has a maximum of 15 minutes to speak.

APPROPRIATION BILL 2008**Resumption of debate on Second Reading which was moved on 27 February 2008**

MR LAU CHIN-SHEK (in Cantonese): President, the Budget is neither simple addition and subtraction nor a day-to-day account. More importantly, it is a political declaration that outlines the governing philosophy of the Government by specific figures. For the budget each year, my prime concern is not about whether it pains the Government in dishing out money or whether the Financial Secretary is "all the rage" after the announcement of the budget. Instead, my prime concern is the philosophy of governance reflected in the budget: How many resources would the Government wish to pool from the people? What kind of society will Hong Kong be developed into?

President, I remember at the election forum, the Chief Executive had said to the effect that everyone would be his boss, whether or not he has vote, whether or not he has money, whether or not he has power, and whether or not he has influence. After hearing this, even the people were not moved to tears, they were definitely impressed. It is a pity that in the first Budget of the third term of the SAR Government, the public cannot find anything which provides care to people across all strata, but only a lasting friendship between the Government and the rich, as well as the Government's reluctance to make long-term commitment to taking care of the poor.

In the absence of any in-depth discussions, the Government already announced long ago the lowering of the profits tax rate and the standard rate of salaries tax by one percentage point, reducing the recurrent revenue of the latter half of the year by \$5.4 billion. Along with the economic growth, the savings in tax payment by financial consortia and "working kings" each year will be on the increase. However, when the public urged to increase the monthly "fruit grant" to \$1,000, the Government claimed that an additional expenditure of \$4.3 billion would hence be incurred by 2033, which would become a heavy burden on the community. "A heavy burden" is the exact wording used in the Budget.

President, the word "burden" is used in the Budget again in the discussion on the increase in recurrent expenditure. The Financial Secretary advised that we must be careful in order to avoid imposing burden on the community in the long run. "Burden in the long run" is also the exact wording used in the Budget. Its implied meaning is actually "the reluctance to make long-term commitment to taking care of the poor".

At a glance, the public expenditure estimates this year has exceeded \$310 billion, with an increase of over 30% when compared with last year. However, after deducting the expenditure for one-off measures, the real growth of the public recurrent expenditure has just been 0.8%, which is much lower than the economic growth rate. Since the full recovery of the economy in 2004, this is the fifth consecutive year in which the growth of public recurrent expenditure is much lower than the economic growth trend. When will the Government cease this careful approach?

The after-effects of the tightening of the public purse have emerged one after another. A succession gap has emerged in some of the grades in government departments and public organizations. And social workers and medical personnel have been constantly overburdened due to staff shortage, which has even led to an exodus in the profession. Last year, the longest waiting time for first consultation for non-emergency surgical cases in public hospitals was over four years. And a quarter of the elderly passed away while waiting for places in care and attention homes. When these happen in an affluent society, it is a shame to society; when these happen against the backdrop of the Treasury having a surplus of over \$100 billion, it is a sin. One-off measures are not answers to the above problems. Instead, long-term commitment of the Government is essential. However, it is sad that the Government is still unwilling to increase the recurrent expenditure and doing nothing while public services continue to go backward.

President, a few days ago, I chanced upon a member of the public in the street. He asked me: When compared to a few years ago, are we having a better or a worse life? There is no easy answer to this question. During the SARS outbreak, our economy hit rock bottom and we had no idea when dawn would break, and the life and health of the people were threatened with the whole city living in a state of anxiety. Today, although the epidemic has left us and our economy has once again shown an upward trend, the wages of the grass-root workers have been at a standstill while the prices have spiralled. When compared to a few years ago, the burden of living of the low-income families has become heavier rather than the other way round.

Of course, inflation in the 1990s was at one point as high as 10%. A simple comparison of the figures has shown that the inflation rate at present is still mild on the surface. However, the Government should not treat it lightly due to two important factors. First, the recent price surge mostly has to do with food. Not only this created a greater impact on the grass-roots, the public have

also felt inflation more strongly and are more affected by it as they shop for food and dine out almost every day. More importantly, although inflation in the 1990s was serious, the labour market then was short-handed. Even the wages of low-skilled workers saw a substantial increase each year. However, our present labour market has been polarized. The increase in the wages of the grass-root workers has fallen far behind inflation, imposing on them an increasingly heavy burden of living.

Spiralling food prices have sparked off a series of demonstrations and bloodshed in a number of countries (including Egypt, Cameroon and Senegal). I do not believe such violent incidents will happen in Hong Kong. However, social grievances resulted from inflation should not be underestimated. If these grievances are not addressed-properly, the seeds of social conflict will be planted at any time.

To resolve social grievances resulted from inflation, I think the Government can do several things, and should do them expeditiously. First, to curb the increase in fees and charges of public services as far as possible. I do not mean the public utilities should run business at a loss. However, if their proposals of increase in fees and charges are acceded to all the time, it will only add fuel to the flames. And this would be unacceptable to the public.

Second, to further relax the eligibility criteria of applicants in the transport allowance scheme for low-income workers. It is announced in the Budget that the ceiling for income of applicants will be raised to \$6,500. And people working and living in the same district will be eligible for the allowance. However, like before, only low-income workers in Tuen Mun, Yuen Long, the North District and outlying islands are eligible for application. This is extremely unfair to low-income workers living in other districts. Similarly, it is their wish to rely on themselves to support their families; they are also under the pressure of inflation; they also have to pay for their transport fares in taking up employment in another district. However, they have received not even a tiny bit of assistance from the Government. I hope reconsideration will be given to our proposal to allow low-income workers living in other districts to apply for transport allowance for cross-district employment.

Third, to improve the proposal of fund injection into the Mandatory Provident Fund (MPF) accounts. The Government has proposed to make a one-off injection of \$6,000 into the MPF accounts of workers earning not more than \$10,000 a month. This is definitely a benevolent measure that deserves

our total support. However, some workers (including domestic helpers and workers over the age of 65) have enjoyed neither the protection of the MPF nor bonus payment. Therefore, I propose the provision of cash allowance to these workers, so as to benefit all workers.

Moreover, the Government has intended to make the injection into the MPF accounts in the form of mandatory contribution, which means that the money can only be withdrawn at the age of 65 or upon retirement. I understand the Government's intention of improving retirement preparation for low-income workers. However, inflation is a pressing issue. Attention should not be paid only to the distant problems to the neglect of immediate needs. I propose that a greater degree of flexibility should be provided by allowing the early withdrawal of this sum of money when necessary to meet urgent needs. I believe the majority of the people are sensible enough not to withdraw the money for careless spending, which would make this measure a total failure.

Fourth, to legislate for a minimum wage. The whole community, including the business sector, has long been aware that legislation on a minimum wage is inevitable. That the government has to put off the review of the effectiveness of the Wage Protection Movement until October has produced only one result, and that is, workers have to suffer for several months more before they can be protected by a minimum wage. I hope the authorities will be decisive and introduce the legislation as soon as possible. Even if meetings have to be convened during the summer recess for the scrutiny of the legislation, I believe many colleagues will not mind.

President, a verse in the Gospel of Matthew says, "For whosoever hath, to him shall be given, and he shall have more abundance; but whosoever hath not, from him shall be taken away even that he hath." If these remarks are simply quoted out of context, they give an accurate depiction of the result of market distribution under the current economic framework. The proposals I put forward earlier have exactly aimed to reverse this result of market distribution, hoping that people who have the means can help the less well-off and the grassroots can have the chance of self-enhancement through government policies. And I think this should be the moral obligation behind the fiscal philosophy of the Government.

It is a great pity that the present philosophy upheld by the Government in financial management is the exact opposite, as it leans more and more towards the market discipline. The Government can forgo \$5.4 billion by reducing

taxes payable by financial consortia and "working kings" but at the same time, studies on tax items such as consumption tax and those relating to health care financing aiming to "fleece" the general public have been underway. The Government would rather continue to accumulate an enormous fiscal reserve than increase the recurrent expenditure to improve the living of the grassroots. The Government's fiscal philosophy has gradually shown a trace of "for whosoever hath, to him shall be given, and he shall have more abundance; but whosoever hath not, from him shall be taken away even that he hath". However, I really wish to study with the Secretary the true meaning of these verses of the Gospel of Matthew: To be a good housekeeper, he must be competent to employ resources to benefit the community, as well as to make plans for the needy and the poor. Otherwise, he fails to fulfil the duty of a good housekeeper.

President, I think the Financial Secretary is a competent official capable of getting the job done. If the Financial Secretary still needs reminders, I think there are only two for him:

First, the Financial Secretary must resist the temptation of "he who lowers tax gets the world";

Second, the English name of the Financial Secretary is John, not Matthew. However, I wish to stress once again that the verse of the Gospel of Matthew in the *Bible* that I just quoted has told us the true meaning of a housekeeper.

President, I so submit.

MR TAM YIU-CHUNG (in Cantonese): President, in the Budget this year, the Financial Secretary has put forward the most extensive range of measures in history to leave wealth with the people and support disadvantaged groups, in order to directly meet the aspirations of the community and benefit the public in general. As regards the numerous improvement measures proposed by the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), the Financial Secretary has given positive responses in the Budget. In the area of tax relief, the tax bands of salaries tax are widened, the personal allowance is raised to \$108,000, a tax rebate of 75% of salaries tax (subject to a ceiling of \$25,000) is introduced, and rates are waived for one year; in the area of elderly care services, the elderly are provided with a one-off grant of an additional "fruit grant" of \$3,000, the number of day care places and subsidized residential care

places for the elderly has increased, the elderly in need are provided with subsidies to carry out maintenance or safety improvement works for their self-occupied properties; and in the area of poverty alleviation, the eligibility criteria of the Pilot Transport Support Scheme are relaxed, one additional month of the Comprehensive Social Security Assistance (CSSA) payments and the Disability Allowance are granted.

Given the huge surplus of the SAR Government this year, how to leave wealth with the people in a fairer and more effective manner has posed a great challenge. In our view, the proposals of the Government this time of granting each residential account an electricity charge subsidy of \$1,800, as well as making a one-off injection of \$6,000 into the MPF accounts of those earning not more than \$10,000 a month are both innovative and praiseworthy. Over the past two months, on the one hand, the public are pleased to see that the Government is financially capable of providing resources and room for every member of the public to share the fruits of economic development; on the other hand, the public are concerned about the future outlook when they see rising inflation in Hong Kong, the spiralling prices of basic necessities such as fuel and groceries, the slump of external economies due to the sub-prime mortgage crisis of the United States and the slowdown of the economic development of China. The Government must not be complacent about the momentary applause. Instead, it should be cautious in keeping inflation under control to ensure the stability of people's livelihood.

In sharing the fruits of economic development, extra attention has to be paid to those forgotten by the Budget, who have yet benefited from the new measures. Therefore, the DAB is of the view that it is necessary for the Government to size up the situation and make further improvement.

To alleviate the hardship of the people and ease their financial burden, the DAB proposes that consideration should be further given to five areas. First, to cast a wider net for those who can benefit from the rent waiver. The Financial Secretary has given some public housing tenants a generous gift by earmarking \$1 billion for waiving one month's rent for them in the Budget. However, this measure will not apply to public housing tenants who are required to pay one and a half times or two times of rent, as well as tenants of the three Housing Society (HS) Group B estates (Bo Shek Mansion in Tsuen Wan, the redeveloped Healthy Village in North Point and Prosperous Garden in Yau Ma Tei). This has not served the original purpose of easing the financial pressure of the tenants. In fact, the tenants of the HS Group B estates are not as well-off as expected.

Moreover, over 300 of them are elderly households. Therefore, the Government should treat these public housing tenants equally and pay one month's standard rent for them.

Second, to introduce remission of loan interest for tertiary students. Nowadays, it is common for tertiary students to repay after graduation a large amount of loan taken out during their studies for tuition fees and living expenses, thus putting them under a heavy financial burden. Therefore, consideration should be given to lowering the interest rate of the Non-means Tested Loan Scheme, and replacing the present full cost recovery approach by the no-gain-no-loss arrangement, so that the annual interest rate can be lowered to 2.5%. On the other hand, for students who pass the family income and asset test, interest-free loan scheme should be set up to avoid adding to their burden.

Third, to raise the amount of "fruit grant" and relax the limit of absence period from Hong Kong. It is proposed in this Budget the provision of a one-off grant of \$3,000 to each "fruit grant" recipient. Moreover, the Government has undertaken to conduct in-depth studies and consultation on how to improve the Old Age Allowance Scheme. And a decision is expected to be made by the end of the year. Although this initiative is welcome by many elderly people, a lot of them have told me that it would be best to raise the monthly rate, which they think is better than a one-off grant. They have explained to me that in the case of a one-off grant, given their receipt of an additional \$3,000, some of their family members have requested for a "dim-sum" treat or their grandchildren have asked for electronic toys as gifts. As a result, less money will go into their pockets or the amount will be shared with their family members. Of course, this may improve their relationship with family members or their children, which is a good thing. However, it is not their wish to receive only a one-off grant without any increase in the payment in future. They earnestly hope for an increase in the monthly payment. Moreover, regarding the relaxation of the limit of absence period from Hong Kong for the grant of "fruit grant", the DAB has repeatedly raised this proposal. And I will elaborate on it later.

Fourth, to actively provide the disabled with transport fare concessions. Apart from the proposed additional allowances in the Budget, co-operation between the Government and public transport providers should be stepped up to directly offer half-fare concessions to people with disabilities in order to ease their burden of transport fares.

Fifth, some low-income workers under the MPF scheme have, for some reasons, ceased working for a certain period of time and hence stopped making contributions to their MPF accounts. And some low-income workers have participated in other approved provident fund schemes. Workers in these two groups are unable to receive the injection of \$6,000 proposed in this Budget. The DAB hopes that reconsideration will be given to these workers. Regarding these proposals in the above five areas, I have not explained them in detail and given a full account of all the proposals. Members of the DAB will have these issues further discussed in their speeches.

Given the huge fiscal surplus this year, there should be plenty of room for making changes to policies constantly in short of resources. For instance, health care services and the services of residential care homes for the elderly can be increased. However, it is quite a pity that the Government has not made improvement in these two areas. I recently went to the Queen Elizabeth Hospital to visit a seriously ill co-worker whose family told me that there were several dozens of beds on that floor of the Hospital — I think there were 80-plus beds — but only two nurses were on duty at night. It is inevitable that they are constantly on the run, having too many things to take care of at the same time. Therefore, the shortage of doctors and nurses cannot be tackled only until the finalization of the health care financing arrangement. According to the previous assessment of the Hospital Authority on the manpower demand of nursing staff in the coming 10 years, it is estimated that the loss will increase from the present 500 nurses a year to 700-plus nurses 10 years later. And in the coming 10 years, there will be an average of 370 vacancies of registered nurse a year in public hospitals. The declining quality of health care services will directly put the life and safety of the people at risk.

Regarding the hardware, the public's aspiration for the building of a hospital in Tung Chung and Tin Shui Wai has been articulated in the districts for years. And the Government has undertaken to implement these projects. But as at today, the project of Tung Chung Hospital has just started to take some very initial steps, whereas the groundwork for Tin Shui Wai Hospital has not even started. At present, the territory-wide average time for conveying a patient by ambulance to the Accident and Emergency department is 17 minutes. However, if the patient lives in Tung Chung, it takes 33 minutes to travel to the nearest Princess Margaret Hospital. Over the past four years, the number of calls for ambulance services by Tung Chung residents has risen by 240%, of which over 60% were emergency or more serious cases, and this has shown the enormous demand for hospital services of Tung Chung residents. Similarly,

there is no hospital in Tin Shui Wai with a population of 300 000. Hospitals should be a basic community facility to rescue life and provide relief to the people. The continuous delay on hospital development will sacrifice the interests of the people. The DAB hopes that the hospital projects in Tung Chung and Tin Shui Wai will be expedited. And in the meantime, additional resources should be allocated to continuously provide 24-hour out-patient or emergency services in the districts to protect the life and health of the residents.

Regarding residential care services for the elderly, over the past three years, we have not seen a continuous growth of financial commitment from the Government, resulting in a very long waiting time for residential care home places. Therefore, we hope additional resources will be allocated to improve the situation.

I also wish to bring up another issue here. Along with the economic development of the Mainland, there have been some new developments which we did not consider when the policy on elderly care was first drawn up. In the past, many elderly people of Hong Kong decided to spend their retired life in the Mainland. However, a new situation has emerged recently. Due to the spiralling prices in the Mainland, elderly people of Hong Kong living in the Mainland now want to return to Hong Kong instead. According to the mainland service centre of the Hong Kong Federation of Trade Unions (FTU), an increasing number of elderly people of Hong Kong have asked us to find a home for them before their return to Hong Kong. In the past, some elderly people with no income could barely make ends meet on their meagre savings in the Mainland. However, due to the spiralling prices in the Mainland and the continuous appreciation of Renminbi, to return to Hong Kong is their only way out unless they can receive the "fruit grant" in the Mainland. Owing to policy restrictions, some elderly people have to come back to Hong Kong for the "fruit grant" or CSSA payments. I think the Government should pay attention to these new developments and plan early to put aside resources, so that elderly people can have a place to live and a secured life in old age.

Hong Kong is now facing a drastic change in the social structure. The statistics of the Government have shown an increasing imbalance in the income distribution of the Hong Kong people. The living of the middle class which can contribute most to social harmony has taken a turn for the worse. Although the economic conditions have improved, the number of low-income households has been on the increase. At present, as inflation has resurfaced and the prices of

food and daily necessities have soared, the living of the grassroots will become much more difficult. Faced with these new challenges, the Budget has to take account of the immediate needs as well as future development. Therefore, we earnestly hope that the SAR Government will continue to help the public overcome difficulties and protect their quality of living after receiving a round of applause.

With these remarks, I support the Budget. Thank you, President.

MR ALBERT HO (in Cantonese): Madam President, it is no doubt that the Budget delivered by the Financial Secretary this year has gained the full support of the community and even much applause.

Of course, given the huge fiscal surplus last year, it is much easier for the Financial Secretary to think of ways to make good use of the resources than to rack his brain to reduce spending a few years ago. Yet the Financial Secretary deserves commendation for putting a lot of thoughts and efforts indeed in drawing up some policies this year to return wealth to the grassroots.

I remember we proposed last year that the Financial Secretary should think of ways to return wealth to the so-called "the three have-nots", that is, people who do not have to pay tax, do not receive CSSA and do not live in public housing units. He has finally come up with some ideas this year, including a direct injection into their MPF accounts and an electricity charge subsidy. These measures are extremely innovative and fully appreciated by the public.

However, I have to stress that the policy this year has remained totally inadequate in one area, and that is, the Government has only focused on the provision of temporary assistance to the poor and the disadvantaged groups in need of help at the grass-roots level, and in my view, it has not made sufficient commitment to working out a long-term solution to the problem of poverty among the grass-roots and the disparity between the rich and the poor. As the first Member speaking on behalf of the Democratic Party today, this is the main point of my speech. Of course, other colleagues of the Democratic Party will speak on various areas of the Budget later. But I will mainly speak on issues concerning welfare, disparity between the rich and the poor, as well as inflation.

As there is a surplus of over \$120 billion this year, the Government has generously set aside huge funds in the Treasury wide to implement a series of measures to return wealth to the people. By careful analysis, it is not difficult for us to find that the majority of the measures for low-income earners have been one-off in nature without continuity. For instance, the grant of one additional month of CSSA payment and Disability Allowance, the provision of an extra \$3,000 of "fruit grant" to eligible elderly and the \$1,800 electricity charge subsidy. The Government has stressed that as the spending on these measures is not recurrent in nature, they are ready to give these so-called gifts to the grassroots or return wealth to them. On the contrary, the Government has planned to raise the personal tax allowance, lower the standard rate of salaries tax, widen the tax bands and exempt the duties on alcoholic beverages, which are permanent measures with continuity. Some of them have even particularly benefited people who are better-off. Therefore, such measures can offer no help to the narrowing of the wealth gap. Worse still, they are likely to widen the gap.

The 2006 figures of the Census and Statistics Department have shown that the disparity between the rich and the poor in Hong Kong has been worsening. In dividing the median household income into 10 groups, it is found that the households in the lowest income group earned only \$2,400, which was 31.5 times less than that in the highest group. The number of households with an income below \$4,000 and that of those earning over \$40,000 have both increased over the last 10 years. And the rate of increase of the former was faster than that of the latter. In the meantime, when measuring the wealth gap of Hong Kong by the Gini Coefficient, we can see that the figure of last year was 0.533 which was a record high. These data have revealed the disparity between the rich and the poor in Hong Kong has become much more serious than that in Canada, Singapore and Britain. Although both the poor and the rich have gained benefits in the Budget, the distribution is biased towards the rich. The Government has proposed to create jobs for the grassroots by maintaining good market operation and stepping up support to social enterprises which can ultimately address the employment and financial problems of the grassroots. Some of the measures are just wishful thinking that lack actual strategy and policy on poverty alleviation. Nor is there long-term planning for relieving their plight.

Regarding easing the pressure of inflation, given the present huge surplus, the Government should pay more attention to the needs of the fragile and disabled elderly in poverty. The Democratic Party proposed an amendment to

the Motion of Thanks on the 2007 Policy Address calling for a raise in the amount of "fruit grant". Although the amendment was passed in this Council with the support of various political parties and groupings, the Government has juggled with the figures in the Budget by pointing out that Hong Kong is having an ageing population and particularly stressing that by 2033, the elderly population will sharply increase to 2.17 million. If the amount of "fruit grant" is to be raised to \$1,000 at this stage, the expenditure will substantially increase from the present \$3.9 billion to \$14 billion then, posing a considerable burden to the community in the long run. Therefore, it has refused to adjust the level of the "fruit grant" which has been frozen since 1998. That the Government has put such emphasis on figures has reminded us of the Government's handling of the issue of "right of abode in Hong Kong" years ago. Similarly, the Government is telling us that the figures are beyond our affordability.

However, what disturbs us most is the stress on an ageing population. It seems that the purpose is to give the community an impression that these people here will become a burden of the whole community. This is indeed disturbing. Is it because there will be a large elderly population in future that we cannot draw up measures to improve the living of the elderly? Besides, the present elderly population is 870 000. And there are 470 000 "fruit grant" recipients. We all know that it is really difficult to predict what will happen 25 years later. It is very unfortunate that the population projections made by the Government are always inaccurate. Otherwise, the planning of many new towns would not have to "come to a halt" suddenly. For instance, extensive consultations on the project of the "smoke-free town" were conducted in my constituency years ago. However, the project has no longer been brought up in recent years. Only when the issue was raised again at a meeting were we informed of the scrapping of the project. We later learnt that it was due to projection errors. The population has not grown at the rate as estimated back then.

Therefore, it is really very difficult for us to predict what will happen 20 years later to the demographic features of the population of Hong Kong at the time. However, is it reasonable and fair not to improve the protection urgently needed by the elderly now because of the worries about an ageing population many years later? Of course, a lot more schemes have to be set up in the next decade or two. Apart from the MPF serving continuously as the savings of the community as a whole, comprehensive studies on retirement protection should also be conducted. Therefore, is it right for the Government to use the figures in 2033 to withhold necessary spending and refusing to improve the living of the elderly in dire need? I hope the Secretary will give this more careful thoughts.

I wish to talk about the increase in the number of residential care places for the elderly. Given the huge surplus, we urge the Government to allocate additional resources to provide elderly people in poor health and poverty with residential care-and-attention places, nursing care places and infirmary care places, so that they can receive proper care with dignity. In the motion debate on Elderly Housing Policy proposed by Prof Patrick LAU last week, he mentioned that at the end of February in 2007-2008, the average waiting time for subsidized residential care-and-attention places was over 32 months, and that for nursing care places was even over 38 months. This has undoubtedly forced the elderly people on the waiting list to take care of themselves. And many elderly people even died at home while they were still waitlisting. In the first 11 months as at the end of February this year, the fiscal surplus of the Government has stood at \$123.5 billion, with an increase of over \$900 million when compared to the figure released last month. We propose that this \$900 million be used to reasonably increase around 5 300 care-and-attention places, 1 900 nursing care places and 1 400 infirmary places in each of the next five years. I think there is a pressing need to do so as the elderly cannot wait long. Half of these care places should be made available in two years, in order to ease the shortage of aged residential places as soon as possible and shorten the waiting time of the elderly for care services.

Inflation is a matter of grave concern. We urge the Government to raise the CSSA rates to ease the pressure of CSSA recipients under inflation, especially as we all know that the prices of daily necessities have been surging. Information has revealed that the overall prices of food, including pork, beef, eggs, rice, cooking oil and other non-staple food, have increased by over 40% to 50% in six months. The most recent review on CSSA has slightly lifted the rate by 2.8% amid high inflation, which has practically failed to reflect the spiralling food prices. The review mechanism has even lagged behind the current situation. As a result, it is totally impossible for the people to face the pressure of inflation in their living. On the other hand, while Hong Kong's prices and inflation are running high, the rent in the private market has increased even more sharply over the past year or two. This is an inevitable outcome since the lift of the rent control in 2004 — a lift across the board. However, the rent assistance for CSSA recipients has failed to catch up with inflation in time. As at February this year, among the 44 000-odd CSSA recipients drawing rent assistance, around half of them (that is, 22 300-odd people) have received rent assistance that actually cannot cover their rental payment. In other words, they

have to use the CSSA payment, that is, the allowance for buying food, to cover the rent.

Some of the recipients pointed out that even the grant of an additional month of CSSA payment was merely a drop in the bucket. And some single mothers came to the Legislative Council to tell us that in one case, the single mother could only rely on the rent assistance of \$1,200 for her two sons to rent a room of dozens sq ft for around \$1,400 a month after her divorce. She still had to cover the rent with money from her own pocket, which was her CSSA payment. Therefore, their living is basically very insecure. We wish to put up two requests: First, as the Consumer Price Index stood as high as at 5.1% in February and rose 6.3% compared to the same period last year, reaching a record high in 10 years, the Government should immediately set off the mechanism to review the CSSA rates to catch up with the increase in inflation, so as to protect the basic living of the recipients. Second, a projective mechanism should be put in place in future for calculating the movement of CSSA rates. The CSSA standard rate will be adjusted in accordance with the Social Security Assistance Index every six months, or if possible, at shorter intervals such as every quarter, in order to improve the present situation of the CSSA rates lagging behind the rate of inflation. Moreover, the existing mechanism for calculating the rent assistance should also be reviewed to keep close tabs on the actual market situation.

Lastly, we hope that the Government can allocate additional resources to improve the occasional child care service and the job opportunities for women. As incidents of leaving children unattended at home have frequently occurred in Hong Kong in recent years, occasional child care service has become a matter of public concern. Of the 900-odd people interviewed by the Democratic Party in March this year, 53% were of the view that the present occasional child care service provided in the community was inadequate, and almost 40% hoped that the number of occasional child care places can be increased by the authorities and social organizations. We welcome the "home-based child carer scheme" to be implemented by the Government to help working parents take care of their children. However, along with the implementation of the scheme, special attention should also be paid to the provision of training to women in the districts, so as to provide them with more job opportunities.

Madam President, I so submit.

DR DAVID LI: Madam President, I have consulted members of the Finance Constituency and have noted widespread support for what is considered a fair, responsible and forward-looking Budget. The banking community believes that the 2008-2009 Budget is pragmatic and balanced, and is an appropriate response to the present economic conditions.

We recognize that the direction of the Budget was largely dictated by the record fiscal surplus recorded for the 2007-2008 financial year. While welcoming the healthy fiscal position, the Finance Constituency is however concerned that the growing surplus is a Pandora's Box, tempting us to release its contents and raise spending. With inflation being a growing threat, the Finance Constituency strongly believes that controls on spending must be strengthened, not relaxed.

As highlighted in the Budget, revenue soared last year on the back of Hong Kong's robust economy. But we must not forget: the surplus is not based on revenue alone, spending must also be tightly controlled. And the Government's achievement in controlling spending is nothing short of remarkable. Total public expenditure for the fiscal year 2007 was some 6% less than the total public expenditure in the fiscal year 2003. This excellent result is due to the supreme effort which the Administration has made in recent years to streamline operations and reduce waste.

Members of the Finance Constituency congratulate the Financial Secretary and the entire Administration on the fiscal discipline they have shown. Without such discipline, we would not be in the enviable position we are today.

Very wisely, the Financial Secretary has resisted temptation when presenting his Budget, and kept the Pandora's Box firmly closed. Instead, he has returned a large share of the surplus to the people. He showed great imagination and determination to spread the benefits of our current prosperity throughout the community.

Recognizing that our health care system will face growing pressure in future as the population ages, the Financial Secretary will set aside \$50 billion for new initiatives on health care. The scale of this commitment sends a very powerful signal that the Government is determined to move forward to meet tomorrow's needs.

In another far-sighted initiative, the Financial Secretary will inject \$8.5 billion into the Mandatory Provident Fund (MPF) accounts of those earning less than \$10,000 per month. For these individuals, the injection will at least double their own contributions this year. This will have a marked impact on retirement savings 30 and more years from now.

The Financial Secretary also cuts taxes. Many in the community have expressed concern that by reducing taxes, the Financial Secretary has further narrowed the tax base — contrary to the Administration's stated policy.

His critics ignore three truths:

- (1) Taxes were raised as a short-term measure to address a severe fiscal deficit. It is right and proper that taxes be restored to their original level now that our position has improved.
- (2) Inflation is rising, and will accelerate further. Without government action to loosen the tax net, those who could least afford it would have faced the twin hardships of rising prices and rising taxes.
- (3) Most wage earners already contribute to the MPF, and the Government is now considering introducing mandatory contributions for health care. These are charges on income and are, in fact, taxes in all but name.

The Financial Secretary has provided relief where it is needed. But he has by no means abandoned the principle that fiscal discipline is a shared responsibility.

We face a time of great economic uncertainty. Many fear that the world's largest economy, the United States, is in recession. The extent of the impact on Hong Kong is still unknown.

What is already clear, however, is that inflation is the greatest danger facing our economy today. Inflation is a worldwide problem, with the prices of basic commodities at record highs.

Unfortunately, Hong Kong is in a particularly vulnerable position. With our currency tied to the weak American dollar, we face rising prices for all imported goods.

In the past, we could take comfort that our dollar and the Renminbi were linked. But no longer — Today, the Renminbi is appreciating ever faster. Moreover, inflation has taken hold on the Mainland, and the cost of basic foodstuff is rising at an alarming rate.

The Financial Secretary used his Budget to offer relief on rates, electricity and taxes. These are very welcome initiatives. But inflation is a stubborn beast, and our fight will require even greater effort in the months ahead.

Now, more than ever, the Government must exercise fiscal discipline to avoid fanning the flames of inflation still harder. The growth of the Civil Service must be kept in check; efficiency must be the watchword, not expansion. It is essential that the Government shows extreme restraint in raising fees and charges. The Government must also be very careful that spending on infrastructure projects does not compound inflation, by competing with private investment and stimulating a new round of wage rises in an already tight labour market.

Let me now return to an issue which I have raised several times in the past.

In its submission to the Financial Secretary on the 2008-2009 Budget, the Hong Kong Association of Banks (HKAB) reiterated its request that the Administration review its policy on group loss relief and loss carry back.

The Government's position is that such proposals (1) could be easily abused for tax avoidance, and would require complicated legislative provisions to guard against abuse; and (2) may result in significant loss of tax revenue, which may be particularly acute during economic downturns.

The HKAB disagrees with the tax abuse concern. The existing anti tax-avoidance legislation in Hong Kong could strike down abusive schemes. Singapore has implemented such proposals without any fundamental overhaul of the tax legislation, and without noticeable increase in abusive schemes.

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.

We believe that the economic benefits would outweigh any short-term or imagined loss of tax revenue. As such, the Finance Constituency would be grateful if the Government would include a review of these proposals as part of its overall review of tax reform options.

Having communicated this request, may I now take this opportunity to express my sincere appreciation to the Chief Executive, the Chief Secretary, the Financial Secretary and the Secretary for Financial Services and the Treasury for devoting so much of their time and effort to enhancing international recognition of Hong Kong's capability in financial services. May I in particular highlight my appreciation of the Government for its work to promote Hong Kong as a centre for Islamic banking.

And lastly, it would be remiss of me not to offer my sincere and heartfelt thanks and appreciation to the Financial Secretary for not just reducing, but also removing, the duty on beer and wine.

I have used my response to the Budget year after year to call for a reduction in the duty on wine. The Financial Secretary showed greater wisdom than I, and abolished the duty entirely. This is a far-sighted move, at a time when the wine trade in Asia is growing at a remarkable pace. Hong Kong now has the opportunity to stand at the forefront of this important, high value-added business.

Thank you, Madam President. I take great pleasure in supporting the Budget.

MR JAMES TIEN (in Cantonese): Madam President, it is common for any chief executive officers of a big business to tell their bosses, "If you want me to get the job done, you have to give me some money." Madam President, I think in Hong Kong, just as the Government described, the 7 million people are our

bosses, whereas the Government is our "hired hand" and the Financial Secretary is our chief executive officer in finance. This year, we are very pleased to hear the Financial Secretary say that a surplus of over \$115 billion has been recorded. And it has been estimated that the surplus will be over \$130 billion upon the clearing of the accounts. Under the circumstances, how to put the surplus into effective use is no easy task. The Liberal Party absolutely agrees with the Financial Secretary that while there is a huge surplus this year, it does not mean that the same will happen every year in future. Therefore, we agree to the present proposal of returning wealth to the community through one-off measures, whether they are proposals of reducing tax or increasing spending.

First of all, I wish to talk about investment, which Dr David LI also mentioned briefly just now. Although the present reserve and the Exchange Fund of the Monetary Authority (MA) has stood at over \$1,400 billion, given the current external situation, we have been aware that the sub-prime mortgage issue of the United States has not been as simple as it has appeared. It has not only apparently affected the property market of the United States, but also the financial position of a large number of financial institutions in Europe, Hong Kong or the Mainland. And our exports may also be hit hard. The current weakness of the US Dollar has been the most obvious result. Should this trend go on, as our dollar has pegged with the US Dollar, the problem of inflation will emerge, as mentioned by a number of Members earlier. Therefore, is it possible for the MA to be a bit more aggressive in its investment? I do not mean the MA should invest in accumulators which are now found to be a problem in the market. I have recently learnt that there is another name for these products in English, which is "I will kill you later". The risks involved with these products are definitely too high. However, the rate of return of the investment of the MA is just 6%. And the US Dollar is the biggest currency unit in our reserve. Perhaps the Government should really think about this. Given an amount of \$1,400 billion, even the rate of return cannot reach as high as 10%, a return of 7% to 8% can yield tens of billions of dollars each year. As the saying goes, money makes the mare go. It will certainly be of great help to the Government in future.

Madam President, I wish to present the Liberal Party's views on all the measures of the Government in returning wealth to the people in this Budget. First of all, I wish to talk about the middle-class. As raised repeatedly by the Liberal Party, since our economy experienced a slump in 2003 until now, the middle-class has all along made the biggest contribution over the years. It is

their common sentiment that they always need to share the payment but enjoy not much welfare benefit. Therefore, the one-off measure proposed by the Financial Secretary this time to reduce 75% of salaries tax, subject to a ceiling of \$25,000, in which \$12.4 billion will be involved, can help the middle-class. And the Liberal Party will give our support to this measure. Another measure is the waiving of rates for one year, subject to a ceiling of \$5,000, which will cost the Government \$11.2 billion. In general, these one-off measures will cost the Government a total of \$25 billion. Of course, like other members of the public, we hope there will be the same huge surplus next year to enable the Government to continue to implement these tax reduction measures. However, we absolutely support the measures proposed in this Budget.

Moreover, regarding the middle-class, we have repeatedly urged the Government to further look into the monthly levy of \$400 on foreign domestic helpers. In fact, such levies have so far accumulated to over \$4 billion. Madam President, as our unemployment rate has recently dropped to 3.3%, the need to utilize this fund of \$4 billion for retraining purpose is questionable. Under the circumstances, we propose the consideration of the abolition of this levy next year. Although such a levy is paid to the Government, as the minimum wage of foreign domestic helpers has been on the rise over the past few years, the middle-class has actually paid a lot.

Madam President, I wish to go on to talk about the measures introduced by the Government for the benefit of the grassroots in this Budget. The Liberal Party supports the injection of \$6,000 into the MPF accounts of low-income workers earning not more than \$10,000 a month, which will cost the Government \$8.5 billion in one go. Moreover, we have also noted that the grassroots will benefit most from the \$1,800 electricity charge subsidy, which will cost the Government \$4.3 billion. Together with other assistances, the support measures for the grassroots generally amount to \$16 billion. As the majority of them are one-off measures, the Liberal Party will support them.

Regarding the issue of "fruit grant" as also mentioned by other political parties earlier, we also think that it is a flaw in the Budget, and we hope that the amount of "fruit grant" will be raised to \$1,000 in this review. In fact, what is the difference between the proposed monthly rate of \$1,000 and the current measure of the Government? We have repeatedly told the Government that it will incur an additional expenditure of some \$500 million each year. We are confident that even there will not be a surplus of over \$130 billion next year, the

future financial position can still afford this additional expenditure of \$500 million for the "fruit grant". I think the Government can turn this into a long-term measure, and does not have to worry about its affordability in the long run. Of course, the Government may argue that the present calculation is based on the current 500 000 elderly population, and it is possible that the elderly population will increase to over 1 million some years later. So, if we multiply the number of the elderly by \$1,000, the amount will be enormous. However, we are confident that the economy of Hong Kong will continue to flourish and the public revenue will be on the rise.

Moreover, the Liberal Party considers that the Government has made a very good proposal and that is, the health care vouchers. However, to the elderly, the provision of five health care vouchers worth \$50 each, that is, \$250 a year is not quite enough. Therefore, we propose an increase in the total amount of health care vouchers to \$1,000 a year, and more than just five vouchers should be provided. If we multiply \$1,000 by 500 000 elderly people, the amount is only around \$300 million a year. Even if it is recurrent expenditure in the long run, I do not think that this measure will become a heavy burden on the financial position of the Government.

Madam President, lastly, I wish to say that we totally agree with the Government about the acceleration of infrastructure projects as a means to stimulate the growth of our economy. In fact, the Government has already been doing this. And we totally agree with this. The acceleration of infrastructure development will not only increase job opportunities in the short term, but also enhance the efficiency of Hong Kong. Regarding our transport, many overseas investors, upon their arrival in Hong Kong, have the feeling that the time spent on traffic jam or travelling is generally far less than that in other countries. It is certainly our hope that progress can be made continuously in this area, so that both the public and businesses will spend even less time on daily commuting. Therefore, the construction of more roads and railways should be expedited.

I wish to bring up another point. As the Chairman of the Tourism Board (TB), I greatly appreciate the inclusion of those several sites in the Application List. However, I also hope that the initial prices of those sites will not be set at too low a level, resulting in the failure of those sites to be "triggered". We have to see whether the sites to be released in August can be "triggered" as it is still at the preparation stage.

I am also very grateful to the Government for allocating \$150 million, that is, \$30 million a year for five years, to the TB for the organization of conferences and exhibitions as well as the promotion of tourism, that is, the so-called "MICE". I wish to point out that despite promotion efforts by the TB with an annual funding of \$30 million to promote Hong Kong and attract foreigners to come to Hong Kong, while they might believe us once or twice, if they find out that hotels, conference centres and exhibition and supporting facilities in Hong Kong are inadequate, how can we expect them to visit Hong Kong continuously in the long run? Although I am confident that the TB will do its best, the provision of supporting facilities has to be relied on the Government.

Regarding the exemption of the duty on red wine, Dr David LI also mentioned this issue earlier. Like him, the Liberal Party has striven for such an exemption for years. We have noted that apart from the auctions of red wine held in Hong Kong from time to time hosted by major auction houses such as the Sotheby's and the Christie's, the Bonham's will host its first-time-ever red wine auction in Hong Kong on 24 April. We believe this will turn into an on-going trend. I have also noted that as Hong Kong has developed into a centre, many international wine traders have wished to come here. In fact, at present, the sale of red wine in the Mainland has been on the rise. Therefore, from the angle of economic development, we absolutely support the exemption of this duty.

Lastly, we wish to thank the Government for lowering the profits tax rate by 1% for enterprises. Of course, I also wish to remind the Government that when the Chief Executive ran for re-election he hoped Sorry, not that he hoped, but he promised that during his term Of course, it still has several years to go to lower the profits tax rate to 15%. There is still a difference of 1.5% between this target and the current rate. In this regard, I also wish to remind the Government that the profits tax rate in Singapore has now been lowered to 18%, which has narrowed the gap between us.

I wish to raise another point. Since the Government proposed the relocation of the three government office buildings in Wan Chai to Kai Tak or Tseung Kwan O, many members of the public have told me their views, saying the three government office buildings in Wan Chai are in a very convenient location. While they do not have strong views on the relocation of the buildings to Kai Tak, many of them think that the relocation to Tseung Kwan O (despite Tseung Kwan O is one of the districts in my constituency of the New Territories East) is a bit too far away. I think consideration should be given to their views.

Madam President, lastly, to sum up, the Liberal Party gives the Budget this year a score of over 90. We think it is the best ever budget. Of course, I think this is also the achievement made by the concerted effort of the Hong Kong people and the Government. Thank you, Madam President.

MS MARGARET NG: Madam President, the Financial Secretary's 2008-2009 Budget has much to commend itself. It was delivered in a plain language speech. It is based on guiding principles with which men and women of conscience can readily identify, and which the Civil Party has long been advocating.

The first such principle is the balance between benefits for the haves and benefits for the have-nots. We are fortunate indeed that last year turned out to be an even fatter year than anticipated, and the Financial Secretary holds a more generous purse from which to make distributions. On the one hand, tax cuts are made which benefit those who earn enough to pay tax. On the other hand, long-denied social benefits are given which will benefit those in want.

The second such principle is the balance between one-off "sweeteners" and investment in more long-term programmes in disposing of the excess surplus. I am pleased to note that \$50 billion is allocated in a lump sum to the medical benefits plan to be set up — whatever form it should ultimately take — and the \$6,000 per person put in to boost the Mandatory Provident Fund (MPF) for those earning less than \$10,000 per month.

When a family has done better than it has expected, it is only human to spend part of the fortune for immediate enjoyment, but the opportunity must be seized to strengthen the family's ability to face the future. I believe the Financial Secretary's Budget tries to do this. His approach is noticeably different from the past attitude of squander-and-salt-away on a shifting goal-post of the level of reserve required for prudent financial management.

However, I should also say that while the Budget is a step in the right direction, it has not gone nearly far enough. For example, the benefits for the better-to-do still far outweigh the benefits for the needy. Tax cuts will cost the revenue a total of over \$35 billion in salaries tax and profits tax, while the sum total of extra benefits for the elderly, public housing rent, CSSA payment, disability allowance and including the \$8.5 billion for MPF booster will cost the

revenue only \$21 billion: A difference of over \$14 billion in favour of the better-to-do. The allocation for long-term social security, with just a leg-up for medical scheme and small booster for the MPF, without mentioning a retirement scheme, is sketchy compared to the extensive array of one-off give-aways amounting to at least over \$56 billion.

Indeed, even the long-term investments are of a one-off nature. The Government has taken on no additional long-term commitment in the recurrent expenditure.

I will go further. The Financial Secretary's Budget falls short of taking a serious look at Hong Kong's long-term policy for economic development and maintaining Hong Kong's competitiveness. Mr John TSANG is not the only recent Financial Secretary not to have done so, but I strongly urge him to repair this omission in his next Budget and in his reply.

One example is the impact of "three links" ("三通") between Taiwan and the Mainland on Hong Kong's economy. Of course, the SAR Government cannot be expected to prophesize Mr MA Ying-jeou's election to the presidency, but it has always been a real possibility which a responsible SAR Government should have considered. I remember its being mentioned in the Chief Executive election last year by the candidate Alan LEONG. Perhaps Mr TSANG has indeed kept the matter under review and has ideas of his own which he has given as advice to the Chief Executive. If so, he should have explained the SAR Government's estimation of the impact of "three links" on our economy, and what the Government intends to do in response. Perhaps he will do so in his reply.

I now turn to specific areas in which I have a particular concern, namely, the allocation for the justice system, human rights and the rule of law.

I want to start with human rights. In the past 15 months, we have been closely examining the Race Discrimination Bill. The Bills Committee is experiencing the greatest difficulty in getting a full commitment of the SAR Government to the elimination of all forms of racial discrimination, whether practised by the private sector or by the Government, and to legislate to fully reflect that. Our difficulty is to get the Government to agree to a binding legal obligation for it to do so in the performance of its functions and the exercise of its powers.

One problem here is financial commitment. Without adequate resources being committed to ensure that racial equality is respected in all branches of government policies and their implementation, naturally, government departments will fear legal challenge and insist on the protection of blanket exemptions to be explicitly approved by the law. But to give in to this mode of thinking is scandalous and defeatist. This is not worthy of a city which claims to be "world class". The SAR must put the money where its mouth is.

I appreciate that the Financial Secretary has provided about \$37 billion towards bridging the language gap of our ethnic minorities, especially in education and health care services, job centres and welfare facilities. This is the first time anything like that has been done. But I must tell the Financial Secretary that this is a mere sop for the long oppressed minorities in the face of gathering criticism, including the forthright criticism of the UN Committee on the Elimination of Racial Discrimination. It is not an acceptable substitution for the protection of law.

Recent information papers submitted to the Bills Committee enumerated the Government's measures in support of ethnic minorities in the areas of education, vocational training, retraining, and interpretation services at public hospitals and clinics. They exhibit a sorry state of affairs. Many of the programmes were hastily installed only after the scrutiny of the Bill has gone underway. Altogether they are clearly not enough to meet Hong Kong's obligations to promote racial equality. Most revealing of all is that, even now, no review has been attempted to assess the overall need in order to design a programme of systematic eradication of racial discrimination. There is no assurance, therefore, that the Government will not relapse into indifference once the Bill is passed, if it is passed.

I must tell the Financial Secretary and his colleague, the Secretary for Constitutional and Mainland Affairs, his colleague, the Secretary for Home Affairs, his colleagues, the Secretary for Education and the Secretary for Food and Health respectively, that meeting the requirement of the Convention does not have to be done in one day. Their colleague, the Secretary for Justice would, in all probability, advise them that a programmatic approach, provided it is reasonable and proportionate and carried out systematically, would be likely to meet the requirement of a properly drafted law. The implementation of such a programme will be well within the financial ability of the SAR, and totally worthwhile. Indeed, it is part of what is required to make Hong Kong a truly civilized city worthy of being called "world class".

In the same context of human rights, I note with concern the small number of legal aid certificates granted for cases involving a breach of the Hong Kong Bill of Rights Ordinance where the applicants fail to meet the means test: Only one certificate was granted in 2005, none in 2006, and one in 2007. These figures were given in answer to the question of the Honourable Martin LEE. I know what the official answer is of course: The Director of Legal Aid acts independently of the Government's intervention. But is it indeed so clear-cut? Are we asked to believe that there was only one case of breach of the Hong Kong Bill of Rights Ordinance? Or do the breaches only involve citizen-parties of slender means? Or, which is closer to common sense, that many breaches escaped redress because it is more difficult for legal aid to be obtained than it is for a camel to pass the eye of a needle? And why should the Director of Legal Aid be so mean, if the financial constraints put upon him were less real for their invisibility?

Human rights groups have long asked for a Human Rights Commission to be established on public funding. When will the Financial Secretary advise the SAR Government that we have the money for this essential item?

Access to justice has always been an important issue. In the face of ever increasing unrepresented litigants, the Chief Justice established the Resource Centre for Unrepresented Litigants in 2003. It is clear from the recent report of the Judicial Administrator to the Subcommittee on draft subsidiary legislation relating to the Civil Justice Reform that the assistance the Centre could give is very limited, because there is no back-to-back service by another organization to give free legal advice. This year, the long process of the civil justice reform will culminate in extensive changes in court procedures through amending the High Court Rules. Conscientious practitioners can learn the new rules by joining a number of courses designed for them. But who is to inform the general public, including the many non-governmental organizations through whose help unrepresented litigants have acquired some knowledge of what court procedures mean and require of them?

It is not just a one-off funding to update the information pamphlet or website of the Resource Centre which I am talking about. I am referring to the updating of the whole system of providing free and accessible advice, including free legal advice, to members of the public, and that involves long-term, significant financial requirement.

In a short while, the Department of Justice will announce the findings of its extensive survey report on the demand and supply of legal services in Hong Kong. I cannot, and shall not, attempt to refer to its contents here. But it is no secret that, as a matter of fact, only a minute proportion of the general public enjoy any kind of free legal advice, and that little, unsystematically. Although everyone lives under the law, few are privileged to know how they are affected by it, and so most must live in bewilderment. I have proposed a Community Legal Services Centre with Ms Audrey EU as long ago as 2002. It is only one way of tackling the issue, and a very modest one. With the resources at his command, the Financial Secretary can and should do better. When the findings of the survey are made public, I hope the Financial Secretary will have the answer ready.

Thank you, Madam President.

MR WONG KWOK-HING (in Cantonese): Madam President, I have brought with me a magnifying glass and two songs for my speech here today. Madam President, the latest survey of the Consumer Council released yesterday has found that the prices of over 50% of supermarket items have lifted during the past year. Among them, the increase in the price of cooking oil, toothpaste and rice has reached 10% to 20%. Inflation has been on the rise in recent months. And prices have increased in all trades and business in the community.

There is a song of Sam HUI's, "God of song", called "A Price-rise Heatwave": "You scare, I scare, everybody scares The price of sugar is rising, the price of salt is rising". This is exactly the plight faced by the people. The price of cooking oil escalated last week at a rate similar to that of crude oil. The price of a bottle of three-litre canola oil rose sharply from \$69 to \$94.5 in just a day, representing an increase of as high as 40% in one day. The price of cooking oil even rose from \$60 or \$70 to \$110 in some cases. The rate of increase was indeed terrifying. Moreover, the Administration has estimated that the rate of inflation this year will reach 4.5%, more than double of the 2% last year. In view of rising inflation, the Budget announced earlier has allocated over \$70 billion for "giving out candies" in an attempt to return wealth to the people. However, there is still plenty of room for fine-tuning and improvement before such measures can really help the grassroots. Therefore, I especially give the Financial Secretary a magnifying glass in the hope that further improvement will be made in the implementation of various specific measures to

return wealth to the people and the Government can clearly see that there is indeed plenty of room for improvement.

First of all, I think the Government should take the lead to freeze the increase in prices, the increase in fees and charges, and the increase in rent before inflation can effectively be curbed. Otherwise, it will only add an extra burden to the operation of small business, and add miseries to the already difficult living of the people.

The rent-freeze period for the 79 markets, 14 909 stalls and 25 cooked-food markets in the territory under the Food and Environmental Hygiene Department is going to expire at the end of May, and they will face a risk of substantial rent increase. Therefore, the Government should freeze or even lower their rent from 1 June to help them tide over the crisis.

The two wholesale food markets in the Western District and Cheung Sha Wan under the Agriculture, Fisheries and Conservation Department have suddenly announced a substantial rent increase of 11.4% with effect from 1 June. Such an increase will inevitably be shifted onto consumers, thus adding miseries to the already difficult living of the people. This measure is definitely unpopular. And such an increase should be immediately put to a halt.

Regarding the waiving of the business registration fee for one year, I certainly will give it my support. However, since the business registration fee can be waived for one year, why can the hawker licence fee not be waived for one year? At present, there are around 7 000-plus fixed pitch and itinerant hawkers in Hong Kong. The nature of the hawker licence is exactly the same as the business registration certificate. However, the Government has only proposed to waive the business registration fee for one year, without making the same arrangement for the hawker licence. As a result, the licensed hawkers in the territory have been deprived of the chance to share the fruits of economic growth in the Budget for the coming year, giving an impression that the Government is biased and unfair.

In respect of the Mandatory Provident Fund (MPF), the Budget this year has proposed an annual contribution of \$6,000 for each wage earner earning less than \$10,000 a month as their MPF contribution. On the surface, this measure can help the wage earners at grass-roots level save \$500 a month. However, they have criticized that this is only like "sea water to chickens reared by boat dwellers", as they cannot drink the sea water even though they see it. They can

only see this amount of money, but they cannot use it. It has practically failed to help them fight the current inflation and ease their burden of incessant price increases because the \$6,000 can only be withdrawn upon their retirement at the age of 65. Can the Financial Secretary think of ways to enable these wage earners to use the \$6,000 immediately, in order to assist them in tackling or easing their burden of living?

Moreover, the Government should consider the grant of \$6,000 to people in the following two categories. First, non-MPF profit-sharing provident fund accounts of those earning less than \$10,000 a month; and second, pension scheme accounts. As the MPF scheme was introduced in 2000, some enterprises had long set up retirement protection schemes for their employees before then. As a result, those employees do not join the MPF scheme and they participate in the provident fund schemes offered by their enterprises. And there are generally two types of provident fund schemes, namely contributory and profit-sharing. It is hoped that consideration will be given to this. Moreover, at present, the non-working MPF account holders who earned less than \$10,000 a month before have become out of job due to various reasons. They are even more in need of the \$6,000 grant of the Government.

In respect of rates, as the Treasury has recorded a surplus of over \$100 billion this year, the Budget has decided to waive rates for the whole year, subject to a ceiling of \$5,000 per household. Although this is not a new initiative to return wealth to the people because it was a measure often adopted by the Government to return wealth to the people when the revenue position was satisfactory, the actual implementation of this measure always runs counter to the objective of returning wealth to the people. The waiving of rates seems to be able to benefit everybody. However, this is not so in reality. As rates rebates are given to landlords instead of directly to tenants, and the Government does not do anything to follow up, it is impossible for many tenants to enjoy this benefit, resulting in the strange phenomenon of landlords getting all the benefit of the waiving of rates. This happens not only in the private sector when landlords of private properties refuse to return rates rebates to tenants. The same also happens in the public sector. For instance, the Housing Authority (HA) is one of the major landlords in Hong Kong, with shopping arcades, markets, car parks and residential properties all over the territory. Many of its shopping arcades are managed by The Link Management. And tenants actually doing business there are always not given any rates rebate. Moreover, we have recently uncovered that the operator of market tendering exercises in shopping arcades

managed by The Link Management has cheated the Rating and Valuation Department by tampering with the rates and falsifying accounts to embezzle the difference and then lining its own pocket with rates rebates. As such breach of law has been extremely vile and serious, government departments should not sit by and remain indifferent. The reduction of rates for the 26 000-plus parking spaces of the HA amounted to \$1.54 million in 2007-2008 and \$2 million in 2008-2009, a total of \$3.54 million in two years. However, the HA did not return the rebates to the tenants on the pretext of that the amount is small but the administrative costs are high. As a result, the rates rebates have all gone into the "pocket" of the HA, and this runs counter to the Government's policy of returning wealth to the people. I think this is absolutely unjust.

I wish to cite another example. Similarly, the Housing Society did not return the rates rebates to tenants of parking spaces. Instead, it put into its own pocket the total rebates of \$720,000 for 3 615 parking spaces in two years. I think this is totally unethical. Worse still, the Housing Society is going so far as to announce a substantial rent increase with effect from 1 April. How can such a practice curb the price increase? Even government departments and public organizations have feigned compliance with the policy of "leaving wealth to the people" of the Financial Secretary. Will the Government please tell us how it can take the lead to curb the price increase and suppress inflation?

The waiving of rates is actually a benevolent measure which is really beneficial to the people. However, its implementation has failed to achieve its good intention. Therefore, I think it is really necessary to improve the policy as soon as possible, so as to return the rates rebates to tenants. I have brought with me a magnifying glass to suggest that the Government should not be sloppy in the implementation of this benevolent measure.

Regarding the Old Age Allowance (commonly known as the "fruit grant"), I was the first to propose in the petition to lift it to \$1,000. And when the Hong Kong Federation of Trade Unions met with the Financial Secretary at the end of last year to express our views on the Budget, we further proposed an additional living allowance for the elderly in poverty to provide them with better care. It is a pity that this proposal is not accepted. Instead, a one-off additional allowance of \$3,000 has been provided in response to the public aspiration for raising the "fruit grant" in the long run. In fact, this "generous red packet" cannot really solve the problem because this is, after all, not an increase in the payment to provide long-term protection. Although the Government has only

regarded the provision of "fruit grant" as a token of respect to the elderly, to the older generation spending half their life in Hong Kong working arduously without the protection of any scheme such as the present MPF scheme or other provident funds — only some employees had the protection of provident fund or pension — the "fruit grant" is their only protection for their living after retirement. Therefore, to these elderly people, an increase in "fruit grant" in the long run is the most suitable assistance. It is a great pity that the Government has not abolished the two discriminatory requirements concerning the 240-day absence limit and the restriction that the portable CSSA scheme is applicable to Guangdong and Fujian provinces only. In this regard, I hope the review on this and the increase in "fruit grant" will be advanced the middle of this year, rather than the end of the year. In this case, the Legislative Council of this term will still have a "say".

On the other hand, the media has recently uncovered cases in which some elderly homes have withheld the additional allowance for the elderly. There will be an additional allowance of \$3,000 for the elderly this year. Will the money ultimately go into the pocket of these heartless organizations? Although the elderly will be granted \$3,000, how much of this amount will ultimately go into their own pockets?

Similarly, an innovative measure of the grant of an electricity charge subsidy of \$1,800 a year to each residential household in the territory is proposed this year. Electricity is almost a daily necessity of the people. The grant of this subsidy of \$1,800 to each household is another measure which can benefit most people in addition to the rates concessions. Although the new measure wins applause, behind the applause, the most important thing is how this measure is going to be truly implemented. I mentioned earlier that the rates rebates did not go into the pockets of taxpayers. Similarly, will the electricity rebates go into the pockets of the major landlords and organizations enabling them to reap all the benefit, while the tenants and users will end up with nothing to gain at all? I think the Government should follow this up in more detail, and look into this clearly with a magnifying glass.

Madam President, I said at the beginning of my speech that I have brought two songs with me today. The second song is also the work of Sam HUI called "Half a Catty Eight Taels". As this is not a karaoke, I will read out the lyrics to conclude or sum up the plights of the wage earners. "God of song" is very to-the-point. He said, "We the wage earners dash about the streets, upsetting

our stomach. Our income is meagre, failing to support us until the end of the month." "God of song" continued, "Half a catty eight taels, even there is good fortune, it is not for us to share; half a catty eight taels, we are in a more pitiful state than the pig's intestine in boiling water; half a catty eight taels, we have to peck even there are just bits and pieces." In my view, the last three lines of the lyrics have given an exact description of the Government's Budget. The Government has allocated over \$70 billion for "giving out candies". Exactly how much of this amount can be shared by the wage earners? Is it really true that if there is "half a catty", we can exactly take "eight taels"? We do live in great misery because even the "bits and pieces" such as the rates rebates and electricity subsidy have to be "pecked" by heartless consortia and operators.

I hope the Government, senior officials in this Chamber, and senior officials not in this Chamber will listen to these two songs, and use the magnifying glass to see how the "candies" given out in this Budget can get to where they are really needed and address the needs most thoroughly, so that wealth can truly be left to the people.

Thank you, Madam President.

MR BERNARD CHAN: Madam President, most of the debate about the Budget has focused on how the Financial Secretary returned the surplus to the community. Some critics say too much went to the middle class, through cuts and rebates in salaries tax and rates. However, the electricity bill subsidy, the waiver of public housing rents, and the old age and CSSA bonuses will probably have a bigger impact for many families of lower incomes. That is especially important at a time of rising inflation.

On the whole, I think the Financial Secretary made wise decisions in choosing how to distribute this excess revenue. There are probably hundreds of different ways he could have done it, but he chose a broad range of measures, and just about everyone will benefit in some way. And of course, that includes the business community which receives a small but welcome cut in profits tax.

If we want to criticize anything, it should be the fact that the Government accidentally raised so much surplus revenue in the first place. There is a problem with a fiscal system which cannot be controlled more accurately. Big

surpluses raise public expectations, and people might be unhappy when one-off measures are not repeated the following year. And with such a volatile system, we cannot always guarantee big surpluses. As we saw earlier this decade, it can work both ways, and we can end up with big, sudden drops in revenue.

The Financial Secretary has proposed earmarking \$50 billion from the fiscal reserves to kick-start a new health care financing system. Hopefully, this will encourage people to think seriously about the different options for increasing health care funding in the long term.

There are quite a few possible approaches. One is simply to divert government expenditure from other areas, which could lead to extra burdens for some people as a result of spending cuts. Another is simply to have higher taxes. Others involve bigger contributions from people of working age, probably in line with their incomes and ability to pay.

All of these have one thing in common, and that is somebody somewhere has to pay more. And whichever route we take, that "somebody" is likely to be people of working age, especially with average or above-average incomes.

A survey recently showed that the middle class is not totally happy with the idea of personal health coverage to supplement the current system. In particular, I have heard that if they had to choose, the middle class would prefer a voluntary to a compulsory plan.

There is a danger that this simply would not work. A voluntary scheme needs a critical mass. Without a broad pool of people taking part, it might not be financially viable. Younger people who are more likely to be healthy might opt out of the system, and the contributions made by the people left in it will not cover the health care costs.

Some people say that a compulsory system would be no different from paying extra tax. That is not really true. If it is structured well, a personal coverage system could give us and the members more personal ownership and benefits, with more flexibility and choice of health care providers. But the basic point is we do need to increase health care spending, and the money has to come from a recurrent source somewhere.

Madam President, the financial services industry will remain to be the main pillar for Hong Kong's economy in the years to come. And the key asset of the industry is its people. We need to remain competitive in our taxes to attract the best talent to come to our city. But apart from the economic incentives, especially for those with young family, we also need to create a better environment to enhance their quality of life. Financial commitment to create more open space is much overdue, and I am counting on the Secretary for Development to bring back more space and more grass lawns to those who have contributed much to our fiscal system.

Thank you.

MR WONG YUNG-KAN (in Cantonese): Madam President, I will speak on behalf of the DAB in respect of food and environmental hygiene in the Budget. The public has recently been panic-stricken at the mention of food. Their concern has not been for food safety. They have been worried and anxious about the rising prices of a wide range of groceries. As the saying goes, "Even a clever housewife cannot cook without rice." The recent occurrence of a rice rush has not stemmed from the concern about shortage of supply of rice but the imminent surge in the price of rice. Hong Kong is a free market where prices should be determined by the market. However, it is common for some advanced free economies to keep a strategic reserve of basic commodities such as food and energy in order to prepare for a rainy day and suppress price fluctuations. Hong Kong is fortunate to have the strong support of the Mainland. Premier WEN Jiabao has repeatedly guaranteed a steady supply of food to Hong Kong. However, the public does not only wish to have an ample supply of food. They also wish to see measures in place to suppress the spiralling prices. However, the SAR Government has lacked alertness of problems with the food reserve, and also a vision of developing local supply of agriculture and fisheries produce.

Madam President, in my view, to stabilize the prices, especially the basic food prices, will be a major challenge in livelihood issues to governments all over the world in the next year or two. I have learnt from the news this morning that the food issue was also raised in the United Nations in the past few days. The United Nations even encouraged some countries to grow potatoes to solve the food problem which had led to uprisings in some countries. Through the establishment of central wholesale markets for agriculture produce, Japan has had a healthy information distribution system in place to adjust supplies and

promote exchanges of commodities. A fund has also been set up to stabilize the prices. In Italy, an "agreement price" has been reached with the bread-baking industry for as long as 47 years. Some agricultural countries such as Korea and the Mainland have granted subsidies to major foodstuffs to enhance the initiative of farmers in production and safeguard the people against the volatility of food prices.

Although the Reserved Commodities (Control of Imports, Exports and Reserve Stocks) Regulations (Cap. 296A) have provided that rice traders must keep a stock of 15 days, only rice is being regulated under this entire legislation. Other items of food consumed Hong Kong people in large quantities, such as flour, meat and oil have not been regulated despite an increasing demand for them. The DAB is of the view that it is necessary for the Government to reconsider the strategy for food reserve. And it is also necessary for the Government to follow up the information transparency on the price and supply of food and properly release such information to the public, in order to ease the sentiment of panic buying. Regarding how to help the grassroots combat food inflation, it is necessary for the SAR Government to examine the grant of subsidies to a certain extent without interfering with the market operation, particularly when the SAR Government is now in a more favourable financial position, and there is no harm in adopting this measure as a temporary means to stabilize the prices.

Apart from the above measures, the DAB is of the view that the promotion of the development of local agriculture and fisheries industries will have a positive impact on stabilizing the supply and prices. I proposed the motion of "Rebuilding the local agriculture and fisheries industries" last month and criticized the SAR Government for taking local agriculture and fisheries industries lightly. I wish to supplement my view with two more points today.

First, regarding the policy on offshore fishing, the SAR Government has injected over the past years a total of around \$300 million into the special schemes under the Fisheries Development Loan Fund and the Fish Marketing Organization Loan Fund for application by fishermen interested in offshore fishing. However, several years on, only three out of 12 applications were approved, with loans of \$3.63 million being granted. A number of my friends in the fisheries industry told me that it was not that they were unwilling to apply for the loan. They were held back by the harsh terms and excessive guarantee requirements. I have recently received a copy of the specifications concerning the Shenzhen Government's support to the development of the offshore fishing

industry. The paper has categorically stated its support to the development of the offshore fishing industry by adopting an "outward" strategy, in order to actively promote Shenzhen as the production, processing, collection and distribution centre of offshore aquatic products in Southern China, as well as to steer the development of the offshore fishing industry into an important strategic industry. The paper has set out a lot of specific measures and proposals which are the envy of the fishermen of Hong Kong. The paper has proposed the establishment of a special fund of a total of RMB500 million yuan in three years, the collaboration with financial institutions to encourage them to support the modernization of fishing vessels to build an offshore fishing fleet, and the provision of interest subsidies in half of the loan amount for three years through the special fund. It has also proposed the grant of half of the access fee to enterprises for pursuing offshore entry right, the provision of subsidies for fuel price and assistance for the losses suffered by the industry in natural disasters. Moreover, the Shenzhen Government will supply land and capital exclusively for the building of a deepwater fishing port, an aquatic product trading centre and a specialized cold storage as its contribution to the infrastructure facilities for offshore fishing companies. It will organize fairs to promote the product brands of the industry; put in place a high-level joint conference for offshore fishing industry to co-ordinate the work and policy of different departments and develop international collaboration in fisheries industry. We can see that the planning of the Shenzhen Government has been all-rounded. In particular, at the recent meetings of the National People's Congress and the Chinese People's Political Consultative Conference, the issue of the development of marine fish culture industry was also raised, showing the determination and strength to help the fisheries industry move outward. In comparison, why can the Shenzhen Government have the foresight to set out long-term planning for the future of fishermen while the SAR government officials have only increased the threshold of loans and thinking that they have worked wholeheartedly in the interest of fishermen? I cannot but ask: Is it the policy of the SAR Government to force local fishermen to turn to our country for help so that our fisheries industry can really move outward?

I also wish to raise the issue of interest with Secretary Prof K C CHAN. Due to outstanding loans, some fishermen recently had to — not a lot, only one to two cases — go to the Department of Justice As the penalty interest rate is as high as 11%, it was impossible for them to repay the loans. And they had to borrow money by all means to repay the Government. The fishermen told us that they were nearly forced to jump into the sea by the Government. I urge the Government to reconsider whether there is anything wrong with the relevant policy.

Madam President, we all know that there was a long period of cold spell in January and February this year in Hong Kong. It has caused the greatest loss to local fish farmers in recent decades, ruining overnight all of their fish stocks in the next few years. Although the Government provided them with emergency relief fund, each farmer got only several thousand dollars which were not even enough for the maintenance of fishing tools alone. A loan of \$100,000 at the best rate of 0.2% can be taken out from the Kadoorie Agricultural Aid Loan Fund. But any additional loan will be charged at a very different interest rate. We discussed this matter with the Government, stating that an industry could not be revived overnight. And we asked whether additional loans would be provided. At present, it takes more than \$2 to buy just one fish fry. How many fish fries can they buy? I believe the Government should re-examine its assistance for these industries.

Madam President, after discussing the plight of the agriculture and fisheries industries, I also wish to talk about the small traders. The DAB conducted earlier a survey on price comparison of non-supermarket commodities in the 18 districts of the territory — similar figures were also released by the Consumer Council yesterday — Our survey found that the prices of commodities sold in supermarkets were higher than those sold by small traders such as stores and drug stores by over 10% on average. Our survey also found that districts experiencing the biggest difference in prices were all in the New Territories because the small number and scattered distribution of small traders in these districts has brought little competition to supermarkets. Moreover, the Government has biased in favour of supermarkets. In the area of housing policy, for instance, The Link Management has preferred to rent all its shops to major supermarkets. And small traders have been asked either to close down or to move out. Is it reasonable? The Government should look into this practice of The Link Management as soon as possible to see if it is reasonable to small traders. With a better shopping environment, supermarkets have always been a great appeal for shoppers. On the contrary, as small traders do not operate on a scale comparable to supermarkets, and given the lack of favourable business conditions created by the Government marked improvement in the environment of public markets, small traders have gradually lost their kaifong clientele to supermarkets, leading to monopolization by supermarkets over time.

The DAB has maintained that the existence of small traders is crucial to promoting positive competition with supermarkets and ensuring relative cheaper goods for the public. Therefore, it is necessary for the Government to improve

the business environment for small traders. In particular, regarding public market rentals, consideration should be given to implementing a rent freeze again to address operational difficulties of small traders. Regarding the management of markets, it is necessary for the Government to improve the hygiene and ventilation of the markets, and make good use of the vacant stalls to allow a greater variety of traders to operate in the markets, so as to widen the diversity of commodities sold in public markets.

Everything is expensive nowadays, and this has aroused a great reaction from the people, including those in my constituency. I attended a meeting in the district last night. Once the issue of rice was raised, they were panic. Exactly how much has the price of rice increased? We have no idea. I hope the Government will seriously do something. Otherwise, food will become the cause of disaster. I also hope the Government will not be off its guard and treat the food issue lightly. Although we have the strong support of our country, Hong Kong people, who are perhaps spoiled, are not quite used to eating rice from the Mainland. Therefore, I hope the Government will help promote rice from the Mainland. The Maba long grain rice of Shaoguan is of a very good quality. I hope the Government will assist in its promotion to change the habit of Hong Kong people of eating only imported rice such as Thai rice. I also hope the Government will strengthen its communication with the Mainland.

Madam President, I so submit.

DR YEUNG SUM (in Cantonese): Madam President, Mr Albert HO, Chairman of the Democratic Party, has presented our views on the Budget in general. I will only put forward the Democratic Party's views on education, conservation, health care and the constitutional system from a financial perspective.

Madam President, in the area of education, the issue of associate degree has remained a public concern. The Report on Phase 2 Review of the Post-secondary Education Sector was released last week. It has given us quite a pleasant surprise, as the Government has finally agreed to provide associate degree students with means-tested loans for their living expenses, as well as extend the Financial Assistance Scheme for Post-secondary Students to cover associate degree graduates studying self-financing degree courses to allow them to apply for means-tested grants and loans, so as to ease their financial burden.

However, this is still far from adequate to improve the problems faced by associate degree students. First, education institutions practically have no sufficient fund to develop the quality of associate degree courses and I stress, quality. At present, the tuition fee for an associate degree course ranges from \$30,000 to \$50,000. After deducting the repayment of the loans for building school campus and organizing the course, one may well imagine how many resources will be put into the course. It is ironic that even the unit cost of the matriculation course has reached \$60,000. To ask associate degree courses with an annual tuition fee of only \$50,000 to achieve a certain quality standard is downright impossible. However, the Report has further proposed the promotion of the development of the so-called self-financing degree courses. As institutions have to operate on a self-financing basis, coupled with their limited income from tuition fees and minimal resources, the development of self-financing degree courses with the unit cost amounting to \$200,000 is like the comments of Dr Edward CHEN, the former President of the Lingnan University, who said that it is practically impossible for anyone, perhaps with the exception of Superman, to maintain the quality of tertiary education. In fact, the quality of tertiary education has so far remained "false, big and empty". There is still plenty of room for improvement by the Government. Therefore, the Democratic Party proposes the provision of direct subsidies to associate degree programmes by the Government — I must stress direct subsidies — to allow institutions to improve student services and the quality of teaching staff, as well as enhance the quality of their administration and programmes, in order to boost the overall standard of tertiary education to support Hong Kong to move towards a knowledge-based economy.

The insufficient number of subsidized degree places has dampened the motivation of institutions to improve the quality of their programmes. It is the hope of many associate degree graduates to articulate to universities after graduation. However, to the 20 000 associate degree students each year, 1 900 Year Two articulation degree places are merely a drop in the bucket. Therefore, no matter how hard the institutions try to train their students, associate degree graduates succeeding in securing a degree place are the rarest of the rare. It is only natural that the institutions cannot use the articulation rate to subsidized degree places as a benchmark of quality assurance of their programmes or the "gold lacquer logo" to attract students. As a result, the institutions would rather put up advertisements, give out gifts or admit against the rules under-qualified students than improving the quality of their programmes to attract students, thus leading to the steady decline of the quality of the associate degree sector. On the contrary, if there is a sufficient number of

degree places, the institutions can raise their graduates' articulation rate to degree places by improving the quality of their programmes, so as to attract a greater student intake.

Moreover, due to the extremely harsh eligibility criteria for the present means-tested grant and loan schemes, an extremely small number of loans have been provided to students. For instance, it is now simply impossible for a four-member family with a monthly income of \$25,000 to receive any grants or low-interest loans. However, these families have to spend at least two months of their household income on the tuition fee of an associate degree course a year, which is far beyond their affordability. Many students can only apply for non-means tested loans at a high interest rate plus a risk rate of 1.5% indiscriminately charged by the Government, so as to pay for their tuition fees. I have recently received a written answer to my question from the Government and learnt that the interest income in the first term has amounted to over \$200 million, which has made the Government look like a "loan shark".

In the case where full grants and low-interest loans are given to students, their monthly household income must be below \$8,000, which is equivalent to the present payment to a CSSA four-member family. Only a small number of students can qualify as "students from less well-off families" as referred to by the Government. Madam President, I wish to stress that the Government's practice of drawing up the eligibility criteria of university grants and low-interest loans with reference to those of textbooks assistance for primary and secondary students is simply a deviation from the reality. The eligibility criteria should be relaxed immediately to allow all students in need to really obtain assistance.

Madam President, in the area of heritage conservation, since the Chief Executive's announcement of a series of measures in the policy address last year, such as the setting up of the Commissioner for Heritage's Office, the introduction of the Revitalising Historic Buildings Through Partnership Scheme and the provision of economic incentives to encourage heritage protection by the private sector, the performance of the Government in recent months, particularly in the incident of the preservation of King Yin Lei, has really given the public a good impression. However, in the preservation of the mansion at 128 Pokfulam Road, the performance of the Government has been barely satisfactory, failing to give an undertaking of conservation in law or by way of any agreement. This European-style mansion is similar to other historic buildings such as the University Hall of the University of Hong Kong. When

the mansion was on the verge of demolition, it was assessed as a building with historic value and declared as a proposed monument. However, under the objection of the owner for it to be declared as a monument, it is now given a grade III historic building status instead. It is possible that the mansion will be surrounded by new buildings in future and eventually cannot escape the fate of demolition.

Regarding the handling of heritage and monument owned by the private sector, the Secretary has frankly admitted that only the strategy of "no action if our enemy does not make any move" can be adopted at present. Among the current 83 statutory monuments and 495 graded historic buildings, almost over half of them are privately-owned. There are still 1 400 buildings awaiting assessment. Is this ad hoc approach really effective?

To achieve the aim of heritage conservation and cultural inheritance, Hong Kong not only needs the efforts of government departments, but also the contribution of private owners as well as the recognition of the general public. To this end, a comprehensive policy on heritage conservation should be formulated to develop among the public including private property owners recognition for and confidence in heritage conservation.

The Democratic Party proposes the allocation of \$3 billion to establish a heritage conservation trust fund, as well as an independent statutory body exclusively responsible for the policy and initiatives of heritage conservation. The statutory body will be responsible for the formulation of a complete, clearly-defined and sustainable policy on heritage conservation; the setting up of a mechanism for professional assessment with the aim of "conserving historic heritage and promoting cultural inheritance"; the formulation of a transparent and open policy on procurement and donation; the preparation of systematic procedures for renovation and maintenance; the drawing up of a sustainable operation strategy, and the implementation of a wide range of initiatives in heritage conservation education. With the support of the heritage conservation fund, the credible statutory body will negotiate and co-operate with the Government, private property owners and non-governmental organizations to achieve the broadest consensus to implement meaningful conservation and revitalization projects.

Given the present favourable financial position, apart from earmarking \$1 billion for heritage conservation projects, the Government should allocate additional resources to examine the establishment of the heritage conservation

trust fund and the statutory body, as well as to consult the public to gather constructive ideas, so as to implement the proposal expeditiously. In answering our question raised on a previous occasion, the Secretary seemed to share the same view. It is hoped that she will redouble her efforts to this end.

Moreover, the Democratic Party is of the view that additional resources should be allocated to the extensive promotion of public education and participation in heritage conservation. At present, the Antiquities and Monuments Office has only earmarked \$600,000 for promotion and education purposes, which is merely a drop in the bucket. We propose that additional resources should be allocated in this area to provide every school with extra assistance to organize one guided tour, so that every school can at least visit one heritage monument or historic building each year. Studies can also be conducted on out-sourcing the everyday management work to non-profit-making organizations or non-governmental organizations, and ways for the more effective use of resources as well as greater community involvement in conservation participation.

Basic information on all statutory monuments and historic buildings, as well as details such as their opening mode and time and also transport information should be uploaded to the Internet for the information of the public to facilitate their visit. Regarding the organization of open days, the previous arrangement of opening the former police married quarters site in Central and Sheung Wan for public visit on Friday evening and Saturday but not on Sunday has made many families disappointed. I propose the deployment of extra resources to organize open days on Saturdays and Sundays to allow the whole family to have the opportunity to get in touch with the heritage.

Madam President, in the area of health care financing, the Budget this year and the health care reform can be said as to echoing with each other. Following the Financial Secretary's announcement in the Budget of earmarking \$50 billion for the future health care reform, the Government released the consultation document.

The Democratic Party agrees that the handling of the issue of ageing population will have a profound impact on our future development. Mr James TO published a report of the study on population and sustainable development as early as in 2006, proposing the establishment of an old age population fund to provide for the expenditure for the ageing population in future. We are very pleased that the Financial Secretary has accepted our advice in the Budget.

However, regarding health care financing, on behalf of the Democratic Party, I published a consultation paper on universal health care protection system last year. We agree with the Government that reforms in health care system and health care financing should be implemented. We also think that among the current health care expenditure that represents 5.3% of the GDP, around \$30 billion in the private health care sector and the health care insurance market have not been fully and effectively utilized. Through the reforms in health care system or health care financing, better health care services and protection will be offered to the public. We support this direction.

However, whether in the Budget or the consultation document on health care reform, we can see that the Government has lacked commitment. I must stress that from what we can see, the Government has lacked commitment in health care services. For instance, the Government has repeatedly emphasized that health care spending has accounted for 17% of the public recurrent expenditure. When education spending has accounted for 25% of the public recurrent expenditure, why must health care spending remain at 17%? In fact, this issue has never been raised for public discussion. Why can the public expenditure not exceed 10% of the GDP? Why must this golden rule be upheld? What is the rationale? These issues have never been discussed before.

In the absence of any in-depth discussions, the Government has decided to "cap" health care spending at 17% of the public recurrent expenditure, and the rest is to be paid or contributed by the public. The public have found this very difficult to accept. Given that the Treasury is flooded with money this year, the Financial Secretary has allocated \$50 billion for reform purposes. Why can the Government not make a greater commitment? By establishing a fund, a certain amount of resources can be allocated each year. For instance, the Government can put part of the investment of the Exchange Fund or the annual tobacco duty of over \$1 billion into the fund for investment to generate profits or returns. After 2012, even if the public expenditure is inadequate to support health care services, the Government can make use of the fund. If the public will decide to make contributions to the medical insurance scheme by then, their contribution can be kept at a lower rate. In that case, as the financial burden on them is not so heavy, the public may find it easier to accept.

Regarding primary health care services, Madam President, I am disappointed with this Budget because the Department of Health which is

responsible for health education and primary disease prevention basically has no new resources or services. The waiting time of the elderly for body check-up at elderly health centres is arranged on a yearly basis, making early detection of symptoms and treatment difficult. As the cost of running an elderly health centre is high, it is not the intention of the Government to expand this service accordingly in the light of an ageing population. Although the provision of health care vouchers to the elderly can provide them with the opportunity for body check-up, the amount of \$250 a year has been far inadequate. Therefore, the Democratic Party proposes lowering the age of eligible recipients from 70 to 65, as well as increasing the value of each voucher from \$50 to \$100 and the number of vouchers from five to 10, in order to facilitate the elderly to undergo body check-up.

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

Deputy President, if the Government fails to improve primary health care services and make commitment to tapping new resources, I believe it is difficult to put the health care reform into practice.

Deputy President, it is proposed in this year's Budget the creation of the posts of one Under Secretary and one Political Assistant in all Bureaux except the Civil Service Bureau. According to the Government, the purpose of doing so is to lay the groundwork for universal suffrage.

The Democratic Party begs to differ. I will move an amendment at the Committee stage of the Appropriation Bill next week to scrap the expenses of all Bureaux in this respect to show our dissatisfaction.

It is proposed in this year's Budget the allocation of \$1.5 million as exchange expenses on the improvement of the relationship between Hong Kong and Taiwan, which is a really meagre amount.

We have noted that Mr MA Yingjeou, the President-elect of Taiwan, repeatedly mentioned that he had been refused entry to Hong Kong by the Hong Kong Government. If the Government allocates additional resources to improve the communication between the two places by inviting heavyweights to Hong Kong to take part in exchange activities, whether they are from the

pro-unification or the pro-independence camp, I believe on the one hand, it will show the broad-mindedness of the SAR Government; on the other hand, it will improve the communication between the two sides of the Strait, which will be of great benefit to the overall cross-strait relation in future.

Thank you, Deputy President.

DR KWOK KA-KI (in Cantonese): Deputy President, the SAR Government has registered a record surplus of over \$120 billion this year. Theoretically speaking, this should be a pleasant surprise or good news to the people. When the Financial Secretary delivered the Budget, he initially enjoyed high popularity among the public, and his popularity rating was also a record high. A number of one-off measures have been implemented to give out candies in respect of salaries tax, profits tax and electricity charge. However, a proposal on health care financing arrangement was also released not long ago, causing widespread public concern. After going through this financing proposal, I have begun to understand that the Government has actually made an important change.

It is categorically stated in the consultation document on financing options that Hong Kong is going to face a huge expenditure on public health care in the next two to three decades. The Government has estimated that the spending will be as high as \$180 billion. As this is a considerable amount, efforts must be made to identify solutions by all means. There is nothing wrong with this. However, the line of thinking of the Government has experienced a significant change. Health care expenditure in future will no longer be undertaken by our proven tax regime. Instead, a new financing arrangement will be introduced, in which the majority of the health care expenditure will be mainly undertaken by the middle-income group (with an income from \$10,000 to \$30,000). I have to stress that this important change has not been discussed; nor is it a consensus agreed by the community as a whole. More importantly, it has run counter to the fair tax regime which has operated effectively in Hong Kong.

We can see the degree of generosity of the Government in "giving out candies" this year. However, while these are one-off measures, some other measures are not. For instance, the lowering of the profits tax rate by 1% will cost the Government \$4.4 billion a year; the lowering of the standard rate of the salaries tax by 1% will cost \$900 million a year; the total removal of the duty on red wine will cost \$560 million, and the waiving of the hotel accommodation tax

will cost over \$350 million. It is interesting that the proposal on the amount of the first-year contribution made by the middle class in the health care financing report is incidentally the same as \$6 billion. The Government's concept has had an important change, in that most of the extra expenditure has to be shouldered by some members of the middle-income group of the community. This is a very dangerous and regrettable move.

Should this concept of the Government be applied, which suggests that whenever expenditure increases, a tax has to be levied, then we should actually impose more taxes in areas such as education, welfare, infrastructure and transport. Why have we not done so? It is because we know that Hong Kong has adopted a relatively fair tax regime. At present, the salaries tax has accounted for around 12% to 13% of the total public revenue, the profits tax 30%, and the stamp duty and the proceeds from the property sector 20% to 30%. However, the change in the future is that in the face of a huge health care expenditure, the Government will shirk its responsibility; it will not be willing to take up the burden and instead, it will grind the axe at the middle class.

Some critics have described this \$50 billion of the Government as sugar-coated poison. Now I do see why and fully understand it. This has exactly been reflected in this pamphlet of the Government. In this pamphlet, the Government has told the middle class that for a single person with an annual income of \$120,000, congratulations, you can pay 40% less tax this year as your tax will be reduced from \$400 to \$240. But do not be too pleased. Under the new health care financing arrangement, a person with an annual income of \$120,000, that is, a monthly income of \$10,000 — in fact, \$10,000 is not much — has to pay a levy of 3% to 5%, or \$3,600 to \$6,000 a year, which is 20 to 30 times his tax payment. Is this a fair tax regime at all? What principle of fairness is this? Just look at any places in the world and we will find that every responsible government will go for a fair sharing out of the health care expenditure by making it a shared commitment of the community. In fact, the middle class has really taken up a lot of responsibilities in Hong Kong. Apart from paying tax, they also have to pay a number of indirect taxes, including the land revenue, as they are victims of the high land price policy and high rental. However, the Government still finds it not enough and plans to dig deeper into their pocket.

Let us take a look at the Government's commitment to health care expenditure. To date, our total public health care expenditure has only

represented less than 8% of the GDP as calculated by the Government, and it should actually be 2.7%. A forecast was made by the Government in 1997: The percentage of expenditure by policy area group was 11.5% in 1996, as compared to 11% in the financial year of 1992-1993. And the Government's forecast for 1997-1998 was 11.4%. Deputy President, this year, that is, 2008-2009, health services have represented 10.8% of the total expenditure by policy area group. Over the past 16 years or so, the Government has not made any commitment for additional health care expenditure, as the percentage has dropped from 11% (estimated to rise to 16%) to 10.8%. These are the real figures.

And let us take a look at the Financial Secretary's forecasts. The Financial Secretary has estimated that our operating revenue will be \$249.4 billion in 2008 and \$353.8 billion in 2012, with a growth of 41% in five years. In the meantime, our public expenditure will increase from \$332.1 billion to \$369 billion, with a growth of only 11%, which is a quarter of the total operating revenue. But the Government has remarked shamelessly that it has made great commitments for public finance and public services including health care services.

We said in the past that a lie repeated often enough would become truth. There is no exception for government officials. When they have repeated a lie often enough, the public would have a wrong impression, thinking that the Government has already made great commitments and that it is now time to dig into our pocket. Let us not forget that to a person with an annual income of \$120,000, the Government's petty favour to return wealth to the people has given them only \$160. However, under the future new financing arrangement, they have to pay \$6,000, or 5% of his income. To a couple with one child with an annual income of \$300,000, congratulations, they can enjoy a 60% reduction of tax payment from \$1,750 to \$680. However, when the 5% health care levy is imposed, the same couple has to pay \$15,000 a year, 20 times their tax payment.

To the middle class, the so-called health care contribution is actually a health care tax targeted at the middle class. And it is most regrettable that this tax is 20 times their salaries tax payment. What sort of a fair system is this? Where is the Government's commitment? Is the Government going to tell us that its commitment has dropped from 11% in 1992 to 10.8%? Why does this happen if we have heard the Government say that the elderly population will increase and the new technology will entail higher costs?

The additional allocation for the Hospital Authority (HA) this year has been less than \$790 million, or just \$780-plus million, with an increase of only 2.6%. Everyone knows by simple calculation that the payment of the annual increment for its 50 000 staff alone has accounted for 1% of the total expenditure of the HA, which is around \$300 million. Government officials responsible for health and welfare issues have told us that in order to cope with growth of the elderly population, an increase of 2% is necessary each year. Leaving aside any service improvement, the management of services alone has accounted for 3% of the expenditure, or \$900 million. The Government has only allocated \$790 million to the HA this year and then we have been told that the Government has paid more than it should and the Government has even intended to recover the overpaid amount from us.

Among the middle class in Hong Kong, 2.95 million people have taken out medical insurance providing various degree of coverage, and the policies of 1.4 million people have been paid by their employers and those of 1.55 million by themselves. The Government has not only provided them with no assistance, it has even turned a deaf ear to our request for tax concessions over the years. In Hong Kong, allowance has been granted for home mortgage, and tax concessions are also provided for continuous learning. Health care expenditure, which the Government has considered very important, is the only exception as the Government has not granted any concession and worse still, it has started to fleece the middle class this year.

It seems that the middle class has wrongly put their trust in this Government. The Budget this year can definitely be described as a dagger behind a smile and sugar-coated poison. The loss in revenue from the reduction in the profits tax and the standard rate of salaries tax — the latter is only enjoyed by people with salaries as high as over \$1 million a year — is permanent. Our memories should not stray too far. When the then Financial Secretary Henry TANG conducted consultation on goods and services tax in July 2006, he said, "By international standard, the present tax base of Hong Kong is very narrow. Our public expenditure has only relied on revenue from limited tax types and non-taxation sources. Such revenue will be wildly fluctuated in changing economic circumstances beyond our control, making it difficult for the Government to draw up long-term planning and reach investment decision."

The unpopular proposal of the goods and services tax was shelved in July 2006 in the face of objections. In February 2008, the Government played a joke on us by narrowing the tax base again, that is, by further narrowing the

already narrowed tax base. The Government may think that it is alright for some consortia to be too fat to wear socks. They will even be too fat to wear pants in future. However, the Government should not assume they will be grateful. When some persons-in-charge of these consortia of Hong Kong were interviewed about whether they welcomed the tax cut this time, their answers were that it really did not matter. They said that the Government can reduce the taxes as it likes and they would not raise any objection.

There is great news today. The Federation of Hong Kong Hotel Owners stated that despite a tax cut of \$350 million, the reduction of hotel room rates would solely subject to market forces. They categorically said that hotel room rates would not be reduced because of the tax cut. These gestures made by the Government might please our friends in the business sector, who are also the minority with very high income in Hong Kong. However, the Government has completely failed to effectively maintain public services which are commitments for society, especially health care services.

Our social, education and health care services are operated by a fair and effective tax regime. But the Government is now running counter to this direction. Members may be interested to note that soon after the delivery of our Budget, Singapore also released its budget. When the official responsible for financial affairs in the Singapore Government was asked about his view on providing no tax cut this year, he remarked that it was essential for the Singapore Government to maintain an effective and sustainable fiscal policy. But our SAR Government has done exactly the opposite.

The present practice of the Government has not been discussed; nor does it have the people's mandate. What disturbs us more is that such a practice targeting at the middle class will only push them to the verge of losing their foothold. The Government is now having \$50 billion in its hands. This \$50 billion can improve our fiscal revenue, but this \$50 billion will not be spent. To put it bluntly, this \$50 billion will only be spent when the public is swindled. It is actually stated in the consultation document that funding is urgently needed at present to improve health care services. However, the Government is so cold-blooded as to withhold this \$50 billion. Instead, it has introduced a tax regime unwelcome by the middle class, and this \$50 billion will be utilized only after the middle class agrees to such a regime.

The expenditure on mental health was \$3.2 billion last year, which was the least among all the services, accounting for only 0.24% of our GDP. The duration of follow-up checks for all psychiatric patients is only five to seven minutes. Given such extent of commitment by the Government, and given this view of the Government on public finance, I do not see any reason to support this Budget. I so submit. Thank you, Deputy President.

MISS TAM HEUNG-MAN (in Cantonese): Deputy President, in this packet of candies I am holding in my hand, the words "Fat Tat" (meaning prosperous) are written on each of the candies. My family was poor when I was small. We could only have some extra food during the Lunar New Year. I particularly liked to choose Fat Tat Candy from the candy box, not only because I liked its sweet taste, but also because after eating the candy, I had a smug feeling of being rich and prosperous.

Every year when the Budget is announced, it is the wish of the public that the Financial Secretary will distribute "candies" so that they can have some money to put into their pockets. They wish to become rich and prosperous. Since there are more candies in Secretary TSANG's pocket this year, the public naturally have more expectations than before. I understand that it is even more difficult to draw up a budget when we have more money in hand than drawing up a budget with less money to spare. We are glad that Financial Secretary John TSANG has devoted a lot of efforts in this to enable the general public to share the candies.

Recently, the Civic Party has produced a rap song to promote the registration of electors. Someone said that I looked like the Fung Shui master with the name of "Ling Ling". I think even without my prediction, everyone can expect that the Budget for this year will have a plain sailing and will be passed without a hitch. As a responsible Member of the Legislative Council, I will praise the Government when it is doing a good job. However, I will criticize it when it is not. This is my attitude, my style of work. I am highlighting this in the hope that the Government will seek improvement.

Let me first talk about commendations. Many accountants hope that the Government will handle the public finance with a forward-looking vision and plan for the future. With the aim of reflecting views and expectations of the industry, in as early as January, I moved a motion in this Chamber urging the Government to earmark part of the surplus to meet the needs of long-term

policies. Today, I am very pleased that the Government has finally accepted my view and earmarked some resources in the Budget for health care financing and for establishing a Research Endowment Fund. Of course, I hope this is not the only time the Government is ready to appropriate funds for long-term purposes. I hope it will allocate public resources with a forward-looking vision. It is the wish of every member of the public in Hong Kong that we have a far-sighted Government.

There is another point worth praising. Those engaged in the accounting sector and people in other middle-class segments wish that they will be able to put some money in their own pockets. They wish that the Government will implement tax rebate and widen the tax bands. This time around the Government has eventually listened to our voices and introduced more measures to return wealth to the people, among which the initiative of waiving business registration fees for one year is certainly a piece of good news for the small and medium enterprises (SMEs). I believe many proprietors of small and medium accounting firms will appreciate this measure of the Government that takes into account their interests. I have all along opined that small and medium accounting firms and other SMEs can seldom benefit from the huge surplus of the Government. I hope that the Government will continue to implement this measure next year.

Deputy President, after offering words of praise, I would like to speak on some areas which warrant deep thoughts and improvement by the Government. First of all, I would like to talk about my view on the taxation policy. Then I will briefly mention health care financing, training of talents, and some professional issues of concern to the accounting sector.

Always talking about my line of business, I am concerned about the issue of taxation, as I started out as a tax consultant. In expressing my views, I will focus on the subjects of reviewing the Inland Revenue Ordinance, broadening the tax base, and providing tax concessions. In May 2005, when I was still a new comer to this Council, I urged for a review of the Inland Revenue Ordinance in the first motion I moved. At that time, this motion that urged the Government to review the Inland Revenue Ordinance was passed by the Legislative Council. After serving in this Council for three years, I have grown up. But looking back on the performance of the Government in this area, I have found that it still remains to be far from grown-up. The review of the Inland Revenue Ordinance was progressing at a snail's pace.

Apart from some technical discussions held by the Joint Liaison Committee on Taxation (JLCT) and several more tax assessment guidelines issued by the Inland Revenue Department, the Government has not adopted more proactive follow-up actions over the past three years. Frankly speaking, many accountants have complained to me that up until now, the definition of source of income is still unclear. Many enterprises are therefore involved in litigation with the Inland Revenue Department, resulting in a waste of public resources as well as resources of enterprises. In addition, it also affects the confidence of business operators. Such being the case, why does the Government not be more proactive and do more in this aspect?

Over the past three years, it seems as if I have taken on the role of someone's wife, and kept nagging at my husband — of course all of you know that I am still single. During every Budget debate, I have repeatedly raised the issue of taxation review. I wonder if the Government is thinking that I have become the moon goddess "Chang Er" (nagging all the time). Each time when I raise the issue, the Government says that I am nagging at it, and that I am just rattling on and on. However, have Members thought about why I have to nag so much? Because I have not seen any results. Had the Government listened more readily to the views of the accounting sector and taken follow-up actions more proactively over the past three years, I would not have taken on the role of "Chang Er". However, I will follow up on this persistently. As long as the Government refuses to respond proactively and implement the taxation review, I will keep on nagging at it. What matters more is not the pace of a snail with which the Government progresses, but the unwillingness of the Government to move forward.

I am putting forward a very humble request today. I hope that the Government will expand the structure and the scope of discussion of the existing JLCT, recruiting more members from various sectors on one hand, and shifting the focus of discussions from purely technical issues to taxation policies with a more macroscopic perspective on the other hand. I hope that the Government will give us some positive response.

Apart from conducting a review of the Inland Revenue Ordinance, Financial Secretary John TSANG had indicated that he would actively consider broadening the tax base. In this connection, I would like to ask the Government whether this is true. On the one hand, the Financial Secretary has stressed that the tax base of Hong Kong should be broadened, but on the other hand, he has

taken steps to narrow the tax base in the Budget by, among other things, exempting the duties on wine and beer, waiving the Hotel Accommodation Tax, and raising the basic personal allowance. In respect of this, it seems that the Government is not clear about its own direction, and is being self-contradictory. We hope that the Government will give us a clear message and tell us what it wishes to accomplish.

The training of the accounting profession has taught me to approach everything with logic, good sense, and a clear and precise mind. But in my opinion, in handling the issue of broadening the tax base, the Government is completely unable to give us a feeling that it is logical and clear-minded. What the Government practises is different from what it preaches. It has said categorically that it would broaden the tax base, but what it has done will narrow the tax base instead. So what trick is the Government actually up to?

I understand that when the Government introduced the Goods and Sales Tax (GST) in 2006, the proposal was met with rebuff. It is true that the Government has suffered a heavy blow in its effort to broaden the tax base. But today, the Government still has to give us an answer as to whether Hong Kong needs to broaden the tax base. If the answer is positive, I will urge the Government not to drag its feet any more, but to actively consider ways and means to broaden the tax base other than the introduction of the GST. If the Government opines that it is not necessary to broaden the tax base, I will urge the Government to openly repudiate its past position and states clearly that it is not necessary for Hong Kong to broaden the tax base. In short, say "yes" when it is "yes", and "no" when it is "no". What I dislike most is an ambiguous and equivocal approach in handling things whereby one can play foul and back off whenever he likes to.

Moreover, the Government has all along refused to accept two proposals put forward by the accounting sector over the years, namely the "group loss relief" and "loss carry-back". Today, I do not mind taking the trouble of putting forth the proposals here once again in the hope that the Government will conduct studies and consultations on these views earnestly, rather than repeating the same response to us every year and saying that the Government will not consider these proposals on the grounds that they will affect the simple tax regime of Hong Kong and create risks of tax evasion.

Deputy President, after talking about the issue of taxation, I would like to talk about two issues of concern to the accounting sector, namely, health care financing and university education.

First of all, let us talk about health care financing. During recent telephone conversations and exchanges with friends in the accounting sector, I have found that most of them oppose the mixed mode of insurance and contributions recommended by the Government. I can well understand their views. As members of the middle class, accountants have taken out medical insurance already, or their firms have provided medical insurance for them. If they have to make medical contributions today, are they not giving opportunities to fund managers to suck their hard-earned money from them? Besides, asking the middle class to make contributions is equivalent to taking away the only social benefit that they can currently enjoy. As this is the case, is such a measure not unfair to the middle class?

I really cannot comprehend why the Government distributes candies through the Budget on the one hand, but digs into the pocket of the middle class and wage earners through health care financing on the other. What actually is the Government trying to do with this tactic of distributing money with the left hand while taking money with the right hand? In the final analysis, it is the wishful thinking of the Government to free itself from the burden of health care services by introducing health care financing. The Government has all along borne the expenditure of the public health care system and there has been no problem. Now that the Government wishes to change its policy direction, should it not provide us with more information and justifications? The Government can make a provision of \$50 billion from the surplus this year. In the next few years, can it similarly earmark certain amounts from the surplus for health care services, so that the burden of the middle class will not be aggravated?

I will talk about university education and manpower training next. Many small and medium accounting firms are complaining that it is difficult to recruit talents. Newly trained university graduates have long been recruited by large firms, banking and financial institutions. What is left is just a small number of them. Therefore, I hope that the Government will respond in real earnest to the motion passed last week by this Council on increasing the number of university places, with a view to alleviating the problem of manpower shortage in Hong Kong.

Deputy President, I would like to take this opportunity to talk briefly about the professional issue of concern to the accounting sector. First of all, I wish to talk about the reform of the professional liability system. I would like to openly thank Secretary Prof K C CHAN for responding to my request proposed at the special meeting of the Finance Committee and met with me and a number of proprietors of small and medium accounting firms within a few days to exchange views on the professional liability system. I agree with the Secretary that this is a very complicated issue, and it is necessary to listen to the views of various stakeholders. As this is the case, I hope that the Secretary will take the lead to arrange an opportunity for all stakeholders to discuss this issue together. If the Government refuses to do anything and hopes to make gains without pains by just waiting for views to be submitted to it, I will be skeptical of the sincerity of the Government in following up this policy.

The accounting sector is very much concerned about the progress of the rewriting of the Companies Ordinance. We are looking forward fervently for a new set of company law. The rewriting of the company law has been talked about for years, or for more than a decade, and many accountants have been craning their necks for it. Can the Government allocate more resources to expedite the progress of the rewrite exercise so that we do not have to wait too long before we can have a set of new company law that keeps up with the advanced international standard?

Deputy President, this year's Budget has done a better job than those of the past few years. I hope that the next four Budgets to be drawn up by Financial Secretary John TSANG will do an even better job than this year's. Furthermore, I hope that the Government will positively respond to the requests that I have proposed today. Otherwise, I absolutely do not mind nagging at the Government here continuously until it responds to the aspirations of the profession.

I so submit. Thank you, Deputy President.

MR TOMMY CHEUNG (in Cantonese): Deputy President, I am very grateful to the Financial Secretary for accepting the proposal of zero wine duty put forward by the Liberal Party and me so that duties on wine, beer and all other alcoholic beverages except spirits are exempted. I had already included in my 2004 election platform the objective of gradually striving for a full exemption of wine duty.

We can see that the Administration's exemption of the duty on wine has already brought many business opportunities to Hong Kong. A number of large-scale wine auctions and exhibitions will be held in Hong Kong one after another. Furthermore, a private club Crown Wine Cellars has indicated that it will expand its cellar in Hong Kong, in order to meet the demand of a large number of customers transferring quality wine stocks from overseas countries to Hong Kong.

The Hong Kong Trade Development Council is also organizing the first Hong Kong International Wine Expo in August with the aim of attracting wine producers, suppliers, agents, cellars and those engaged in related industries to participate as exhibitors, so as to make a mark of this new policy of zero wine duty in Hong Kong.

As a matter of fact, the catering industry has great expectations for the policy of zero wine duty, and firmly believes that the implementation of zero wine duty will generate a positive effect on the promotion of the overall image of Hong Kong. Therefore, my industry has made arrangements to support the policy. Despite continuous pressure of inflation and increasing foreign exchange rates, at least nine catering groups have taken a lead in reducing the sale prices of wine in the middle of last month, with an average reduction rate of over 10%.

After my repeated lobbying, even the beer companies that found it difficult to reduce prices after the duty reduction last year have spent no time waiting, as they introduced new price lists only three days after the exemption of the duty on beer was announced in the Budget to return all the benefits of the duty exemption to members of the public.

I understand that the Commerce and Economic Development Bureau will liaise with the industry on an ad hoc basis, so as to follow up the business and prices in the wine trade after the exemption of duties on wine and beer, and in particular, to explore the feasibility of setting up an Asian wine club.

According to my understanding, since the Administration has exempted the duty on wine, Hong Kong has become the only place in the world's developing countries where there is neither wine duty nor sales tax.

I believe that Financial Secretary John TSANG had based on serious policy consideration in the long run when he made this decision which is a breakthrough. As this is the case, the exemption should not be changed in accordance with the estimated annual revenue of the Treasury. However, like what it did last year, the Administration has also introduced the exemption of duties on wine and beer by a subsidiary legislation this time around. A year later — though further reduction is impossible as the duties have already been reduced to zero — the Administration can still adjust the duties upwards. This will affect the industry, especially the international investors. Due to the concern about changes in the policy, they will not risk purchasing in bulk, making massive investments, or formulating long-term business planning in Hong Kong.

Therefore, to ensure the sustainable development of the policy, I suggest that Financial Secretary John TSANG should make reference of the abolition of estate duty in abolishing the duty on wine. This should be done by introducing a bill into the Legislative Council so that any future changes can be made only by way of legislative amendments.

Only in this way can the industry be free of worries to develop their businesses and make long-term investments in Hong Kong. Only in this way can the Administration see more clearly its own position, develop long-term and forward-looking policy planning, put in various co-ordinating and supportive efforts, and create more conditions that are conducive to development, with a view to consolidating the strength of Hong Kong as the wine centre of the Asia-Pacific Region.

For instance, are there sufficient sites for wine storage in Hong Kong? What we need is not only large-scale wine exhibitions, as exhibitions can always be held in other places. But if we can provide good storage service, enormous quantities of quality wine will be transported from different parts of the world to Hong Kong, which will in turn enable Hong Kong to become a distribution centre.

Is it possible for the Government to convert air-raid shelters being left unused for years and old factory buildings with high vacancy rates into wine cellars so as to provide opportunities for more small and medium enterprises to develop in the wine storage industry? Or is it feasible for the Government to identify sites for infrastructure investment so as to construct quality wine storages?

I firmly believe that if Hong Kong can seize the new opportunity of zero wine duty, we can certainly take the lead to become the wine centre of the Asia-Pacific Region, secure a leading position in sales and storage of quality wine in the region, and compete neck and neck with London and New York in the wine market.

However, it is still a pity that the duty reduction this year does not cover spirituous liquor, and that the *ad valorem* rate is maintained at 100%, the highest in the world.

The Administration has all along explained that spirits are excluded from the duty exemption for the benefit of the health of Hong Kong people. Basically I think this is not reasonable, as alcohol addiction is not a serious problem in Hong Kong. Only 14.6% of men and less than 5% of women have the habit of persistent consumption of alcohol. And among them, very few would consistently consume liquors. Most of them mix liquors with other beverages for consumption, such as cocktails, which are favourites of many people. Furthermore, since the Administration wishes to attract wine traders to invest in Hong Kong, it should aim at developing a balanced wine market of a great variety of wines and liquors, so that wine traders can develop a diversity of wine business, including the re-export trade of liquors.

I would also like to take this opportunity to talk about the issue of trade effluent surcharge (TES). The Administration has been overcharging the restaurant trade for TES over the past 13 years. It was only in last month that the Administration announced the result of the review of TES, which failed to bring any good news to the industry.

At the meeting of the Panel on Environmental Affairs on the 18th of last month, the Administration should have heard the voices of discontent of the industry. They opine that the reduction of the TES rates of the restaurant trade by less than 20% to \$3.05 per cu m as concluded in the review has not reflected the enormous improvement the trade has made on the strength of effluent.

The restaurant trade has all along been introducing environmental protection measures to improve grease traps and other effluent treatment systems. As a result, the appeal cases against the TES rates from the restaurant trade have achieved a high successful rate of over 80% over the years. In many cases, the TES rates following appeals are revised at just tens of cents per cu m, which are much lower than the rate of \$3.05 per cu m as proposed in the review.

The restaurant trade opines that in order to be fair, the Administration should use the median values of water samples used in appeals to measure the strength of effluents, and not the average values currently adopted.

Deputy President, in fact, you have heard me highlighting the excessive appeal costs against the TES rates many times in this Council over the years. I believe you are tired of hearing it. I do not want to dwell on it any more. However, to my surprise, during the meeting of the Panel on Environmental Affairs last month, the Deputy Director of Drainage Services still tried to deceive this Council by saying that there were only about 600 to 700 restaurants which appealed against the TES rates per year, so the rate of the surcharge could be said to be reasonable. According to him, as the number of restaurants was under 5% of the total number of the restaurants in Hong Kong, the surcharge must therefore be reasonable.

So, with your indulgence, I have to repeat it once again. The restaurant trade does not quite wish to lodge appeals not because the rate of the surcharge is reasonable, but because the cost of appeal is too expensive. The cost of appeal is not a few thousand dollars per case, as he had put it, but tens of thousand dollars. Most of the restaurants, or 80% of them, are paying a few thousand dollars of TES each year. So why should they spend tens of thousand dollars for the purpose of a few thousand dollars? This is the reason why many small and medium restaurants have decided not to appeal.

As a matter of fact, if the rate of the surcharge is reasonable, even if the cost of appeal is unreasonably high, the industry will not mind too much. But now, not only is the rate of the surcharge unreasonable, the cost of appeal is also too expensive. The industry has regarded this as a "robbery".

What the Administration should consider is awarding the cost of appeal to successful appellants against the TES rates, so as to encourage restaurants to devote more efforts in improving sewage facilities. Many colleagues were supportive of this proposal at the meeting of the Panel on Environmental Affairs. I am certain that if this proposal is implemented, over 90% of the restaurants will lodge an appeal. This will indicate how unfair the rate of the surcharge determined by the Administration has been to the industry.

Of course, when more restaurants are successful in their appeal, the Administration has to award more costs of appeal to the appellants, subsequently making the public pay more. This may not be accepted by the public. Such being the case, the Government should address the core of the problem and lower the TES rate to a reasonable level.

I hope Financial Secretary John TSANG will understand that the sewage charge has been increased from 1 April this year. The rate will be gradually adjusted upwards at an increase of 9.3% per annum for the following 10 years. In addition to the increases of various operational costs, the catering industry has to face the double burden of the sewage charge and the TES. They are already suffering many hardships.

As a matter of fact, the Administration should set up sewage services with positive incentives, with a view to encouraging the industry to invest in environmental protection measures, instead of using the slogan of "polluter pays" to levy various charges on the industry, giving the industry the impression that the Government is acting generously at their expense. This is unconvincing and unacceptable to the industry.

In fact, Financial Secretary John TSANG and I share the same determination of proactively removing barriers for the business environment of small and medium enterprises. Particularly, the Economic Analysis and Business Facilitation Unit of the Financial Secretary's Office and the Efficiency Unit of the Chief Secretary for Administration's Office are also making an effort to this end. As a matter of fact, the two departments are not only highly praised by me, but have also gained the recognition of the catering industry.

I have learnt from the industry that the two departments not only hold consultation sessions on a regular basis to listen to difficulties and complaints of the industry, but also implement follow-up actions and solutions to problems. These are seldom found in other departments.

Indeed, through the close collaboration of these two departments in following up the regulatory measures in the trade, an issue of concern to the Business Facilitation Advisory Committee, many streamlining and improvement measures have been formulated in recent years. For instance, the Food Business Task Force under the Business Facilitation Advisory Committee, of

which I am the convenor, has discussed the licensing procedures relating to liquor licence and licences for open-air cafes and factory canteens respectively. Take the liquor licence as an example. Many short- and medium-term improvements have been implemented. Some long-term improvement measures are subject to the Food and Health Bureau's submission of the relevant amendment legislation to the Legislative Council for scrutiny before they can be implemented. I hope that the Administration will submit the amendment legislation as soon as possible, so that the industry does not have to wait for a long time.

I also welcome the Administration's initiative to introduce the online licence application tracking facility specially designed for the catering industry in February this year. This system enables the industry to check the progress of applications of various food business-related licences and the persons responsible for handling their applications through the Internet at any time. I suggest that upon full development of this tracking facility, the scope of application should be further expanded to other application procedures, such as alterations to approved layout and Restricted Food Permits.

Lastly, Deputy President, I would like to remind the Administration not to forget the motion "Relief measures and compensation policies for the live poultry trades" moved by me, supported by many Members, and passed by this Council on 29 November 2006. It is regrettable that up till now, the Food and Health Bureau has not responded to the motion by proposing any specific compensation package.

According to the information of the Administration, as at the end of 2007, 50 live poultry farmers, 71 wholesalers and 471 retailers are still operating in Hong Kong. I would like to remind the Administration that since it has adopted administrative measures to eliminate the live poultry industry, it has the responsibility to earmark a sum of money, so that when the tender procedure of the central slaughter house starts, reasonable compensation and relief fund can be provided to those affected, such as the live poultry wholesaling, transportation, retailing and farming trades. The Administration must not just leave this matter unsettled.

Deputy President, I so submit.

MS LI FUNG-YING (in Cantonese): Deputy President, the new Financial Secretary John TSANG is quite different from other former Financial Secretaries since the establishment of the SAR Government. While most of his predecessors had to worry about scrimping and saving for the Treasury in the Budget, Financial Secretary John TSANG is bothered by the need of a "flood discharge" for the Treasury with a surplus of \$100 billion. Financial Secretary John TSANG said that he would adopt an approach of a one-off bonus payment to share the surplus with the public. I have to congratulate the Financial Secretary, because his grand plan of giving out bonus payment has won him universal applause. The popularity of Financial Secretary John TSANG has even once been leading all other officials.

There is no such thing as free lunch in the world. The popularity of Financial Secretary John TSANG is not free either. In this Budget, he allocated \$4.3 billion for injection into each domestic electricity account a subsidy of \$1,800; earmarked \$1 billion to pay for one-month's rent for lower income families living in public housing estates; earmarked \$8.5 billion to provide people earning not more than \$10,000 a month with a one-off injection of \$6,000 into their Mandatory Provident Fund accounts; reverted the tax rate to the 2002-2003 level; offered a rebate of salaries tax and tax under personal assessment. All these have won popularity for the Financial Secretary. It is acceptable for Financial Secretary John TSANG to win public support by adopting measures to return wealth to the people. Besides, among the series of measures to return wealth to the people, the Financial Secretary has indeed given a lot of thoughts to measures which can benefit the grassroots, such as offering each domestic electricity account a subsidy of \$1,800. However, I am not jubilant over the contents of the first Budget drawn up by Financial Secretary John TSANG, because this is only a budget of giving a bonus to the people of Hong Kong when the Treasury is "flooded with cash". Insofar as the overall strategy of this bonus payment is concerned, the Government is still heading in the direction of not taking up any responsibility, or put it in another way, washing its hands of it. That Financial Secretary John TSANG has chosen to provide each Old Age Allowance recipient with a one-off grant of \$3,000 but refused to answer the public's general aspiration for increasing the rates of Old Age Allowance is an obvious example.

Let us not discuss whether the measures proposed in the Budget are adequate and sufficient to meet the needs of the grassroots and those who are unable to share the fruits of economic prosperity. Under the major principle of not assuming further responsibility, Financial Secretary John TSANG has no intention to alleviate the social contradiction caused by the disparity between the

rich and the poor in the policies. The grassroots are able to benefit from this year's Budget only because Financial Secretary John TSANG has happened to find himself in a prosperous year with colossal revenue, the chance of which is probably once in a decade.

Financial Secretary John TSANG has put forward three basic principles of public finance management in the Budget — commitment to society, sustainability, and pragmatism. These three principles of high versatility are not new at all. Based on the analysis conducted and conclusion drawn by the Financial Secretary on population ageing throughout the entire Budget, I do not have any expectations of his principles in the management of public finances. I am even worried that the principles will be used as excuses to ignore the voices of the grassroots.

An ageing population is an issue of the population policy. There have been discussions on this issue in society for many years. High-level committees have also been set up by the Government to conduct specific studies into the subject. For instance, the Task Force on Population Policy led by the Chief Secretary for Administration released its report in February 2003. Established in the same year, the Council for Sustainable Development has also conducted special studies into issues relating to the population policy. Its report was submitted to the Government last year. Though the two reports have been recognized by the Government, their proposals have not been adopted effectively. I have made a rough comparison of the analysis of the two reports with the Financial Secretary's discussion on population issues in the Budget. In my opinion, the discussion on an ageing population of Hong Kong in the Budget is an analysis preceded by the conclusion. The entire Budget revolves around the undermining of our competitiveness by an ageing population, and the multi-fold increase of the elderly dependency ratio, which will result in a heavy pressure on the public finances and subsequently lead to the conclusion that the Government's commitment to more social welfare expenditure is not pragmatic and not conducive to sustainable development. In analysing the issue of an ageing population, Financial Secretary John TSANG has not referred to the two reports on population policy, not to mention allocating more resources to implement the specific proposals put forward by the reports.

Regarding the issue of an ageing population, the Report of the Task Force on Population Policy pointed out that (and I quote) "When fertility drops to a particularly low level below replacement and the mortality rate remains low, the

pace of population ageing inevitably quickens." (End of quote) This is an objective description. But Financial Secretary John TSANG has transformed it into "unless there is a substantial increase in labour productivity, an ageing population will lower our standard of living and undermine economic vitality and competitiveness." The issue of the fertility rate behind an ageing population is completely erased and replaced by the issue of productivity.

Compiled by the Council for Sustainable Development, the Report on the Engagement Process on Population Policy has stated various principles and targets, among which working environment is mentioned under the second principle. It is proposed that the Government should actively work with the business community and non-governmental organizations to study ways to promote various family-friendly measures. The target is to facilitate the community's understanding of the importance of work-life balance for employees. The concept of facilitating the community's understanding of the importance of work-life balance for employees is common knowledge. However, it is still highlighted in the Report. I can only understand the Report in this way — insofar as the proposals on population policy are concerned, the Government-appointed Council for Sustainable Development has other considerations and so, the Report has to twist the expression and attribute the basic reason for the declining birth rate to the imbalance between work and life of employees.

If the Financial Secretary is truly sincere in analysing the issue of population ageing in Hong Kong, he should not evade the reason for the declining birth rate at the outset. If the Financial Secretary has the courage to address this problem, he should first allocate resources to resolve the imbalance between work and life of employees, instead of emphasizing one-sidedly the pressure created by an ageing population on public finances and using it as a pretext to refuse making greater commitments to society.

The long working hours of employees in Hong Kong are well-known in the world. The labour sector has all along asked the Government to address squarely the issue of excessively long working hours of employees, but the Government has turned a deaf ear to us. As an alternative, when the Financial Secretary consulted Members of this Council on the budget over the past few years, I have repeatedly urged the Financial Secretary to allocate additional resources for the implementation of family-friendly employment policies. I have put forward such views every year, but they have come to no avail.

One of the paragraphs of the Report of the Task Force on Population Policy stated that "An academic study found that there were few significant differences in university attendance between native-born children and Mainlanders who came to Hong Kong before the age of nine. This suggests that the younger a mainland child is admitted, the easier he or she will adapt to Hong Kong's education system." In 2004, targeting Mainlanders who are eligible for settlement in Hong Kong, the Government implemented the seven-year residence requirement rule for receiving the Comprehensive Social Security Assistance (CSSA). Is this conducive to enabling eligible mainland families to more easily adapt to Hong Kong's education system, or is it contradictory to such an objective? As a matter of fact, before the announcement of the Budget, many Members — including myself — had repeatedly urged the Government to abolish the seven-year residence requirement for receiving the CSSA. However, the Budget has not responded to this.

Despite the fact that the Financial Secretary has talked a lot about an ageing population and ways to resolve the problem in the Budget, the above facts have made me feel very disappointed. According to Paragraph 36 of the Budget, "The Government has been investing heavily in education. This has generally raised the education level of the local workforce and prepared us for further development as a knowledge-based economy." Deputy President, Members of this Council held a debate on university places and associate degree students last week. I am not going to repeat my views here. But I would like to add that the Government has established the Qualifications Framework to help employees pursue continuing education. However, the long working hours pose huge obstacles to the pursuit of further studies by employees in Hong Kong, especially junior employees. When the Financial Secretary consulted our views on the Budget, I had proposed that the Financial Secretary should provide incentives in terms of taxation to employers with a view to helping employees pursue continuing education during their working hours. I hope that the Financial Secretary can allocate resources to conduct studies on relevant policies. As a matter of fact, this is also related to how the competitiveness of Hong Kong can be enhanced.

Deputy President, the unemployment situation in Hong Kong has improved. The latest unemployment rate is 3.3%, which is lower than the 3.4% as announced in the Budget. I believe it is now time to implement on a pilot basis the loan fund scheme for the unemployed, which has been advocated by the Federation of Hong Kong and Kowloon Labour Unions, with a view to

alleviating the worries about unemployment among employees who live from hand to mouth. Even though the unemployment situation is improved, it does not mean that the living of the grassroots is better. The underlying inflation rate for the month of February stood at 5.1%, in which the increase in food prices was the most prominent, including an increase of 56% for pork, 49% for beef, 32.7% for fresh vegetables, 31.6% for canned meat, 24.7% for other types of meat, 23.4% for rice, and 20.8% for cooking oil. The Financial Secretary has admitted in the Budget that food prices have greater impacts on low-income earners. But the measures which can benefit the grassroots are obviously unable to reverse the ordeal of an ever deteriorating living standard under the pressure of inflation. Take the heavy burden of transport expenses borne by all low-income earners as an example. Although the eligibility criteria of the transport allowance are relaxed for applicants living in four remote districts in the Budget, so that residents working in the same district are eligible for the allowance, this measure is not extended to benefit residents living in other districts. In my opinion, this is extremely unfair to low-income earners living in other districts who face the same heavy pressure of living.

Deputy President, the Financial Secretary has said in the Budget, "..... so that all can share the fruits of our economic growth." If we adopt this criterion to measure the effectiveness of the Budget, I would say that the Budget has not achieved this objective. Despite an improved economy in Hong Kong, the standard of living of many grassroots has not been improved. Rather, it has declined drastically due to the rampant inflation. They are completely unable to share the so-called fruits of economic growth.

I so submit. Thank you, Deputy President.

MR CHAN KAM-LAM (in Cantonese): Deputy President, with the huge surplus of the Government, the Financial Secretary has allocated the largest amount ever to introduce measures of returning wealth to people and relieving hardship in this Budget. Despite such efforts, low-income earners are still greatly affected by the continuously accelerating inflation, which is fuelled by rents and food prices. Coupled with the fact that the increase of wages is unable to catch up with the inflation rate, the public is all the more hard-hit under the pressure of inflation. Record-high figures of the Composite Consumer Price Index (CCPI) are registered every month. Breaking the record registered after

the financial turmoil, the CCPI for the month of February had leaped by 6.3% over the same period last year, and had almost doubled the figure of the month of January. Indeed, prices of clothing, food, housing and transport have all increased.

The upsurge in global food prices, coupled with the continuous depreciation of the US dollar which notably expedited the appreciation of Renminbi over the past year or so, have directly led to price increases of import food from the Mainland. In addition to that, as the economy of the United States is edging towards recession, under the Linked Exchange Rate (LER) system, Hong Kong has to follow suit and make continuous downward adjustments to the interest rates.

Therefore, the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) opines that under the current condition of a relatively stable economic environment in Hong Kong, the SAR Government should carefully conduct an in-depth and forward-looking review of the LER system. We have to emphasize that in putting forward this proposal, the DAB does not only focus on the inflation problem. We understand that apart from the exchange rate, the increase in labour costs and rents, as well as the global commodities bull market are important factors leading to inflation in Hong Kong. Therefore, we are not gauging the need for the Government to conduct a review by looking at the short-term economic cycle. We are considering from the perspective of how we can capitalize on benefits for the future long-term economic development in Hong Kong in view of increasing integration between Hong Kong and the Mainland.

The DAB has expressed our views on the level of the fiscal reserve many times before. We hope that the Financial Secretary will conduct more in-depth studies on this issue as well as extensive consultations in the community, so as to lay a good foundation for comprehensive financial planning in the future.

Deputy President, a new measure has been introduced in this Budget, and that is, to provide people earning not more than \$10,000 a month with a one-off injection of \$6,000 into their MPF accounts, with a view to enhancing the retirement protection of low-income earners. At a time when the Treasury has recorded a huge surplus, the DAB welcomes this initiative of the Government in introducing this non-recurrent, innovative measure with long-term benefits to return wealth to the people.

However, the DAB is very concerned about the extent to which members of the public can benefit from this measure. When the measure was announced, among those eligible for this benefit, some of them have just become unemployed or just retired, and some of them are low-income elders who are still working after retirement. We hope that the Financial Secretary will inject \$6,000 into their MPF as long as they still have a MPF account. Meanwhile, currently some employees who have joined the ORSO scheme arranged by their employers do not have MPF accounts. We opine that these employees should also be treated equally. We hope that the Government will open MPF accounts for them and inject funds into their accounts.

Deputy President, the economic situation in Hong Kong is much improved when compared with the time of the financial turmoil. However, undercurrents can still be found, and the rising inflation mentioned just now is only one of the examples. On the other hand, according to the 2008 Report on the Survey of Competitiveness of Cities in China published by the Chinese Academy of Social Sciences early this month, Hong Kong is ranked first in terms of overall competitiveness for the third consecutive year. This is something that we should feel happy about. However, the Report has also pointed out inadequate internal momentum and a lack of innovation in Hong Kong in recent years. In addition to that, the continuous loss of talents and capital, inadequate investment in technology, and the failure of industries to keep in touch with research, have become the fatal weaknesses of Hong Kong. At the present stage, although large cities in the Mainland have ranked below Hong Kong in terms of overall competitiveness, the differences in the scores under various indicators have gradually narrowed, indicating that they absolutely have potentials to overtake us.

As a matter of fact, given globalization and the rise of new economies in the region, Hong Kong can no longer rely on its own scale of market to compete with others. Strengthening co-operation with cities in the Pearl River Delta in the development of regional economy is the only way out for us.

However, the development of regional economy is a very complicated issue. Coupled with the fact that Hong Kong has to devise a new mode of regional development under "one country, two systems" without any precedent examples to follow, we can only adopt a liberal mindset and "grope the way forward". Taking into account the geographical factors and economic and cultural differences, it is advisable that the development strategy of regional

economic co-operation should start from co-operation with places in the vicinity, that is, co-operation between Hong Kong and Shenzhen.

The concept of building a Hong Kong-Shenzhen Metropolis has obtained broad support at the community level. A recent survey conducted by the Hong Kong Institute of Asia-Pacific Studies of The Chinese University of Hong Kong has indicated that close to 70% of members of the public are in favour of building a Hong Kong-Shenzhen Metropolis, and 73% are in favour of the Government's initiative of increasing investment in cross-boundary infrastructure facilities. Furthermore, over 50% of members of the public support the formulation of new measures to facilitate Shenzhen residents to visit Hong Kong, while more than 50% support the idea of allowing university graduates from Shenzhen to work in Hong Kong. It is obvious that promoting co-operation between Hong Kong and Shenzhen is not only the consensus of the two governments, but also the aspiration of the public, and should therefore be implemented in full speed.

In order to facilitate co-operation at a deeper level, it is most important to fully facilitate free flow of passengers between Hong Kong and Shenzhen. With the Individual Visit Scheme introduced by the Mainland, there has been a breakthrough in the development of passenger flows across the boundary. However, Shenzhen residents still have to apply for permits when they visit Hong Kong, so the psychological boundary still exists. Meanwhile, Hong Kong residents with "home return cards" can cross the boundary whenever they like. Therefore, we propose to replace the existing arrangement of application for permits with a system similar to "home return cards" for residents with household registration in Shenzhen. In this way, they can visit Hong Kong freely after obtaining the entry card, thus also achieving psychological integration.

On the other hand, in respect of helping Hong Kong people integrate into Shenzhen, the SAR Government should conduct proactive studies into various areas, such as relaxing restrictions for Hong Kong people to receive "fruit grant" and Comprehensive Social Security Assistance in Shenzhen, striving for the rights of Hong Kong residents to use the health care services in Shenzhen, and permitting Hong Kong residents to operate professional businesses in Shenzhen.

With the implementation of regional co-operation, there will be an increase in the demand for cross-boundary traffic. In the light of this,

communication between the two governments should be strengthened so that vehicles of Hong Kong and Shenzhen will be allowed to access both places. Applications for vehicle entry permits should also be streamlined gradually. For instance, at the initial stage, vehicles are allowed only to enter Shenzhen but not beyond the second border line. Entry to other parts of the Guangdong Province can be relaxed subject to a future review of the actual situation. Moreover, co-operation between the railway networks should also be expedited with a view to implementing the seamless integration of mass transit systems of the two places.

On the other hand, insofar as facilitating passenger flow is concerned, the development of control points is just as important. Currently, railways in Hong Kong operate 24 hours during festive holidays to provide services for residents living in remote areas. In view of this, when planning for a higher level of co-operation between Hong Kong and Shenzhen, should the department concerned consider extending the operating hours for customs clearance? For instance, extending the operating hours on weekdays to the midnight and implementing round-the-clock operations during festive holidays will facilitate residents travelling to and from the two places.

Quoting from the report on Building a Hong Kong-Shenzhen Metropolis released by the Bauhinia Foundation Research Centre last year, "a Hong Kong-Shenzhen Metropolis is only the first step to building a metropolitan region in the Greater Pearl River Delta, leading the globalization of the economies of the Pan-Pearl River Delta and China in a healthy manner". In brief, co-operation will generate mutual benefits while separation will cause mutual deficiencies. I hope that the officials of the SAR Government will understand thoroughly the current situation in Hong Kong and the necessity of co-operation between the two places.

Deputy President, I would also like to talk about the housing policy which is closely related to the economy. The Government has announced a number of measures to "give out candies" in this year's Budget, one of which is to pay one month's rent for public rental housing (PRH) tenants. Unfortunately this "present" is not enjoyed by some 20 000 PRH tenants who are currently paying 1.5 times or double the rent, and tenants living in the three Hong Kong Housing Society (HS) Group B estates, namely Bo Shek Mansion in Tsuen Wan, Healthy Village (Redevelopment) in North Point, and Prosperous Garden in Yau Ma Tei. The DAB opines that this arrangement is against the Government's intention to

relieve the hardship of the people. Therefore, we propose that this arrangement should also be applicable to PRH tenants who are paying 1.5 times or double the rent, and tenants living in the three HS Group B estates. With respect to these tenants who are paying more expensive rents, we propose that the Government should pay a month's basic rent for them, whereas the extra rent should be paid by the tenants themselves.

The arrangement of rent remission is only a one-off measure. The needs of aspiring home owners can only be met by formulating a long-term housing policy. It is the aspiration of many people to own their homes. The PRH tenants are no exception. After they have bought their own homes, they will vacate the PRH units, so that people in greater need can move in. In the past, flats under the Home Ownership Scheme (HOS) are their first choice. As the unsold HOS flats have now been sold out, PRH tenants have lost the impetus to own their homes.

Last year, there were only 10 000-odd newly completed private residential units, a record low in the past decade. The number of small units measuring below 400 sq ft is less than 30% of the total supply of new completions. In brief, there are very limited units for first-time buyers. Moreover, property prices have risen drastically in recent years. According to the Hong Kong Property Review, overall property prices have risen by more than 34% over the past two years, but the increase of wages are far lower.

On the whole, HOS flats are an affordable threshold for the grassroots to buy their own properties. For PRH households with the Green Form status, the attraction of HOS flats is even greater. We understand that some members of the community are worried that the resumption of the construction of HOS flats may have an impact on the overall property market of Hong Kong. But we must emphasize that we can control the number of HOS flats to avoid creating any impact on the overall property market.

In respect of the newly constructed HOS flats, we propose that about 3 000 to 5 000 units can be provided per year, among which 70% to 80% will be sold to Green Form applicants only, and the rest to White Form applicants. In other words, less than 1 000 units will be sold to non-PRH tenants per year, so that members of the public who cannot afford private properties will be able to become first-time owners. We believe that this will not affect the overall property market in Hong Kong.

Finally, I would like to point out that I moved a motion of "Transformation of the old industrial areas" in the Legislative Council two months ago. In this year's Budget, the Government is also planning for the relocation of three government office buildings at the Wan Chai waterfront. This move has illustrated the current shortage of land available for office buildings.

To meet the needs of society and the aspiration of the public, the transformation of old industrial areas requires comprehensive planning, rather than simply demolition and redevelopment. We hope that through the transformation of old industrial areas, the Government will be able to enhance the planning of Hong Kong's urban centre to provide a better living environment to the public, with a view to facilitating the economic development of Hong Kong.

Deputy President, I so submit.

MR CHEUNG MAN-KWONG (in Cantonese): Deputy President, the basic principle of Financial Secretary John TSANG's public finance management is pragmatic and sustainable commitment to society. However, with the low birth rate, the problem of an ageing population is serious in Hong Kong. In 25 years' time, the number of the elderly in Hong Kong will drastically increase from the current 870 000 to 2.17 million, signifying an extremely heavy burden on the new generation of our young people in providing support to the elderly. The only way to sustain the prosperity of Hong Kong is to make investment in education to enhance the quality and competitiveness of our young people.

Given that the Government is having a surplus amounting to \$115.6 billion this year, the education sector has great expectation of the Budget. In this year's Budget, the biggest allocation for education is the provision of \$18 billion to establish a Research Endowment Fund. However, only \$900 million of the investment return can be used each year, an increase of \$300 million only when compared with the \$600 million of research grant in the past. Compared to the huge fiscal surplus, the new appropriations made in the Budget for education is all smoke but no fire. In the end, the larger the surplus, the greater the disappointment.

In respect of basic education, apart from honouring the Chief Executive's pledge of implementing small-class teaching in primary schools, and earmarking

\$1.2 billion for the implementation of 12-year free education, the Budget has provided new resources in one area only, namely, the assistance given to students of ethnic minorities by granting a recurrent annual allowance of \$300,000 to designated schools, which entails an additional provision of \$13 million in total. All the other important and urgent items have all been neglected.

At present, the concern shared by primary and secondary schools is the time-limited funding of the Capacity Enhancement Grant aimed at relieving the pressure on teachers will come to an end in August this year. More than 1 000 teaching staff employed on contract terms may lose their jobs. A triennium funding of \$1.65 billion is provided to schools with the objective of employing additional manpower to relieve pressure on teachers. Once the funding is cut off, a large number of teachers employed on contract basis will lose their jobs. The unrest and anxiety caused in secondary and primary schools, and the effects on school administration as well as pressure on teachers should not be underestimated. It is most disappointing that the Education Bureau has refused the common request of the education sector for this \$500-odd million funding per annum and instead, it has returned last year's \$2.5 billion surplus of the education funding to the Treasury. The Administration should regularize this funding and convert its use for integrated education and relieving the workload of teachers with the aim of retaining contract teachers. This will not only offer manpower relief for teachers, but will also provide help to students of integrated education.

The drastic reduction in the number of Secondary One (S1) students is the biggest crisis faced by secondary schools. The threats of reduction of classes and closures of schools are imminent. The Education Bureau has already confirmed a reduction of about 5 000 S1 students this year, with a continuous drop of S1 students in the next few years. Even after taking into account the numbers of S1 repeaters and new migrants, in the five school years from 2009 to 2013, the number of S1 students will drop about 20 000, meaning that the number will drop from the present 80 000 to about 60 000 in six years' time. Such a huge drop will absolutely deal a heavy blow and pose threats to secondary schools. Reduction of classes and closures of schools are most painful to the education sector, and this is most crucial to the success of the new senior secondary education structure. But has the Government learned from the lesson in respect of primary schools? Will the Government set the minds of secondary schools at ease by enhancing the quality of secondary schools and implementing

small-class teaching in secondary schools at the same time? The Government should make a prompt decision now to allow schools with major intake of band three students to opt for the implementation of small class teaching; and all secondary schools should reduce the class size by two students each year, or more students can be reduced in the light of the circumstances, so as to progress to small-class teaching in a reversed pyramid mode, with a view to providing the greatest stability in secondary schools.

The much criticized integrated education has become a focus of the education sector. Integrated education has been afflicted with all kinds of problems because of inadequate support of public resources, and a lack of thorough consideration before the policy is fully implemented in schools. In the end, it has only achieved the opposite effect. Students with special needs are not effectively taken care of, teachers are unable to do what they want to do, parents' complaints have never ceased, and schools are trapped in a dilemma. It is most disappointing that the Budget has not mentioned a word about integrated education. Under the principle of "money follows students", the Government should increase the unit grant under the new subsidy scheme. Subsidy should be granted based on the number of students, and there should not be any subsidy ceiling. This mode of funding should be extended to all secondary schools, so as to solve the bottleneck of integrated education in secondary and primary schools. The Government should encourage professional division of labour in schools by admitting just one or two types of students with special needs. In respect of the autistic and hyperactive students who need more assistance, the Government should employ school assistants or resource teachers to provide personalized care to these students.

The sub-degree policy of tertiary education is regarded as a "time bomb" similar to the vow of "85 000 housing units" in the education sector. The recent report of Michael SUEN has failed to fully remove this bomb. Instead, it denies that the sub-degree policy is similar to the "85 000" disaster. If we allow the problems to continue to worsen, the harm to be done will certainly be on a par with that of the "85 000" housing policy. At present, there is an over expansion of associate degree places, with 10 places competing for six students. The vicious competition among the institutions have resulted in indiscriminate admission of students and consequently, the quality of education is sacrificed. At present, the Government's discrimination against associate degree students is manifested in the provision of zero financial assistance and high-interest loans to the students, and the self-financing policy under which students are made to

repay the mortgage loans for their campus, resulting in associate degree students becoming heavily indebted. At present, due to a low recognition of the associate degree qualification, a lack of safeguards for professional programmes, a serious bottleneck for further studies, and a pessimistic future for employment, associate degree is afflicted with all kinds of problems. If the bomb is not completely defused, it will become the "85 000" disaster in the education sector.

The Government has just released the report of the review of post-secondary education sector, and has put forward a proposal to standardize the Financial Assistance Scheme for Post-secondary Students, so that students of self-financing associate degree programmes and university students of public-funded programmes will be eligible for the same loan schemes. This is the first step taken to eliminate discrimination. However, the core problem of associate degree programmes boils down to financial assistance, quality and articulation to further studies. At present, associate degree students are self-financing and paying an average tuition fee of \$50,000 per annum. Deducting the \$6,000 for repaying the mortgage loans for the campus, the actual teaching cost of an associate degree place is only some \$40,000, which is much lower than the unit cost of \$60,000 of publicly-funded matriculation students and the unit cost of \$120,000 of publicly-funded associate degree students. The institutions are not fairies. How can they provide quality associate degree programmes at a cost even lower than that of matriculation programmes? Even a clever housewife cannot cook a meal without rice. In the absence of financial assistance, the so-called quality assurance is an assurance of the lowest standard, with the only objective of not letting people see the problems.

The bottleneck in the pursuit of further studies is the predicament faced by associate degree students. The Legislative Council has repeatedly urged the Government to increase university places to beyond the rigid limit of 14 500 places. However, the Government has turned a deaf ear to this. By saying that resources are provided for four years of university education, the Government has shifted its responsibility to an entirely immature market of private university. The report of the review has clearly indicated that associate degree students wish to further their studies in publicly-funded universities which provide assurances of quality and qualification. Therefore, the Government should provide greater flexibility for the eight universities to offer the places not taken up by overseas students to associate degree graduates with outstanding performance, so that students can study quality degree programmes by paying tuition fees at marginal cost. In adopting this approach, the Government is not

required to allocate additional resources, while the autonomy of universities in the admission of students is not affected, and immediate opportunities to pursue further studies are also offered to associate degree graduates, resulting in a win-win-win situation with multiple benefits.

Last year, the Government introduced the kindergarten voucher system and provided further studies subsidies for kindergarten teachers, bringing a light of dawn to the quality of kindergartens. However, the salary scales for kindergarten teachers were abolished at the same time. Consequently the upgrading of qualification of kindergarten teachers is not matched by an increase in salary. As the kindergarten teachers have completed their further studies, and with the drastic drop in the demand for substitute kindergarten teachers, there has been an over supply of kindergarten teachers and worse still, they even face a salary reduction, thus dealing a heavy blow to the morale of kindergarten teachers. It is not too late to remedy the situation. The Government should provide long-term job security for kindergarten teachers, formulate salary scales with corresponding increments in accordance with years of service, and offer direct subsidies to the salaries of kindergarten teachers. And before these measures are implemented, the Government should allocate more resources to provide qualification incentive grants to kindergarten teachers who are diploma or degree holders. Furthermore, additional staff should be employed to alleviate the pressure on kindergarten teachers in work and in pursuing further studies, with a view to providing more prospects and hopes to the "Cinderellas" of the education sector.

With the robust economic recovery of Hong Kong, the Government absolutely has the ability and responsibility to redress the unfair treatment of teachers. Teachers who joined the profession in 2000 or thereafter, and teachers on civil service agreement terms recruited in accordance with the "3+ 3 model" in government schools have been subject to unfair treatment for a long time. This problem should be addressed squarely. Young teachers who started out in 2000 or thereafter entered the profession at the time of economic downturn. They had ridden out the hard times with the Government. But in last year's pay adjustment, their years of service was written off, and teachers with longer years of service have suffered bigger losses. It is necessary for the Government to rectify the situation, so that the years of service of teachers will be respected, their pay will be fairly adjusted, and justice can be done to them. The Hong Kong Professional Teachers' Union and the affected teachers will fight on with perseverance until we succeed in achieving our goal.

It has been seven years since government schools recruited teachers under the new civil service entry system, commonly known as the "3+ 3 model". Those employed by other government departments under the "3+ 3 model" have all become civil servants on permanent employment terms, with the exception of the teaching grades. Recently, in reply to my question, the Civil Service Bureau pointed out that, with the exception of the teaching grades, a total of 677 persons in other government grades have completed their service under the "3+ 3 model", among which only four persons — only four persons have not been employed on permanent terms. However, in the teaching grades, among the 304 government teachers who have completed their service under the "3+ 3 model", 178 persons have not been employed on a permanent basis. They are offered continuous employment on a two-year contract only. In the same Government, nearly 60% of teachers in government schools are unable to be employed as civil servants on permanent terms, while only four persons in more than 60 other government grades are not employed on a permanent basis. There is a world of difference between them. This is extremely unfair, and a gross instance of discrimination. The problem has to be resolved without further delay. The resentment and dissatisfaction of these teachers in government schools must be addressed immediately. If the Government continues to disregard this, just like what it has been doing over the past seven years, and deprive these teachers in government schools of their rights, suppress their reasonable expectation of being employed permanently, we can only resort to mobilizing actions to put up resistance.

Deputy President, the Government has a huge surplus. Although the Budget is spending enormous amounts of money, it completely fails to meet the demands of the education sector. Now the education sector wishes to make their voices heard more clearly: In respect of basic education, regularize the time-limited funding of the Capacity Enhancement Grant so as to implement small-class teaching in secondary and primary schools; stop the unpopular policy of reduction of classes and closures of schools; and provide subsidy and remedies to the much criticized integrated education. In respect of university education, increase the number of publicly-funded university places; and implement reforms on the sub-degree policy from the perspectives of financial assistance, quality and articulation to further studies. In respect of early childhood education, provide qualification grants to diploma and degree kindergarten teachers; formulate salary scales and offer direct subsidies to kindergarten teachers; and improve the voucher system. In respect of teachers' rights, address squarely

the unfair treatment of young teachers who joined the profession in or after 2000 and teachers recruited in accordance with the "3+ 3 model" in government schools to achieve equal pay for equal work.

With these remark, Deputy President, I hope that the Financial Secretary will respond to the expectations of the education sector.

DR PHILIP WONG (in Cantonese): Deputy President, after listening to the first Budget speech of the Financial Secretary, I agree with his three basic principles of public finance management: first, commitment to society; second, sustainability; third, pragmatism. I think this Budget is well-thought out and convincing. On behalf of the Chinese General Chamber of Commerce, I support this Budget. I would like to put forward three points.

First of all, the Budget has adopted many proposals put forward by the industrial and commercial sector which benefit all strata of the community, thus enabling the public to share the fruits of economic growth.

I very much support a number of proposals made in the Budget, such as providing a one-off grant to Old Age Allowance recipients, offering additional allowance to recipients of Disability Allowance, raising the basic personal allowance, offering a tax rebate of salaries tax, providing a subsidy of electricity tariffs, and injecting funds from the fiscal surplus into the MPF accounts of the public.

The generosity displayed in series of measures aimed at returning wealth to the people is rarely seen in recent years. These measures will alleviate the pressure of living among the lower and middle classes, contribute to building a harmonious society, stimulate local consumer spending, and facilitate economic development.

Meanwhile, I believe that to a large extent, the improved economy of Hong Kong is attributable to the rapid economic growth in the Mainland, which also benefits various sectors and industries in Hong Kong. With a buoyant stock market and a vibrant property market, revenues from stamp duties have increased substantially and boosted the revenue of the Government. However, these are non-recurrent revenues.

I support the Financial Secretary's initiative of providing a one-off tax rebate to taxpayers and members of the public because this is a prudent and yet effective measure. Returning wealth to the people is an appropriate way of spending the surplus. It is also advisable that the Government should follow this year's practice and provide a one-off tax rebate to the public if there is a substantial surplus next year.

At present, there are indeed many uncertainties in the global economy, such as the intensifying subprime mortgage crisis of the United States, the continuous depreciation of the US Dollar, the soaring prices of food and raw materials, and the volatility of the financial market. Effects of some political factors on economic trends and business operation should not be neglected. If recurrent expenditure is drastically increased, it will be difficult to contain the expenditure in the event of an economic downturn.

Secondly, I think the measures in the Budget, from those of alleviating poverty to those of improving the business environment, and from those of developing financial services and trade to those of strengthening scientific research and innovation, have taken into account the aspirations of the public and the long-term interests of the economy of Hong Kong.

I also endorse the Financial Secretary's proposals of allocating more resources to facilitate the economic development and progress of the society, such as implementing infrastructure projects, expediting the redevelopment of old districts, enhancing the pillar industries, strengthening the Civil Service, promoting environmental protection, opening up new markets, increasing investments in technological researches, and intensifying the momentum in the development of creative economy in Hong Kong.

The Financial Secretary's proposals of lowering the profits tax, offering a rebate of property tax, waiving rates and business registration fees, and exempting the duties on certain types of alcoholic beverages will generate positive impacts on the small and medium enterprises (SMEs) of Hong Kong, particularly those engaged in the tourism, catering and retails industries. These measures will also have positive effects on increasing employment opportunities.

I think the measures proposed in the Budget to accelerate the development of our creative economy can meet the requirements of economic restructuring towards high value-added industries, which will be conducive to enhancing the overall competitiveness of Hong Kong. I agree with the proposals of tax

reduction for the SMEs in the Budget. I hope that the Government will listen more to the voices of the SMEs and help them overcome various difficulties.

All of us are happy to hear that the Government has allocated more resources to support the disadvantaged groups and improve the quality of living of young people, elderly, people with disabilities, low-income earners, and ethnic minorities.

I hope that the Government will further consider allocating more resources for public health care services, in order to prevent the outbreak of contagious diseases.

Thirdly, in a globalized world economy, Hong Kong is bound to face many challenges. I hope that the Government and the public can remain vigilant in times of peace, prepare for the rainy days, and develop stronger awareness of crisis.

With the easing off of the cross-strait tensions, direct cross-strait charter flights, investment of mainland capital in Taiwan, visits by mainlanders to Taiwan under the Individual Visit Scheme, and free circulation of Renminbi in Taiwan can be expected soon. As for how we can actively respond to the changing situation, bring into full play our merits and get rid of our shortcomings, enhance the competitiveness and attraction of Hong Kong, develop new growth points of our financial services, tourism and transportation industries, play the intermediary role between China and western countries as well as between both sides of the strait, I hope that the Government can make innovative arrangements in a pragmatic and flexible manner.

I hope that the Government will allocate more resources to education and training. It is advisable for the Government to attract talents by absorbing talents from the Mainland and Taiwan and encouraging them to study, pursue further education and seek employment in Hong Kong, with a view to giving play to the synergy effect among the economies of the three places across the strait. I also hope that the Government will devote continuous efforts to strengthen its own development and enhance efficiency of its services, so that Hong Kong can further improve its role as the "springboard" between both sides of the strait and as an international financial centre.

Deputy President, I so submit.

MS EMILY LAU (in Cantonese): Deputy President, since the Financial Secretary announced the Budget in February, the response from many members of the public has been quite positive, as they think that the authorities have really done something. However, in my opinion, the most important duty of a responsible government is to take care of the disadvantaged groups.

When I met with the Financial Secretary on 8 November last year, I reminded him that according to the statistics released by the Census and Statistics Department in 2006, the number of domestic households with a monthly income less than \$8,000 had increased from 300 000 in 1996 to 470 000 in 10 years' time, an increase of 55%. The number of domestic households with a monthly income less than \$4,000 (Deputy President, I really have no idea how they can make ends meet) had increased from 124 000 in 1996 to 200 000 in 10 years' time, an increase of 66%. On the one hand, it is said that the economy has improved. And just like some colleagues have said, a drop has been recorded in the unemployment rate. But on the other hand, so many people are still living in dire straits.

The SAR Government has all along indicated that education is the most important way to get rid of poverty. I support the Administration's proposal of offering 12 years of free education. But I object to the implementation of the education voucher system. I have all along advocated that pre-primary education should be fully subsidized. Deputy President, on this point, my view is similar to that of the Liberal Party. I very much believe that there is a need to enhance the qualifications of teachers, and there should be more teachers with degree qualification not only in pre-primary education, but also in primary and secondary education.

A few days ago, at the meeting of the Panel on Education, we reminded the Secretary that the qualification of teachers should be enhanced even for associate degree programmes in the institutions concerned. However, with respect to helping the institutions enhance the qualification of teachers, I cannot find any response from the Government in this Budget. Deputy President, you know very well how much resource is allocated to pre-primary education for the employment of teachers with degree qualification in nurseries and kindergartens. I have said on numerous occasions that it is most desirable to employ teachers with doctorate degrees to teach these children. Recently, the Administration has also admitted that whether in learning languages or other areas of knowledge, a person has the strongest learning ability in his early childhood. Since this is the case, efforts should be made in this respect.

However, the Administration has all along refused to admit that pre-primary education is essential and so, it refused to provide subsidies. It is only now that the education voucher system is introduced. Of course it is still better than doing nothing. But I hope that the Government will not remain obstinate. It should accept that pre-primary education is essential. All parents are very much concerned about this. So we have to allocate hundreds of million dollars for this cause, in order to really do a good job. Very often, Secretary Michael SUEN becomes rather inconsistent whenever he mentions figures, but I think it is something that should be done. However, we cannot do anything about it even if we want to because we do not have enough teachers. Therefore, more resources should be allocated to the training of teachers.

Moreover, at the meeting of the Panel, I also told the Secretary that the Institute of Education would wish to be upgraded and retitled as a university. I have no objection to this. Deputy President, the salaries of teachers of the Institute of Education are lower than their counterparts in other universities. That is why many teachers have taken up teaching posts in universities, with the Institute of Education being their last choice. However, teachers of the Institute of Education are teachers of those who will be teaching our next generation. We have been discussing why there are so many problems with education. In fact, this is where the cause of all these problems lies.

Over the years, particularly during the British rule, and even now, we have not attached much importance to education. In fact, the most important element is teachers. How can we allocate appropriate resources to attract talents of high caliber to take up teaching posts? Deputy President, I really hope we can do that, because I share the view of the Administration that the most important key to get rid of poverty is education. With regard to education, the Administration has not done enough. Furthermore, other colleagues have said that we should increase the number of first-year university places, so that more people with competence can study in university. This, I agree. According to the report released by the Secretary, the majority of sub-degree graduates do wish to pursue further studies in universities. Deputy President, the Secretary said that a written reply would be provided to us. I would really like to know how he is going to reply.

In respect of adult education, I also hope that the Administration will provide full subsidy in this area. Some people had missed the chance to study in the past. They still hope to further their education during the evenings

although this would mean a lot of hard work for them. However, the Administration is unwilling to provide full subsidy. Despite that the number of persons and the amount involved are small, the Administration is still not willing to do so. The Administration has indicated that it will conduct a review next year. The officials who attended the meetings of the Finance Committee have put forward the current "half-baked" proposal. Though it will have our support, we really hope that the Administration will fully subsidize adult education.

Deputy President, when I met with the Financial Secretary last year, I also mentioned special education, and to be more specific, day care services for pre-school children with disabilities. Deputy President, how many people are waiting for this service? The number is some 2 500. How many places is the Administration currently providing? The number is 300. We cannot say that the Administration has done nothing. But with some 2 000 people waiting while the Administration is only providing 300 places, the situation is like sprinkling some bread crumbs on the ground. At present, how much money does the Administration have? In fact, the Government has amassed a huge reserve, which is more than enough to sprinkle a lot of bread crumbs — not only bread crumbs, for it is enough to throw the whole bread on the ground.

The surplus of this year amounts to over \$130 billion. Together with the \$400-odd billion fiscal reserve of the Exchange Fund, we have an accumulative surplus of more than \$600 billion with no liabilities. The Exchange Fund has also reached an amount of over \$1,000 billion. As this is the case, why do we sprinkle just some bread crumbs on the ground for the disadvantaged groups? I have a very strong view about this.

Another issue is the "fruit grant" mentioned by many colleagues. As a matter of fact, regarding this issue, the views of Members of the Legislative Council are almost unanimous. In spite of this, the Government has still refused to heed our views. Why? Because it has higher intelligence. We Members of the Council are elected by the people and so what? The Government is not elected by the people. It is preordained by plutocrats and the Central Government. It can do whatever it likes. I find this most offensive indeed. Moreover, there are pictures to show that these people are the burden of society. In fact, Secretary Matthew CHEUNG did not say so. So, I hope he will do his best within the Government. But he still failed to respond to the point that I have raised.

Even if the "fruit grant" is increased to \$1,000, what is the big deal about it? The society can afford it. Besides, many representatives of the public have also said that it should be increased. However, the executive authorities with no mandate from the people seem to be saying, "You want an increase? No, I will not increase it, simply to get on your nerves. Now what can you do?" Deputy President, this handling approach of the Government is really like picking a quarrel.

Apart from the "fruit grant", there are also problems with the residential care homes for the elderly. Deputy President, how many people were waiting for places in residential care homes or nursing homes in the middle of last year, that is, how many people were waiting for subsidized residential care places? According to the figures provided by the Administration, the number was 23 000. The waiting time was 35 months. What has the Government done? It has only allocated \$60 million to increase 160 places in day care centres, 278 places in residential care homes, and 180 places in infirmaries. Wow! There were over 20 000 people on the waiting list, but the Administration has only increased several hundred places. What are these if not bread crumbs? May be you can say that they are the unwanted "pig bones". You can choose whatever term you like.

Dr Fernando CHEUNG asked how many elders had passed away while waitlisting. As at February this year, 6 213 elderly were waiting for places in nursing homes, and 377 elderly were allocated places this year. How many had passed away while they were waiting? Deputy President, the number was 1 539 persons. I remember when we first heard of this years ago, we regarded it as big news, because everyone was shocked and criticized the Government for letting this happen, that is, a person was still waiting and unable to obtain a place even on the day he passed away. But nobody mentions this now. It means that the entire community has accepted this as it is, that is, no places are available, and nothing can be done even if the person passed away. If the Administration is poverty-stricken with no capital to spare at all, we would have to accept that elders passed away while waitlisting. But at present, the Administration is having a reserve of over \$1,000 billion, and there are still incidents of elders passing away while waitlisting. So how can I accept this? There is a very serious problem here.

Moreover, last year I also drew the attention of the Financial Secretary to residential care services for persons with mental and physical disabilities. In mid 2007, how many persons were waiting? Deputy President, the number was 5 719. What is the average waiting time? Nine years. I believe that among the many senior officials and rich people, nobody would need to wait for these services. One who is not in the same unfortunate situation does not realize other people's suffering. Well, that may not be entirely true, as the Financial Secretary has allocated some resources, or several tens of million dollars for these services. But Deputy President, how many places can be provided? The number is 490 places. Such being the case, those elders have to keep on waiting and waiting until they passed away.

These are what the SAR Government has done, this SAR Government with a reserve of over \$1,000 billion. They are talking about a reserve of \$130 billion this year. I do not know how to get these figures right. Just the zeros are too many to remember. Moreover, in respect of the disabled, the Government has all along encouraged them to go out and participate in various activities. Dr Fernando CHEUNG, Mr LEUNG Yiu-chung and I have joined with them in staging protests at MTR stations. We have tried almost everything. Now the measure introduced by the Administration will benefit recipients of the Disability Allowance aged between 12 and 64 years old. But what other requirements do they have to meet? Deputy President, they have to be recipients of the Comprehensive Social Security Assistance with 100% disability. While they have been fighting for their interest so hard, the Administration is only giving them \$200 more. What transportation can they afford with \$200? It is not even enough for a single journey by taxi. If I take a taxi from here to Tuen Mun, I will have to pay \$300 to \$400 for a single journey. With this amount of allowance, they will not have the money for the return trip.

How many additional resources did the Secretary say the Administration has to allocate for granting this \$200 to these people? The amount is \$230 million, and it will benefit 96 000 people. What "infinite grace" it is! However, how many people whom we think should be benefited, or how people should be provided with half-fare concession? I have done some calculation. The number is 200 000. These people will also need the help of Secretary Matthew CHEUNG. Sometimes we think he is a more kindhearted Secretary. However, I have to ask: When the Government is having such a huge amount of money, is it being too mean and harsh? Some people may say that these people

can use the rehabuses instead. What is the present situation with rehabuses? Deputy President, the Administration has allocated an additional \$20 million for procuring eight new rehabuses and replacing 24 old rehabuses with new ones. But what was the number of declined orders for dial-a-ride services of rehabuses in 2007? Deputy President, the number was 9 101, that is, nearly 10 000 declined orders for rebus dial-a-ride services, implying that these people should either go out on foot, or since no rehabuses are available to take them out, they should stay away from whatever activities they wish to join in. The Administration has indicated its wish for them to go out and take part in various activities. But they have neither money nor cars to go out, so they have to give up their activities. The Administration said that with the additional \$20 million, those who will be benefited will increase by 20%. Nevertheless, despite an additional 20% of people who will be benefited, about 7 000 people who order for rebus dial-a-ride services will still have their orders declined, as they will be given an answer that no buses are available. This is another problem to be resolved by the Government with a fiscal reserve of almost \$1,000 billion. Is it that the Government cannot even handle this?

Deputy President, inflation is the next issue that I would like to raise. I had also put forward many proposals when I met with the Financial Secretary. Just now many colleagues have also talked about this issue. From reports in newspapers today, we can see that the Consumer Council has done a good job by comparing the prices of supermarkets and those of some small shops. In some cases, the prices of supermarkets have been marked up by 6%, and even 100% in some other cases. Deputy President, you may ask whether this is true. Therefore, the Consumer Council has urged the public to make more comparisons of prices. Deputy President, I am now worried that some small shops will not be able to sell their goods at cheaper prices even if they want to, because they may not be supplied with goods. Some companies are financially strong, and all goods are sold to them. So, it is not that easy for small shops to place their orders.

Some people who have been to the Consumer Council before will understand what is happening. They would ask: Where is the fair competition law? They have looked for it in every corner but still cannot find it. Why? Because the Government is unable to impose regulation, resulting in repeated delays. The public can do nothing as prices increase day after day, such as an increase of 10% today, and an increase of 20% or even 80% tomorrow.

Deputy President, speaking of inflation, we can see that in some countries, this problem has caused riots and unrests. I believe that the situation in Hong Kong may not necessarily develop to such a stage. However, something must be wrong with the Administration if it thinks that members of the public will not feel the pinch when every night they learn from television programmes that prices of cooking oil have increased by 30% and prices of rice have increased by 40%. I am not asking for subsidies for everybody. I am mainly asking the Administration to subsidize the grassroots. It is necessary to adopt these measures. As for other problems, such as how to bring down the prices, they will have to depend on the situation of competition. The Government should provide more sources of goods, by they from the Mainland or other regions, so that more shops will be supplied with goods for sale, and shops will not encounter difficulties in obtaining the goods. This should be able to tackle the problem. I was told that the problem encountered by small shops is that they are not provided with goods. What is the reason for that? It is because someone will ask the small shops whether they wish to do business and how much business they will be able to attain. In view of this, should we intervene and do something?

Deputy President, I believe some members of the public are quite happy with this Budget, thinking that it can already get something done. However, insofar as this Budget is concerned, I think the Government is still unwilling to do more for the disadvantaged groups, who are people most in need of our care. We, representatives of the public, consider this very regrettable indeed. Of course, since the bread crumbs have been sprinkled, we cannot say that the Government has done nothing. But as the Government has a reserve of over \$1,000 billion, it is absolutely capable of doing more for the people.

I so submit.

MRS SOPHIE LEUNG (in Cantonese): Deputy President, after the impassioned address made by Ms Emily LAU, I think it is most important for us to develop more new thinking, and try to resolve the problems she has mentioned just now with concerted efforts.

Deputy President, under the improved economic environment over the past year, the Government has recorded an enormous surplus this year. We are

delighted that the Government is able to share wealth with the people, so that the public will also be able to enjoy the fruits of economic growth. Insofar as this year's Budget is concerned, on the whole, I agree with its direction it is heading.

The Liberal Party and the industry I represent have been devoting a lot of efforts to strive for the development of a border industrial zone over the past decade. Today, we can finally see that there is such a possibility. While I am excited, I still consider this regrettable. If the project had been launched 10 years ago, the present economic development in Hong Kong might have been taken forward with new perspectives and momentum. There might have been a new outlook in our unemployment rate.

Next, I would like to talk about an area which is very important to the future of Hong Kong — creative industry. In 2006, the National 11th Five-Year Plan had reminded Hong Kong to enhance its creativity and become a creative city. There are some young people sitting in the public gallery. This is going to be your responsibility. I also hope that Hong Kong people of this generation will be able to show you a direction. During the duty visit of Chief Executive Donald TSANG to Beijing at the end of last year, Premier WEN had advised the Chief Executive in person that Hong Kong could follow the example of Singapore in the improvement and enhancement of four areas, namely creativity, knowledge, talents and environment.

Having looked up some information, I found that the Government had already put forward the development of creative industries as early as in 2003. But today, the Mainland or others are still repeatedly reminding us that we should develop creative industries. Have we gone onto a wrong branch road?

There are only two paragraphs that mention creative economy in this year's Budget, and these paragraphs still premise on traditional thinking by putting focus on supporting hardware and methods of implementation. It is not my wish that the Government continues to believe these approaches will facilitate creativity to become an economic impetus of Hong Kong. If we adopt non-creative means to develop creative industries, it means that we really have no genuine understanding of the nature and essence of creative industries.

So what actually is creativity? I agree that creativity is an industry that increases revenues. But creativity is also able to enhance the cultural and artistic literacy of an individual as well as the harmony of society. Furthermore, it is able to achieve revitalization of local community and integration of all social strata. In other words, creativity does not relate to one single aspect of society only, but also covers the economy as well as people's livelihood.

The following discussion involves various areas including the economy, the governance of the Government, livelihood issues relating to individuals and the community. I have to stress that creativity and these aspects are interrelated, and a creative society can only be created by combining the efforts made in these areas.

In recent years, the theories of Richard FLORIDA, an urban geographer, are quoted whenever development of creative economy is mentioned in various countries. His views have also become the hot topics of discussion in the cultural and arts sector as well as the financial services sector. In summary, he believes that a creative culture has at least the following six qualities: (1) a mindset of seeking incessant innovativeness and changes; (2) an open and tolerant society with courage to take challenge and an enterprising spirit; (3) recognition and respect for culture and creativity; (4) focusing on people in developing creativity; (5) attaching importance to the use of technologies to facilitate innovativeness; and (6) enhancing the level of creative education.

I think the society of Hong Kong is equipped with the above basic qualities. The question is how to strengthen, mobilize, synthesize and highlight these qualities, and how they can achieve full play in various aspects of culture and arts and creative industries. I have to point out that if creativity can become the driving force of the economy, it is necessary to effectively adopt strategic new thinking and new methods to develop creativity in the community. It is a long process that cannot be achieved in a short period of time. Effective leadership and facilitation are the pre-requisites.

First of all, a creative mindset should not be confined to the community. The Government must also give full play to creativity and show the enthusiasm to innovate, so that it can lead Hong Kong to keep abreast of the world. I very much agree with Chief Secretary Henry TANG when he put forward his views in the Public Sector Reform Conference. According to him, "The public sector

must be citizen-centric, and should learn good practices from the private sector. Civil servants should be bold and innovative in their work." In fact, on the same occasion, the Financial Secretary had also put forward similar views.

This is the new thinking in management of the 21st century: building upon a clear objective and a simple system, operating with transparency and division of labour. The most important element is close collaboration and flexible co-ordination between departments, and setting up an effective mechanism to achieve consensus in the community under the "people-oriented" principle. It is only under such a system that creativity can be nurtured and an example can be set for others to follow.

Just as I have said before, creativity does not relate to just one aspect of the society, but also covers the economy as well as people's livelihood. However, I have not seen any initiatives related to developing creativity in the context of people's livelihood in the Budget. Creative culture is related to all aspects of society. But at present, various departments are working separately. When creativity is regarded as an economic issue, it is placed under the purview of the Commerce and Economic Development Bureau. When it has to do with culture, arts and the community, it is placed under the purview of the Home Affairs Bureau. How the two departments will co-operate to give play to the role of complementing each other is particularly important to the development of creative industries.

On the whole, in respect of the development of creativity, the Government should play the role of an enabler. When it can provide suitable room in a timely manner for motivating and stimulating creative thinking among the public, creative culture will be able to consolidate and expand. An example is the development of the Stanley Tourist Area. It is a combination of art, collective memories, tourism and modern architecture, creating a fresh look and at the same time an atmosphere for one to reminisce about the past. There is no intervention of the Urban Renewal Authority; nor is land resumption involved. However, it succeeds to attract a number of small shops with innovative ideas and restaurants to open their businesses there. The outlook of the buildings in the area is also revitalized, bringing new income sources to the community and new tourism opportunities. Therefore, as long as a desirable environment is created, a creative culture will easily take place and creative economy can hence be developed.

(THE PRESIDENT resumed the Chair)

I have to emphasize that creative industries have to be taken forward by creative means. It is not advisable for the Government to hope that culture and arts as well as creative industries will be developed by following its old practices, such as provision of land, investments in hardware or setting up an authority, or even with the more traditional approach of regarding creative and cultural industries as some kind of social welfare by appropriating funds to subsidize the people concerned. This will only result in some people enjoying the fruits of others' toil and sweat without making any attempt to make progress. In the end, not only will it fail to nurture talents, but will also create a group of people who would only stand in the way of development.

The development of creative industries cannot rely on the division of labour among one or two departments which do not co-operate with each other. A breakthrough of the creative industries can be achieved only by comprehensive planning which includes the concerted efforts of the industrial, commercial and technological sectors, the cultural and arts sectors, as well as the education sector.

Madam President, I wish to thank you for listening to my speech. Education can facilitate creative thinking. For instance, as we begin to have the conditions for the development of small-class teaching, we should motivate our teachers to work along this direction, so that they will adopt stimulating pedagogical practices instead of old methods to guide students to develop creative thinking. How many of our teachers will be able to do this? I believe Members of the Legislative Council, particularly the Honourable Member who represents teachers, should work hard to achieve this goal. Moreover, more flexible teaching modes can be introduced in schools, such as developing more specialized training schools and multi-functional schools; strengthening training in specialized areas of creativity apart from the mainstream basic education, so that individual students with creative talents can be identified early for more appropriate training. The objective of these measures is to adopt more systematic means and methods other than examinations to discover the creative talents of young people.

School education is only one of the ways to develop creativity. We are also faced with the challenges of how we can create an innovative atmosphere in

the community to provide room and chances for the emergence and development of new creative talents, and bring them to work together with the quality talents currently engaging in the creative industries and art performers to form a new driving force for creative industries.

Madam President, with deep regret, I must say here that there is a group of people whom I have supported for some time, and one of them had designed a handbag with panda as the main feature. His talent was not recognized in Hong Kong, but he has good prospects of development in Japan now. So, we have lost a creative talent. I propose to set up a community creativity committee, to be spearheaded by a group of elites in society and tasked with the establishment of a framework. With the participation from various departments, together with division of labour and promotion work at different levels, a general environment conducive to creativity can be created in society. Furthermore, the committee should strategically pool together brilliant artists and creative talents in society to create more room for creative industries, with a view to enhancing the creative manpower capital of Hong Kong.

Participation by all members of the community is imperative for the development of creativity. For this reason, how creativity can be promoted in the community is very important. In order to create a new atmosphere for the culture of Hong Kong, more interactive cultural and arts activities conducted with local flavours and in popular forms, such as television programmes and websites, should be organized in the community, so as to inject a creative culture into the daily life of the public, with the aim of cultivating in the community a liking, respect and recognition for creative thinking.

For instance, we can establish a "Creative Capsule" and develop it into a base and framework for nurturing the creativity of young people. First of all, it can serve as a display platform where young people can exhibit their creative works and share them with others. Meanwhile, it can also serve as a meeting point for artists, so as to discover creative talents. And most importantly, it can serve as a channel to introduce culture and arts to the general public, with a view to enhancing the overall creative thinking of the community and sharing the fruits of economic growth.

I still believe that there are some unique but undiscovered experiences and values in Hong Kong. They are our creative capital. Creative economy cannot be achieved in one stride. The promotion of creative culture requires

not only universal participation, but also efforts to develop beyond the traditional framework of economic development to start afresh from the perspective of humanistic society. It takes continuous hard work and accumulated experiences to achieve results from which new social values and new economic trends can emerge.

Madam President, this year's Budget has brought some good news to the public. However, how to seize this opportunity of an improved economy and a huge surplus to develop a creative economy and a harmonious society will hinge on the determination and vision of the Government.

I so submit.

MR RONNY TONG (in Cantonese): President, once upon a time, there was a businessman. He had a donkey and a mule. As he had a preference for the donkey, the donkey was well-fed and fattened up. With little to eat and little rest, the mule was feeble and weak. One day, the businessman told them, "You have to deliver some goods to the neighbouring town for me." There was a hill to climb on the way. Since the businessman had a greater liking for the donkey, he put the lighter goods on the donkey and the heavy goods on the mule. The mule was already feeble and weak, so when it had gone less than half way, it said to the donkey, "Brother, I cannot stand it any more. Could you share some of the weight on my back?" The donkey replied, "The boss told me to do a good job, so I have to get the job done. Sorry, you carry your load while I take care of mine." There was still some way before they reached the hilltop, and the mule died of fatigue. The businessman had no option but to put all the goods onto the donkey. At this time, the donkey had a lot of regrets. It was only then that it realized that with the death of the mule, it would have a harder life ahead.

President, I do not wish to insult the intelligence of our colleagues and officials. So I am not going to explain the moral of this story here.

President, this is the fourth year that I have spoken on the Budget in the Legislative Council. For the past four years, I have spoken on the same topic, that is, how to improve the situation of the disparity between the rich and the poor in Hong Kong. Despite the fact that four years have passed, and a new Financial Secretary has taken over, the situation has remained the same.

President, many people have asked me and even the Civic Party why we are behaving so much like "leftists". Even the former Financial Secretary had asked whether the Civic Party actually advocated redistribution of social wealth, describing us as if we were supporters of communism.

President, our political belief is to fight for and uphold social justice by all means. When society is unfair to the mule, we will stand on the side of the mule. But this does not represent that we advocate redistribution of social wealth. However, a fair distribution is still essential.

President, this year's Budget is described as a Budget that "distributes candies for everyone". When the surplus amounts to more than \$100 billion, it seems to be a nice thing that everyone is given a share. So everyone is applauding. However, when we analyse the details carefully, it is not difficult for us to see the picture of "giving out a factory to the rich and a candy to the poor". In addition to that, after the rich has got "the factory", it will indirectly create even greater pressure of inflation, the impact of which is generally the greatest among the grassroots.

As Ms Emily LAU mentioned just now, a survey released today indicates that current food prices are soaring. Inflation is now as high as 10% to 20%, and this refers to the inflation of food only. However, food usually constitutes the largest part of the monthly expenditure of grassroots.

President, on the day the Financial Secretary announced the Budget, Dr Fernando CHEUNG of the Civic Party made some calculation and found that the various concessions and measures which will benefit the middle class and high-income earners amount to \$35 billion. But for the lower-income group with a larger number of people, their benefits only amount to \$27 billion in this year's Budget. Take a single person paying tax at the standard rate as an example. After the lowering of the standard rate of salaries tax, this single middle-class person can save \$27,600 per annum, which means that he has an extra \$2,300 per month for meals and entertainment such as karaoke, shopping and movies. The figure has not included other concessions that he may be able to enjoy in respect of rates, and so on. If he is a barrister, he may even benefit from the reduction of profits tax as well. But for those who do not have to or do not have the ability to pay taxes, those who do not have any property or live in public rental housing, and those who do not receive the Comprehensive Social

Security Assistance (CSSA), how much can they get per month? As things now stand, they can only enjoy the electricity subsidy of some \$1,000.

It is even more interesting when we find the most obvious feature of the proposals of the Financial Secretary and that is, the concessions given to the high-income earners and the middle class are of a permanent nature. Tax rate, once lowered, will remain to be lowered until the Government further lowers or increases the rate in future. However, all the concessions given to the disadvantaged groups are of a one-off nature, which means that they are provided once and for all. No wonder Mr WONG Kwok-hing has to sing the famous song of our "God of Songs". I would also like to ask "When will I see you again?" When will the grassroots living in extreme misery share the fruits of economic growth again?

President, according to the data of the Census and Statistics Department in 2006, among the 10 groups classified by the monthly median household income, when the group with the lowest household income of only \$2,400 is compared with the group with the highest income, the difference of income between them was 31.5%. Over the past decade, the numbers of households with an income lower than \$4,000 and those with an income higher than \$40,000 have drastically increased. As a matter of fact, if we compare the public expenditure of the Government over the past five years, the situation will be even more prominent. According to traditional wisdom, generally speaking, such policy areas as housing and social welfare are effective means to narrow the wealth gap and provide support to the disadvantaged groups. Let us look at the changes in the percentage of expenditure in these areas over the past five years. In respect of social welfare, the percentage has generally been maintained at about 12% to 13.3% of public expenditure over the past five years. However, the percentage has dropped to only 11.9% this year, the lowest since 2003. How about the area of housing? The expenditure of this area is even worse. In 2003, expenditure on housing stood at 9.2% of the total public expenditure. But this year when the Government has recorded a huge surplus, the expenditure on housing has not increased but dropped to 5.1%, which is, in fact, the lowest in the past five years.

President, my attempts to compare the benefits given to the middle class and those to the low-income earners in this year's Budget are not intended to drive a wedge between them. In fact, this is a deep-rooted contradiction which has existed for a long time. As a matter of fact, what the society is facing now

is a situation similar to the story of the donkey and the mule that I told at the beginning of my speech. The donkey was strong and healthy, but it refused to bear a heavier burden. The mule was feeble and weak, but it had to carry heavy goods. In the end, no one could benefit at all.

President, when we are having a surplus of over \$100 billion, the Government should consider setting priorities for the various measures introduced to return wealth to the people. Can the Government increase the strength of measures for social groups with most pressing needs, and find out which measures can wait a little longer? If we ask only for applause, undoubtedly the current approach of giving out candies will effectively achieve the loudest applause. However, it may not be able to respond to the deep-rooted contradiction in society that I have mentioned just now.

President, I urge the Financial Secretary once again to address squarely the aspirations of people for poverty alleviation. First of all, with respect to the elderly, before the implementation of the universal retirement protection system, increasing the amount of "fruit grant" is the only way to improve the quality of living of the elderly. Although the Government has repeatedly emphasized that the "fruit grant" is not meant to provide for the living of the elderly, the actual situation in society is different from its perception. However, the Government has only committed to distributing "red packets" on a one-off basis. Moreover, the Government has only pledged to increase 278 subvented residential care places and 180 additional infirmary beds in residential care homes. When there are some 20 000 elderly on the waiting list, this is too little to be of any help. As Ms Emily LAU has said just now, the number of people who died while waitlisting is greater than the number of those who are given a place. This is the problem we are facing now.

Moreover, in respect of the CSSA rates, the existing rates have not been reverted to the levels prior to their reduction in 2003. Many subsidies that have been reduced, including the grants for glasses and learning, have not been reverted to their original levels. If the Financial Secretary wishes to take care of the lower class, he should work for the reverting of the CSSA rates to the 2003 level as soon as possible. With respect to strengthening the support for people with disabilities, at present, the Government has only proposed to provide an additional allowance of \$200. As mentioned by many colleagues during their speeches, this amount is unable to help them integrate into society. Moreover, the Government has only undertaken to provide 490 additional subvented residential places, which fall far short of the 1 765 places required by

the disabled. As a matter of fact, it takes only \$150 million for the Government to provide 1 765 places immediately. When we have a surplus of over \$100 billion, why is the Government reluctant to do so?

Lastly, President, I would like to spend the rest of my speaking time on discussing the levy on foreign domestic helpers (FDHs).

President, the levy on FDHs is an issue left by history. In 2003, the Government introduced this levy on the grounds that it was necessary to provide training for local unemployed workers in need of assistance. Meanwhile, the Government reduced \$400 from the minimum wage of FDHs, and imposed the levy of \$400 on the employers. However, three basic problems can be found in this measure. First, we cannot ignore the fact that there is an element of racial discrimination in this measure. Second, manpower training is the fundamental responsibility of the Government. Why should the burden be placed on families that employ FDHs? Why should this group of people take up the Government's responsibility of providing training to the unemployed? This is extremely unfair. The story of the donkey and the mule that I have told just now is also applicable here. Third, it seems that the Government had no long-term planning, objective or fundamental principles when it formulated this measure. It is simply a temporary measure which seeks to "cover 10 pots with nine lids".

As a matter of fact, the economic situation of Hong Kong has improved over the past five years. At present, the unemployment rate has dropped to 3.3%, resulting in an obvious decrease in the demand for the services of the Employees Retraining Board (ERB) than in 2003. According to the statistics of the ERB, the number of ERB graduates for the year 2002-2003 was 103 000. But in 2007-2008, the number dropped to 65 000, a decrease of nearly 50%. Under an improved economic environment, the demand for the services of the ERB is on the decrease.

With regard to the financial position, when the Chief Executive delivered his speech on the Budget last year, he announced that the ERB had accumulated a balance of \$3.5 billion. However, it has been revealed recently that the fund has already accumulated a balance of \$4.4 billion. In other words, it has accumulated over \$900 million within a short span of half a year. On the contrary, the expenditure of the ERB has remained at \$300 million to \$400 million per annum. The current accumulated surplus is already sufficient to support the continuous operation of the ERB for the next 11 years.

President, when the Treasury is "flooded with cash", is it still necessary for the Government to impose this levy on the employers of FDHs? At the time when the levy on FDHs was introduced, not only did the employers object to it, the FDHs also took the Government to Court as they claimed that there was an element of discrimination against them. The levy on FDHs was implemented at an extraordinary time. Now that we have entered the phase of economic recovery, we hope that the Government will alleviate this burden on employers. Meanwhile, some of the surplus can be allocated to areas which can benefit FDHs, such as increasing community facilities so that they will be more easily integrated into our society, and providing more leisure places, so that they will not have to be crammed in Central.

President, these can be easily achieved, and the Government's financial position will not be adversely affected. However, they will add a bit more fairness to our society.

President, I hope that the many mules of our society will not be relieved of their plights only when they died. I hope that the Chief Executive as well as the Financial Secretary will give more food to the mules, so that they will be able to take up more social responsibilities. Thank you.

MR LI KWOK-YING (in Cantonese): Madam President, today I would like to discuss the views of the DAB on the proposals on medical and health care in the Budget in four parts, namely, "birth, ageing, sickness and death". I would like to talk about "birth" first.

Over the past year or two, the birth rate in Hong Kong began to rise again. But that rise is caused by a greater proportion of pregnant women from the Mainland who come to Hong Kong to give birth to children rather than by local women who give birth to children here. The parents of close to 10 000 babies born in Hong Kong every year are not Hong Kong residents and in most cases, these babies will return to the Mainland soon after their birth. Therefore, these babies may not have the chance to get the vaccination services as well as the medical check-ups that are available to newborns in Hong Kong. If the situation continues, it may turn out that a large number of people born in Hong Kong may be infected by certain diseases or sequelae that could have been prevented because they do not receive the basic vaccinations or undergo medical

check-ups during their infancy. This will indirectly exert more pressure on health care and community care services in future. However, it seems that the Government does not realize the existence of such risks and there is no special action taken to follow up. The DAB hopes that the Government can look into this problem and step up publicity efforts among the parents or guardians of these babies on the importance of receiving vaccinations and medical check-ups. Other workable measures should also be considered to make it convenient for the babies and their parents to return to Hong Kong for these check-ups.

In addition, the backwardness with respect to the vaccination policy for children has also aroused concern in the community. Last year the DAB submitted a number of recommendations to the Financial Secretary on the Budget and we have pointed out that it is necessary to include pneumococcal vaccine into the immunization programme for children. With the appearance of many other efficacious vaccines for various diseases, certain advanced countries even offer vaccination to girls against cervical cancer. I am also aware that the Scientific Committee on Vaccine Preventable Diseases of the Department of Health published reports in October 2007 and February 2008 respectively, in which pneumococcal vaccine and cervical cancer vaccine are considered safe and effective. It is also clearly recommended that pneumococcal vaccine should be included in the immunization programme and that the Government should undertake an assessment of the efficacy of the cervical cancer vaccine. Since the expert panel appointed by the Government has placed so much confidence in the two vaccines, the DAB hopes that the Government can consider giving free inoculations of these two vaccines to children.

On "ageing", people will be more vulnerable to diseases when they get old, hence their demand for health care will also increase. Many diseases commonly found among the aged can be handled if the patients can be provided with long-term community nursing care. Unfortunately, the family doctor system is not established and the Government does not want to increase places in the elderly health centres either. As for the health care vouchers for the elderly as proposed in the policy address, they can only be launched next year owing to technical reasons. Meanwhile the elderly will still have to rely on services provided by hospitals. The DAB thinks that in the face of challenges posed by population ageing, the health care system in Hong Kong should be improved to a greater extent. And it is most crucial to make good use of the primary health care system and put in place a sound family doctor system. Only by doing these

can the needs of the elderly be taken care of more effectively and the need for hospitalization service can be reduced. Also, with respect to the demand for health care services and long-term care from the elderly, the DAB hopes that the Government can allocate more resources. An example is the health care vouchers that have become the subject of much discussion recently. Many people think that five vouchers are not enough and the value of \$250 for these vouchers is not sufficient. They hope that the Government can give more thoughts on that, and priority should be given to the elderly health centres and traditional Chinese medicine service which are popular among the elderly.

Madam President, on the question of "sickness", as the saying goes, one should seek medical treatment when the problem is not yet serious. But a more practical point to consider is that it takes money to treat a disease. In the consultation paper on health care financing which has just been published, the Government has presented a pile of figures showing that a very big challenge stands in the way of future health care expenditure and six supplementary financing options are listed for choice by members of the public. The argument from the Secretary for Food and Health Dr CHOW is that the option on personal health care reserve can provide a better health care services option to the middle class. However, reactions from society are that this option is fleecing members of the middle class and it is only asking the public to pay. For members of the middle class who pay the most taxes, this cannot be acceptable to them. On the other hand, the people know very well the gravity of problems like population ageing, increase in health care services expenditure and worsening of the waitlisting situation in public health care sector. But what concrete details can be found in the proposals which the Government is selling to the public? After making these mandatory contributions, would there be any improvement in the quality of health care services? How are these proposals to bridge over with the existing health care insurance policies? Who will also pay the contributions? There is no answer to all these questions. It is therefore hard for the people to make an informed choice. Even if the people are in favour of mandatory contributions, there are no figures given to justify any response. Although the Government has stressed many times that at the initial stage, it is hoped that the people can make a choice in the concept of financing, in practice, no sufficient information is available. Responses made by the public are shallow and lacking in substance, hence it is hard to make out any correct indication of intention. The DAB thinks that more information should be disclosed by the Government with respect to the effectiveness and concrete details of these six supplementary options. In addition, when discussing these supplementary financing options,

the Government should present the timetable and financing arrangement with respect to the recommendations made in the paper on improving primary health care services. This is to show that the Government is not aiming at just asking the public for money but that it has the determination to engineer a reform of Hong Kong's health care system at its roots, make good use of the primary health care services and enhance the efficiency in resource deployment.

Madam President, lastly, I would like to talk about funeral services after a person's death. The Chinese by tradition attach great respects to their ancestors. Hence they have higher demands for funeral services. They also hope that those who handle bodies of the deceased can show their respect to the bodies and that there are sufficient facilities around to place the remains of their ancestors. Some time ago, workers from a public mortuary under the Department of Health are found again to have handled bodies improperly. When this is added to the previous incidents of mixing up the identities of dead bodies, the public has long expressed dissatisfaction with the services of public mortuaries. The DAB hopes that supervision can be stepped up on the work of front-line staff in handling corpses and more ethics training should be provided to the staff. More importantly, the storage facilities in the mortuaries for the bodies should be expanded. This is meant to meet the growing demand for mortuary services brought about by an ageing population. On the other hand, the pressing problem of the shortage of columbarium niches should be addressed. According to information provided by the Government, of all the columbaria managed by the Government in the districts excluding the outlying islands, only 75 niches are available for allocation and the number is hardly able to meet the demand for this year. Many people have told us that they have waited for six months after the cremation of their deceased relatives but they are still not allocated a suitable niche and the remains have to be placed at home for the time being. This is extremely undesirable. We know that the Government has plans to build more columbarium facilities, but at least for the few months to come, there may still be zero supply in the government-run columbaria. The DAB hopes that the Government should speed up the pace of the related construction works and also provide incentives to encourage the public to use other means of disposing dead bodies, such as by a sea burial or a memorial park, and so on. Also, private columbarium facilities should be properly managed, so that the public can have more confidence to choose private columbarium facilities, hence the existing problem can be solved.

Madam President, these are my views on medical and health care services.

Now I would like to voice some opinions on judicial and legal services. In Guangdong Province, with encouragements made by WANG Yang, the Party Secretary for the Province, it will open itself up to more Hong Kong services. This move will improve on the industrial mix of the Guangdong Province while also benefit the long-term development of various professional services in Hong Kong.

The legal service sector plays a key role among the various professional services in Hong Kong. Not only does the sector provide a full range of professional legal services in Hong Kong, but in the few years following the signing of the Mainland/Hong Kong Closer Economic Partnership Agreement, it has provided various kinds of quality legal services to many mainland companies and residents. I am sure that the legal services sector has in the past offered assistance to many mainland companies to overcome their difficulties in the course of economic reform and upgrading of the industries. It has also solved many of their legal problems. After collaboration between the two places has been underway for some time, there is a need to upgrade the level of collaboration. As the Party Secretary Mr WANG has said, there is a need for Guangdong to forge more extensive and comprehensive collaboration with the service industries of Hong Kong. In my opinion, one of the areas which requires an upgraded level of collaboration is to allow law firms from Hong Kong and the Mainland to develop their business in the form of a merger, with a view to providing more comprehensive legal services at higher levels and with better quality.

Now there are certain restrictions on collaboration between law firms of both places and the greatest concern of the legal profession is that law firms of both places cannot enter into partnership. They are of the view that as the law firms from both places can only operate in the form of joint venture, this cannot meet the demands for legal services in the Mainland. The existing restrictions are not only unfavourable to Hong Kong lawyers operating on the Mainland and their development prospects, but will also prevent mainland lawyers from gaining more exposure to international legal services through collaboration in the forms of merger, acquisition and joint operation.

Madam President, I hope that the SAR Government can listen carefully to the voice of the legal professionals in both places, seize the opportunity of the commitment shown by Guangdong in developing the service industries and undertake a study into the feasibility of "one place, two firms", so that there can be a legal basis for amalgamation of law firms in both places and hence open up a broad horizon for the development of legal services in the two places.

Madam President, I so submit.

MR FRED LI (in Cantonese): Madam President, given the persistently high inflation rate, it is indeed incumbent upon the Government to ease the difficulties of the grassroots. For this reason, the Budget this year proposed a series of measures, including extending the waiver of rates, granting an additional month of standard payment for recipients of CSSA and the Disability Allowance giving additional "fruit grant" to the elderly, and so on. However, with a huge fiscal surplus at its disposal, the Government should not just confine its measures to budgetary ones but should consider introducing more measures to ease inflation.

According to the information of the United Nations, global food prices have increased by 65% compared with those four years ago. In recent months, the retail prices of cooking oil and rice in Hong Kong have increased across the board by 20% to 40%. In the face of the rising food prices, the choice of local low-income families has changed from having food of a poorer quality in the past to having less food nowadays. In response to high inflation, the Government of neighbouring Singapore has decided to issue food coupons to low-income families to ease the pressure arising from living expenses. In fact, the Hong Kong Government should also examine these measures that will have an immediate effect carefully. Furthermore, at a meeting of the Legislative Council last year, I moved an amendment to the Motion of Thanks on the policy address proposing that the "fruit grant" be increased and it won the support of all Members of the Legislative Council. The effect achieved by this additional grant of \$3,000 by the Government is more or less the same. However, the rate of the "fruit grant" has not actually been increased and the Democratic Party is greatly disappointed. The Government has undertaken to conduct a review, so I hope that it will submit the results of its review to the Legislative Council for discussion as soon as possible by the end of the year.

I wish to talk about the issue of a fair competition law. In dealing with issues relating to prices, the Government should not overlook its role in market supervision and regulation. Yesterday, the Consumer Council announced the results of a survey which found that the prices of 11 food items sold in supermarkets were 30% to 100% more expensive than those of small retail shops, so the consequences of market monopolization can be seen very clearly. Moreover, even though the price and time at which various supermarkets buy their stocks may not be the same, we found that the pace at which they increase their prices is becoming more uniform. For example, they increased the prices of rice almost on the same day and at similar rates. Was any human factor involved? In late January this year, the Hong Kong Kowloon Vermicelli & Noodle Manufacturing Industry Merchants' General Association put up a full-page advertisement suggesting that members of the trade increase their prices simultaneously. The then Secretary for Commerce and Economic Development, Mr Frederick MA, reacted to this strongly and wrote a letter to point out that this was an anti-competition act. Similarly, in early January this year, although the supply of live pigs from the Mainland decreased by less than 10%, the wholesale price increased by 70% and that was totally disproportionate. In this instance, did some people conspire to jack up the price deliberately? If there is a fair competition law in Hong Kong, we can at least launch an investigation in accordance with the law to see if any price-fixing conspiracy is involved. However, the Government has been dragging its feet in introducing legislation by citing one excuse after another. Originally, the Panel on Economic Affairs intended to have a discussion on this subject matter but this item was subsequently withdrawn. I wonder if the consultation on a fair competition law will again be put on hold indefinitely.

I wish to turn to another topic relating to Secretary Dr York CHOW, namely, food safety and the rent of markets. It is expected that in the next term of the Legislative Council, on the subject of food safety, the Government will place emphasis on introducing a completely new piece of legislation on food safety. Before this, we are going to scrutinize the amendments to a piece of subsidiary legislation on nutrition labels for the first time this Friday.

Compared with a completely new piece of legislation on food safety, the complexity and difficulty involved in establishing a nutrition labelling system are not so great. However, the retail industry, the wholesale industry and even the consul-generals of various countries are all quite anxious and concerned about

this matter and we have also carried out lobbying actively on this matter. Had it not been this piece of legislation, I would never have met with consul-generals so frequently. The Democratic Party hopes that through this piece of legislation, public health can be protected and the public will be able to know the nutrients of the packaged food they buy. We hope that the legislation can be passed as soon as possible to enable the public to choose food that meets their needs, particularly in view of the large number of diabetic and renal patients in Hong Kong nowadays. Although we support this piece of subsidiary legislation, in this year's Budget, the Government did not earmark additional resources for educating consumers on nutrition labels. Although the legislation will come into effect only two years after its passage, we should, in the meantime, seek to promote public understanding of food labelling and encourage them to spend an extra minute reading the information on the food they buy, in particular, food claiming to be low in sugar, low in fat or high in fibre to appeal to attract consumers so as to understand clearly if it is really high in fibre, low in fat or low in sugar. When consumers pick up a pack of prepackaged food, it really may be the case that they do not understand the information and do not know about the importance of the labels. Therefore, I hope that the Government will co-operate with the Department of Health, the Hong Kong Medical Association and the Hong Kong Dietitians Association — of course, the Consumer Council should also be included — in extensively promoting the importance of nutritional information in various local communities in Hong Kong and educating the public on the meaning of various nutritional values on the labels of pre-packaged food.

Another issue that also falls within the ambit of Secretary Dr York CHOW is the rent of markets under the management of the Food and Environmental Hygiene Department (FEHD).

At a special meeting of the Finance Committee, the Government said that the FEHD was in the course of conducting a review of the provision of public markets in Hong Kong and the scope of review included how new markets should be provided in future and how to solve the problem of low occupancy of some markets. It was estimated that the review would be completed in about one year. After the abolition of the two municipal councils in 2000, the Democratic Party has all along held that the projects on public markets under planning should not be halted. With the increases in the population of various districts, we cannot rely solely on the two major supermarket chains, which will monopolize the market of daily food and commodities that the public must buy.

This will lead to an absence of competition and public markets should not be deliberately put on a road of decline as a result of government policy. We still wish to stress that public markets are still competitive and we call on that the Government to take stock of this point.

The review of public markets should also cover the rent. Since the rents of markets in the urban area and the New Territories are determined according to separate rental mechanisms adopted by the two former municipal councils, this has led to some differences. Since the abolition of the two former municipal councils in 2000, this issue has never been resolved and so far, eight years have passed. Although rental review is a sensitive issue, it has to be carried out anyway and I expect the process of rental review to be rather long. The year before last, the Government decided to continue to freeze the rents of public markets at the present level. We believe that before the completion of the review, the present level of rent should be maintained. In fact, since the continuous appreciation of the Renminbi, the prices of food imported from the Mainland have increased quite a lot and the costs of small vendors are on the increase. In order to reduce the expenses on food borne by the public, it is necessary to continue to freeze the rents of the markets under the management of the FEHD.

Madam President, as in the past, after the publication of the Budget, I organized residents' consultation forums in the housing estates in Kowloon East to listen to public opinions, so as to get my job done. I organized a total of 12 residents' forums. This number was greater than that in the past and the number of people attending them also set a record. In the past, when residents' forums on the Budget were held, the number of participants was not great but this time, the forums had very high attendance. What was the reason for this? Because a lot of elderly folks often asked me when they would receive that *ex gratia* "fruit grant" of \$3,000. They had gone to the bank a number of times to update their passbooks but found that the relevant sum had not yet been deposited into their accounts. Residents also asked me about the waiver of one month of rent and why they were not entitled to it if they were paying double rent or 1.5 times of the rent. Residents attended the forums with eagerness and having done some counting, I found that close to 2 000 members of the public had attended the 12 residents' forums organized by me. They conveyed the following points: first, they are of course pleased to receive an *ex gratia* amount of "fruit grant" amounting to \$3,000 but they hope that the Government can increase the monthly rate, so that they do not have to look at how much surplus

there is in a certain year to see what the future holds for them and whether the Government will hand out one month, half a month, \$3,000 or \$2,000 of "fruit grant" to them. They do not feel comfortable about this and hope that I can convey this point to the Secretary. However, the Directors of Bureau concerned are not in this Chamber now. Still, I believe they will be able to hear this.

In addition, the transport subsidy for people with disabilities has still not been introduced. The amount of subsidy will only be \$200, and worse still, only people with total disabilities are eligible for it. It seems that the Government does not encourage people with partial disabilities to make use of public transport and this is not very good. I hope that people with disabilities receiving the disability allowance can also be entitled to the transport subsidy at the same time.

On another front, some 16 000 public housing tenants now pay double rent or 1.5 times of the normal rent. In the past, although the Housing Authority had waived one month of rent to ease the difficulties facing the public, these tenants could not enjoy it either. This time around, with a huge surplus, the Government has made provisions out of public coffers, so that the rich, the very rich, the poor and low-income people can all get some benefits. However, the present situation is that the well-off tenants — in fact, these tenants are called "well-off" tenants because they have many children and their total household income has exceeded the income limit, so they have to pay 1.5 times the normal rent or double rent. I wonder if they are really well-off tenants. Do they not really deserve a waiver of their rent? I think that their basic rent should be waived for one month but they should still pay the extra amount of the double rent or the 1.5 times of rent payable by them. I think only in this way will it be possible to truly share the fruits of social prosperity with people across all sectors.

Next, I will talk about wage earners. The majority of them have been unemployed since last year. This year, the Government said that it would deposit \$6,000 into the MPF accounts of low-income wage earners earning less than \$10,000 each month. However, many wage earners have been unemployed since early this year or last year. Some of them have been unemployed for several months, others for half a year or a year. They asked me if they were eligible for this sum of \$6,000. In any event, they said that they would definitely look for a job again. I have kept asking the Government about this but the Government's reply is that it does not know and it is still

studying this matter because of the complexities involved. This, I understand. However, since the proposal was put forward in February, almost two months have passed and it turns out that the Government still does not have a basic plan or a final proposal. I wish to ask this on behalf of wage earners who are concerned about this issue: Can they actually receive this benefit of \$6,000? They are all low-income earners. They have become unemployed only recently, while others have been unemployed for several months, a year or even two years. I hope Secretary Prof K C CHAN can bring good news to these low-income or temporarily unemployed wage earners quickly.

I have summarized and reflected the public opinions gathered during my meetings with people in local communities. I hope the Government can positively listen to the public they also asked me to vote in support of the Budget. Otherwise, their *ex gratia* "fruit grant" amounting to \$3,000 will come to nought, so this time, in a very rare move each time I held a forum, I would ask them if I should vote in support of a Budget. Never before did so many people eagerly ask me to support this Budget, so this time, I must vote in favour of it. I so submit.

MR JEFFREY LAM (in Cantonese): Madam President, people generally have an impression that the Budget this year is "handing out candies". With a huge fiscal surplus, the Financial Secretary proposes measures such as tax rebates, tax allowances and direct grants to hand out "candies", in the hope of benefiting all sectors of the community, and we basically support this. But what kind of "candy" is it? Is it chewing gum which turns flavourless after being chewed for a while, or a nice, sweet glucose candy that can replenish our energy? I hope the proposals in the Budget will have long-lasting and thorough effects that can improve the business environment and the livelihood of people from all walks of life, so that Hong Kong will become more prosperous and affluent.

As foretold by the Chief Executive in his policy address last October, this Budget proposes lowering the corporate profits tax by 1% to 16.5%. The Budget also proposes a one-off tax reduction of 75% in profits tax for 2007-2008, subject to a ceiling of \$25,000, in order to allow more flexible deployment of funds by small and medium enterprises (SMEs). This is a very smart decision that will attract foreign investment and promote economic development.

In view of successive profits tax reductions by peripheral countries and regions and the Government's huge surplus, I hope the Financial Secretary will lower the profits tax rate to 15% as soon as possible. Reducing this tax rate has a lot of advantages; it can enhance our competitiveness, help us forge further ahead of other places, and ensure that we will maintain a leading position as a commercial and financial centre in Asia. All these will in turn expand the working population and help ease the unemployment problem.

The Chinese Academy of Social Sciences published early this month the "Blue Paper on Chinese City Competitiveness", and Hong Kong is ranked first in terms of overall competitiveness for three consecutive years, and we also rank first in terms of efficiency, structure and quality competitiveness. But the report also specifies that in face of the rapid development of mainland cities, the pace of development of Hong Kong had nevertheless slowed down a bit and shown a lack of innovation and creativity. We may not be able to remain in the forefront if we do not put more resources into scientific research and manpower training.

The Financial Secretary mentions in the Budget that there will be a grant of \$18 billion for setting up a Research Endowment Fund. The Fund and its investment earnings will be used to finance the Research Grant Council of the University Grants Committee, while, part of the funds will be used to finance appropriate research projects on specific themes. Through this Fund, I hope the Government will encourage co-operation between the education sector and the business sector to enhance scientific research, promote the reform of our pillar industries to achieve higher value-addedness, give a boost to creative economy and promote the development of a knowledge-based economy.

Madam President, tourism, convention and exhibition industries are important economic pillars of Hong Kong. In the Budget, \$150 million have been earmarked to step up efforts in overseas promotion in the next five years, and to attract more high quality convention and exhibition projects that will bring high value-added business travellers to Hong Kong.

However, the exhibition industry has just received a bad news as the world's largest Asia Funeral Expo (AFE) with 125 years of history in the United States, to be held in Asia for the first time in end-April, will be held in Macao, not Hong Kong. So, this spectacular event of the funeral industry will be held in Macao this time. This is indeed bad news, and bad news like this will sound an alarm to Hong Kong.

Large-scale international exhibitions will benefit not only the exhibition industry and the business community, but also other industries such as tourism, hotel, catering and retail, bringing about considerable economic benefits, and business travellers alone can bring Hong Kong \$26.4 billion a year. Upon completion of the Atrium expansion project of the Hong Kong Convention and Exhibition Centre (HKCEC) in the first quarter of 2009, the exhibition space at the HKCEC will increase to 66 000 sq m, but it is really no match for the facilities in neighbouring regions. With many exhibitions currently held in the HKCEC and over 1 000 exhibition applications on the waiting list, the venue certainly does not have adequate space. Thus, we hope that while the authorities will attract more quality exhibition projects to Hong Kong, they will also allocate more land for building exhibition venues.

While there is intense competition in the convention and exhibition industries, the biggest challenge recently faced by 98% of SMEs in Hong Kong is the appreciation of the Renminbi (RMB). The exchange rate of RMB against the US dollar has lately crossed the mark of RMB 7 yuan to US\$1, which is quite alarming for Hong Kong SMEs doing business on the Mainland. Since they use RMB to purchase raw materials and pay for the salaries of mainland staff, the appreciation of RMB means higher costs and lower profits, and the continuous changes in the exchange rate make it hard for them to estimate expenditures. Hence, I hope that the SAR Government will reflect this to the Central Government with a view to opening up the RMB business and gradually allowing the free conversion of RMB in Hong Kong and different RMB settlement products.

Apart from capital flows, the smooth flow of people and goods between Guangdong and Hong Kong is an important factor contributing to a favourable business environment. In respect of the long-awaited Hong Kong-Zhuhai-Macao Bridge, the governments of Guangdong, Hong Kong and Macao have earlier reached a consensus on the financing arrangement, and the feasibility studies and further technical studies on the bridge are in the final stages. I hope that the authorities will complete the investigation works, environmental impact assessments and preliminary design of the Hong Kong boundary crossing facilities, so as to finalize the site selection for the Hong Kong boundary crossing facilities, in order for works to commence subsequently.

In regard to the long-pursued boundary control point at Liantang/Heung Yuen Wai, Hong Kong and Shenzhen confirmed last month that separate location of cross-boundary facilities would be adopted. Three working groups would be

set up to carry out the project in tandem with the development of the adjacent Loop. The three working groups will focus on the environment and planning, mode of development and preliminary planning of the control point respectively. I hope the project will be taken forward at full speed, so that the principle of "East in East out, West in West out" will be observed for passenger and vehicle flow.

A favourable business environment must certainly include a favourable living environment but the Budget only contains four paragraphs on environmental improvement. Could it be enough to talk about this in just four paragraphs?

It was the World Health Day last Monday, 7 April, and the theme this year is "Protecting Health from Climate Change", spelling out that good air quality makes us healthy. As projected by the Government, the air pollution index will exceed 100 on 66 days this year. To me, one such day is already too much, and all of us would like to see a sunny blue sky everyday, so the SAR Government must work harder for better air quality.

The Budget proposes to provide a 100% profits tax deduction for capital expenditure on environment-friendly machinery and equipment in the first year of purchase; and for environment-friendly installations mainly ancillary to buildings, the depreciation period will be shortened from the usual 25 years to five years. I sincerely welcome the proposal, which is also well-received by the business community and SMEs.

A Cleaner Production Partnership Programme with an allocation of \$93 million from the Government will be launched by the Hong Kong Productivity Council this month. Under this five-year programme, the Hong Kong Productivity Council will conduct on-site assessment on around 1 000 Hong Kong enterprises in the Pearl River Delta. The objective is to help and encourage them to adopt cleaner production technologies and processes, in order to achieve the beneficial results of saving energy, reducing consumption and emissions, and enhancing efficiency. These enterprises will also share their experience with other factories in the hope that such technologies and processes will be widely adopted.

Guangdong and Hong Kong are under the same sky and I believe that we will have a cleaner sky if the two governments step up co-operation, tighten control of emissions by factories, power plants and vehicles, and adopt environment-friendly production processes.

Power plants are a major source of pollution and I hope that the two power companies in Hong Kong will make greater efforts to reduce emissions, proactively conduct studies on renewable energy and reduce the coal consumption ratio, in order to reduce pollution.

Insofar as the emission of pollutants by vehicles is concerned, the use of cleaner fuel is just a stopgap measure and I, therefore, support using biochemical diesel and natural gas. However, the Government is still at the stage of research and setting specifications. It should really go further to show the market the direction of the Government, thereby enabling the market to step up promotion for wider application.

It is stated in the Budget that a reduction in the First Registration Tax will be offered for environment-friendly commercial vehicles. Only some 3 500 vehicles have benefited since the introduction of the concessions for environment-friendly private cars by the Government, which shows that the response is not enthusiastic. I hope the Government will include in the list of eligible car models the greatest possible choices and newest models, so that owners can have more choices and will be more willing to switch to environment-friendly vehicles.

This Budget can generously give out candies mainly because we have higher-than-expected revenues. For the year 2007-2008, stamp duty on stock transactions is estimated at about \$35 billion, while stamp duty on property transactions is estimated at about \$14.6 billion, and land premium at \$63.1 billion, adding up to about one third of total government revenue, which is the highest proportion since 1997-1998.

Nevertheless, unpredictable factors such as the US sub-prime mortgage problem which has yet been resolved, the depreciation of the US dollars and appreciation of RMB as well as higher inflation on the Mainland have directly affected our economy, land prices and the revenue from stamp duty. Also, with an ageing population and the declining number of taxpayers, we should not rely too heavily on revenue from land sales and stamp duty or solely rely on the old sources of revenue. The Government should be vigilant in times of peace and proactively consider ways to widen the tax base to ensure stable tax revenue.

With stable tax revenue, the Government would be able to "hand out candies" to people from all walks of life every year. Just like Chinese New Year candies, these candies bring joy to both the giver and receiver.

Madam President, I so submit.

MR SIN CHUNG-KAI (in Cantonese): The Budget this year benefits from the \$100 billion-plus surplus and so the Financial Secretary is not just "handing out candies" but he is giving out big presents. The Government is being creative in paying for the electricity bills of the people, so that most members of the public, including those so-called "three have-nots" also benefit from the huge surplus. This is commendable. However, the needs of some members of the public are still ignored.

For the elderly, despite the repeated references to the impact of population ageing on Hong Kong, the Democratic Party fails to see why the Government refuses to increase the Old Age Allowance. It only gives out a one-off "red packet" of \$3,000. The entire Budget neglects the need to ease the financial burden of the students and their parents. At the end of last year the Democratic Party suggested the Government to offer low-interest or interest-free loans to graduates of associate degrees for them to further their studies overseas. Another proposal we made is to offer a tax allowance to the parents to ease the financial pressure on the students and their parents. But the proposal is not accepted and the Government has done nothing to ease the burden of the students. I hope the Financial Secretary will give serious thoughts to other proposals such as waiving the interest of the student loans and also the risk rate of 1.5% charged on non-means tested loans.

Having said that, I must praise the Financial Secretary for his courage, for he has accepted the recommendation made by the Democratic Party to earmark \$50 billion to promote health care financing. This is really a bold recommendation to make. I recall in last November, members of the Democratic Party and I asked the Government to set aside \$50 billion from the \$100 billion-plus surplus to set up an old age fund in order to cope with the increase in health care expenditure caused by population ageing. At that time many people did not agree with our proposal and they even thought that we were silly. However, many people later supported this somewhat silly proposal. The editorials of newspapers such as the *Wen Wei Po*, the *Ming Pao*, the accounting firm Ernst & Young, the Taxation Institute of Hong Kong, and an economist from the Citibank all made similar proposals that part of the surplus should be used as reserves to address the problem of population ageing.

Recently, the Government has launched a consultation paper on health care financing in which six financing options are listed. After reading them, I do find it regrettable that the Government has not considered in detail the proposal made by the Democratic Party on setting up an old age fund.

The consultation paper presents six financing options. Both the Government and the report favour the sixth option which is personal health care reserve. However, after making the calculations, we are very worried because even if this financing option is fully implemented, it would remain inadequate to cope with the future needs. According to calculations made in the report, if every person makes a monthly contribution of \$500, it is still not enough to meet the stunning growth in health care expenses in future.

According to figures from the consultation paper, when it comes to 2003, public health care expenditure will soar to \$186.6 billion and this is really a huge sum. Assuming that health care expenditure takes up 17% of the total government expenditure, and if government expenditure by that time will, as in 2007-2008, only take up 14.7% of the GDP, then the Government will only have to shoulder \$85.3 billion of the health care expenditure, while the remaining \$100 billion or so will have to be borne by the public.

Owing to population ageing, the Democratic Party estimates that by 2033, the number of people aged between 15 and 64 will be about 5.3 million. This is a mere increase by 300 000 compared to 2006. There would not be any substantial increase in the workforce at that time. Suppose the workforce, or the working population, is taken to be 4 million, and if half of these employees are required to make contributions, then every person will have to contribute some \$4,200 a month. This is really a large sum of money. Of course, we know that employees' salaries will rise. The Democratic Party has made calculations on that, taking into account factors like deflation and inflation, and we find that the amount of \$4,200 in 2033 is more or less like \$2,400 at present. That is to say, at today's value, the health care contributions made by the public are very likely to increase from \$500 a month today to \$4,200.

President, this sounds very unnerving to me. For if the Government is trying to use people's contributions to make up for all the shortfall in health care expenditure, this will only lead to two results. First, the amount of contributions made by the people will only increase from a few hundred dollars to several thousand dollars. Can the people really afford it? Second, if contributions do not increase, what other financing options are available? Then we will have to go back to square one, that is, from where we start now.

President, it is really a huge sum to pay some \$4,000 a month. If the Government wants to introduce a financing option whereby the people will have

to pay some \$4,000 a month, I do not think anyone will find it acceptable. Therefore, the report says that contributions will be in the range of \$300 to \$500, so the people will think that the amount is not that large and the aim of health care financing can be achieved and they will think that it is more acceptable. However, as public health care expenditure is constantly on the rise, do we need to look for a third method of financing? This is in fact the reason why the Democratic Party proposes the old age fund. We suggest that the investment income from the Exchange Fund be used to set up this fund.

The financial situation of Hong Kong has always been sound. Many of the developed countries in the world are in debts, and not many governments have fiscal reserves. The fiscal reserves of Hong Kong have reached \$500 billion and that translates into 30% of Hong Kong's GDP last year.

Compared with some countries which still have to cope with the huge amount of interest payable to the State bonds they issued even if they do nothing, Hong Kong is lucky to have this sum of reserves and it is much easier to be the Financial Secretary in Hong Kong than in other countries because even if he does nothing, there will be revenue from the fiscal reserves in the form of interest or investment income to the amount of some \$30 billion.

In fact, the International Monetary Fund (IMF) has studied the public finance of Hong Kong. The IMF assumes that even if the Government will not proceed with the health care reform, given fiscal reserves amounting to 30% to 50% of the local GDP, it would be enough to cope with the health care expenses brought about by population ageing all the way up to the year 2055 and there will be an upwards of 90% chance that Hong Kong will be able to weather a situation of fiscal deficit which lasts five to seven years. According to IMF's recommendation, since the fiscal reserves of the Government have reached 30% to 50% of the GDP, there may not be any need for health care financing. But fiscal reserves cannot all be used to pay for health care expenses, for there are many other kinds of work such as education, infrastructure, and so on. And there are also possibilities that deficits may incur because of an economic downturn. So there may still be risks if only funds from the fiscal reserves are transferred to the old age fund.

I wish to ask the Financial Secretary whether or not he has ever thought that investment income from the Exchange Fund can reduce the burden of the

people. The investment income of the Exchange Fund over the years has accumulated to almost \$600 billion. There is about \$300 billion of Monetary Base in the Exchange Fund used as a bulwark for the Hong Kong dollar and the accumulated surplus is only an extra protection. As the accumulated surplus now has reached \$600 billion, it means the Hong Kong dollar has already got a 300% protection. It should now be the most suitable time to see if the investment income of the Exchange Fund can in any way contribute to the greater development of Hong Kong or reduce our future fiscal risks.

The Democratic Party is of the view that after balancing the risks for stabilizing the Hong Kong dollar, the Government can consider setting aside part of the annual investment income as the recurrent revenue for the old age fund. This will enable the investment income of the Exchange Fund to be turned into the third source of health care financing apart from taxation and citizens' contributions. This is the so-called seventh health care financing option which the Democratic Party proposes. Put it simply, apart from contributions from the citizens, can the Government not consider using part of the investment income of the Exchange Fund as a source for health care financing?

Currently, part of the investment income of the Exchange Fund is ploughed back to the Government as income sharing. As for the remaining part, can some of it be transferred to the old age fund as recurrent revenue or to the health care fund which the Government is proposing to set up? In the proposal submitted by the Democratic Party to the Government last year, we suggested that half of the investment income of the Exchange Fund after deduction from income sharing as fiscal reserves be transferred to the old age fund. In brief, this is equivalent to the \$50 billion health care fund proposed by the Government to pay for future health care expenditure. In this way, the fund can begin to take on the effect of paying contributions for the public and so, the pressure on the citizens to make contributions will be greatly reduced. The Government can consider other fund allocation ratios such as 20% or 30% and this permits the assets of the Exchange Fund to be used to stabilize the Hong Kong dollar while the huge amount of fiscal reserves can be used properly to ease the burden on the public.

Let me give an actual example. The rate of investment return of the Exchange Fund is about 7% — the average rate of return for the past six years is 7% — and generally speaking, the investment income from the Monetary Base and accumulated surplus is already some \$60 billion a year. If the Government transfers 20% of the investment income into the health care fund or the old age

fund as proposed by the Democratic Party, this would mean that contributions in the region of some \$7,000 are made for each of the 1.7 million wage earners in Hong Kong. If the monthly contribution is taken to be \$500, this means the amount is more than the contributions made by a person for more than one year. To cut it short, it is a more effective option.

President, the Government finds itself in a situation where wealth is not evenly distributed. On one hand it does not have enough money to spend and so the people will have to pay from their meagre salary and pool together contributions in tens of billion dollars to pay for health care expenses. But on the other hand, the Treasury and the Exchange Fund swell with huge surpluses and the Government has never used any of these.

President, I think if the citizens have the financial means, they would be willing to make the contributions. But the growth in health care expenditure is so fast that it is beyond their affordability. If the Government insists that the people will have to bear all the health care expenditure, many people will go broke. Since the surplus in the Exchange Fund is so colossal, even if the rate of accumulating such a surplus slows down, it will not affect the stability of the Hong Kong dollar and on the contrary, the burden of the public can be reduced.

Now I wish to turn to new measures in information technology. In the Budget speech, what is most related to information technology is to launch a pilot scheme to establish cyber centres in selected districts so that young people from low-income families can access and use information technology. However, let us look at the actual figures. Figures in February from the Social Welfare Department show that the number of CSSA recipients aged under 15 is 95 000. Then how many district cyber centres will be set up in Hong Kong? According to government reply, there will be three of them. Are three enough at all? The Government points out that in this pilot scheme, the business community will be invited to participate by providing technical as well as software and hardware support. The Government will also work in partnership with community organizations in managing the centres. In name this scheme is an example of public-private partnership and an attempt to narrow the digital divide. But in reality, we do not know even to date how much resource will be put into these cyber centres.

Is the Government really willing to make any commitment? Are services provided by these three centres really able to meet the needs of 95 000 school children?

Many factors have to be considered if the digital divide is to be bridged. An example is that as school children are likely to be still doing their homework at 11 pm, can the centres be open to the school children at these hours? Even if these centres are open, can the school children do their homework there?

If the Government really knows the importance of the Internet to learning, it should consider the demands from the Democratic Party and the information technology sector that the Internet access needs of the CSSA recipient families be taken into account in the CSSA payments they get. We have made calculations on the basis of a monthly Internet access fee of \$180 and for each year, not more than \$200 million are to be spent to take care of the Internet access needs of the CSSA recipient families.

The problem of digital divide is not just found in society but also inside the Government. There are some departments like the Immigration Department, the Inland Revenue Department and so on which have done quite a good job in applying information technology. But there are certain departments which are reluctant to use information technology and when they are asked to use it, they display a lot of worries.

President, I wish to turn to manpower in the information technology sector, and specifically that inside the Government. Starting from 21 March this year, certain grades included in the second phase of the Voluntary Retirement Scheme since 2003 are gradually "defrosted", meaning that open recruitment for these grades may resume. But the manpower freeze for 76 grades still holds and one of these is the Analyst/Programmer grade.

Is this reasonable? The Digital 21 Information Technology Strategy was launched at the end of last year and in the next few years, many information technology projects will commence. These include the electronic health record system of the Hospital Authority, the unified identity management framework, the electronic file security system, the e-government interactive framework, and so on. It is an outright contradiction for the Government to launch more information technology systems on the one hand while on the other freeze staff recruitment.

It is true that in recent years the Government has contracted out many information technology projects, but that does not mean that manpower in the Government can continue to be put under a freeze. Outsourcing may reduce

some of the manpower needs but as contractors frequently change, to maintain continuity in the information technology system in the departments, there must be people who are well-versed in information technology.

My worry is that since open recruitment has been suspended for about five years, should it not be the time now to consider resuming the recruitment of information technology personnel? President, I hope the Government can be aware of the departmental needs and open up this grade again so that the departments can recruit more people for this grade.

I so submit.

DR JOSEPH LEE (in Cantonese): Madam President, as Honourable colleagues have pointed out, the fiscal surplus of the Government this year has hit an all-time high of more than \$115 billion. The fiscal reserves have reached \$480 billion. I am sure that members of the public will all expect the Government to keep tabs on the pulse of the people in all strata and let them share the fruits of prosperity. As I see it, the Budget can be said to be able to respond to the aspirations of people from different classes.

As the representative of the health services sector, what I am most glad to see is that the Government has promised in the Budget to set aside \$50 billion to launch a health care reform. I am sure that this shows that the Government has the determination to kick start a reform in health care which has been a hassle for Hong Kong for more than two decades and remains unsolved.

However, from what I see in the community, most people would place the focus of the discussions on health care reform on financing, as many Honourable colleagues have expressed their views on the appropriate percentage of monthly salary to be set aside as contributions for use by the people when they get old. Of course, I understand that the part on health care financing mentioned in the report published by the Government on this occasion leaves people with an impression that it is the purse of the general public that the Government is after. And certain notions are changed, such as those who have the means should pay more, "money follows patients", and so on. All these happen because the Government now begins to say that people all have a responsibility for their health and this is no longer the only concern of the Government. Since

everyone is responsible for their health, the focus of our attention is shifted onto the issue of making contributions to the health care financing scheme.

As the representative of the health services sector, I hope the public would not overlook the crux of health care reform. Actually, the crux of health care reform is to develop the important task of primary health service. I notice a serious shortcoming in the Budget and that is, nothing is said about or no substantial funding is set aside to carry out preventive work in primary health. As we debate on health care financing, a good part of resources proposed to be inputted is not placed in the promotion of community health, primary care, and so on. If the Government is to develop preventive work like primary health service, it should put in more efforts in this Budget, increase resources and put in more funding from the Budget on the relevant areas, so that promotional work on prevention and health can be stepped up in the primary and secondary levels in a community. Thus Hong Kong can be turned into a truly healthy city.

On the other hand, as some Honourable colleagues have said, it is about the immunization programme for children. During the past 20 years, there has not been much change in the immunization programme for children. Apart from adding hepatitis B vaccine and updating the polio and whooping cough vaccines in 1986 and 2007 respectively, there has not been any major change to the programme. Earlier on some Honourable colleagues have pointed out that with the advances in science and technology, there are many new vaccines available. But why does our government not pay much attention to these developments and update the immunization programme for our children in order that they can have less chance of contracting Pneumococcus, influenza, chickenpox and hepatitis A?

I really hope that the Government can do more preventive work as I have just said and spend more money so that in future when health care services are needed, the burden on the tertiary level can be alleviated. Of course, I know the Government will say that we have to manage our finances prudently. But for the immunization programme for children which has seen no major change during the past 20 years, there ought to be a more flexible approach taken and more money should be set aside for the sake of the health of our next generation. This is something the Government should think about.

Besides, the Government is currently implementing a public-private partnership pilot scheme in purchasing primary health care services in Tin Shui

Wai North. In my opinion, this scheme is a very good one for people in Tin Shui Wai North, for there is not yet any public out-patient clinic there. I hope that this pilot scheme can put into practice the "money follows patients" concept put forward by the Government, and that this scheme can be extended to other districts.

However, some of my friends in the sector have also suggested some other more effective plans such as having the community pharmacists playing an equally important role, rather than just involving family doctors or doctors from the private sector in the scheme. The most important aim of the scheme is to give play to the preventive work of primary health care in family medicine. In this connection, I think the community pharmacists can help foster a partnership in doctors and pharmacists to promote health in the community and become the first stop in primary care. In addition, if nurse-led clinics can be introduced, it would be more effective in promoting health from financial and public health perspectives. After the Government has carried out this scheme, it should give serious thoughts to adding these features into the scheme.

On the question of health care vouchers for the elderly, despite the fact that many Honourable colleagues have talked about them, with respect to the original purpose of these vouchers, I do not think the aim is as simple as just giving the elderly five vouchers with a total value of \$250 for them to seek medical consultation and treatment. There is an important message about these vouchers and that is to let the elderly know that the Government is subsidizing their efforts in health promotion and in the prevention and treatment of diseases. So I do not think our attention should be focused on the fact that \$250 cannot pay for a visit to the doctor. The question to ask is whether this \$250 is enough for the purpose of promoting health and preventing diseases in the elderly. If this amount is not enough, then how much is enough? For the time being, we do not have any actual estimates, and we hope that after this scheme is test-tried, the Government can tell us just how many times in a year an elderly person will need to use such services in average, and whether or not the elderly think that this is enough.

Apart from this, there is still a very important thing. This scheme only benefits people above the age of 70. Can the Government consider lowering the age limit to 65, given the huge amount of surplus this year? If the value of these vouchers is not increased and remains only \$250, although many people sitting here may not benefit from it, I would think that there are still many elderly persons aged 65 or above in the community who can stand to benefit. Also, as

the idea of these vouchers is not only for visits to the doctor but can be used for health promotion and prevention of diseases, this may serve to ease the pressure faced by tertiary health care.

I would also like to talk about long-term care services for the elderly. Some Honourable colleagues have pointed out that the Government suggests an additional funding of \$60 million to provide more day care or residential care places. Some other Honourable colleagues have also mentioned that we have at present 23 000 people on the waiting list for these places and they have to wait for 36 months. This small sum of \$60 million can only translate into 600 to 700 such places. Would it not be a small drop in the ocean? Different people may have different views on that, but at least it is better than having nothing. Of greater importance is that with respect to elderly care, increasing these residential care places cannot solve the most serious problem. As the representative of the health services sector, I wish to point out that apart from the number of places, the quality of these places is also something that is being neglected. As a matter of fact, many elderly persons living in residential care homes for the elderly (RCHEs) do not have a sound health condition. In the past, we used to treat the RCHEs as a welfare matter and those elderly persons living there are assumed to be physically fit to move about and so, what is provided is only some kind of basic physiological care to the neglect of various kinds of needs prompted by their different health conditions and diseases. In such a situation, the Government should undertake a fresh review to see if more resources should be allocated and whether or not there is sufficient quality assurance in the services of the RCHEs.

Under the law, a nurse can take care of 60 elderly persons or there should be a nurse for every 60 elderly persons. Is this ordinance outdated? Should there be a review of it? Various organizations on the community level have conducted a survey which shows that basically, the RCHEs in the communities lack a total number of 600 nurses. In such circumstances, should there be better planning so that enough nurses can be provided and elderly persons in the RCHEs can get enough care and that there is a guarantee to service quality? Therefore, putting emphasis on the number of places alone may not be able to solve the problem.

On the question of insufficient nurses, as this is my profession, so I would like to talk about it. I am a bit disappointed with the Budget because the Government has not put forward any long-term plan to address the problem of

the shortage of nurses in Hong Kong. We have said earlier that RCHEs may need 600 more nurses. The Hospital Authority (HA) has also envisaged a possible shortage of 600 nurses in the next few years. Now they are trying to think of their own ways to train nurses, but is this a good approach to take? I do not think so. A better solution would be to have the Government making it clear in the Budget that funding will be set aside for this purpose so that in five to 10 years' time, there is a long-term supply of nursing manpower, hence there can be a guarantee to the quality of nursing in Hong Kong.

I would also like to talk about the District Elderly Community Centres. The Government proposes in the Budget that an additional funding of \$18 million be made to recruit more staff for district elderly work so as to provide more counselling service, referrals and processing applications for long-term care services. I wish to point out that most of this funding may be spent on administrative costs and as a result, not much professional service can be provided. And what these District Elderly Community Centres need most of all are professional services, such as professional nursing services like health examinations and so on. It seems that the Government has overlooked the need to hire more nurses, community pharmacists or nutritionists to help the elderly and hence give full play to the most important aim of the District Elderly Community Centres. I hope the Government can allocate more resources to do more work on that.

In addition, I wish to talk about psychiatric service. Many tragic incidents which have happened in recent years are related to mental illness. This shows the Government does not have any matching measures in place to support changes in policy. Why am I saying that? The Government is acting in response to the international trend to bring mental patients back to society in the hope that they can achieve rehabilitation in society. The original intention is commendable. But if there is insufficient psychiatric community service teams such as psychiatric rehabilitation nurses or community outreach doctors, there can be no matching support offered to allow mental patients to undergo rehabilitation in the community. We have just learned that as a result of this change in policy, the HA plans in 2008-2009 to scale back the number of psychiatric beds. After the HA has withdrawn these resources, the Government should have the responsibility to ask the HA to put these resources into community services. The money which the HA saves should be used on work to support the community mental health policy, so that the communities can hire more psychiatric nurses or community nurses or even doctors in the outreach teams. Then this will be a more effective action to take.

Psychogeriatrics is also another big problem. The HA in 2008-2009 receives additional funding from the Government to hire seven doctors to strengthen the psychogeriatric outreach service. However, work on this will not be successful if there are only seven doctors. Why? In psychiatric outreach services, not just doctors but also nurses and other rehabilitation therapists are also required. So the Government should make more efforts in providing resources, not just in hiring doctors but also other important members in a team. This would ensure continuity, effectiveness and successful development in the psychiatric outreach service scheme.

After talking so much about medical and health care services, I think I should spend some time talking about food safety. With respect to monitoring food prices, what can we do about it? The recent focus of our attention is on rising prices, the reappearance of inflation, the rice rush and soaring prices for every kind of food. The Government has the responsibility to stabilize food supply. I believe it is incumbent on the Government to do so and this is something it must do. However, the most important thing is that under these circumstances, I think the Government — this may not be related to the two Secretaries but to the Customs — should undertake investigations to see if anyone is seizing the opportunity to import some smuggled or illicit parallel goods. The reason is that there is no way to monitor the quality of these goods. The Government should take monitoring action to make sure that foods available on the market are safe and therefore, more resources on inspections should be allocated. However, I fail to see any mention of that in the Budget. About ensuring food safety, this should not just be the responsibility of the Secretary for Food and Health Dr CHOW but it should also come under the attention of the Customs. No person should be allowed to make use of the inflation or soaring prices to import substandard food into Hong Kong and causing harm to the citizens due to insufficient monitoring and inspections from the Government.

There will soon be heated discussions on the nutrition label law which is also related to food matters. With respect to this, I agree with the approach taken by the Government of putting into practice a nutrition label system in Hong Kong. Of course, such details as exemptions can be discussed later on. But overall speaking, I would think that nutrition labelling can be implemented. Since the nutrition labelling law is about to be enacted, the Budget should set aside some money to help putting this nutrition labelling system into practice, so that prices will not be raised on the pretext that foods should be affixed with nutrition labels. This kind of vicious cycle is something we do not want to see.

On the monitoring of food safety and the relevant laboratory work, the Government has increased plenty of resources and manpower this year to improve the work of the Government Laboratory in respect of food analyses. I hope certainly that the Government will continue to allocate funding so as to ensure continuity in the manpower establishment in the Government Laboratory and hence offering a guarantee to food safety.

Lastly, I wish to talk about the problem of housing for the elderly. It is important to pay attention to repair and maintenance in the homes of the elderly. Incidentally, Secretary Mr Michael SUEN is not in this Chamber. With respect to improvements in the homes of the elderly, the Government has earmarked \$200 million to arrange small-scale household maintenance and improvement works be carried out in the homes of the elderly, especially the elderly singletons. This is a measure to which we give our wholehearted support. Besides, I am much in favour of the household maintenance scheme for elderly owners which the Government has commissioned the Housing Society to carry out and for which \$1 billion is allocated. However, such measures cannot offer any direct benefits to the elderly poor or those elderly persons in abject poverty. I hope the Government can propose additional funding in the Budget so that the elderly singletons and the poor elderly can also stand to benefit.

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

MR HOWARD YOUNG (in Cantonese): Madam President, both the Liberal Party and the tourism industry consider that the maiden Budget delivered by the new Financial Secretary is the highest-scoring Budget over the years because it can respond to the demands of the public by making appropriate use of the fiscal reserves to repay people from all walks of life while making preparations to meet future challenges facing public finances.

Subsequent to our incessant campaigns over the years, this year the Financial Secretary finally acceded to the proposals raised by the Liberal Party and the tourism industry by abolishing the duties on red wine and other alcoholic beverages except spirits. We are extremely pleased and believe the abolition of taxes on wine can not only promote the development of Hong Kong as a table wine trading and distribution centre, but also reinforce Hong Kong's reputation and status as a "gourmets' paradise". This will help attract high-end travellers to come to Hong Kong for sightseeing and spending, thereby promoting the development of our tourism industry.

In the face of the rapid tourism development of our neighbours, especially Macao — the problem of competition was also raised by Mr Jeffrey LAM earlier — the Financial Secretary has proposed in the Budget a number of measures for promoting tourism in Hong Kong, such as seeking to host more quality conventions and exhibitions in Hong Kong, abolishing the Hotel Accommodation Tax, providing additional hotel sites, and so on. It is believed that these initiatives can help enhance the territory's competitiveness and further promote tourism.

In an effort to enhance Hong Kong's appeal as an international convention, exhibition and tourism capital, the Government has earmarked \$150 million for overseas promotion in the coming five years in the hope of luring more quality and mega international convention and exhibition projects to be staged in Hong Kong to attract more business travellers. However, the hotel support and room capacity in Hong Kong are inadequate in meeting demands.

Tourist arrivals have repeatedly hit new heights in recent years. Despite that visitor arrivals rose to 28 million last year, the number of hotel rooms in Hong Kong had failed to cope with the growth in visitor numbers. The shortage of hotel rooms has led to travellers curtailing their period of stay in Hong Kong or staying in our neighbouring cities. As a result, Hong Kong has lost a group of travellers. In order to tackle the inadequate supply of hotel rooms, the Financial Secretary has proposed in the Budget the inclusion of 10 "restricted to hotel use" sites on the Application List. This is supported by the industry. Besides building quality hotels targeting high-end travellers, it is hoped that the Government can also encourage developers to build different types of hotels with greater diversity to meet the needs of travellers from different markets.

Madam President, I would like to take this opportunity to clarify a point made by Mr James TIEN, Chairman of the Liberal Party, earlier when he wished to advise the Government not to set the prices at too high a level for the sites on the Application List, or else no one would be interested. However, it was a slip of the tongue by Mr TIEN who said that prices should not be set at too low a level. Actually, he should mean that prices must not be too high. Here, I wish to clarify this point for him.

Furthermore, for the purpose of enhancing the competitiveness of our hotel industry, the Financial Secretary has proposed to waive the Hotel Accommodation Tax to achieve the purposes of lowering hotel tariffs, thereby

stimulating hotel occupancy, and also lowering the administrative cost of hotels. It is hoped that the proposal can be expeditiously submitted to this Council for scrutiny to enable the relevant legislative amendment exercise to be completed before the 2008 Olympics to benefit our hotel industry in a timely manner.

With the rapid development of the tourism industry in the Mainland and Macao and the completion of a number of mega hotels in Macao in recent years, many local employees with experience in working in hotels have been recruited to work elsewhere with very attractive remunerations, and the wastage rate has thus be raised to between 10% and 20%, with the management level being hit the hardest. With the future opening of mega international hotels in Macao and the completion of a number of hotels in Hong Kong, our hotel industry is facing competition arising from brain drain. As our hotel industry continues to prosper, some local hotels are even prepared to raise remunerations substantially, in order to address manpower shortage and retain talents. Many hotels have even granted three-month bonuses to their employees.

In the face of competition from our neighbours and the serious problem of brain drain, the practice of retaining employees by raising their salary cannot be a long-term solution. In the end, it will only increase the operating cost of hotels, push up hotel tariffs and undermine competitiveness. The Government should introduce policies targeting the tourism and hotel industries, give emphasis and provide support to the training of serving employees and talents aspiring to serve in the hotel industry, and provide opportunities for job-enhancement and promotion prospects before talents can be retained and vacancies at the management level be filled more effectively. In order to recruit a wide pool of talents, the Government may make use its overseas offices to assist the industry in actively recruiting talents from outside Hong Kong to prevent a shortage of talents in the development of the industry. In addition, the Government should further improve the Quality Migrant Admission Scheme and abolish the annual quota of 1 000 to achieve the purpose of widening the source of talents for the hotel industry.

This year, the Olympics will be hosted by China, and the equestrian events will be staged by Hong Kong. The industry believes that the events will bring a large number of overseas travellers to Hong Kong. With 100-odd days to go before the staging of the Olympic equestrian events in August, the Government should seize this opportunity to launch active promotional campaigns overseas to create an image of an Events Capital for Hong Kong. To attract more overseas travellers, the Government should also work actively with the tourism industry

and the mainland government to implement and promote the "multi-destination" tourism concept for the purpose of enhancing the attractiveness of the territory and allowing more long-haul travellers going to Beijing to watch the Olympics to stop by Hong Kong for sightseeing or travel to the Mainland via Hong Kong. At the same time, immigration formalities should be streamlined to facilitate the movement of travellers and promote inbound and outbound tourism.

The industry welcomes the Financial Secretary's determination to increase the capacity of aircraft movement at the airport. Due to the rapid growth of the aviation industry, the airspace traffic problem faced by the Pearl River Delta (PRD) has become increasingly serious, with many occurrences of flight delay. Even if the Airport Authority can implement its plan to boost the capacity of runways, airplanes will still be forced to circle around in the air due to airspace congestion, and aircraft movements will still be impeded. In the end, the desired results can still not be achieved. In this regard, the Government should expeditiously examine with the Central Government ways to ameliorate the airspace congestion problem in the PRD to achieve the purpose of enhancing co-ordination in the PRD airspace, rationalizing aircraft movements and alleviating traffic congestion.

As regards the proposal of building a third runway, the actual effectiveness of building the third runway at this stage has been questioned due to airspace congestion. This is absolutely understandable. However, we are talking about spending over 10 years on various tasks, from conducting studies, making environment assessment, to actual construction. If preparations are not made today to provide for future contingencies, it would already be too late for any studies to be conducted when our airport runways are found to be inadequate in meeting demands. For this reason, both the Liberal Party and the industry agree that the Airport Authority should embark on studying the proposal of building the third airport runway.

Regarding the proposal of promoting tourism development, tourism facilities must be constantly upgraded and new ideas be introduced before the territory can maintain a steady stream of visitors and our tourism industry enjoy sustainable development. It is therefore imperative for the Government to keep up its effort in developing tourism infrastructure. It is hoped that the Financial Secretary can expeditiously implement the proposed tourism infrastructure projects, including the development of golf and spa facilities, tourism projects in Aberdeen, mega performance venues in the West Kowloon cultural centre,

construction of a permanent, commercial, cross-boundary helicopter landing pad, and so on. At the same time, the first berth of the Kai Tak cruise terminal must be completed on schedule in 2012. Furthermore, it is hoped that the Government can actively develop small tourism districts with special characteristics. For instance, in order to complement the construction of a railway in the Southern District, the planning of the tourism facilities in the District should be expedited; old bazaars in such fishing villages as Tai O and Sai Kung can be beautified and developed into resort markets with special characteristics; and the Government can study the construction of a mega leisure and entertainment centre with betting elements on South Lantau to attract more high-end travellers and families to visit Hong Kong. If Hong Kong is to maintain its status as Asia's tourism centre, we must make constant effort to better equip ourselves. While basic facilities are indispensable, new ideas have to be constantly introduced for the purpose of providing diversified tourism facilities, upgrading competitiveness, widening the source of travellers, prolonging the period of stay of travellers, and boosting spending.

Although I am optimistic about the prospects of the future development of the tourism industry, the recent fluctuations in the economy, changes in the market, and keen competition within the industry have plagued tourism operators in their business operation. Given its recognition that the tourism industry is one of the territory's economic pillars, the Government is indeed obliged to foster a favourable operating environment for the industry for the promotion of its development. While the Financial Secretary has proposed to waive business registration fees for a year, will he also consider waiving licence fees for travel agencies? These initiatives will be helpful. Over the past several years, the Government has successfully reduced the cost of public services through its Enhanced Productivity Programme. Such being the case, why can the Government not lower the licence fees for travel agencies? It should be understood that, besides business registration fees, travel agencies have to pay licence fees of more than \$5,000 and membership fees for the Travel Industry Council as well as its affiliated organs. Obviously, travel agencies have to pay more than the specified licence fees paid by other industries. In the long run, it is hoped that the Government can look into the room for adjusting licence fees for travel agencies, or even merging the relevant fees and charges for streamlining purposes.

Furthermore, the Government should actively listen to the views of the industry. In the light of the constant growth in the number of visitors, the

demand for tourist buses is expected to rise accordingly. In this connection, the Government should actively improve the licensing mechanism for tourist buses. Travel agencies have repeatedly reflected to me that it is very difficult to apply for a licence for a new tourist bus, for they have to buy an old tourist bus at a high price and then dismantle it in order to apply for a new licence. I have also written to the Transport and Housing Bureau to call for improvements in the vetting and approval procedures. However, substantial improvements are still not in sight so far. In this regard, I call on the Government to expeditiously review the vetting and approval procedure for tourist bus licences and discuss improvement proposals with the industry in order to cope with the growing demand of the industry and the market.

Lastly, I would like to express my views on the Civil Service. Despite its satisfactory fiscal situation, the Government should not expand its structure indiscreetly. The "small government" principle should be maintained to keep total government expenditure to below the present level of 17%. At the same time, the civil service establishment should be maintained at below 160 000, and obsolete job types be deleted. The Government should review and restructure the existing administrative procedures of various government departments in an effort to eliminate unnecessary procedures, upgrade operating efficiency, minimize redundancy by all means, and avoid overlapping of senior posts. For instance, after waiving the hotel accommodation tax and wine duty in the Budget, can the number of civil servants originally performing the relevant work be reduced? The Government must follow up these matters. Some of our colleagues have also raised the point that caution must be exercised in expanding the political appointment system. In this regard, the Government should explain whether or not there is overlapping between the duties of the new accountable officials and those of civil servants such as Deputy Secretaries. If necessary, certain posts of Deputy Secretaries and Principal Assistant Secretaries should be deleted. Furthermore, civil service pay must be reviewed in a prudent and reasonable manner.

With these remarks, I support the Budget.

MR LAU WONG-FAT (in Cantonese): Madam President, first of all, I would like to extend my congratulations to Financial Secretary John TSANG for having the largest budget surplus in history when he prepares his maiden Budget. This blessing enables the Financial Secretary to truly experience how being wealthy makes everything easy and how money well-spent helps build a harmonious society.

The Government recorded a surplus of more than \$50 billion last year and its surplus this year has doubled to \$115.6 billion. With the Treasury overflowing with money, Financial Secretary John TSANG can take drastic measures to return wealth to the people with a view to improving people's livelihood and well-being, and supporting the disadvantaged groups. Through the various measures in this Budget, Financial Secretary John TSANG has finally honoured the Government's prior commitment to tide over difficulties and share prosperity with the public.

Despite strong economic recovery over the last few years, the Government has failed to share weal and woe with the public in time, and I have always criticized the Government for that. This Budget has returned wealth to the public generously and takes care of the long-exploited middle class and the almost-forgotten "three have-nots". These measures, though a bit overdue, are worthy of support and compliment.

We all know Financial Secretary John TSANG is adept at fencing and well-versed in the use of strength in martial arts. The Financial Secretary uses the fiscal surplus in a generous way to benefit all sectors and the general public, making everybody happy. He has really mastered the powerful martial arts move of "Buddha's light illuminating all".

Madam President, the Financial Secretary shares with the public the \$100 billion surplus and hands out candies to all groups and sectors in the community so extensively that even a constant fault-finder can hardly pick holes in this. However, the effectiveness of certain measures in the Budget is going to be challenged in rapidly changing macro- and micro-economic climates.

According to Financial Secretary John TSANG, the measures in the Budget will ease inflationary pressure and alleviate the difficulties faced by the public, especially the disadvantaged groups. Owing to the upsurge in the prices of energy and food (rice in particular) in recent months, the further appreciation of RMB, and the shrinking value of the Hong Kong dollar against the weakening US dollar, I am afraid some good wishes of Financial Secretary John TSANG may be greatly undermined. I am also worried that it may be difficult for the fiscal measures to bring the inflation rate down to 3.4% in 2008 as the Financial Secretary projected. Facing the grim situation of rising inflation, the Government should examine and review the measures concerned to ensure that inflation will not deal too heavy a blow to the low-income group.

The Budget discusses at great length the serious problems arising from an ageing population, and the specific measures to be taken by the Government.

We have to admit that the Government has drawn a scary picture. For instance, one in four persons in Hong Kong will be a senior citizen on average 25 years away from now; every two elderly persons are supported by about 12 people of working age at present but will be supported by only about five people of working age then; and health care expenses and social security payments will increase substantially. The counter-measures to be taken by the Government include recruiting mainland and overseas talents, raising local education standards and introducing new health care financing arrangements.

Madam President, I take no exception to the concern expressed by Financial Secretary John TSANG about an ageing population and I am not questioning the Government's efforts to make hay while the sun shines. But I am confused and find it difficult to understand why the Financial Secretary has not mentioned one word about encouraging childbirth in Hong Kong if we have to tackle the serious problem of an ageing population which will affect Hong Kong in the decades to come. It goes without saying that an ageing population and a low birth rate are interrelated. Now that our birth rate is even lower than that of Japan, should we not face the problem squarely?

To tackle the problem of an ageing population in Hong Kong, I think the Government should formulate as soon as possible a population policy comprising effective measures to encourage childbirth in Hong Kong, a two-pronged strategy to address both the symptoms and root of the problem. I suggest the allocation of \$10 billion by the Government for setting up a fund to encourage childbirth by all means in the hope that Hong Kong people will have greater desire to give birth to children. This is certainly a value-for-money investment.

Madam President, to promote the long-term development of Hong Kong, Financial Secretary John TSANG suggested that measures should be adopted to invest in infrastructure and utilize land resources efficiently. I would like to ask the Government to consider some new ideas. A delegation of the Legislative Council Panel on Development visited the redevelopment area in the Netherlands last month to study the measures adopted for monument conservation. We also noticed during the visit that their practice was for different areas to submit land development plans for government approval after public consultations. This bottom-up arrangement has the merits of encouraging innovation and more effectively matching the actual situation and needs of different areas, thus reducing undue disputes and enhancing the efficiency of development. This appears to coincide with the Government's "market leads, government facilitates" approach.

On the subject of development planning, although Hong Kong has all along adhered to the government-led, top-down approach, it does not mean that we cannot keep abreast of the time and make certain adjustments, particularly in view of increasing public concern over monument conservation and environmental planning. Anyway, I think we should draw on the experience of the Netherlands in terms of the mode of planning and development, and conduct in-depth studies on it.

I criticized in the Budget debate last year that the estimates of surplus over the years were seriously inaccurate, which had compromised the authority and solemnity of the Budget as a whole, and affected the formulation of relevant measures. Nevertheless, it is difficult to change old habits; the surplus of \$55.1 billion last year was 10 times the original estimate and the surplus of over \$100 billion this year is 4.5 times the forecast. For this reason, the Financial Secretary borrowed the remark of the former Federal Reserve Chairman of the United States to sneer at himself when he delivered his Budget speech, but this will not reduce the seriousness of the problem.

Madam President, the Government's estimate of surplus is always several times less than the actual amount, and the estimate of a small deficit of \$7.5 billion next year in this Budget will not be taken seriously by too many people; nor will people believe it as true. Certainly, we cannot compare the forecast of surplus or deficit to the error rate of just a few percentage points as in opinion polls. In any case, it is hardly acceptable for the Government to underestimate the surplus for a year by several times and even 10 times less. If this goes on, I believe such estimates will be meaningless or become just a laughing stock. Hence, the Financial Secretary must do his utmost to find solutions with a view to rebuilding credibility and restoring public confidence.

Madam President, I so submit.

MR DANIEL LAM (in Cantonese): Madam President, this year when the Government has in its coffers a huge surplus to the tune of \$120 billion, the Financial Secretary in the Budget makes a positive response to public aspirations and offers giveaways and returns wealth to the people. The large amount of money handed out in this Budget, the wide spectrum of beneficiaries, as well as the approach taken to give money away directly, are all unprecedented in Hong

Kong. Not only will those from the middle class, the poor and the needy stand to benefit, but likewise those who are out of work as well. This is something positive in promoting harmony in society and easing the pressure on the people in the face of a high rate of inflation. It has also shown the commitment and pragmatic attitude taken by the SAR Government in managing finance.

Although in the few years past the economic growth in Hong Kong is more than 7.6%, and the strong momentum in economic growth and the brilliant economic achievements are so encouraging, we can see that this substantial increase in government surplus comes mainly from the stamp duty collected in the trading of stocks and the proceeds of land sales. However, the income of many people has not returned to the past levels given the high inflation rate for several years and the wave of pay cuts made during the financial turmoil. Even for those who are lucky enough as having a pay rise, the rate of increase lags far behind inflation. As the saying goes, those in a secure position should think about the danger ahead, therefore, the Financial Secretary still compiles a Budget with a deficit of \$7.5 billion for the coming year even though government surplus has increased by a substantial amount. Such is a practical approach to take and this is also responsible to the community.

Despite this attitude of getting prepared for the rainy days ahead in the Government, as seen in the Budget, there is still a lack of new sparkling economic ideas in planning ahead for the future development of Hong Kong. The Budget fails to meet the requirements under the "market leads, government facilitates" principle. In terms of long-term planning, the Government has put forward a wish list comprising of infrastructure investment, efficient use of land resources, strengthening pillar industries, tapping new markets, developing human capital and environmental improvement. But not many concrete measures are listed and the Government also fails to impress the community with an attitude of positive manoeuvring.

Over the past few years, Hong Kong's co-operation with Guangdong and how Hong Kong is to integrate with Shenzhen are issues that have generated heated discussions here. These issues are also crucial to the future growth and development of Hong Kong. It is unfortunate that not much is mentioned on these themes in the Budget and no funding is earmarked for the advance work in infrastructure and development, not to say providing new sparks of moves in merging with the Eleventh Five-Year Plan of the Mainland. This is quite disappointing.

As Hong Kong is an outward economy and a mobile city, it is easily susceptible to peripheral and international economic and political influences, and it is important that the Budget can explore opportunities that can spark off economic growth. While our society realizes that the future sparks for economic growth lie in our co-operation with the Guangdong Province and the integration of Hong Kong with Shenzhen, the opening up of the river loop area and the frontier closed area, the Budget fails to plan well ahead and commence advance work in planning. Even Container Terminal 10 which is so crucial to the development of Hong Kong is allowed to drag on with more studies being made on the choice of its location. This is planning at a snail's pace and it is a far cry from the brisk pace taken by our neighbours in development. It makes people worry that our economic advantages and competitive edge will be eroded and more uncertainties will stand in the way of our long-term economic development. I hope the Government can pay more attention to that and it must not take it slightly.

Madam President, as a member of the Heung Yee Kuk in the New Territories, I wish to join our chairman LAU Wong-fat and vice-chairman CHEUNG Hok-ming in expressing our staunch support for the various proposals made in the Budget in respect of Tin Shui Wai. These include: the setting up an integrated community centre for mental wellness; providing land for long-term commercial or hotel development; launching a two-year pilot scheme whereby chronically ill persons can be provided with private clinic services for the same fee as charged by clinics under the Hospital Authority; and constructing a general out-patient clinic in Tin Shui Wai North and considering building a hospital in the district. In our opinion, as compared to the urban areas, the facilities in the rural areas in the New Territories are clearly inadequate. Apart from the fact that the hospital in Tin Shui Wai remains nothing but rumour hanging in the air, the leisure and community facilities and services in certain communities in the New Territories like Tung Chung and the outlying islands have never been able to satisfy the needs of the residents there. The Government has never given much attention, especially on issues like promoting the economic development of the rural areas in the New Territories and addressing the problem of the shortage of facilities there. We hope that the Government can treat every district equally and be more concerned about the facilities in the rural areas of the New Territories. In this way the residents living there can share the fruits of economic prosperity.

Madam President, at this time when Hong Kong's surplus swells and overflows in abundance, the Government still does not consider offering a more favourable travel subsidy to residents living in remote areas in the New Territories. For the outlying islands which depend solely on ferry service, the Government should see that the ferry companies are to formulate long-term development strategy as they try to restructure their routes. These operators should explore ways to increase their non-fare box revenue, thereby reducing the hardship of residents of the outlying islands who are so vulnerable to frequent fare hikes.

As Hong Kong is a popular tourist destination, the Budget is also concerned about developing tourism. However, it seems that the Financial Secretary has neglected the special features of the rural areas in the New Territories. It is beyond doubt that Hong Kong has its charms as a cosmopolitan city and a shoppers' paradise, but the New Territories has its special attractions in its rich cultural heritage and historical legacy. If these can be made good use of and put under proper planning and development, I am sure that these unique characteristics can bring new opportunities for economic development. We hope that the Government can shift the focus of its attention a bit farther to the New Territories and listen more to the views expressed by the Heung Yee Kuk and the local inhabitants. It should also make changes to those outdated rules and regulations that pose an obstacle to development. In this way the traditional features of the villages in the New Territories can be developed to meet the expected targets and hence imbue new life force and attraction conducive to the economic development of the region.

"Ready to Face, Dare to Hope" are the future expectations which the Financial Secretary gives to our society in his Budget. The opening up of the frontier area in the New Territories and the integration of Hong Kong with Shenzhen are the source of new sparks of hope for our economy and also the goals for sustainable economic development of Hong Kong in the long term. As we have not much land and few resources, the Government should utilize all the more each tiny bit of the resources in the New Territories and commence at the soonest the opening up of the frontier closed area and the projects for constructing the matching facilities, speed up the development of Lantau Island and break the fetters of conservation policy to make way for the development of rural areas, hence inject vitality into the long-term prosperity of Hong Kong and let the rural inhabitants of the New Territories taste the fruits of economic development.

Madam President, I so submit.

MR CHIM PUI-CHUNG (in Cantonese): Madam President, I speak in support of the Budget.

The Financial Secretary once remarked, "Ready to Face, Dare to Hope". Some people think that the Financial Secretary is ready to face a huge fiscal surplus and dares to hope to become the fourth-term Chief Executive.

Of course, Hong Kong is a free society and everyone has the freedom of thinking and of expression. I remember that when a former Financial Secretary encountered some problems, his wife said, "No government official can hold sway over the operation of the entire society, nor can he win all the applause.". Therefore, I believe the fact that the Financial Secretary has won the support of the majority of the public after the release of the Budget this time is attributable to the efforts made by the SAR Government as a whole, including those of other Directors of Bureau and public officers concerned.

Madam President, basically, this Budget has accommodated the views of the majority of Legislative Council Members and personally, I believe that the Government has made a mistake in doing so. Why? The foremost duty of Legislative Council Members is to monitor the Government and in doing so, they neither have the duty nor the power to provide information to the Government. If the Government does not know how to do its work, it has to step down and be replaced. If the Legislative Council wants to perform its duties properly, it should wait for the Government to come up with a report. Members should then monitor the authorities and assess whether they have done the right things. If they have suggested to the Administration all the tasks that it has to do, of course, they cannot voice any criticism. Since the report has adopted all the views expressed by Members, what else can they say? If they want to voice any criticism, this will be tantamount to a slap on their own faces. For this reason, I believe some Legislative Council Members really have to reflect on whether they have really acted beyond their ambit or not. Of course, this is also a matter of personal choice.

Madam President, the total sum involved in this Budget is about \$260 billion and in it, the provision for education accounts for the greatest share. There are also appropriate arrangements on the expenditures for social welfare, labour welfare and other areas, such as security and water works. Of course, as a whole, it is necessary for society to keep the expenditure within the limits of revenues. If expenditure is not kept within the limits of revenues, this will be a

violation of the Basic Law. In the past few years, I have all along adopted such a stance when criticizing the Government. However, criticisms are just criticisms, and it is up to the Government to decide whether to heed them or not. But I believe that no matter how excellent a Budget is, there will always be different views and criticisms in society and this is absolutely normal.

Well, Madam President, I am a representative of the financial services sector. Secretary Prof K C CHAN has sat here the whole morning but it is a pity that there was no opportunity for me to tell him face to face and in full what he would be interested to know about. However, I believe that outside this Council, he will still pay close attention to the criticisms and views pertaining to his ambit.

Concerning financial services, I could not find anything relevant to my sector in the Budget this year no matter how I leafed through it, so I have to point this out clearly. Why? Stock brokers in Hong Kong have all along performed the tasks as required of them in various positions by assuming various degrees of representation. Of course, the Government may say that since an exchange has been established for them, they have to do their work as best as they can. However, we must not forget that in the estimated revenue in this Budget, \$50 billion will come from the stamp duty generated by the sector. When last year's Budget was published, the Financial Secretary said proudly that the surcharge levied by the Securities and Futures Commission (SFC) would be reduced by 20%. In fact, concerning the surcharge, it means that a surcharge of 0.005% is added to every chargeable item and the rate of surcharge was reduced to 0.004% last year. In other words, the difference of 0.001% represented a 20% decrease.

Alright, the Government and the SFC have laid down the requirement that if the reserve of the SFC is more than two times its annual expenditure, the Government will have to make revisions and adjustments. In the budget of the SFC this year, the reserve is six times its annual expenditure. In other words, it is incumbent on the authorities to take the initiative to adjust the income from surcharges. Unfortunately, the Financial Secretary has taken this issue lightly and did not do anything in this regard. It means that the SFC will continue to levy a surcharge of 0.004%. In view of this situation, what is the point of saying those things in the past? It would have been better not to say them. As the Government, it must honour its words and keep its promises.

Of course, what I said on this subject may bore the majority of Honourable colleagues stiff. But I can do nothing about it because I am a representative of my sector and I have the duty and the responsibility to speak the truth. In view of this, do the authorities not think that even if stock brokers have not made any contribution, they have at least toiled very hard? What I have raised for discussion has nothing to do with stock brokers because it has nothing to do with their income. Rather, it is about the rights of all investors in Hong Kong. People involved in stock trading will invariably receive such treatment and they must pay such a surcharge.

Madam President, originally, I intended to comment on each point in the Budget one by one. However, after listening to the speeches delivered by many Honourable colleagues, I found that they had in fact strayed very far from the subject. For this reason, I will only talk about the Government's actions because \$50 billion was derived from the stamp duty. This is why I have the following story to tell and what I am going to talk about next has to do with the overall estimate of the Hong Kong Government in future.

Recently, I have learnt of, and a lot of people also complained about, an incident relating to uncertainty in investment and Mr James TIEN also talked about it just now. This has to do with the so-called "accumulator" investment method. It is worthwhile to discuss this issue in the legislature. It has all along been the Government's policy to develop Hong Kong into an international financial centre. I absolutely support it and I am in no position to oppose it. However, we understand that in the case of Hong Kong, the active investments and trading in stocks are dependent on the participation by local residents and local investors. International companies and major brokerages had also participated in the market of Hong Kong before, but they retreated once they encountered problems. Of course, after the open-door policy was implemented in China, they came here again and since they have made gains in investment, they will certainly continue to stay and develop here. In spite of this, we cannot deny that local investors and local participants in the stock market also play a certain role and should be given credit for their contribution.

I have worked in the industry for more than 30 years and I found that no country or region in the world would transfer all its fundamental interests to overseas participants and vaunt itself as an international market or a place for international investments. In this incident involving the banks, the SFC came out immediately to say that in fact, it does not regulate, nor is it responsible for investments worth over \$8 million. However, this kind of incident is relevant

to the overall operation and the overall interests of the stock market in Hong Kong. Should any major change occur, this will have an impact on the \$5 million in the Budget. Of course, I must stress again that this sum of \$5 million is relevant to this Budget.

The second issue is that the Government has to protect investors. Therefore, it should review whether or not the practices adopted by the banks concerned have violated the regulatory legislation. Banks can deny enticing clients into making investments because their records are very clear, so they can easily see which clients possess over \$8 million in capital and are involved in stock trading. As a result, they can claim that they are not promoting their business to those clients.

The third issue requiring a review is whether the contracts are fair or not, since there is a commission on equality in Hong Kong. Of course, the Government has stressed time and again that private contracts are not covered by its scope of responsibilities. However, this is not a question of whether they are within its scope of responsibilities or not.

The fourth issue is that the banks involved in those investments, especially those with a fairly high status which have even assume a leading role in Hong Kong, have played a very important part in this complaint. In the present circumstances, what should be examined is whether the banks have misled investors, as a result of which they unknowingly made the investment in circumstances with a lot of uncertainties and ambiguities, not really knowing what had actually happened.

Having said all these, I cannot help but talk about the measure of so-called "having two authorities supervising the same business" implemented by the Government. This has a great impact on Hong Kong as a financial centre because in the Budget, the Financial Secretary stressed again that this was very important and that this would be Hong Kong's future. He said that Hong Kong must assume the role of a financial centre, as in the past, in order to secure a place in the world. However, the problem facing Hong Kong now is precisely the system of "having two authorities supervising the same business".

The securities industry is a life line of Hong Kong. It is true that in the past, the stock exchange was criticized as a private club for stock brokers. Unfortunately, the exchange that we find nowadays has basically become a private club for the Government and funds and so, they have taken the place of the stock brokers. Of course, stock brokers no longer have any involvement,

and they have been reduced to helplessness. We can see that of the 13 directors in the exchange, seven of them were appointed by the Government. I firmly believe that in the future, the only representative of stock brokers, who is still serving as a director for the time being, will ultimately be replaced, and in the end, stock brokers will not have a single representative. The Government must review such a policy. I am not begging for mercy on their behalf. To them, this really does not matter at all.

However, the problem is that this will affect the revenue of future Budgets. It is of paramount importance for Hong Kong to remain a financial centre, and the Hong Kong Monetary Authority (HKMA) is in charge of putting into practice "having two authorities supervising the same business". In overseas countries, banks are not permitted to engage in business outside their normal scope of business, or the banking business. However, in Hong Kong, banks are allowed to take part in a number of composite businesses such as stock trading and insurance business. Moreover, the Office of the Commissioner of Banking (OCB) is in charge of regulating banks. I understand that the capital involved in the banking business is very, very huge and in the eyes of the OCB, other types of businesses, be it insurance or stock trading, are very insignificant in comparison. However, the Government must understand that this kind of transactions made by banks will affect the normal business of insurance agents and stock brokers. Therefore, for the sake of the Budget, it is highly necessary for the Government to regulate various industries, so that they can develop in a balanced way.

Concerning the HKMA, we understand that even the term of office of the Chief Executive is subject to restrictions. We can see that when the Central Authorities finally approved the appointment of the Chief Executive, he was allowed only to serve two terms of office. In Hong Kong, which is a balanced society, I cannot see any other post that is never subject to any review. I have voiced this view before but some people queried me directly about this and questioned my motive. I am by no means qualified to take over that post. However, for the sake of fairness in Hong Kong and the future financial development of Hong Kong, this matter should count as a highly important aspect in the Budget and the Government should balance the interests of all parties. What matters even more is the pegged exchange rate. I believe that even though the pegged exchange rate is fantastic, this ship called the United States is sinking, so we had better make an urgent endeavour to catch up by changing the relevant policy.

Madam President, I so submit.

MR ANDREW LEUNG (in Cantonese): Madam President, as a whole, members of the public do applaud this Budget. With regard to the three basic principles of financial management put forward by the Financial Secretary, namely, commitment to society, sustainability of economic development, and pragmatic financial management, I myself offer much support.

With the Government recording a considerable increase in its operating revenue and capital revenue over the past year, and keeping the expenditure well under control, this year's fiscal surplus is over \$115 billion, representing an all-time high. The Government is putting into effect a number of measures to ease the pressure of inflation on the people at a time when the economy is growing and the Treasury is affluent, as a result of which government revenue will go down by \$33.5 billion and the operating expenditure will go up by \$41.5 billion next year.

In the Budget, there are three measures beneficial to the industrial sector. First, enterprises investing in environment-friendly machinery and equipment will be provided with a 100% profits tax deduction in the first year. Second, there is to be a one-off tax reduction of 75% of profits tax for 2007-2008, subject to a ceiling of \$25,000. Third, profits tax rate is to be lowered by 1 percentage point to 16.5%.

The industrial sector welcomes this. However, can these measures indeed help the industrial sector face up to the problems that now exist? I think there are still many areas requiring efforts by the Government.

First of all, I would like to speak on design and creativity, something oft-mentioned by me over the past few years. Creativity denotes creativeness and new ideas. It is to adopt new ways to look at things, address problems, look for opportunities to develop technique, and change the market. Design is the tool to bring creativity into effect so as to put ideas to use by men.

Last year, many officials of the SAR Government and those of the Central Government came forward and said in a high profile that it is absolutely necessary for Hong Kong to be innovative and have creativity. Industry is also being encouraged to enhance the value of products. When talking about creativity, many people can only think of movies and multimedia production. Few think of the manufacturing industry. There are even people holding the view that Hong Kong, being a developed city, needs no industry. However, the fact is that there is in the world not a single cosmopolitan city having no need for

industry to support the healthy growth of its economy. In the case of Hong Kong, the industrial sector provides our financial services industry, logistics industry, and import and export businesses, all being producer service industries, with continuous patronage. An industrial decline is going to have direct impact on the growth of many local sectors.

Earlier on, Sir George COX, ex-Chairman of the UK Design Council, visited Hong Kong on invitation, and shared with us at a breakfast meeting the experience of the United Kingdom in combining traditional industries with design and creativity. I very much agree with what he said. Design and creativity are not confined to product design. The growth of garment industry can be spurred by converting clothing into fashionable attire. The dressing up of travel information materials with innovative designs and humanity elements can result in popular travel guidebooks which can add value to the printing industry. When the manufacturing industry is benefiting from designs, then work-flows within the enterprises, and the external logistics, transport, and customer services can all gain new values, merely because of the addition of designs.

In November 2005, in view of global challenges faced by UK's economic development, especially those from emerging markets, Sir COX presented to the government the *Cox Review of Creativity in Business: Building on the UK's Strengths*. It put forward five major recommendations, which, in my opinion, are universally applicable and suitable for adoption by every developed nation. They are: (1) to raise the industries' awareness and knowledge with regard to design and to help small and medium enterprises (SMEs) to add value through design; (2) to bring in incentive measures, such as tax credits for research and development (R&D); (3) to put efforts in higher education so that the business sector, persons with talent for creativity and R&D experts can further understand the importance of design in business operations; (4) to increase society's demand for creative industries so as to provide the industries with new business opportunities; and (5) to establish a good network to get hold of people with talent for creativity and innovation and to set up various Centres of Excellence to cater to different disciplines so as to play the bridging role among business sector, universities or R&D institutes, and designers, in order to combine the three major elements of business, technology and creativity, to carry out researches and develop feasible and marketable products, and, what is more important, to make executives of enterprises understand creativity and originality, so that talent with creativity can make better use of their know-how, improve the ability to run creative industries, and give engineers and scientists more room for development.

Last month, the British Government also released a budget paper entitled "Enterprise: Unlocking the UK's Talent", in which appears a chapter "Business Innovation" responding to the idea on Centres of Excellence mentioned in the report by Sir COX. The first multidisciplinary Centre of Excellence was set up last year. It is known as Design London. Forming an iron triangle, the Royal College of Art, the School of Engineering of the Imperial College and Tanaka Business School jointly set up the said Centre. The government put in £5.8 million for the training of graduate students to teach them how to integrate design with engineering, technology and business. In October this year, another Centre of Excellence, namely, the Centre for Competitiveness, Creative Design, will be set up in Cranfield University. This Centre, in association with the University of Arts, is to enhance United Kingdom's competitiveness by combining design, engineering and science with business operations.

The experience of the United Kingdom can rightly serve as our model in further boosting the DesignSmart Initiative by promoting collaboration between the design industry and SMEs, and giving financial support to enterprises for more efforts to be committed to research in design or branding related areas. My suggestion is for the Government to set up a network embracing members of the industries and different academic institutes so that members of the industries and research/academic institutes can have a larger and better platform for co-operation. In the area of talent training, it is even more necessary for Hong Kong to make more effort so that we can gain further progress in the quality of talent in the area of creativity and design, and enhance our competitiveness in the region by making use of our strength as a convergence point between China and the West.

Madam President, given a business environment where industries are seeking to add value, only by encouraging enterprises to put in money to develop in this direction can the sustainability of the development of industries be ensured. The Federation of Hong Kong Industries (FHKI) and I propose that enterprises be offered triple tax deduction for expenses on design and R&D so as to provide an incentive to work on research, design and technology development. Madam President, you probably have, over the past few years, repeatedly heard me making mention of this proposal. However, so far there has been no response from the Government. So, today, I say it again unrelentingly.

To convince the Financial Secretary now present — but the Financial Secretary is not in his seat — I last week sought the help of a financial expert to

do some arithmetic with special reference to product research and design. If the Government is able to offer enterprises double tax deduction in this area, and if for each enterprise tax deduction is to be capped at \$5 million, then an enterprise seeking to make full use of this tax deduction must satisfy at least two conditions: (1) the enterprise must commit at least \$2.5 million to research and design; (2) for that particular year, the company must have made profits in excess of \$30 million.

If the calculation is on the basis that the business and industrial sectors are to have profits tax deduction amounting to \$1 billion, then in a situation where there is to be relatively little impact on government revenue, the enterprise must spend at least \$500 million to hire researchers and designers, buy equipment, promote technology, and develop designs, and still make profits amounting to more than \$6 billion before they can enjoy the tax concession. Every one of us can work out the economic benefits arising therefrom. Large amounts of money are to be put in to pool together talent and technology. This is conducive to the development of high value-added products and services by local enterprises. What is more, it can draw in overseas investors to use Hong Kong as the launch-pad for development.

As a matter of fact, all countries in Asia are keen to develop creative industries. The achievement in South Korea is visible to all. Both Taiwan and Singapore are hastening the pace of software and hardware development. In a budget released in February, the Singaporean Government spelled out a number of tax concessions designed to encourage enterprises to spend money on researches. Among them is one that will, for the next five years, allocate 250 million Singaporean dollars a year to promote three tax incentive schemes to encourage local enterprises to work on R&D. Also to be allocated for the purpose of improving experimentation and the testing of technology is seeds money amounting to \$90 million. There is indeed a lot of catch-up for Hong Kong to do.

Madam President, over the past year on the Mainland, Hong Kong businessmen have been facing new policies put into effect with reference to the structure of industries. The biggest problem is how to transform and upgrade the production lines on the Mainland. Late in March, that is to say, just before the end of the previous financial year, the Government set aside \$5 million for the Hong Kong Productivity Council (HKPC) to implement a new plan helping Hong Kong enterprises to effect transformation and upgrading.

This plan, one spearheaded by the HKPC and known as T.U.R.N., implies that the industrial sector, in order to overcome present challenges, must "Transform", "Upgrade" or "Relocate", ultimately to reach a "New Horizon".

There will be a platform under T.U.R.N. for collaboration with different strategic partners, such as government-run offices, organizations supporting business and industry, and financial institutes in both Guangdong and Hong Kong, to provide corresponding new services so as to help industrial and commercial enterprises carry out upgrading, transformation or relocation. The HKPC is also going to launch model projects of upgrading, transformation and relocation, and will extensively show and make known to the industries the outcomes of the projects.

At present, Hong Kong enterprises in Guangdong number more than 60 000. For a year and half, Hong Kong merchants on the Mainland have been facing changes in mainland policies on the processing trade, the merging of two taxes, reform to the Labour Contract Law, rising labour costs, labour and power shortage, and Renminbi appreciation. I call upon the Government to put in more effort to help Hong Kong businessmen by making more commitments in this area so as to benefit Hong Kong businessmen.

The Government should also take notice of development concerning the industries as well as future trends, and, what is more, liaise closely with the relevant mainland authorities such as the Ministry of Commerce, Customs Department, and local governments of provinces and municipalities with more Hong Kong businessmen, so as to give Hong Kong businessmen on the Mainland advance notice about policy changes, reflect opinions, implement measures to help us get out of policy-related quandaries, and strive for room for operation for Hong Kong businessmen on the Mainland.

With regard to assistance and support for SMEs, the Government at present has three funding schemes, namely, the Loan Guarantee Scheme and two funds, that is, the Export Marketing Fund and the Development Fund. Earlier on the Government put into these three schemes \$500 million. Members of the industrial sector welcome this. However, it is also hoped that the Government can step up publicity so as to increase the industries' knowledge about the schemes, and also provide special assistance to each industry so as to help them apply to the schemes and make it possible for more SMEs to make good use of these funding schemes.

Madam President, as I said at the beginning of my speech, I welcome all the recommendations in the Budget. With regard to measures being taken by the Government to return wealth to the people, I consider that to be a positive response by the SAR Government to the efforts made by the 7 million citizens over the past year. My wish is for the SAR Government to bring into effect corresponding measures in the near future to respond positively to the contributions and importance of the industrial sector to Hong Kong, so as to encourage the industries to invest more in research, creativity and design and, thus, consolidate the importance of the industrial sector in Hong Kong. Only in this way can there be guarantee for the long-term development of our economy.

With these remarks, Madam President, I support the 2008 Appropriation Bill.

MR TIMOTHY FOK (in Cantonese): Madam President, a fiscal surplus amounting to more than \$100 billion marks our exit from the rock bottom of economic recession, and a fresh start of a voyage to a new era of prosperity. This moment is a pivotal turning point.

Delivering his first Budget after taking office, Financial Secretary John TSANG opted for a plan putting consolidation before exploration, boldly came up with a vision of leaving wealth with the people and sharing the fruits of prosperity, and generously "handed out candies" in a way beneficial to all. Immediately there was applause from every sector of the community. The Financial Secretary's popularity also quickly went up by 10%. Surely, "handing out candies" is to the liking of every person. However, it is not possible to do so on a daily basis. So, most of the concessions have been meant as one-off measures. Also, emphasis has been given to the principles of financial management for commitment to society, sustainability and pragmatism. This is a smart move attending to all interests, responding to requests coming in from every corner of the community and making it possible for everybody to share the joy of economic prosperity while avoiding putting heavy burden on long-term economic growth.

However, both internationally and economically as well as in the sphere of regional development or social trend, changes emerge daily and each day represents a fresh scenario. There have been endless troubles from the sub-prime crisis. The United States is bringing down interest rates incessantly.

The rising oil prices just refuse to come down. The global economy is very unstable. Even relays of the Olympic torch, something that ought to be most peaceful and cheerful, have repeatedly come under senseless assaults. For Hong Kong of today, it is not just necessary to be vigilant in peace time. It is also necessary to make sensible and forward-looking preparation commensurate with forthcoming risk factors.

Madam President, last year the Treasury was "flooded with cash". That was primarily due to prosperity in both the stock market and the property market. Also the Exchange Fund made proper investment decisions, resulting in high returns. However, in the current year, the investment market goes up on one day but comes down the next day. Although the situation is still marginally manageable, it can be said that the lustre is no longer there. The Exchange Fund even registered heavy losses in the first quarter. The economy on the Mainland, which is the driving force behind our economy, is being affected by inflation, macro-economic adjustment and changing external factors. The worry is that smooth sailing cannot go on for ever.

Will an abrupt twist in the ties between the two sides of Taiwan Strait render our role as an intermediary obsolete? With mainland industries and economic structure undergoing rapid restructuring, I wonder if Hong Kong businessmen in Guangdong are going to be rendered helpless or even forced to leave. Both Guangdong Province and Shenzhen have, in turn, taken the initiative to lay out plans for a twin city as well as for the building of a metropolitan city consisting of Shenzhen and Hong Kong. Will that swat away our "leading role" in the region's economy? It is a pity that the Budget fails to foresee these crucial factors which are to guide our long-term economic development; nor is there any thorough preparation done. Outstanding achievement of yesterday can be the stumbling block obstructing tomorrow's progress. If there are still indulgence in an "overflowing" Treasury of last year and non-stop requests for "handing out candies" or handing out money without attempts to make further progress or break new ground, the prospect of our economic vitality, I am afraid, is not going to be optimistic.

The Budget puts forward 10 major infrastructure projects; enhances support for pillar industries such as tourism, business, logistics and finance; promotes creative industries; and strives to nurture and attract talent. All these are conducive to the long-term development of both the society and the economy. However, in terms of boldness, intensity, brilliance, and originality, there is still

room for breaking new ground. For example, the merging and collaboration between Hong Kong and Guangdong and Shenzhen. The opportunity to take the initiative is already gone. There is no more excuse for evasion. So, a pragmatic and positive approach ought to be adopted to work hand in glove with the planning. Though it is no longer possible to take the initiative, it is imperative to be able to take the lead. It is necessary to strive for early attainment even after a late start.

Furthermore, inferring from all the recent troubles in connection with the relays of the Olympic torch, we can see clearly that sports definitely are not merely activities for physical fitness. Sports are shouldering a sense of culture, a sense of value and even the dignity or humiliation of a nation. The economy has got to have breakthroughs; so must mentality. It is also necessary to incessantly strive for new breakthroughs and upgrades for our tomorrow.

With these remarks, I support the Bill.

MR ALBERT CHAN (in Cantonese): Mr Timothy FOK talked about making breakthroughs in mentality and the relays of the Olympic torch. Today, officials present at the meeting are so few. Is it because everyone is having running exercise in preparation for participation in the relay of the Olympic torch that they have to be excused from the Legislative Council meeting? If it is indeed for this reason, then there is no harm in not having these so-called breakthroughs. Because it is the duty of the officials to get their job done in running Hong Kong properly, instead of doing such work of "boot-licking" or window-dressing.

The issue about the people's livelihood is quite important. In my opinion, this Budget is just like the "Emperor's New Clothes", one riddled with holes but much applauded. There are apparently a lot of social problems. The problem of the wealth gap is still serious. Inflation is rampant. The people are living in hot water. Though sitting on a surplus amounting to more than \$100 billion, our Government fails to properly address the issues concerning people's livelihood. Despite this, the Government, instead of getting condemnation, has received endless applause. I wonder how humble citizens on seeing this can possibly have confidence in this Government and this Council.

President, before proceeding to criticize the Budget, I would like to make mention of two points. It is because the Government has accepted some proposals. One example is about the building maintenance fund. I personally proposed this to the Financial Secretary. Surely, other individuals or organizations did make this proposal too. I pointed out to him repeatedly that to many elderly property owners, their properties are their only asset. However, they have not got much money to carry out maintenance. If the Government can provide assistance, then it can be of some help to the elderly. In this Budget, the Government finally accepted this proposal.

Secondly, I have again and again told the Government that it is not advisable to hand out all the money even if there is a lot. If every penny were handed out and hence won some brief applause, there would be heavy burden on our administration in the long run, especially in our finance. My suggestion is that if there is money indeed, the best approach is to deposit the money in foundation funds or put it to specified uses, and not to hand it all out. The Government has committed \$50 billion to health care reform. Notwithstanding all the shortcomings of the Budget as a whole, we can still see some points that are worth supporting.

However, the recent spate of developments in the community following the release of the Budget adequately show that all in all this Budget is a failure. After the release of the Budget, there are two serious social and economic problems, one coming after another recently. The first is the escalation of inflation. It was after the release of the Budget that such a situation cropped up. The prices of all daily necessities, such as oil and rice, have all gone up sharply. The second problem is the exacerbation of the wealth gap. Two days ago, BBC contacted me, saying that a special trip from Singapore to Hong Kong would be arranged in order to interview me. This morning I read from the newspaper that they also interviewed another Mr LI yesterday — the younger Mr LI. It seems the programme is going to be broadcast this evening. I have also arranged for BBC to interview some residents of Tin Shui Wai. The BBC opted to come to Hong Kong to do the interview because according to a recent report, Hong Kong has the worst wealth gap in the world. This is also the newest development following the release of the Budget.

Being the most senior official or the top guy managing public finances, on learning that the wealth gap in Hong Kong is the worst in the world after the

release of the Budget, the person responsible for the management of public finances should be ashamed of the findings and such a phenomenon. If this Council still passes this Budget, then Members of this Council should too feel ashamed. The reason is that public finances deal with the distribution and re-distribution of social resources. If you approve of this manner of distribution and support this Budget to render the distribution of public funds inequitable and exacerbate the wealth gap, then you become accomplices.

Even though this Budget has offered many petty favours, the so-called "handing out of candies" mentioned by quite a number of colleagues, Hong Kong people do not need "candies". The teeth of the old man for whom I made arrangement for interview with BBC are just like those of "Jaws", the guy with stainless steel teeth, in a James Bond movie. Finding it very strange, the BBC reporter asked him why his teeth were like stainless steel. In reply, he said that he had no money, and that the Hong Kong Government gave him no financial support nor made arrangement for him to have dentures. He lost all his teeth many years ago, which made it hard for him to eat. So, two odd years ago, he returned to Fujian, and had his mouth filled with stainless steel teeth, at a cost of \$70 each. This illustrates the problem of the wealth gap. This is indeed a "benevolent measure" of the Hong Kong Government.

When you watch the television tonight, see if the old man's face will show up. His steel teeth symbolize Hong Kong Government's disregard for the elderly, a disregard for the physical conditions and health care needs of the elderly. This is the problem confronting our citizens and seniors who are still deprived of the care and services due to them at a time when the Government is sitting on a fiscal surplus of \$100 billion. The old man's wife is also toothless. She is also waiting for a later day when there can be enough savings for her to return to Fujian to have false teeth made. The teeth to be made are also going to be instantly noticeable steel teeth costing \$70 each. This is one of Hong Kong Government's "benevolent measures". This is the social phenomenon and problem arising from the Budget.

This Budget in fact has a lot of serious shortcomings. Just as in the case of the "Emperor's New Clothes", many Members fail to notice that. Many members of the "rich men's party" give this Budget a lot of applause because they are precisely the main characters in the story of the "Emperor's New Clothes". We notice that many single-parent families, elderly persons, patients, unemployed and under-employed persons are still living in hot water.

The meagre rebates handed out by the Government — I refrain from describing them as any sort of "candies" — can perhaps be of a little help to their livelihood during the current year, probably giving them a little congee at a time of bitter cold and hunger in the depth of winter for them to linger on briefly. However, they still will have to live in misery afterwards.

With regard to the much-talked-about hospital at Tin Shui Wai, I once tried to find out from Secretary Dr York CHOW its completion date. The wish, according to him, is for it to take no longer than 10 years. Given the fact that the Government has a fiscal surplus of \$100 billion, it is certainly possible for it to design and make plans simultaneously at top speed. If work can be expedited, then it can be completed in five to seven years. See how fast the Disneyland was completed. So, if the leadership of the Government has both the intention and commitment to do it, I cannot see why so much waiting is still necessary for the hospital at Tin Shui Wai. As stated by the Secretary, it should not take longer than 10 years. In my opinion, for the Government to understand the grassroots' plight, it must change its attitude.

At the meeting of the Panel on Education yesterday, we discussed the issue about associate degree. Associate degree is precisely the quicksand produced by inadequate investment in education by the Government. Unknowingly, students sink into this quicksand, wasting their youth and tuition fee, which amounts to \$40,000 to \$50,000 a year for each of them. If the Government invests more in tertiary education, and increases diploma and post-secondary courses, then every year tens of thousands of young persons need not run the risk of enrolling themselves in these, as I call them, "blown-up bogus degree programmes". These programmes are just like "blown-up apartments", the actual thing being totally different from its appearance.

We have also repeatedly put to the Government the question of housing. As pointed out by me years ago, the problem concerning allocation of public housing will get worse as public housing units are being built at slower speed and in dwindling number. This year the Government also said that currently the waiting time for the allocation of public housing is approximately over three years. Previously, the Government said it was three years. Now it is said to be over three years. It can be noted from this that the waiting time is getting longer and longer, that the locations made available are becoming more and more unacceptable, and that new units being completed are dwindling in number. If the Government still does not work at top speed and put in more resources

here, the problem of public housing requiring attention will only worsen further. The current situation is already deteriorating. However, the problem requiring attention in the future is going to be worse still.

Now on cross-district transport subsidy. I think the Government is too stingy, as the subsidy is only designed for a few districts and intended just for longer trips. Regarding transport expenses of low-income people, they still have to spend a lot on transport even if they are not working outside their districts. A low-income person earns just \$4,000 to \$5,000 a month. If they are still required to pay for transport, it is even worse than "snatching food from a beggar's bowl", isn't it? So, with regard to transport subsidy, the Government should give low-income people direct assistance. It should not be so mean and harsh as to affect people's livelihood.

Now about "fruit grant" for the elderly. The Government is still unwilling to increase the CSSA directly, and merely offers to make a small distorted increase by "going through the backdoor". This definitely is not the act of a responsible government with a sense of commitment.

President, the issue concerning services provided by residential care homes for the elderly affects tens of thousands of elderly people. In the proposals presented to the Government in connection with the Budget, I clearly pointed out that the quality varies greatly among private homes and that their services are appalling. Under such circumstances, the elderly are being ill-treated continuously, or not given the care due to them. However, the Government basically makes no mention of this at all, and commits to this area no fresh resources. I find this most disappointing.

In recent years, of all the trades and industries, professional drivers are the ones whose conditions of livelihood are deteriorating most drastically. This is true of public light bus drivers, taxi drivers or container-truck drivers. The reason is that fuel duty and fuel prices have been going up incessantly. We have also made to the Government the proposal that fuel duty should be lowered. It is because such a move can directly reduce the burden shouldered by professional drivers and members of the public. The Government has reduced quite a few charges, for example, the rates. Major developers have benefited most from the rates concession. However, with the Government still refusing to lower fuel duty, professional drivers are having a hard time beyond description.

Basically, the whole Budget is biased in favour of consortia. It is most obvious that those with higher incomes or those owning more properties benefit more from this Budget. Don't talk to me about sharing as there is no sharing at all in the Budget — the fatter persons get the bigger pieces of pork. This is not sharing. This is bias and partiality. It is another form of transfer of benefits.

The Government often asks us to turn our heads to the north towards our Motherland and leverage on our Motherland. Let us take a look at the words spoken by President HU Jintao in October 2007 at the 17th National Congress of the Communist Party of China. President, he said: "(We must) protect the rights and interests of the people, take the path of prosperity for all and promote their all-round development, to ensure that development is for the people, by the people and with the people sharing in its fruits." On the sharing of wealth, President, he said: "We will gradually increase the share of personal income in the distribution of national income, and raise that of work remuneration in primary distribution. Vigorous efforts will be made to raise the income of low-income groups, gradually increase poverty-alleviation aid and the minimum wage, and set up a mechanism of regular pay increases for enterprise employees and a mechanism for guaranteeing payment of their salaries."

Senior officials of our Government often ask us to turn our heads to the north towards our Motherland, leverage on our Motherland, and listen to our leaders' words. Yet they probably only like to share benefits. With regard to the directions highlighted in our leaders' words, they just shut their ears. Among Members of this Council are those so-called pro-China or patriotic figures. They also totally fail to understand the words of our President HU. I would like to see what the Honourable Jasper TSANG will say when he later comments on the Budget in the light of President HU's words.

President, basically, the League of Social Democrats (LSD) again has to express strong disapproval as this Budget addresses neither the wealth gap nor the deep-rooted conflicts of Hong Kong. When compared with the Budgets of previous years, this Budget is a relatively better one. However, its overall direction is still wrong; so is the entire key note. For this reason, the LSD will resolutely vote against this Budget, and express strong regret over its failure to address the wealth gap problem.

MR CHEUNG HOK-MING (in Cantonese): Madam President, the rapid growth of Hong Kong in the past was, to a very large extent, driven by infrastructure projects. However, it appears that over the past few years, this driving force has somewhat lost momentum, with infrastructure projects, both local and cross-boundary ones, all coming to a standstill. Ever since the reunification of Hong Kong with the Motherland, we seemingly have not been able to bring into full play the advantage of being under "one country"; nor have we used the development in the entire Pearl River Delta (PRD) as the radiation zone of infrastructure projects. It can be said that the project of the Hong Kong-Zhuhai-Macao Bridge lately did make a great step forward. Nevertheless, Hong Kong just cannot afford to spend 10 years' time on formulating a new project. Advertisements making claims of being able to give ladies "white beauty" invariably put emphasis on beauty diffusing "from the interior to the exterior". In my opinion, to preserve the charm of Hong Kong as a cosmopolitan city with beauty oozing from the inside, our planning work should also progress by following the policy of working "from the interior to the exterior".

First of all, I would like to speak on how the town planning of Hong Kong should develop from the interior to the PRD. In recent years, the standpoint adopted by some people in the districts towards housing developments has been characterized by "saying no to closeness and nay to height". Such a mentality resulted from a lack of overall planning in the past. Because of that, the buildings are naturally "even in height". Ventilation may be blocked and there may even be the wall effect. The strategy of working "from the interior to the exterior" put forward by me today is to secure in society a consensus to draw up plans for new development areas (NDAs), which are then to be turned into new towns where both Hong Kong and the Mainland can share resources.

Hong Kong has developed nine new towns, among which there are unsuccessful examples. The experience with the development of Tin Shui Wai made us ponder again on the way to develop a new district. In the past, we opted for high density developments to get in return lower cost for infrastructure. Also, by means of that, enough people were amassed for the development of mass transit system. However, with the need to bring back blue skies and an increasing number of people suffering from trachea problems, we now go for a nicer and more wholesome city. With regard to the attainment of such an ideal, the premise is how much resource we are prepared to provide in pursuit of nice and wholesome living.

The provision of resources is the first door to go through. However, regarding the density of buildings, in recent days there have been non-stop requests seeking to lower the plot ratio and reduce the density of buildings. We, however, must understand that the size of floor area is directly pegged to the revenue of the Treasury. Even if revenue for the Treasury is to be disregarded, we still have to consider what a suitable development density should be. Is it that in future Hong Kong can only build tenement buildings? Is it that low-density buildings in a row are most ventilation-friendly? Is it that high-rise buildings have more demerits and fewer merits? It is necessary for us to work out a set of objective standards for use as yardstick for future developments. Otherwise, there will be no guidelines for the Government to rely on when considering applications of new projects in the future.

Besides density, we also must not let other potentials of NDAs go wasted. In particular, geographical advantage should be turned into useful manpower. This is of the greatest importance to Hong Kong today, with such a high demand for talent. The three NDAs being proposed by the Government are close to the old border area. The Government may take the area around the PRD as a radiation zone when considering the roles of the NDAs, and see how to pool together and nurture PRD talent so as to develop this frontier town into a transit point on the Hong Kong section of the PRD. It can be turned into a nice, quality residential district, with enough employment opportunities for local residents too. Then the need for one to work outside the district can be obviated.

The Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) recently carried out a study on the mode of development for NDAs with a view to conducting public consultation in a few months. The objective is to obtain a consensus that is to be put into effect in the NDAs in the future.

In addition to the aforesaid "Three-in-One development area", Heung Yuen Wai is also one of the ideal spots for the development of new town. It can be said that in recent years, less and less land is available in our urban area for the development of public housing. However, the dwindling supply of land has not lowered the demand for public housing. At present, Heung Yuen Wai has no infrastructure worth mentioning. It can be said that it is still a far cry from being suitable for residential development. I, however, am of the view that the Government may start a study to consider opening up new land in the border area for public housing development.

Last October, Hong Kong and Shenzhen set up the Hong Kong-Shenzhen Joint Task Force on Boundary District Development, which has given priority to two development projects at the new Liantang-Heung Yuen Wai Control Point and the Lok Ma Chau Loop. Liantang in Shenzhen is situated between today's Sha Tau Kok and Futian Control Point. Liantang in Shenzhen has been under rapid development. However, our Heung Yuen Wai is still a stretch of desolate grass-covered hills yet to be opened up.

Liantang is close to the port of Yantian as well as the Shenzhen-Shantou Express Way and the Shenzhen-Huizhou Express Way, making it easy for vehicles to access Dongguan and Huizhou for connection with industrial districts like Heyuan and Meizhou. If the Government is able to speed up the construction of the Liantang Control Point to make it possible for a flow of delivery vehicles to move to the east, and, thus, effecting "a link to the east and the west", then the development of our logistics industry can undoubtedly be consolidated.

This idea can, of course, help to ease the traffic at the town centre of Shenzhen. It may also offer an opportunity to attract logistics industry to take root in Hong Kong. However, when there is opportunity, there is also risk. Whether or not the transport network in the east part of the New Territories can take up the additional volume of freight is going to have direct impact on residents travelling by way of the Tolo Highway to the urban areas for work. The development of Liantang Control Point not only involves the issue of "co-location of immigration and customs facilities" but also concerns the need to maintain Hong Kong's position as the leader of PRD's logistics industry. It is necessary for the Government to look into this issue. Regarding the way to bring perfection to the existing transport network, besides working "from the interior to the exterior", it should "cater to both the interior and the exterior". This is also one of the issues that are of concern to the DAB.

Regarding transport, in recent years, the Government has gradually made improvement to the external transport facilities for Tuen Mun, for example, the broadening of Tuen Mun Road and the construction of West Rail. However, the commissioning of the West Rail is not of much help to Tuen Mun residents. Let me cite a simple example. If one boards the train at Tsuen Wan West Station to go to Tuen Mun Station, it will take almost 20 minutes. However, if one opts to travel by bus, one can reach Central District on Hong Kong Island within the said time frame.

The tortuous route of West Rail is the crux of the problem. It makes it necessary for people to pass through Yuen Long on the way, and unnecessarily lengthens their travelling time. Moreover, the station of West Rail is far away from the town centre, as a result of which the residents can hardly make use of the railway. So, the DAB thinks that the Government should consider building a branch line on West Rail to make it possible for the railway to go to Tuen Mun directly along Tuen Mun Road from Tsuen Wan via Tsing Lung Tau. This will really save the people's travelling time and benefit Tuen Mun residents.

It can be said that over the last six months, Hong Kong people have been living in a flood of surging prices. The most obvious example is rice. In recent days, the prices of rice have been going up. At one time it was even said that there was a shortage, which triggered off a rush for rice. Fortunately, the rush ultimately came to an end following the co-ordinated efforts made by Government and related parties like the supermarkets.

However, over the last six months, transport expenses, which also closely concern the people, have been rising too and this phenomenon is still around. The flood of fare hikes was started by the bus companies. Though having a surplus in excess of \$100 million, the Kowloon Motor Bus still asked for an increase of 9% which is even higher than the inflation rate. Then Western Harbour Crossing (WHC) removed their concessions, effecting a toll increase under disguise. This caused public light buses to follow suit. Next were the taxis. A little later, ferries serving outlying islands will do the same as their franchises are due to expire.

Hong Kong citizens must invariably face the fate of having to shoulder higher transport expenses. It does not matter whether they are residents of Hong Kong Island, or of Kowloon or of the New Territories; nor does it matter whether they have to commute by bus daily or travel by car. It can be said that none is spared.

Once transport expenses go up, there are direct increases in the people's living expenses. The impact on the general public is most direct. Picture this, there is one family, with the father and mother both going to work and two children going to school. If each of them has to pay 5% more for their means of public transport, then all the fares will add up to a sum not small at all. It is likely to place the family under heavy pressure. As the saying goes, "Tyranny is more fearful than a tiger". However, in the case of today's Hong Kong, "inflation is more fearful than a tiger".

Therefore, it can be said that the Government is bound by duty to help the people reduce the pressure of livelihood. As the SAR Government now has fiscal surplus, and is indeed rare to have a surplus amounting to more than \$100 billion, we think that returning wealth to the people is most appropriate now and in line with the people's wishes. In this connection, it is hoped that the Government can work on the following three areas to help the people solve the problem concerning transport expenses.

First, the authorities should consider re-introducing half-fare permits for students.

At present, with the exception of MTR urban lines, none of the major means of public transport offers students any concession. Students travelling to or from schools are required to pay adults' fares. To many families, this is indeed a burden on their livelihood.

If the means of public transport they use can give them half-fare concession, then the burden on the livelihood of many families can be reduced. As the SAR Government is encouraging Hong Kong people to have more children, the Education Department encouraging students to absorb more knowledge from daily life, and the Social Welfare Department encouraging families to take part in more community functions and have more family activities, it is only reasonable for transport expenses to match up.

Madam President, here comes my second point. The Government should exercise its authority to keep a watch on fare adjustments and play properly the role of a goal-keeper.

Although in Hong Kong public transport companies all claim to be commercial companies, in the case of the MTR Corporation Limited (MTRCL), which serves more than 3 million citizens a day, not only the Government is its biggest shareholder, government officials are also on its board of directors. It is, therefore, only reasonable for the Government to be entitled to make comments on, and recommendations for, fares. The Government definitely has, in particular, a strong say in matters concerning fare adjustment.

Turning now to buses. Though at present the three major bus companies are private companies, they are, after all, public utilities. There has got to be approval from the Chief Executive and Executive Council if their fares are to be

revised. So, when considering bus fare adjustment, the Government should, first of all, take into consideration the people's interests as well as their affordability.

Now on the third point. The Government should strive to take the lead regarding fares.

In the past, Hong Kong adopted the *laissez-faire* policy. Even such public utilities as means of public transport were granted to consortia for them to operate. As a result, there are often cases in which public transport companies disregard people's rights and interests for the sake of their profits and wantonly raise their fares. At present, this is true of WHC, Eastern Harbour Crossing (EHC) and the railway corporation.

Given the fact that the Government is now financially well-off, it can well afford to first consider buying back EHC and WHC, then to set for the people a reasonable toll level. This may uproot the problem that frequent toll hikes by the harbour crossing companies tend to directly lead to fare hikes by other means of public transport.

As a matter of fact, this buying back option was adopted by both England and Shanghai. Upon implementation of this policy, there came cheaper fares for the people. Also, the vehicular traffic flows of both tunnels and bridges were increased, directly easing the problem of congestion affecting other roads.

Madam President, earlier on the Government announced that the Shatin to Central Link will be built by public money, and, in due course, entrusted to the MTRCL for operation and management. We are of the view that this is going to be the best opportunity as well as the best precedent for fares to be set by the Government. My wish is for the Government not to meekly sign away this important role of taking the lead in respect of railway fares.

Madam President, I so submit.

DR FERNANDO CHEUNG (in Cantonese): President, when placed against a background in which both the economy and the real estate market prosper at a time of rampant inflation, serious disparity between the rich and the poor,

depreciation of the Hong Kong dollar and appreciation of Renminbi, this Budget of ours is of great importance.

This year we have a rich harvest. It is necessary to make preparation for our future in a year of rich harvest. How is this year's Budget of ours going to be of assistance to some disadvantaged groups and help our society to be more balanced against such a background? We, therefore, will look at the Budget from several angles.

First, how strong is the force it has applied to help disadvantaged groups? This is an obligatory duty on the part of the Government as the Government can, by working through the tax system, redirect the wealth of the community from affordable individuals, organizations or companies to the groups in need.

Second, we have to see how well proportioned it is when it gives — or returns wealth to the people, so to speak. How much is given to disadvantaged groups? How much is given to the rich? Is it fair?

Third, given the fact that we have fiscal surplus and are better off, how are we to use such wealth to help Hong Kong face up to some long-lasting challenges?

First of all, I would like to analyse the current year's extra spending of more than \$120 billion to see how much out of it is handed out by way of one-off measures, how much is long-term appropriation and to whom the one-off grants and long-term appropriation are being given. Are the hand-outs given to disadvantaged groups or to the rich, or is the distribution a general one?

President, let me list out these measures briefly. We notice that those one-off allocations to disadvantaged groups include the purchase of more Rehabuses at a cost of \$20 million; providing each disabled person with half-fare concession of \$200 at a total cost of \$230 million — but there is great dissatisfaction among the disabled as the mode of delivery is undesirable; injecting \$1 billion into the Samaritan Fund; making one-off allocation of \$8 million to four support service centres for ethnic minorities; giving one additional month's Disability Allowance and CSSA payments at a total cost of \$1.2 billion; waiving one month's public housing estate rent at a total cost of \$1 billion; providing each elderly person with a one-off grant of \$3,000 at a cost of \$1.5 billion; making an injection of \$6,000 into the MPF account of every

person earning not more than \$10,000 a month at a total cost of \$8.5 billion; making a provision of \$1 billion over the next three years to create 3 000 jobs for those aged between 15 and 29; improving the homes of elderly people at a total cost of \$200 million; and providing \$1 billion to carry out maintenance for their self-occupied properties. All these add up to more than \$15.6 billion.

How about those benefiting the rich? One-off measures include a 75% reduction of salaries tax involving a drop of \$12.4 billion in the revenue; a tax reduction of 75% of profits tax involving \$1.735 billion; waiving business registration fee at a cost of \$1.6 billion; a tax reduction of 75% of property tax involving \$680 million; and waiving rates at a cost of \$11.2 billion. The total is \$27.615 billion, making a huge difference against the sum of \$15.6 billion mentioned by me earlier on.

As for other areas, the Government is also very generous. A sum of \$21.6 billion is set aside for West Kowloon Cultural District; the Leisure and Cultural Services Department is to waive a few months' fees at a total cost of \$100 million; allocation to infrastructure projects amounts to \$21.8 billion; allocation to the Hong Kong Pavilion amounts to \$69 million; allocation to the Research Endowment Fund is \$18 billion; allocation to Yau Ma Tei Cantonese Opera Centre is \$120 million; a sum of \$20 million is to be spent on the promotion of the Basic Law; a reserve of \$50 billion is to be set aside for health care reform; each residential account is to receive a subsidy of electricity charge amounting to \$1,800, which is to cost \$4.3 billion. All the above add up to more than \$66 billion. They are all one-off measures.

Long-term allocations to disadvantaged groups include grants amounting to \$16 million for use by four support service centres for ethnic minorities; increasing day foster care and child care places at a total cost of \$15 million; spending \$40 million on increasing the places of refugee centres for women and strengthening hotline services; providing disabled persons with more pre-school training places, day training places and residential places at a cost of \$100 million; a grant of \$35 million for child care services for the disabled; increasing the number of designated schools for non-Chinese speaking students from 19 to 25 at a cost of \$13 million; spending \$60 million on elderly people's day care places and infirmary places; and a grant of \$18 million for use by District Elderly Community Centres providing services to hidden elderly people. These add up to \$297 million.

How much are the long-term allocations to the rich? A cut of 1% for the standard rate of salaries tax will result in collecting \$960 million less in revenue a year; there will be \$470 million less from Hotel Accommodation Tax; there will be \$560 million less a year from duty on alcoholic beverages; the measure on First Registration Tax deduction for environment-friendly cars will cost the Treasury \$26 million; tax deduction for donations will result in collecting \$80 million less — collecting less in all cases; a cut of 1% for profits tax will mean collecting \$4.4 billion less a year. All these add up to almost \$6.5 billion.

I am not going to elaborate on those provided to other people. However, among them are some tax concessions. I treat them as concessions applicable to all. They include the widening of tax bands, increasing the number of places for post-graduate research programmes, lowering the duty on diesel, and increasing the funding for District Councils. The total is \$6 billion.

Take a look. The Government is to collect \$6.5 billion less a year from the rich on a long-term basis. However, that being given to the disadvantaged groups only amounts to about \$0.3 billion. The difference is huge. President, this is utterly ill-balanced. The sum of \$6.5 billion that we are to write off annually can in fact be put to good uses. There is just no need to annually give concessions to those who can well afford the standard rate of salaries tax. They are each earning more than \$1.4 million or \$1.5 million a year. Is it still necessary for the Government to give them tax cuts?

Our profits tax is already the lowest among developed places in the world. Yet we still are to lower it, and will have to collect \$4.4 billion less in profits tax annually. Earlier on Members already mentioned how deplorable our elderly people's situation is. While waiting for residential places, one quarter of them died in 10 months as the waiting time is as long as 42 months. This is simple arithmetic.

With regard to care-and-attention homes, the Civic Party last year already put forward proposals to the Financial Secretary. At that time, we already made available these figures. In the case of elderly persons of poor health, the waiting time for nursing homes now on the average stands at 43 months. If we can have an annual addition of 1 246 nursing home places, the waiting list can be removed in five years. If each place calls for a subsidy of \$8,900 a month, the amount required to be set aside annually is just over \$130 million.

At present, some 20 000 people are waiting for care-and-attention home places, the waiting time, on the average, being close to three years. If we add 3 393 places annually, then the waiting list can be removed in five years. If each unit costs \$7,000-odd, we only need \$306 million. If we want to remove all the waiting lists in respect of all other institutions or day centres within five years, then, President, even with the inclusion of health centres for the elderly at present an elderly person has to wait for three years for a physical check-up. Our suggestion is to have one more centre for each district, that is, to increase by one fold. The expenses so required only add up to about \$1 billion. President, earlier on I stated that the Government is prepared to write off \$6.5 billion a year to the benefit of the rich. But the many services for the elderly I have cited and the removal of waiting lists in five years will just cost \$1 billion in the coming year.

We propose giving financial assistance to many services dealing with domestic violence. These include crisis intervention teams and round-the-clock support units; more refuge centres, or providing one additional centre; even some foundation funds to be set up to re-open some single-parents' centres, service centres for new arrivals; and making it possible for victims of sexual violence to have one-stop services by giving Rain Lily some assistance. All these add up to less than \$100 million, all being trivial spending. President, I am not going to read them out item by item. As a matter of fact, our Civic Party has put forward many specific ideas for social welfare and education, and we have made an estimate too. The amounts are trivial. When put together, the figure is just around \$2 billion. This even includes additional university places by raising the quota from the present level of 18% to 20%. There can even be a sharp increase in the quota of articulation places from sub-degree programmes to university courses. We are only talking about a few hundred million dollars here and there.

President, these are precious resources. If we commit this sum of over \$6 billion to welfare not necessarily welfare, it can also be spent on individuals in need, or put to use for education or disadvantaged groups, then they need not suffer so much misery as they do now.

In addition to all these, we also are aware that residents of certain remote districts have strong needs for health care and transport services. With regard to transport, there is the view that these services should be privatized and handed over to the management of some companies. For the time being, I am to put that aside. But with regard to health care, we are aware that there is at least one very pressing need.

Tuen Mun Hospital is often "fully-packed". There are often long lines of waiting people. I have even heard of the description of "full house" — at a film award presentation ceremony, a guest speaker said he once went to a hospital, which actually put up the sign of "full house". Such situation is getting quite unacceptable now. As a matter of fact, it is simply necessary to build the Tung Chung Hospital and Tin Shui Wai Hospital. I have also heard of plans to build facilities like children hospital and brain hospital. However, the present situation is indeed very pressing. The plans ought to be launched as soon as possible.

Turning now to other areas. We notice that CSSA payments are absolutely lagging behind inflation. Even though there is clamour for reversion back to the levels of 2002-2003, and we have been waging the struggle for years since 2004, when our term commenced, in a bid to revert the payments back to the levels of 2002-2003 preceding the big cut, we are just talking about \$2 billion. If Disability Allowance is to be reverted back to the level preceding the cut of 2002-2003, the spending is still only \$0.2 billion.

President, an annual spending of about \$6 billion on the people's livelihood is already terrific. As a matter of fact, for the social welfare throughout Hong Kong not taking into account cash assistance, we are talking about a spending of less than \$10 billion. The areas covered include services for the elderly, disabled persons, youth and families.

So, President, I wonder what our Government has in mind. When it has the power to utilize the resources of our community, is it really able to properly spend those resources on the future generation, people who have made contributions to the community, and groups in need?

In fact, Hong Kong is not just a commercial community. Hong Kong definitely is not just a financial centre. Hong Kong is also a place for people to inhabit. No matter from a humanitarian or environmental point of view, Hong Kong ought to be a more equitable society. We should not merely look at it from the angle of business and economy, and only strive to use the Budget to create more wealth.

It is always important to create wealth. But what is the purpose of creating wealth? What is economic development for? After all, economy is for the purpose of managing prosperity to help society. It is also for the

improvement of the people's livelihood. If we cannot use these economic resources to improve Hong Kong people's livelihood, then why do we develop the economy? Suppose we continue to prosper and save more money, yet at present, our fiscal reserves already stand at more than \$1,000 billion and we are still going to have fiscal surplus in the next few years, then what is the purpose of doing that?

President, although the officials today will not really listen as they have already made their decisions, we still consider this Budget to be better when compared with the past ones. At least I can point out the extra reliefs given to the disadvantaged groups. In the past, it was impossible for me to say a few words on this even though I so wished. So, even though we are not very happy with the overall structure or direction, we do think that the Government has made some effort. However, President, this Budget really falls short of being well-proportioned. I can see no fundamental reforms or adequate efforts on the part of the Government to deal with our long-term challenges, no matter whether it is the problem of an ageing population or that of the wealth gap.

So, my wish is for the Government to go back and think it over thoroughly after the presentation of views by our colleagues today or tomorrow. This Budget is very important. Thank you, President.

MS MIRIAM LAU (in Cantonese): Madam President, according to the 2008 Report on City Competitiveness released by the Chinese Academy of Social Sciences, Hong Kong, for three consecutive years, comes out as the champion of comprehensive competitiveness among 200 cities. However, do not get too excited. The reason is that Hong Kong almost comes out last in the list for growth competitiveness, and takes the 195th position. The report rightly reminds us of the need to work harder on the enhancement of competitiveness. This year, the Government, armed with a huge fiscal surplus, returns wealth to the people and alleviates the pressure of livelihood on the public, while looking after the disadvantaged groups and investing for the future. It can be said that all parties and strata are being taken care of. Such an approach is basically correct. However, with regard to investing for the future, I think there are, on the part of the Government, three weaknesses to which the word "not" is applicable: the vision is not far enough; effort is not strong enough; and investment is not big enough.

According to the Financial Secretary, we have been continuously making efforts to consolidate Hong Kong's position as Asia's world city, and promote Hong Kong to be the hub for business, logistics and tourism in the Asian Pacific Region and also as an international financial centre. However, in the area of shipping and logistics industry, the Government, in my opinion, has shown precisely the three weaknesses mentioned above.

The competition between Hong Kong International Airport (HKIA) and airports nearby is becoming more and more fierce. To further consolidate HKIA's position as the hub, I welcome the move taken by the Airport Authority to launch a study on building the third runway to beef up the air transport capacity. In addition to investing in hardware, the Government should work harder on software, for instance, by proactively considering making amendments to the Air Cargo Transshipment (Facilitation) Ordinance to allow multimodal transshipment and simplify formalities so as to attract more consignors to use HKIA for cargo transshipment.

Hong Kong is the world's busiest air cargo centre. Our leading position in the region will not be outstripped in the near future. However, the position of our port is different. At present, our port ranks the third in the world. I wonder how much longer this position can be maintained, the reason being that in less than a few years Shenzhen is likely to take over from us that position. Over the past few years, in the face of competition from nearby ports, the logistics industry has been incessantly enhancing logistics efficiency, and trimming down transport costs as much as possible. However, there is very limited margin for further trimming of transport costs. In order to consolidate our position as the logistic hub, we have got to look for breakthroughs.

I am still sanguine about the future of our logistics industry. As pointed out by the Report of the Chinese Academy of Social Sciences, Hong Kong enjoys comprehensive competitiveness. As an international business centre, Hong Kong has a free economy and a sound legal system. Given our position as a logistics hub, our maritime and air shipment schedules are frequent, offering convenient transport links to the Pearl River Delta, and having most Asian nations and one half of the world population within our reach by plane in not more than five hours. What is more, our logistics services are outstanding, offering high reliability and accuracy, and giving clients around the world fast, reliable and safe service.

I understand that to many consignors, price is, after all, the most important consideration. On the basis of what was shown on paper, while we in the past kept on saying that our shipping costs were US\$300 higher than those of the Mainland for each container, the difference has, on paper, been reduced to US\$250 for each container now. Consignors, however, in fact should work out clearly the overall shipping costs. In addition to collecting terminal handling fee, mainland ports also charge Origin Receiving Charge (ORC) as well as all sorts of sundry fees. On top of these, trucks going to mainland ports have higher incidence of going through check-points than those going straight to Hong Kong. The delays and relevant expenses involved should also be taken as part of the freight costs. If all the expenses and hidden costs are added together, Hong Kong's overall transport costs in fact do not differ very much from those on the Mainland. Both the Government and members of the industry have the duty to point out the truth and make known to local consignors and those around the world the strong points of our logistics services, including the real transport costs, so as to enable consignors "to have a clearer look". In the mid-1990s, the port of Singapore once went down in its ranking. In one year, they were deprived of several million containers. However, the Singaporean Government later revised the strategy, and made vigorous promotional efforts worldwide. As a result, in 2005, Singapore surpassed us, becoming the world's largest container port. This proves the importance of promotion. We have got to set aside resources for more efforts here.

For the long term, we have to revise the port development strategy. We should shift the focus of development from cheap re-exports to value-added modernized logistics services. I again urge the Government to formulate specific policies and measures, and match that with funding so as to draw in multinational companies for them to set up cargo distribution centres in Hong Kong. Also encouragement should be given to the industry for the development of value-added logistics services. At the same time, it is hoped that Hong Kong can provide more land for logistics use by, say, replanning land use, relaxing the restrictions on industrial estates, making good use of unoccupied factory buildings, and carrying out, as soon as possible, the project in respect of the Logistics Park. This is to attract members of the local logistics industry and those of foreign countries for them to set up logistics base in Hong Kong. What is more, the Government must not treat land earmarked for logistics use as real estate developments. There must be clear and specific rules.

Given that the development of the Logistics Park on Lantau Island will commence only a few years later, we have to make good use of the existing land resources. Close to Lok Ma Chau Control Point, Yuen Long Industrial Estate has all the geographical advantages. It is an ideal location to be developed into a logistics centre. Several years ago, Hong Kong Science and Technology Parks Corporation, the manager of industrial estates, planned to turn Yuen Long Industrial Estate gradually into a place capable of providing value-added logistics services and facilities. As far as I know, someone once had planned to build a logistics centre at Yuen Long Industrial Estate and to invest heavily. But the plan did not materialize in the end.

I do not know why the plan was shelved. However, we can note from the introduction of the industrial estate that it is in fact very difficult for logistics industry to be developed there. The industrial estate asks tenants to provide value-added services. However, there is no definition for the meaning of "value-added"; nor is the percentage of "value-addedness" specified. This often gives rise to a lot of argument. With the industrial estate finding the services not value-added enough, the operators concerned are turned away.

Also, the sites leased are not allowed to be used for storage. As we all know, in the process of supply chain management, providers of logistics services also have to provide storage. If storage is not allowed, how can anyone operate in the industrial estate? As far as I know, at present logistics services stationed in the industrial estate stand close to zero. It is hoped that the Government can review the lease conditions of the industrial estate to bring them in line with the requirements of the modernized logistics industry, and encourage members of the logistics industry to make full use of the industrial estate to develop logistics services.

With regard to Container Terminal 10 (CT 10), it is the Government's responsibility to make sure that the use of the facilities is well-timed. It takes at least seven years to build the terminal. In order to maintain our competitiveness and to tally with future development, the Government should make the decision as soon as possible. On the issue of site selection, the Government seemingly is inclined to choose south-western Tsing Yi. I, however, would like to remind the Government that the place (that is, south-western Tsing Yi) has no hinterland. The Government should take notice of this, and, before designating that place as the CT 10 site, address the matter properly. There is another point

that warrants the Government's attention. Being only 15.5 m deep now, the fairway and berths leading to the container terminals at Kwai Chung-Tsing Yi may not be able to accommodate the increasingly big container ships, especially those loaded with heavy cargoes, which, in future, may not be able to enter our container terminals at Kwai Chung-Tsing Yi. Lately, the Government has plan to dredge the fairway to make it 16.5 m deep. I hope the Government will provide funding and launch the project as soon as possible so as to maintain the competitiveness of our port.

For Hong Kong to invest for the future, apart from infrastructure, we must place emphasis on the nurturing of talent. Although Hong Kong is a shipping and logistics centre, we are short of shipping and logistics talent, especially senior managers with a lot of sea-going experience. At present, The Hong Kong Polytechnic University has a Hong Kong Maritime Scholarship, offering financial aid to people interested in joining the development of the local maritime industry for them to enrol for the relevant Master's Degree courses. The Government also has a Sea-going Training Incentive Scheme, one that encourages our youth to take up sea-going training. However, the former has only 10 to 15 places a year whilst the latter only got 86 cadets in the past four years. Although it represents a start-up from zero, and having 86 cadets is better than having none, the number of people trained is still small, and falls short of the industry's requirement.

The Government does not have — let me repeat, "does not have" — a set of policy and plan for the general nurturing of shipping and logistics talent. The Mainland and other places, for example, Singapore and the Netherlands, all have specific policies for the nurturing of shipping and logistics talent. Special institutes or centres have been set up for the nurturing of talent. Research for the development of shipping and logistics is also being conducted. Let us look back on Hong Kong. Courses on shipping and logistics are being run by various universities separately. There are very limited places. Given the fact that each discipline has its own resources to vie for, in the end courses on shipping and logistics can only offer very few places for students to apply for. Demand often exceeds supply. There are many applicants, but few are admitted. Neither the universities nor the Government have any well-established development research centre for shipping and logistics. To give assistance to the general development of the shipping and logistics industry, the Government must draw up specific policies for the nurturing of talent and put in resources for long-term commitments.

Madam President, before leaving the subject matter on shipping and logistics industry, I would like to talk about two tax issues. The first one is about diesel duty. The spiralling of oil prices makes the transportation industry suffer heavily. Under the circumstances of free economy, the Government can only take action in two areas, namely, to cut diesel duty and to keep a close watch on oil companies to see to the rationality of price hikes. Last December, the Government raised the diesel duty concession to make way for the introduction of sulphur-free diesel. At present, diesel duty is being charged at the rate of merely \$0.56 per litre. This, however, does not help to reduce the cost of land transport at all. The price of diesel rose sharply from \$9.35 per litre last December to \$10.67 per litre today. Under such special circumstances, it is only reasonable for the Government to remit the remaining diesel duty, that is, a complete remission of diesel duty, to alleviate the pressure of oil price on the industry. On the other hand, the Government should put in more efforts to monitor oil companies' price hikes, and ask oil companies to improve their transparency so as to ensure that oil companies cannot fish in troubled waters.

The second one is Departure Tax, or Embarkation Fee. The Government does not consider Embarkation Fee to be a tax, holding that it serves to recoup the cost involved in providing services and facilities at piers. However, I wonder why those who leave the territory by land need not shoulder the cost of services and facilities for their departure. Also, when the Government decided not to bring in Boundary Facilities Improvement Tax, it was made clear that it intends to minimize obstacles obstructing integration. At present, passengers boarding ferries at piers on their way to the Mainland or Macao are required to pay an Embarkation Fee of \$11. This is apparently a fee-charging obstacle. I call upon the Government to immediately abolish the Embarkation Fee so as to promote the integration between Hong Kong and the Mainland.

Madam President, I am now going to talk about environment-friendly vehicles. I welcome the Government's move giving environment-friendly commercial vehicles First Registration Tax concessions. However, to encourage members of the industry to switch to more environment-friendly vehicles, it takes more than the Government's wishful thinking or the offer of some concessions. Although in 2006 the Government introduced the emissions standards of Euro IV to replace those of Euro III, all along relatively few members of the industry have switched over to Euro IV vehicles, the main reason being that they do not have much confidence in Euro IV vehicles. As a matter

of fact, there have been all sorts of technical problems for members of the industry following their purchase of Euro IV commercial vehicles. As a result, their operations have been seriously affected. Although last year the Government allocated a sum of \$3.2 billion to encourage owners of vehicles to replace their Pre-Euro or Euro I diesel vehicles with Euro IV diesel vehicles, the response has been very poor. Last year, the total sum spent amounted to only \$0.15 billion. The Government has committed \$3.2 billion but only \$0.15 billion was spent. It can be seen that the response was very poor. That members of the industry do not have enough confidence in Euro IV commercial vehicles is one of the reasons. In the second place, members of the industry are steeped in problems with their business. Even if there is the wish to change vehicles, there is worry about their ability to pay for them. Before introducing another plan giving tax concessions to environment-friendly vehicles, the Government must work in conjunction with members of the industry and car manufacturers to solve the problem concerning the confidence of members of the industry in Euro IV or Euro V vehicles. Otherwise, it is hard for members of the industry to embrace the Government's environment protection policy in this aspect. Furthermore, the Government should also consider extending the deadline set for the offer of subsidies or concessions so as to give more time to car owners with problems for them to meet the financial requirement.

Madam President, at the beginning I cited the report on the competitiveness of Chinese cities. As far as comprehensive competitiveness is concerned, Hong Kong is ranked first. The second and third places go to Shenzhen and Shanghai respectively. Such an order of ranking brings to my mind the point that once upon a time Hong Kong was the world's biggest container port. Now our ranking has dropped to the third. Soon it is likely to become the fourth. For the sake of our future, I very much hope that Hong Kong can commit more resources to the shipping and logistics industry, especially in the area of nurturing talent, in order for Hong Kong to keep the No. 1 position in comprehensive competitiveness.

Madam President, I so submit.

MR FREDERICK FUNG (in Cantonese): President, here I would like to comment on the overall direction of the Budget first, and then discuss the specific details therein. As I am the only legislator from the Association for Democracy and People's Livelihood (ADPL), I can only focus on some of the issues that are

of concern to us in my speech. First of all, we cannot deny that this Budget does adopt a bold and resolute approach of lavish spending. This is unprecedented. Basically, it is able to "give money to every person". As a result, it has won applause from all sectors of the community. The Government has adopted measures proposed by the ADPL to alleviate inflation and let the people share the fruits of economic success by, for example, waiving one year's rates, waiving the rent of public rental housing, and making additional CSSA payments. Obviously, from the "high score" given to the Budget after its release, and the fact that in the opinion poll the popularity of Financial Secretary John TSANG has gone up sharply, there is overwhelming acceptance of the Budget among the people.

However, secretly hidden behind the applause is the Government's excessive short-sightedness. There is not enough commitment to the middle and lower classes. There is even neglect of society's need for sustainable development. The ADPL holds that the Government, being the policy-maker of public finances, must not just mind "the present" in total disregard of "the future", and mainly put forward short-term or one-off measures for the sake of winning a moment's applause while long-term commitments are being put aside in disregard of the point that a budget can serve the important social function of "wealth redistribution".

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

Financial Secretary John TSANG rhetorically cited commitment to society, sustainability and pragmatism as the three principles that he strictly adhered to in drawing up the Budget, saying: "first, the Budget should demonstrate the Government's commitment to our society; second, financial policies should be sustainable; and third, we should be pragmatic in decision-making".

However, it can be noticed by carefully reading details of the Budget that the three basic principles that he has strictly adhered to are all empty talks. The so-called commitment to society merely repeats a "cliché" by the Government. That is to say, prosperous economic development should be a panacea for improving people's livelihood, and unemployment rate will go down naturally and there will be hope for salary increase. Surely, it is not altogether inexcusable to say so. This, however, is just one side of the coin. The other side shows that the Government is remiss on economic policies set in the past,

and that the distribution of wealth is overwhelmingly biased in favour of big enterprises and "the rich". When compared with the share of fruit of economic success enjoyed by members of the middle and lower classes, theirs is totally out of proportion. This is an approach of "keeping a fat top above a thin base and fattening the top at the expense of the base", representing a method of distribution of resources that is very unhealthy. Ultimately it will lead to the exacerbation of the wealth gap. As a result, there can be no solution to the problem of the working poor.

However, while drawing up the Budget, the Government failed to avail itself of the opportunity to enhance the system of progressive tax rates now used by the Government. That ADPL all along advocates the introduction of progressive rates for profits tax and rates and the abolition of standard rate for salaries tax in order to tackle this situation. Our wish is to really implement the "principle of affordability", and alleviate the wealth gap. However, the Government so far still ignores that, and has repeatedly rejected the ADPL's requests, refusing to improve the tax system, and, what is more, insisting on adopting a fixed and biased method to distribute social resources. There is even the intention to use the crooked pretext of broadening the tax bands to draw members of the lower sector into the dragnet of taxation.

Deputy President, this year the Government goes further still by doing exactly the opposite. The rate of profits tax and the standard rate of salaries tax are lowered, thus broadening the disparity between the poor and the rich and making the wealth gap worse still. The Government's call to build a harmonious society is obviously a lie. Ultimately it can only sow the seed of future unrest in society, let alone making commitment to society.

Turning now to the second principle strictly adhered to by the Financial Secretary — "sustainability". It says: "If we increase recurrent public expenditure or reduce recurrent public revenue, we must be able to give reasonable assurances that the changes can sustain themselves." This line of reasoning constitutes a lame argument aiming at finding grounds to bring in one-off measures. To put it plainly, it only shows that the Government is unwilling to shoulder the middle- and long-term needs of society and therefore fabricated a high-sounding excuse for not increasing the "fruit grant". Is it that the reduction of profits tax and the standard rate for salaries tax as well as the increase of tax allowances can sustain themselves for a long time? This reflects the Government's double standards.

Deputy President, the Budget uses several paragraphs and pages to "demonize" the problem of an ageing population. It starts on page 10, which is about an ageing population. Then comes page 14, where it is said that an ageing population generates pressure causing a rise in welfare expenditure. The part from page 49 to page 50 refuses to increase "fruit grant" and ultimately brings up the issue about health care financing. Elderly people are being depicted here and there as the culprits responsible for increasing the spending on health care and welfare, putting heavy pressure on public finance in the days to come. Why does an ageing population all of a sudden become a "hot potato"? In the final analysis, by creating a panic situation, it has actually served as the foreword for the Government to reject an increase in "fruit grant" and to bring in health care financing.

As a matter of fact, over the years the ADPL has been adamant that it is absolutely necessary to draw up comprehensive and sound policies as well as supporting measures to face the challenge from an ageing population by, say, establishing an universal retirement protection scheme, proactively opening up the big "silver-haired market", and setting free the potential productivity of the elderly. We just should not consider the ageing of the population to be a serious social problem. On the contrary, we should turn to other nations for reference with regard to the question as to how to face up to this problem. The pivotal point is how we adapt to this situation of ageing. For instance, countries in Scandinavia have long established a sound retirement protection scheme, making it possible for the elderly to enjoy their twilight years in comfort. This is just different from the case of Hong Kong, where many of the elderly still have to earn their living, relying on the "fruit grant", and eking out an existence by scavenging. It is lamentable that the Government, oblivious to the fact that elderly people are living on the "fruit grant", even cited a large heap of figures to fabricate a financial crisis in the future, justifying itself by resorting to the reason of so-called "non-sustainability", and totally disregarding the consensus reached by several parties in the Legislative Council.

Deputy President, I do not mind taking all the trouble to again speak on the "overestimate of deficits and the underestimate of surplus" on the part of the Government. This has to do with the Government's long-established conservative attitude towards financial management. It can still be recalled that the original forecast of fiscal surplus for the year 2007-2008 was \$25.4 billion. However, it turned out to be \$115.6 billion. It is likely for the most up-to-date figure to be more than that. There is a miscalculation 400% to 500% off the

point. It can still be recalled that the year before last, there was a miscalculation 900% off the point. That of this year can be said to be an improvement.

Although Article 107 of the Basic Law states that "The Hong Kong Special Administrative Region shall follow the principle of keeping the 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", the conservative attitude towards financial management adopted by the Government in the past has, for years, led to the inability on the part of the Government to effectively utilize surplus resources. The reason is that in the past, expenditures were calculated on the basis of the underestimated revenues. As a result, in the case of certain items of expenditure, there had been wrongful cuts or reductions, or failure to increase resources to meet people's needs. Such a situation is really not acceptable. My wish is for the Government to comprehensively review its philosophy of financial management, which tends to underestimate revenues, so as to put into effect the original intention of the Basic Law.

The above is the ADPL's general view on the overall direction of the Budget. Next, I would like to discuss certain issues that we are more concerned about, concentrating on poverty alleviation and welfare.

In this Budget, the Financial Secretary, after all, does show some conscience, also reaching out to the grassroots when "handing out candies". However, most of the poverty alleviation measures in the Budget are one-off in nature. They include the public housing rental waiver, CSSA payment, subsidies for elderly people, and the electricity charge subsidy. The Government does not appear to have made any commitment to poverty alleviation. The "lavish" way of "handing out candies" can in no way address the present situation of the wealth gap.

Anyway, having some measures is, after all, better than having none. On the whole, the grassroots do welcome these relief measures. The point is just that the Financial Secretary took a long time to "open his golden mouth". So like fireworks, the applause was gone in a wink. These relief measures are not strong enough to combat inflation. At present, inflation is getting more and more rampant. Spiralling are not just food prices. Two days ago, at a meeting of the Panel on Welfare Services, some groups even pointed out that some private housing rentals have gone up by more than 50%.

In my constituency, many kaifongs are living in cubicles. To remain self-reliant, they would rather take up low-pay jobs, and toil day and night in order to improve the livelihood of their families and that of theirs through their own efforts. The Financial Secretary is probably not aware of this. In this Budget, they are quite forgotten and can hardly benefit from the remission of rents, CSSA or electricity charge subsidy. But the incessant inflation keeps on adding burden on them. Unfortunately, the Government has no specific measures to help these "people with five noes". What is meant by "people with five noes"? They are people with no property, no remission of rent, no CSSA, no tax payment, and no individual electricity account.

Besides the problem of the working poor, the Government also fails to take care of the needs of the elderly in poverty. It is not easy for this Council to arrive at a multipartisan consensus on issues about the people's living. For 10 years, there has been no increase to the "fruit grant". Up to now, the Government is still unwilling to increase it. The ADPL finds this decision by the Government most disappointing and infuriating. Though each elderly person will be given an extra sum of \$3,000, this is just a one-off measure. Systemwise, there is no response to the needs of the elderly.

Also, with regard to half-fare concessions of public transport that people with disabilities have long fought for, the Government now only provides a supplement of \$200 to CSSA recipients with 100% disability. In the opinion of the ADPL, this measure is a far cry from what the disabled ask for, and falls short of their needs. It is hoped that this supplement only marks the start. The Government should respond to the requests of rehabilitation organizations, and, by offering half-fare concessions on public transport, encourage all types of disabled people to have normal social life or even go to work to give full play to their skills and set free their potential productivity. In the end, this will benefit not only the disabled and their care providers but also the society as a whole.

With regard to the requests of the disabled, I would like to speak on the development of social enterprises (SEs) in particular. At present, members of the rehabilitation sector have set up quite a number of SEs. Of all the SEs in Hong Kong, almost half are established by members of the rehabilitation sector. When running for his re-election, Chief Executive Donald TSANG offered to help the development of SEs in order to provide more employment opportunities. One year has gone by. The Government is still unable to tell us what is meant by SE. Support from the Government is also very little. The policy address of

last October only mentioned a general direction, that is, for SEs to foster a new caring culture to reduce social conflicts. In December the Government convened a Summit on Social Enterprise Programme. However, only some overseas organizations and local SEs were invited to present their views. No specific direction nor policy was set then.

Likewise, this year's Budget used only 169 Chinese characters to reiterate the stand and work of the Government. The Social Enterprise Partnership Scheme mentioned therein and the Enhancing Self-reliance Through Partnership Programme, which has been in effect for some time, are open to participation only by SEs set up by welfare organizations registered under section 88 of the Inland Revenue Ordinance (IRO). Up to this moment, the Government still defines SE as work of charity. This is utterly different from our long-held understanding that SE ought to be run in the manner of a business. I am very pleased that the Secretary for Home Affairs is in the Chamber now, for he is the one in charge of matters about SEs. As a matter of fact, we all along have been of the understanding that SE should have a social objective. The enterprise is launched while being run in the manner of a business but for no personal gain. This is neither a charitable activity; nor is it a business activity. You may call it a freak. Anyway, it is also something new. Under such circumstances, if we apply section 88 of the IRO and stipulate that only charitable organizations may set up SEs, then the Government is providing a distorted or erroneous concept leading people to the belief that SEs are charitable projects. So, until they can stand up by themselves, which might take indefinitely long, the Government is required to top up any shortfall in their operating expenses, grant subsidies, give support, and be helpful. With regard to the requirements under section 88 of the IRO, I hope the Government can give fresh consideration to see if it is necessary to redefine SEs and draw up new legislation. Take England as an example. There, a separate piece of legislation was drawn up for SEs under regulations concerning registration of limited companies. I think such an approach warrants reference by us.

Contrary to what the Government says, SEs in fact do not merely provide those unemployed with jobs. In foreign countries, SEs also cover areas like culture and environment protection. So, there is plenty of room for us to develop SEs, establish commonly acknowledged social objectives and mobilize members of the public with a view to making SEs self-sufficient without government support. However, at the start, it is necessary for the Government to make clear the definition and provide assistance so as to promote the growth

and establishment of SEs in order that SEs can grow in good health and become strong in the coming days.

Finally, the ADPL and I would like to advise the Government to rid its mentality of "handing out candies without handing out remedies", and re-establish the Commission on Poverty as soon as possible so as to formulate a series of specific, practicable, and well-targeted poverty relief measures and policies by setting the poverty line, specific poverty elimination objectives and the direction for poverty relief, with a view to narrowing the wealth gap and reducing social conflicts.

Deputy President, I so submit.

DR RAYMOND HO: Deputy President, "It is a down-to-earth Budget with feelings, for which I'll give full marks." This was what I said in my comments made to the media on the Budget immediately after its delivery by the Financial Secretary, Mr John TSANG, on 27 February 2008. I must say that it is the best budget in recent years.

First of all, it is encouraging that the Government is taking measures to rectify its wrongs made in the past. The failure of not dishing out sufficient Category B and Category C projects, and the wrong policy of not allowing sufficient recurrent consequences or recurrent expenditure a few years ago have led to the serious dwindling of Category A projects at present. In other words, there are not enough infrastructure projects for implementation, or projects which can go out for tender.

The revised overall expenditure on infrastructure projects for 2007-2008 is \$20.5 billion. It will rise to \$21.8 billion for 2008-2009, still falling far short of the annual \$29 billion as committed by the Government. It means that this will be the fourth year when the Government's target is not met. However, spending on infrastructure development will definitely increase with the implementation of the 10 major infrastructure projects which the Chief Executive announced in his policy address of 2007 last October. In fact, there are also other projects being given high priority, such as the dual 3 — Central Kowloon Route, the MTR West Island Line and the construction of a third runway. In order to enhance our competitiveness in container handling capacity, the Government is taking up again the development of Container Terminal 10. Its

need and urgency should be looked into and thoroughly assessed with all aspects and parameters considered.

To ensure the smooth implementation of these projects, or to get them off the ground, the Government must ensure that they are consistent with the expectations of the public which are increasingly defined by the environmental concern and the need for conservation. This may require the Government to engage stakeholders as well as members of the public in the policy or project formulation process and allow their adequate involvement from early stages. So, instead of public consultation which is usually adopted now, it is public engagement which must be undertaken. The arrangement will promote better understanding between the Government and the parties in the community who are involved in those cases in terms of development goals and options available. The latter may even come up with useful inputs and creative ideas for solving the problems associated with the development. The engagement of all relevant parties in the process may have prevented the unfortunate last-minute confrontation which took place during the relocation, for example, of the Clock Tower at the Star Ferry or the temporary relocation of the Queen's Pier last year. As a further bonus, co-operation between the public and the Government will be conducive to building a harmonious society.

Engineering professionals, whom I represent, are most willing to be involved in the process and can come up with constructive solutions to the future development in the project formulation stage, just as we provide solutions in project delivery stage.

In project delivery stage, engineers are needed for planning, design, management and supervision, certification of works and contract conclusion. Good manpower planning on the part of the Government is necessary if it is to ensure quality delivery of public works projects to be implemented, including the 10 major ones.

To attract high calibre engineers to join the Government and to retain experienced ones working in the Government, the Government should seriously consider reverting to the recruitment of government engineers on permanent basis rather than on contract basis. The arrangement will encourage young government engineers to pursue their career in the Government and work wholeheartedly for the public. It is of vital importance that the Government

should also increase engineering graduates' starting salaries to a more competitive level. Their starting salaries have been substantially slashed a few years ago when the Government suffered from huge fiscal deficits. Equally important, there must not be any delay in rectifying the Government's mistake of introducing the discriminatory 3-tier system of employment terms and conditions for Resident Site Staff. Type C must go. There must be full recognition of incremental credits for experience (that is, ICE). It is in no way that the Government should prejudice against engineering professionals. They should be given the original employment terms which commensurate with their professional duties in ensuring time, cost, quality, environmental and safety control of the infrastructure projects.

For almost a decade, government engineers have gone through tough times with the Government's various policy changes. With the improvement of its financial position, the Government should review and adjust their employment conditions and terms to a more competitive level. Government engineers should be given back what they deserve. Inaction on the part of the Government will surely cast doubt on its ability to appreciate engineers' vital role in ensuring quality delivery and the smooth running of the Government.

Sitting on a huge surplus, the Government should do more to address other pressing problems in our society. The growing gap between the poor and the rich is worrying, and needs the Government's immediate attention. While it may take some time for society to reach a consensus on how to address the issues, short-term measures, particularly those on a one-off basis with little long-term financial implications, can be introduced in the meantime to help the underprivileged, such as the elderly, to improve their livelihood. The one-off grant to the Old Age Allowance recipients is a good gesture but \$3,000 is simply not enough. Nobody will not support the Government in being more generous to enable the elderly to really share the fruits of our economic growth.

However, I appreciate the Government's decision to inject \$6,000 into each MPF account of those earning not more than \$10,000 a month, and its pledge in drawing \$50 billion from the fiscal reserves to assist the implementation of health care reform. The provision of additional expenditure of about \$300 million a year on places for Postgraduate Research Programmes and the establishment of a Research Endowment Fund of \$18 billion for our tertiary institutions are policies on the right track.

Just as I made it clear at the beginning of this speech, this is an excellent Budget which I fully support. Nevertheless, the Government's responses and actions are still earnestly expected in some specific areas, including those mentioned above. With these remarks, Deputy President, I so submit. Thank you.

PROF PATRICK LAU (in Cantonese): Deputy President, the most remarkable merit of this year's Budget, apart from the huge fiscal surplus recorded, is that every sector of the community is being taken care of as far as possible. Even more ingenious is that every citizen that consumes electricity will be given subsidy. During my consultation with members of the industry, they were very appreciative of the Financial Secretary with regard to his clear analysis of the challenges confronting the ageing population, especially the burden on the work force, and his principles of financial management, namely, pragmatism, sustainability and commitment to society.

I agree with the Financial Secretary's principles of financial management. First, it is necessary to use public funds pragmatically. Resources should be used more effectively and clearly to ensure that public services are congruent with public needs. So, in my opinion, there is even a greater necessity for the Government to build as soon as possible community facilities congruent with the needs of the community. Second, there must be sustainability. Measures implemented should not incur any long-term burden on society. So, I often advise the Government to speed up the pace of urban development, and attract overseas investments so as to propel the economy and generate more wealth in order that our city can sustain its healthy growth. Third, there has got to be commitment to society. So, I moved a motion last week to ask the Government to formulate immediately a policy on elderly housing, to promote comfortable living for all the elderly and improve their living environment so as to really realize the pledge of "quality city and quality life" emphasized in the policy address.

As stated in the Budget, we are facing the challenge of an ageing population. When everybody is concerned about health care and retirement protection, it seems that elderly housing, an even more important issue, is being neglected. How can that be quality life? I, therefore, am of the view that the Financial Secretary and the relevant Director of Bureau should, when giving

their replies next week, set a timetable to formulate a policy on elderly housing and add one type of land to be designated for "elderly housing", just as the provision of "hotel sites" as stated in the Budget. This is to encourage more participation by the private sector for the development and construction of different types of elderly housing with a view to making up for the inadequacy of subsidized elderly housing attributable to a total reliance on supply from the Government.

With regard to commitment to society, apart from caring for the elderly, to develop human capital is equally important since Hong Kong has no resources. This is especially so with regard to fostering creative development among our youth. The Budget proposed to allocate \$18 billion to establish a Research Endowment Fund and to make, additionally, an annual grant of \$300 million to provide 800 additional publicly-funded places for research programmes. I am most appreciative of this. However, the Government has yet to make known the arrangement in respect of the research fund. I hope the Secretary will explain the details in his reply.

Deputy President, with regard to the budgets of recent years, like Dr Raymond HO, I too have a question. With regard to the \$29 billion committed by the Government for works, why is it that such a small part of it is used every year? Although the Government did state that unused appropriation can be carried forward for future use, there has been no response to the question as to when it will be possible to speed up the works and spend as quickly as possible the appropriation still unused. Can the Government state clearly that in the Budget of the coming year or in those of the years following, appropriation for works will be increased to \$50 billion to make up for the works lagging behind so as to materialize the 10 major projects proposed by the policy address?

Besides appropriation for works, I am even more concerned about the tight staffing situation in government departments — Secretary Denise YUE is in the Chamber now — especially that of professional grades, such as architects, surveyors, planners and landscape architects. Even if the Government is prepared to increase the annual appropriation for the works, I still wonder if the departments have enough manpower to handle them. I know that there still exists a conflict between government contract staff and those of the Civil Service arising from different pays for the same jobs, and that one of the factors affecting the progress of the works is probably the talent drain.

I, therefore, think that the Government should take advantage of this opportunity when there is fiscal surplus to resolve as soon as possible such internal conflict by hiring more staff to help the departments to handle the backlog and, at the same time, admit into the civil service establishment those contract staff who have been in service for years. The reason is that all these professionals are people all trained up by the Government over the years with a lot of public money. It is going to be a huge loss to the Government if there occurs a wasteful drain on this batch of talent because of a prolonged delay in solving the problems of the contract system. In my opinion, the Government should allocate more money to solve as soon as possible the manpower problem, shorten the time required for the completion of projects by speeding up the progress of works, and recycle resources for use in other developments of the city. This should be the most effective philosophy of financial management.

Deputy President, although the policy address put emphasis on promoting economic prosperity by undertaking 10 major infrastructure projects, the Budget did not give information on the appropriations. This is understandable. It is because in the case of major infrastructure projects, it often requires prolonged discussions from the time of preparation to the time of actual construction. So, I am of the view that until the time when there are actual appropriations for major infrastructure projects, the Government should spend the money on more community projects, especially community facilities congruent with public needs, and community landscaping projects. When compared with the sum of \$21.6 billion set aside for the West Kowloon Cultural District, the sum of \$0.6 billion proposed by the Budget for use on district minor works of the 18 District Councils is indeed too meagre. Deputy President, it costs \$100 million to build a school. If each district, on the average, only gets about \$30 million, what can be done?

It is not just that appropriations for works in the districts are meagre. Even the Hong Kong Pavilion for the World Exposition in Shanghai, which is to represent Hong Kong and which is to be open to visitors from all over the world, gets only \$69 million for design and construction. Is that not too little? Anyway, I am still grateful to the Chief Executive for holding a design competition immediately after listening to my views. Thus many local architects have been able to take part in this wonderful event. Here I would like to congratulate the two architects who both won the first prize. One of them is with the Architectural Services Department, which shows that the professional

teams trained up by the Government are very capable. So, for the Government to persuade the talent to stay on is something very much worth considering.

Deputy President, I, being a member of the Antiquities Advisory Board (AAB), am particularly concerned about the preservation of historic buildings. However, on the one hand, in the policy address the Government stressed the need to revitalize historic buildings; on the other hand, the Budget made no funding proposal whatsoever for historic buildings. This makes people wonder how determined the Government is regarding preservation of historic buildings. In particular, even after the King Yin Lei incident, the Government still adopts a passive approach in dealing with matters about historic buildings. The information required for grading is prepared at a speed too slow, which renders it impossible for the AAB to speed up its work. I am worrying if the grading of the existing 1 440-odd historic buildings will take as long as next year to complete. While old urban districts are to be redeveloped, what I dread most is that incidents similar to King Yin Lei might recur.

In order that there can be a suitable balance between conservation and development, it is imperative to have sound planning. So, I am strongly in favour of adding land development parameters according to outline zoning plans. In addition to having the wall effect reduced, it can also eliminate the public's concern that developers will benefit from the exemption of premium for having floor areas of environment protection facilities excluded from the calculation. However, I disagree with the presumption in the Budget that it may lead to a reduction in revenue from the premium. If the construction of lower-density residential buildings is clearly specified as high-quality development, then the land sale will command a higher square footage price accordingly. If the market shows demands, it is also possible to develop sites at other places. The Treasury can derive revenue just the same. Yet there can be better transparency. With the buying and selling all in the open, the real values of sites can thus be reflected.

In addition to highly transparent planning, clear management of operation is also very important. Here is an example. In recent days, much has been said about a lot of public land being put to private uses. The Government should really conduct a review. With regard to certain public facilities that have been contracted out to private firms for management, is it necessary to arrange for more departmental staff to conduct inspections so as to materialize the principle stated in the Budget, namely, to ensure that our services can meet the changing needs of the community to benefit those in need?

Deputy President, inflation is very rampant. Rents and food prices have gone up rapidly within a short period of time. Many Members have made mention of this. The livelihood of every sector of the community is affected. Given that the Government has a fiscal surplus of more than \$100 billion, I am of the view that the Financial Secretary should consider whether or not it is possible to implement some measures to help those in need. My wish is for the Financial Secretary to say a few words on this in his reply. Can there be some immediately effective extra reliefs in addition to the reliefs proposed in the Budget?

With these remarks, and on behalf of my profession, I support the Budget. Thank you, Deputy President.

DR LUI MING-WAH (in Cantonese): On 27 February, Financial Secretary John TSANG presented his first Budget since taking office. The following day, local newspapers gave extensive coverage to the Budget's provisions and contents. On the next few days, various writers commented on the Budget from different standpoints, some praising, some criticising, some jeering and some condemning. That well demonstrated the broad horizon of freedom of expression in Hong Kong. Anyway, judging from the overall response of the community, this maiden Budget of the Financial Secretary has been favourably received by all the people of Hong Kong, and given high score. Here I would like to examine the Budget macroscopically to discuss its social and economic impacts on Hong Kong and explore its shortcomings and aspects worthy of consideration for the Government's reference.

First point, the even distribution of benefits and promotion of social harmony. It is wise for the Financial Secretary to make the decision to return wealth to the people when there is a fiscal surplus amounting to more than \$110 billion. Grievances in the community can be reduced and social harmony promoted by generously "handing out candies" to people of all sectors in response to public aspirations, and let them share the joy of economic prosperity.

However, it is imperative for the Government to have the right strategy when distributing wealth. First, ours being an affluent and civilized society, it is essential to take care of the disadvantaged groups and the elderly. Second, members of the business and industrial sectors and wage earners are direct

contributors to the accumulation of wealth. It is only reasonable to make the return to them. This is also a form of encouragement. Third, the Government must give consideration to the funds required to be set aside to maintain the continuous growth of the economy. The Government, on the whole, has made consideration broadly along these three lines when "handing out candies" this year.

In the first place, the Financial Secretary did make adequate commitments with regard to the grassroots, the disadvantaged groups and low-income individuals. For instance, the Government is going to provide one additional month of the standard rate of CSSA payment for CSSA recipients and one additional month of allowance for recipients of Disability Allowance; pay one month's rent for public housing tenants, and offer transport allowance. As for the elderly, the Government, in addition to giving a cash grant of \$3,000, will allocate money to enhance services received by the elderly, and improve their home environment. The Government also takes care of the interests of other groups, such as children, youth and ethnic minorities.

As for the business and industrial sectors and the middle class, the Government will lower the profits tax rate to 16.5%, offer a 75% tax reduction of profits tax for the current year, and waive the business registration fee for the coming year. Next, the Government is going to lower salaries tax and tax under personal assessment to 15%, offer a 75% tax reduction of salaries tax and tax under personal assessment for the current year, raise tax allowance, widen tax bands, and waive property tax and rates for the current year and the coming year respectively. The Government will grant each residential electricity account a subsidy of \$1,800. The Government is going to make an injection of \$6,000 into the MPF account of those who each earn not more than \$10,000 a month. During the Budget debate of last year, I proposed an injection of \$2,000 into each MPF account (*Wen Wei Po* 25 January 2007) in order to show concern for wage earners and to encourage self-employed persons and those not yet participating to join the MPF scheme for the protection of their retirement benefits.

As can be noticed from the response in the community, under the meticulous planning for even distribution of benefits by the Government, all sectors of the community stand to benefit, and thus can share the fruits of economic growth. Hence, none of the criticism or condemnation can arouse resonance.

Although the Financial Secretary generously "handed out candies", he adopted the principle commonly used by the business sector when giving out bonuses at the end of the year after balancing the books, as most of the concessions and allowances given are one-off measures. That would spare the Government a long-term financial burden. This is a correct and responsible policy for financial management. It should be applauded.

Now the second point. It is justifiable to leave wealth with the people, but there are not enough wealth-generating measures. The Financial Secretary is in charge of the finances and economic development of the SAR Government. The Budget generously returns to the people the fiscal surplus of last year, thus winning applause for the Government. However, as for economic development, measures proposed in the Budget look rather pale.

In the first place, according to their nature, economic activities can be divided into two major categories, namely, wealth-generating economic activities and prosperity-inspiring economic activities. The former category includes the externally-oriented manufacturing industry, agriculture and fisheries, mining, inbound tourism and financial services. They can all generate wealth for our economy. That is wealth-generating economy. Conversely, if the economic activities serve to stimulate the circulation of wealth within the economy, as in the cases of catering industry, retail trade, and construction industry, they can bring prosperity to the economy of the community, but cannot generate wealth for the economy. On the basis of the foregoing analysis, the Budget has not proposed many measures serving to generate wealth for Hong Kong. In the event that the world economy sees some changes, and external factors that bring economic momentum to Hong Kong take a downturn, there will be heavy blows to our service-based economy. There is an old saying that "One having no worry about the future is bound to be concerned about what is right at hand". The Government should give this careful consideration.

As early as 2003, Premier WEN Jiabao already pointed out the need for our economy to undergo restructuring by taking creativity, knowledge, talent and environment as the overall direction of economic development. We may refer to the experience of other successful economies. The Government should draw up macro economic policies, and promote local manufacturing industry and creative industry to establish long-lasting wealth-generating sources, provide employment opportunities, and, also, improve the stability of the economy. We should know that local industrial growth can, in addition to generating wealth

and providing employment opportunities, narrow the wealth gap and alleviate inter-generational poverty. Social mobility can also be improved too. In this way, a lot of social conflicts can be resolved. Why can the Government not go ahead with it?

To give encouragement to local industry, the Government should step up efforts in two directions. For companies doing research and development in Hong Kong, the Government should directly subsidize part of the cost for use as start-up funds. If products are manufactured in Hong Kong, the Government should, for the purpose of providing incentive, allow a 200% deduction on taxable profits for the expenses on research. In the event that high-tech enterprises come here to set up factories for production, the Government should offer them cheap sites and tax concessions to make Hong Kong more attractive to them. Every country in the world has implemented measures to the advantage of high tech in respect of policies. If we still adhere to the policy of non-intervention, then the words of caution about marginalization are not just alarmist talks.

Now the third point, the setting up foundation funds for the purpose of saving up for the people. The principles of financial management observed by the SAR Government are for the preservation of fiscal balance. When the economy is prosperous, the Government may apply any fiscal surplus to return wealth to the people. When there is recession, the Government has to reach out to the people, and seek to achieve fiscal balance by increasing taxes and cutting down services. So, the Government and the public are always sitting on the opposite ends of a see-saw, going up and coming down in the mire alternately. As a matter of fact, as the economy has been very good in recent years and there have been huge fiscal surpluses year after year, the Government can afford to modify its mode of financial management. My suggestion is that, apart from returning wealth to the people as a must, the Government may earmark 30% of the annual surplus to set up project funds, such as a health care fund. If there is a return of 5% to 10% from the investment of the fund, (I think we all know that the rate of investment return for Temasek Holdings, an investment company owned by the Singapore Government, accumulatively stands at 18%) and when there is an accumulation of several hundred billion dollars in the fund, the fund's annual yield will be very handsome. Its contribution to the health care system will then be very important. As these project funds are savings kept for the people by the Government, and constitute provisions for the future, there should be no objection from the people so long as they are put to reasonable uses.

Finally, Deputy President, as stated by the Financial Secretary in the Budget, our record-breaking fiscal surplus of last year is due to vigorous economic growth, our advantage of leveraging on the Motherland as well as support from policies of the Central Government. This well proves the validity of the saying that "if our Motherland fares well, so will Hong Kong".

With these remarks, Deputy President, I support this Budget.

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

(No Member indicated a wish to speak)

SUSPENSION OF MEETING

DEPUTY PRESIDENT (in Cantonese): Altogether 39 Members have spoken today. I now declare the meeting suspended until 9 am tomorrow.

Suspended accordingly at twelve minutes past Seven o'clock.