

# OFFICIAL RECORD OF PROCEEDINGS

Thursday, 7 April 2011

The Council continued to meet at Nine o'clock

## MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE JASPER TSANG YOK-SING, 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

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

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

DR THE HONOURABLE MARGARET NG

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

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

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

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, S.B.S., J.P.

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

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

THE HONOURABLE VINCENT FANG KANG, S.B.S., J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

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

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

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

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

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 KAM NAI-WAI, M.H.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE STARRY LEE WAI-KING, J.P.

DR THE HONOURABLE LAM TAI-FAI, B.B.S., J.P.

THE HONOURABLE CHAN HAK-KAN

THE HONOURABLE PAUL CHAN MO-PO, M.H., J.P.

THE HONOURABLE CHAN KIN-POR, J.P.

DR THE HONOURABLE PRISCILLA LEUNG MEI-FUN

DR THE HONOURABLE LEUNG KA-LAU

THE HONOURABLE CHEUNG KWOK-CHE

THE HONOURABLE WONG SING-CHI

THE HONOURABLE WONG KWOK-KIN, B.B.S.

THE HONOURABLE IP WAI-MING, M.H.

THE HONOURABLE IP KWOK-HIM, G.B.S., J.P.

THE HONOURABLE MRS REGINA IP LAU SUK-YEE, G.B.S., J.P.

THE HONOURABLE PAUL TSE WAI-CHUN

DR THE HONOURABLE SAMSON TAM WAI-HO, J.P.

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

THE HONOURABLE LEUNG KWOK-HUNG

THE HONOURABLE TANYA CHAN

THE HONOURABLE WONG YUK-MAN

**MEMBERS ABSENT:**

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

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

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

DR THE HONOURABLE PAN PEY-CHYOU

THE HONOURABLE ALBERT CHAN WAI-YIP

**PUBLIC OFFICERS ATTENDING:**

THE HONOURABLE JOHN TSANG CHUN-WAH, G.B.M., J.P.  
THE FINANCIAL SECRETARY

MISS ADELINE WONG CHING-MAN, J.P.  
SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS

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

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

THE HONOURABLE TSANG TAK-SING, G.B.S., J.P.  
SECRETARY FOR HOME AFFAIRS

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

MS FLORENCE HUI HIU-FAI, J.P.  
UNDER SECRETARY FOR HOME AFFAIRS

**CLERKS IN ATTENDANCE:**

MRS CONSTANCE LI TSOI YEUK-LIN, ASSISTANT SECRETARY  
GENERAL

MISS ODELIA LEUNG HING-YEE, ASSISTANT SECRETARY GENERAL

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

**PRESIDENT** (in Cantonese): Good morning everyone. We will now resume the Second Reading debate on the Appropriation Bill 2011.

**APPROPRIATION BILL 2011****Resumption of debate on Second Reading which was moved on 23 February 2011**

**MR TIMOTHY FOK** (in Cantonese): President, in last year's budget, the Government injected \$3 billion to set up the Arts and Sports Development Fund. This year a dedicated fund called Sports Development Fund (SDF) is set up as a further move. The injection into the SDF is increased to \$7 billion, evident that the authorities have taken a big step in the development of sports. The earlier undertaking made with respect to sports development is thus proven as far from being something made on the spur of a moment but shows some long-term commitment. This is certainly one of the proposals made in this year's Budget that should command recognition.

The SDF incepted last year will use the investment returns to promote the development of sports and culture, especially in the promotion of team sports such as football and basketball. Training of athletes at all levels and at progressive tiers will be provided and promotion of sports at the community level will be carried out. The Elite Athletes Development Fund proposed to be set up this year is geared towards identifying and training young athletes with potentials. It will play an active role in promoting "sport for all", developing elite sports and positioning Hong Kong as a leading location for international sports events. To this end, a pledge is made by the Government to continue to inject resources into fully developing sports and recreational facilities.

At present, 18 projects on sports facilities are being planned and in progress, costing more than \$10 billion. Among these projects, the major works

of projects like the Siu Sai Wan sports complex and the turf pitch at the Po Kong Village Road Park have completed. The remaining projects all over the territory will be completed in due course. The Government has undertaken that sports facilities will be upgraded in tandem with the demand.

The achievements made this year are much more valuable in comparison with those made in the past. I think these achievements, albeit being the start, are also the burgeoning results of the hard work put in by the sports sector for many years. Of course, in the new situation where emphasis is placed on soft power, there is still a long way to go.

The Elite Athletes Development Fund proposed this year will mainly provide fuller support to elite athletes at the Sports Institute and strengthen efforts to identify and train young athletes with potentials. This is the first threshold we have to cross in developing sports and there is still an enormous void to fill.

First, apart from elite athletes, there are still a very large number of ordinary athletes who are restrained by objective conditions. There are very few sports in which Hong Kong athletes can excel in the international arena. And under the present regime of training elite athletes, those who can benefit from it are relatively few in number.

Second, the system whereby medals won are used as a standard for identifying elite athletes can only benefit a limited number of athletes. Sports in Hong Kong are after all under the constraints of objective conditions and so breakthroughs are limited to individual very popular sports. Athletes from sports with a high participation rate but are less competitive, such as football, basketball and athletics, are often left out. They do not receive the attention and support that they deserve. If this situation is not changed, it would be futile to talk about the development of sports.

Third, with respect to the current education system, I would think that not enough importance is attached to school sports. There is no initiative taken to seek or deploy resources for training in sports events. If this situation is not changed, the problem of older athletes being unable to pass the baton to younger athletes will never be solved. There may also be a danger of a succession gap emerging. If nothing is done to change this, there will not be any long-term development for sports. As the Government has made a pledge earlier to

promote the development of sports, I hope some change will be induced in this aspect.

Fourth, the Government should encourage universities and post-secondary institutions to adopt a more flexible approach to admitting athletes. A special admission policy as practised on the Mainland can be copied to encourage athletes to concentrate on their training at the prime of their sports life while putting aside their studies for the time being. Then through some special arrangement made, these athletes can be given the opportunity to resume their studies at a later time.

Fifth, exchanges in sports talents between Hong Kong and the Mainland, Macao, Taiwan, and so on, should be promoted. Efforts should be made to strengthen public confidence and cohesion in this respect.

Sixth, the Government should undertake a review of the established policy of using public funds or donations to finance the training of athletes. Consideration should be given to introducing commercial sponsorship for athletes. This will reduce the financial burden borne by the Government while expediting the development and industrialization of sports in Hong Kong.

With these remarks, I support the Bill.

**MR TOMMY CHEUNG** (in Cantonese): President, at the time when the Budget was delivered, the massive earthquake in Japan and the leakage at the Fukushima nuclear plant had yet to happen. But in just a matter of three weeks or so later, this nuclear crisis has racked the nerves of the whole world and brought a lot of negative impacts to Hong Kong. Hence the Government should get prepared for the contingencies in public expenditure for the coming year.

I wish to mention in particular that as this nuclear crisis cannot hope to be resolved in a short time, there is a need for the authorities to increase manpower and resources to maintain ongoing surveillance on the radiation levels of food imported from Japan. And this surveillance should be extended to include all imported food as well, with random sampling inspections being carried out.

I know that random inspection is being done on every shipment of food imported from Japan. In the view of the sectors concerned, this will certainly be helpful to assuring food safety for the public, so they give it their support. However, some people from the sectors concerned have told me that inspection done on the radiation levels of food imported from Japan by sea progresses at a rather slow pace. The cargo would in general be detained for three days before inspection results can justify their clearance. But many items of fresh food will have turned bad or stale after three days. Vegetables, for example, will change from green to yellow, and they cannot be sold.

So the sectors concerned hope that some improvement can be made. Can equipment be sourced if there is a shortage? If there is not enough manpower, can some personnel be redeployed from elsewhere to offer relief? Or can some inspections be contracted out to certified laboratories in the private sector? I urge Financial Secretary John TSANG to take some matching action in finance matters.

President, last week I proposed an amendment and it was supported by Honourable colleagues. I hoped that the Special Credit Guarantee Scheme which would expire this year can be reactivated for application by members of the sectors who run into operation difficulties because of this nuclear crisis. I am very disappointed that my suggestion was not accepted by the Government.

The Government never senses any danger until it is around the corner. I have contacted many Japanese restaurants and importers of Japanese food and more and more industry players are telling me that the situation is alarming. They are afraid that they will not be able to hold on and their business will fold at any time. Those who are in a slightly better position say that they can hold on for a couple of months more before they close down. The other day, the Fukushima nuclear plant dumped more than 10 000 tonnes of contaminated water into the sea and this will certainly deal a serious blow to public confidence in consuming seafood from Japan.

President, the sectors concerned have racked their brains to save themselves in this disaster. They have not asked the authorities to offer them any charity. But they are all very worried that should this wave of company closures set in, there will be negative chain reactions in the economy and society.

So I hope that the authorities can lend a helping hand to these Japanese restaurants and related trades in dire straits by lending them some money to tide over. This will enable them to prevent their companies from closing down and their staff from losing their jobs. In this way they can have the means to switch to other sources of supply or even another kind of business. When things stabilize and as business picks up, they can repay the loans. This will only constitute minimal risks to the Government, so why will it not do it?

President, the Financial Secretary mentioned in the Budget the examples of two successful companies. He said that they had grown from small shops to huge enterprises with many chain stores. He urged the people of Hong Kong to learn from this enterprising spirit. It sounds very moving but these two companies in fact first started in the 1960s and 1970s, when industries in Hong Kong were booming and the economy was taking off. As a result, many SMEs managed to make a head start and enabled many ordinary members of the public to make a fortune.

Nowadays, however, the small enterprises are facing a vastly different business environment. The economy of Hong Kong has matured and it is impossible for these small enterprises to compete with the large enterprises and chain stores. This applies especially to the catering sector. It has to face problems like high rents and wages, as well as problems like serious imported inflation and rising prices in food materials all over the world. Added to this the blow dealt by the nuclear crisis, it is hard for less competitive SMEs to cope.

Demands for corporate social responsibility from the community are becoming higher and it is hoped that working hours and wages can be regulated by administrative means. In the end, it is trades which have a low profit margin or hiring a lot of low-skilled workers that will bear the brunt. A vicious cycle is thus created.

I wish to remind the authorities that at this time when the business environment is characterized by rising costs, it will be a great challenge to maintain a labour-intensive mode of operation. Furthermore, there is a close relationship between the problem of poverty and the demographic structure marked by an oversupply of workers with low skills and educational attainment. It is not a solution to raise wages from the lowest level. In the long run, the

problem should be tackled with government policies devised with new thinking. Failure to do so as in the Budget this year will never do.

In fact, I had reminded the Financial Secretary a long time ago that we should be prepared for the future difficulties. Specific support should be given to trades facing difficulties as a result of minimum wage so that both the companies and the staff can tide over. But the authorities did not heed me and so the trades were very disappointed. The only saving grace may be the authorities making the right decision in the last minute by giving up the idea of injecting \$6,000 into every MPF account and changing it to giving out \$6,000 cash to every citizen of Hong Kong aged 18 or above.

In my opinion, irrespective of how the people would like to spend this \$6,000, and it does not matter if they donate it, spend it or save it, the people should decide for themselves the use of this sum of money. This would be helpful to society in all aspects. The catering industry thinks that to a certain extent this would boost the consumption power of the people. So it is better than the original Budget in which no support is given to the industry.

President, with respect to the business environment, I wish to call upon the authorities to take active steps to allocate funds to the development of online application systems for all sorts of licences. In fact, with the promotion by the Food Business Task Force under the Business Facilitation Advisory Committee and the Efficiency Unit which reports directly to the Chief Secretary for Administration, the Food and Environmental Hygiene Department began to offer online liquor licence application service in August last year. Owing to this automatic referral arrangement in the system, the time required for a liquor licence application is reduced by four working days to eight, or 10% to 20% of the time required. It is encouraging to learn of this.

As the Internet has become mature, more and more people have grown used to handling their business on the Internet. This will save transportation time and another advantage is that one can always know the progress of his application by accessing the Internet at any time. This will greatly enhance transparency as well.

I have said to Dr York CHOW, the Secretary for Food and Health, that I give my firm support to the authorities in expanding the online application system

for various kinds of food business licences and their endorsement and registration. Ms Emily LAU who is also a member of the Food Business Task Force has also pledged her support and she thinks that the coverage of the system should be enlarged to include applications for licences in other trades. This will truly facilitate business operation.

President, the people of Hong Kong care very much about their health. The percentage of smokers in the population to date is only 12%, the lowest in the whole world. With the exception of Bhutan which is the only country in the world which bans smoking, even Singapore has a higher percentage of smokers in its population than Hong Kong. This should be something in which the people of Hong Kong should take pride. But the authorities are raising the tobacco duty by 41.5% this year. I find this repulsive. I have to declare that although I smoke cigars, I do not oppose it because of personal reasons. I oppose it because this initiative is useless. In fact, the number of smokers has not decreased since the increase in tobacco duty in 2009. On the other hand, there is a slight increase. But the Secretary for Food and Health, Dr York CHOW, is too indulged in what he thinks is a success and insists that the tobacco duty be increased. He said that this measure which causes nuisance to the people is effective in reducing the number of smokers. He takes all the glory and honour to himself. But what he is doing is making the some 700 000 to 800 000 smokers in Hong Kong suffer. It should be noted that many of these grass-roots people have to depend on a few puffs of a cigarette to relieve their tension in the hustle and bustle of life. Now they find themselves cannot even afford the cigarettes or they are forced to buy illicit cigarettes. I would like, however, to advise smokers that it is not healthy to smoke illicit cigarettes. It is also very dangerous for we do not know what these cigarettes are made of. I would advise them to smoke less instead of smoking illicit cigarettes.

President, I wish to say to Secretary Dr York CHOW also that no one would thank him for increasing the tobacco duty except these illicit cigarettes syndicates. After the massive hike in tobacco duty last time, the number of cases of illicit cigarettes detected by the Customs has risen. Despite the emphasis made by the authorities that figures of smuggling in cigarettes fell last year, the latest information shows that as many as 2.56 million sticks of cigarettes were seized in the first quarter of this year, which is a substantial rise by 1.6 times compared to the figures last year.

As pointed out by the media in recent years, the methods of trafficking in illicit cigarettes are countless. They can be sold on the Internet or even delivered right to the doorsteps of the smokers. These traffickers in illicit cigarettes resort to various tactics by the sheer number of their men who pervade to every corner of the Hong Kong market. It is unbelievable that a team of 35 persons from the authorities can crack down on such activities.

All in all, there is bound to be supply when there is demand. As cigarettes are not drugs, the people have the freedom to choose what they like. But as the authorities are increasing tobacco duty all the time, this is already very unfair to those people who buy cigarettes at regular prices. It is more deplorable to see that this has given a boost to the crime syndicates. Is this something worth doing?

Moreover, President, I wish to point out that the First Registration Tax (FRT) for private cars is increased by 15% as the authorities would like it. In the short run, it may be true that the incentive of the public to buy cars may be dampened, but I believe the situation will normalize in about one year's time. This measure can do nothing to solve the problem of traffic congestion long term.

I often drive to places all over the territory. It is obvious that if you are a road user, you will know that in two cases, the number of cars on the roads will be affected. These are when the schools in Hong Kong have their holidays and when it is a holiday on the Mainland, such as during the Labour Day Golden Week or before and after the Chinese New Year. Actually, whenever the factories on the Mainland are closed for holidays, traffic in Hong Kong will be very smooth. Also, we can see that when students do not have to go to school during the school holidays, traffic will be very smooth as well. So there are two main causes for traffic congestion in Hong Kong. First, when students have to go to school. Second, the number of goods vehicles travelling between Hong Kong and the Mainland increases as the economy of Hong Kong improves. This has nothing to do with the claim that there are too many private cars. It should be noted that many people from the middle class buy a car because they can take their family out during the holidays as it costs less and is more convenient than taking public means of transport. Like the housing estate in which I live, there are many cars parked in the car park during the weekdays from Monday to Friday, but the car park is empty during the weekends. It can be seen that many people from the middle class only drive during the holidays.

I hope very much that the authorities could dangle a carrot to please people instead of always hitting them hard with a stick like in the case of the hike in tobacco duty. For example, the authorities can borrow the practice in Singapore by issuing a special kind of driving licence which only permits the holder to drive during the weekends and after 7 pm on weekdays. When this is added to measures like reducing the relevant tax and licence fees, the people can see that they can spend less money while they can have the pleasure of driving during the weekends. Then they will be attracted to changing over to this kind of licence. Admittedly, this will mean less tax revenue for the Government, but it can ease the traffic congestion during the peak hours. Can the Government not give some thoughts to that?

I made this suggestion to the authorities a long time ago, but the reply was that there was no electronic road pricing system here like Singapore and there might be supervision problems. President, at this time and age when everyone has got a mobile phone, and when such phones are fitted with photo-taking functions, the people can be called upon to effect monitoring. We can model on Singapore and use the colour red or some other colour to identify such licences. Once members of the public find this kind of cars during the rush hours, they can use the video recording or photo-taking functions of their mobile phones to report the case. So there is no cause for worry for the authorities.

Also, the authorities always say that the use of environmentally-friendly cars is encouraged. But these eco-cars are by no means affordable at all. For example, a seven-seat Japanese hybrid car would cost at least some \$600,000 and it would cost some \$400,000 if it is not hybrid. Even if driving an eco-car can save some gasoline, there can never be a saving of \$200,000 in gasoline cost in 10 years. Can there be more remissions and exemptions in tax and in the licence fees for owners of eco-cars? It will certainly narrow the difference between the price of an eco-car and that of an ordinary car. And it is more practical, too.

President, I so submit.

**MS LI FUNG-YING** (in Cantonese): President, good morning everyone. The Financial Secretary has delivered an unprecedented Budget. It is because in less than a week after the delivery of the Budget, the Financial Secretary made a major change to the arrangements for resource allocation in the Budget and

announced a cash handout proposal worth some \$40 billion. The move has completely changed the arrangements in the redistribution of resources and in the philosophy of financial management. This Budget is similar to a TV series divided into two episodes, with each acted by a different Financial Secretary who believes in different economic theories. There are many incidences of incoherence and discrepancy, as well as embarrassing scenes when the Financial Secretary goes back on his words. Despite all these, I would like to present my views on the Budget based on whether or not measures proposed by the Financial Secretary can serve to ease the social conflicts and the wealth gap problem, and whether or not the redistribution of wealth can meet principles like social justice.

In the face of this sudden twist of events in connection with the Budget, Chief Executive Donald TSANG said in public when he lent his support to the Financial Secretary that at the time of the consultation exercise conducted on the Budget, different political parties and groupings in the Legislative Council did not favour the idea of giving away candies. So the Financial Secretary took on board this view of the Legislative Council. But after the delivery of the Budget, people changed their stand when reactions from the community were negative. It was said that the Financial Secretary had been cheated and he was deeply aggrieved. I do not wish to claim that I was one of such persons concerned in the hoax. But the thing I do every year as I give the Financial Secretary my views on the budget is requesting him not to resort to this kind of one-off measure of handing out candies and he should initiate reform in the system in order to narrow the wealth gap and reconcile social conflicts.

I was very unhappy with the Budget delivered by the Financial Secretary on 23 February. I was unhappy not because the Financial Secretary had handed out less candies, but because the Budget still emphasized the "big market, small government" theory which is now working. There was no attempt to revamp the system, drive society to move towards greater justice, narrow the wealth gap and dispel this anti-rich sentiment. But I do not think that my attitude towards the Budget is like what the Chief Executive has alleged, that the Financial Secretary has been deceived.

In the introduction to the Budget, the Financial Secretary sums up the situation in Hong Kong society in the wake of the financial tsunami in four respects. In such an important document stating the Government's stand on resource allocation as the Budget, this so-called summing up of the inspirations

and thoughts on positioning brought about by the financial tsunami is so perfunctory and sloppy. I am deeply shocked. The Financial Secretary has evaded issues like the deterioration of the wealth gap and the intensification of class conflicts ever since the onset of the financial tsunami. He does not engage in any detailed reflections on the anti-business sentiment that has engulfed the community, the favouring of the giant consortia in government policies and also the emergence of the hegemony of real estate developers in Hong Kong. The Budget talks only about very superficial things, and often in a tone of complacency. It even tries to glorify the Financial Secretary himself when he talks about these so-called economic opportunities caused by this shifting of global economic gravity to the East and the use of a people-oriented approach to stabilizing the economy, and so on. This kind of blowing one's own trumpet is totally out of touch with the pulse of society, detached from the personal feelings of the people.

The public at large only feels that life has become hard-up ever since the financial tsunami. Life was difficult when the economy was bad, but life is still difficult when the economy has recovered. In paragraph 13 of the Budget, the Financial Secretary makes special mention of the unemployment rate having dropped to 3.8% and he thinks that the grassroots have benefited from the robust economic growth. Also, he points out that the average monthly income of employees in the lowest income bracket has increased by 2% in real terms. But what does an increase of income by 2% in real terms mean to someone living in the lowest stratum of society? Does it mean he can go to visit a doctor in a public hospital one more time every month, or take two more trips on a bus? If the Financial Secretary makes a comparison with the full-time employees in the highest 10% of income distribution as an example, I believe it can better reflect the social reality in wealth distribution against this background of robust economic growth.

According to information from the Census and Statistics Department (C&SD), the rise in prices in February this year was 3.6%. The Hong Kong Institute of Economic and Business Strategy at the University of Hong Kong predicts that inflation in the second quarter of this year will be as high as 4.5%. The adjustments in salary among the people are unable to catch up with inflation, and their living standard is constantly undermined by inflation. At the end of last year, the C&SD recorded that the nominal wage level was unable to catch up with inflation. It is believed that the people of Hong Kong would feel the

pressure of inflation this year all the more. And the effects of inflation on the people living in the bottom stratum in society are especially acute.

The robust economic growth serves to worsen the disparity between the rich and poor in Hong Kong. The life of those in the lowest income bracket continues to see no improvement. This is a cause of the prevalence of grievances in Hong Kong and it should be a direction which the Financial Secretary should address as he makes the summing up. The people have been most concerned about the problems of the wealth gap, property prices and inflation. But in last year's budget, the Financial Secretary did not address these concerns well enough. And for this year, as there are abundant surplus and money in the Government, the people would expect the Financial Secretary to have learnt from past experience and put forward his solutions to problems of public concern in the Budget. It is hoped that these deep-rooted conflicts entrenched in society can be addressed to ease the tensions. It is regrettable that the Financial Secretary was simply reading out from a prepared script, taking to the old course. While he has nothing to offer on any revamp of the system, the same old pitfalls in the previous budgets of the neglect of the "three have-nots", the injection of funds into MPF accounts which does not help improve life, and so on, are all rehashed in this Budget despite criticisms made before. It can be said that while the speaker is trying hard to put across a message in earnest, the listeners only treat it with contempt. If the Financial Secretary is to go on holding onto his views stubbornly and if he thinks that is what a good official should be, then it is only natural that public discontent will be triggered into strong reactions. And it is only natural that he should assume the responsibility for it. When the Government was in such an embarrassing position after the announcement of the Budget, I can only say that this situation could have been averted.

In the face of such strong pressure of public opinion, the Financial Secretary made two major changes to the Budget at the beginning of last month. One was to abolish the arrangement to inject funds into MPF accounts and instead each permanent resident of Hong Kong aged 18 or above would be given \$6,000. The other was a tax rebate of 75% subject to a ceiling of \$6,000. The Financial Secretary said that these changes were made in response to the needs and demands of the people. It is natural that people would be overjoyed when someone puts money into their pockets. But even as this is the case, let us look at the reactions of the people to this cash handout. According to a survey on an

opinion poll website of the University of Hong Kong, on the day when the Budget was delivered, the popularity rating of the Financial Secretary was 52.4%. But when these two major measures were revised, the popularity rating still stood at 46.6%. The percentage of people discontented with the Budget was 35% on the day the Budget was delivered, while it was 45% in a survey done in the middle of March.

In the end of last month, Mr James TO raised a question in this Council. He said that the Government was being too calculating with respect to the Work Incentive Travel Subsidy Scheme and questioned whether there was any conflict in financial management principles when seen together with the cash handout proposal. President, this question has been lingering in my mind ever since the Financial Secretary decided to make the cash handout. My position regarding the Travel Subsidy Scheme is clear enough. At that time, I proposed to use \$6,500 as the income threshold and no means test should be required. In the second quarter of 2010, there were 319 300 employees earning an hourly wage of \$31 and if a travel subsidy of \$600 was given each month, it would require \$2.81 billion each year. When the Financial Secretary has decided to put into practice a cash handout measure with a total sum of \$37 billion, this sum of money can be used in the Travel Subsidy Scheme for more than 13 years. This is a source of resources which can help the low-income people for 13 years. But the Government chose to spend all the money in one go and irrespective of whether one is rich or poor, everyone is entitled to the handout. I have only got one question about this. On what values should we base in handling public affairs and the distribution of wealth in society?

I do not intend to make too many criticisms of the reply given by the Secretary for Financial Services and the Treasury on that day which was largely wide of the mark. But there is one thing which I must point out and that is, the Secretary thought that no direct comparison could be drawn between the Travel Subsidy Scheme and the cash handout because each of them had their own specific policy objectives and background. The Secretary was certainly right in saying that as no direct comparison can be drawn between an orange and an apple, or giving bread away or holding a fireworks display. But this is not the crux of the matter. The crux of the matter is when the Government is to use the resources, should it prefer to have a fireworks display and literally burn everything away at one time or should it give bread to the needy over a long stretch of time, such as in the case of a non-means-tested travel subsidy scheme?

President, there should be a set of social values to justify the priorities in utilization of public resources. Government behaviour in this regard should be exemplary of this set of social values, like such phrases as "for the people" and "always people first". Officials of the SAR Government love to make these core values of Hong Kong their pet expressions. But what kind of core values is reflected in the measures proposed in the Budget? Sayings like keeping wealth in the people have become clichés and they cannot answer this vital question of how priorities should be accorded in the utilization of public resources.

President, this cash handout has become irreversible and society cannot bear the disastrous fallout of a pledge like this not honoured. The discussion we have today is basically not about whether or not to hand out cash, but about how cash should be handed out. I therefore have great reservations about this move. I do not agree with some of the proposals made in the Budget as well, such as this sharp increase in tobacco duty. But that is also the most important reason why I cannot vote against the Budget. In 2003, the Government introduced a scheme to replace Hong Kong identity cards with smart identity cards. At that time, four years were used in completing the work to replace the identity cards of some 6 million eligible residents of Hong Kong. This cash handout measure would also involve millions of residents and the procedures concerned could be much more complicated than replacing identity cards. And there could be more uncertainties which the Government cannot identify. Also, this cash handout measure must be done within a very short span of time, or else problems would be triggered and blown up to uncontrollable proportions once any mishaps appear. But it is not possible for us to go back. We can only hope that the SAR Government can be very careful in proceeding with it. Thank you, President.

**MISS TANYA CHAN** (in Cantonese): President, the "Three-Noes" Financial Secretary created a "Three-Lows" Budget this year. By "Three-Noes", I mean he has no vision, no commitment and no principle; and by "Three Lows", I mean low vision, low skills, and low marks. This SAR Government with a fiscal reserve of \$600 billion outrageously handed in a Budget scoring the lowest marks ever since the reunification. We cannot give vent to all our disappointment and anger at this Budget in 15 hours, let alone 15 minutes. That said, I will make several key points today.

The "Three-Noes" Financial Secretary has no vision. In the entire Budget, we do not see any initiative taken by him to draw up a blueprint for resolving the deep-rooted conflicts which now exist in Hong Kong through a reasonable distribution of public resources. Faced with grievances in society, the Government ultimately chose to "hand out money" in an attempt to temporarily reduce the grievances of the people by giving them a brief moment of pleasure, which is even likened to taking ketamine by some people, rather than tackling the problems of Hong Kong at root and taking forward long-term policies. This is even worse than "treating the head when it aches and treating the foot when it hurts". This is simply "treating the foot when the head aches". Is such a doctor still qualified for practice? Should such a Financial Secretary continue to hold this office?

According to the latest statistics of the Government, giving away a sum of \$6,000 to each permanent resident aged 18 or above will incur a total expenditure of close to \$37 billion; giving taxpayers a tax rebate for salaries tax will mean that the Government receives \$4.5 billion less in revenue; and giving away \$6,000 to each non-permanent resident through the Community Care Fund will involve an additional spending of over \$1 billion to \$2 billion. These will actually add up to nearly \$43 billion. Many political parties and non-government organizations have always hoped that the Government can make a provision of \$50 billion to set up a seed fund for the implementation of a universal retirement protection scheme. But why has the Government chosen such a short-sighted measure of "cash handout", unwilling to start tackling the problems of population ageing and inadequate retirement protection in Hong Kong?

Nowadays, our young people are confronted by many problems. There are many young people up there in the public gallery now. Perhaps you are still too young, but your elder brothers or sisters who are just a bit older than you are facing problems such as having difficulties in home ownership and the shortage of subsidized university places. Monitoring is still lacking for the rural land, as columbarium facilities in breach of land leases and planning permission can still be found everywhere. The land surrounding country parks have yet to be brought under full protection, and there is still plenty of room for improvement in the management of trees. All these are long-term problems and government resources are required to resolve them. But regrettably, the Appropriation Bill

this year has not responded to the resource requirement of these long-term policies.

This is precisely why other colleagues and I have spent a great deal of time raising a lot of questions, including questions that we have put to the Government on various aspects. Regrettably, the answers given to us have mostly caught us between laughs and tears. For instance, when we asked the Government whether resources would be deployed for conducting a review of a certain policy, the answer that we were given was that the Government would conduct a review from time to time, meaning that the Government basically does not plan to review that policy. That the Government lacks vision to such an extent indeed gives cause for our grave concern.

President, just flip through the pages of the Budget and one can find evidence of the Financial Secretary lacking commitment. Despite a huge surplus recorded by the Government this year and despite an abundant reserve amassed, the Government has remained very cautious with the recurrent expenditure in various policy areas, and it can even be considered very stingy.

Regarding the policy on post-secondary education in Hong Kong, this year's Budget has proposed to relax the income and asset limit of the finance scheme for local post-secondary students, so that the current recipients can receive more financial assistance for their tuition fees. The Administration has also proposed to give rewards to graduates who have taken out loans under non-means-tested loan schemes and have long maintained good repayment records. This is no doubt a good beginning. However, with regard to long-term resources that we have been fighting for, such as increasing the number of subsidized university places, reviewing the level of the risk rate (it is best, of course, to abolish it), and reviewing the arrangement for loan interest calculation, so that interest will be charged only after graduation, the Government still has no comprehensive policy and has remained indifferent. As a knowledge-based society, Hong Kong has very a keen demand for talents. Why has the Administration refused to make long-term commitments?

Speaking of the Government lacking commitment in education, I must mention 15-year free education. The Legislative Council has demanded for 15-year free education on various occasions. In fact, with an increase of no more than \$1 billion in the annual recurrent expenditure, the Government can turn

the existing Pre-primary Education Voucher System into 15-year free education. When compared to this year's surplus of \$80 billion or the \$600 billion reserve, an additional provision of \$1 billion per year is nothing. Why has the Government refused even this humble request?

The resources of Hong Kong are more than sufficient, but officials in charge of education have remained to be headstrong, to put it in the words of Chief Secretary for Administration Henry TANG, completely turning a deaf ear to the reasonable aspirations of society. I hope that the Government will cease to boast that the annual expenditure on education already takes up the greatest share of government spending, thinking that this would mean grater investment and greater commitments made by the Government. If we look at the expenditure on education as a share of the GDP, when the percentage is close to or even above 5% in many European countries and the United States, ours is not even up to 4% in Hong Kong. I hope that the Government can make greater commitments to effectively take forward education which is an important area of work.

The Community Care Fund (CCF) is another proof of the Government lacking in commitment. The CCF is set up with the objective of providing resources out of the Fund to meet social needs which are not addressed by the existing government policies. For example, it provides support to low-income families which have not applied for Comprehensive Social Security Assistance (CSSA). This is actually quite strange. What we expect the Government to do is not to show how much it cares for this community through the CCF, but to show to all the people of Hong Kong through the Budget, the Policy Address and its policies how much it cares for the needs of people in different social strata in Hong Kong. What the Government should do is to review the existing policies and then deploy social resources to enforce the policies. It should not act generously at the expense of taxpayers by simply injecting a sum of money and consider the job over and done with.

From the establishment of the CCF, we have reasons to believe that the Government primarily has no intention to make long-term commitments for social aspirations not addressed by the existing policies. Added to this is the fact that the CCF provides support to various schemes merely with its annual investment return which is only a drop in the ocean indeed. I certainly do not oppose the Government deploying resources to help the disadvantaged groups.

But can the Government give its support to the disadvantaged groups through channels which are more sustained and with greater commitments? There are currently over 100 000 or even hundreds of thousand people in the disadvantaged groups, and over 1 million people are living below the poverty line. They are urgently in need of government support.

That the Government lacks vision and commitment has already caused grave worries among us. This, coupled with the lack of principle in its governance, has made it all the more difficult for us to imagine how the Hong Kong Government can govern as a government. This year's Budget has fully shown how the Financial Secretary lacks principle.

When conducting public consultations on the Budget back then, Financial Secretary John TSANG said, "You don't need to grow a mustache to express your views!" He said vociferously and vowed adamantly that he definitely would not "give out candies" or "give out money", because the Government did not wish to see inflation being aggravated by a cash handout. But what happened in the end? In addition to providing an additional month of CSSA payment, paying a month's rent for public housing tenants and waiving the rates, the Government again introduced an electricity tariff subsidy and even proposed to inject \$6,000 into the MPF accounts of all MPF scheme members. I told the Financial Secretary that some members of the public had said to me when they ran into me on the street: "People go to Heaven while money stays in the bank. What is the use of giving away this \$6,000?" Later, as public sentiments ran high, the Government proposed to give out a sum of \$6,000 to adults who are Hong Kong permanent residents and eventually, things have developed to a state when even the CCF is involved. Now, the vows made by the Hong Kong Government of not giving out candies and not giving out money back then have obviously vanished into thin air. But where is its principle? What is the rationale?

If the Government was not wrong in saying that "giving out money" would fuel inflation, the living of the grassroots will become more miserable. Inflation will rapidly eat into the cash handout of \$6,000 to be given to them and the loss will ultimately outweigh the gain. Under such circumstances, the Government still discard the entire principle in one go after a short meeting with the pro-establishment Members. According to the Government's assessment now, it turns out that "giving out money" does not have too great an impact on inflation and if this is the case, why did the Government not consider "giving out money"

when formulating the Budget back then? What is the principle upheld by the Government? I very much hope that Financial Secretary John TSANG can explain this to us.

President, next, I wish to express my views on various other policy areas and proposals in the Budget. First of all, I would like to talk about the First Registration Tax (FRT) for private cars. On the day when the Budget was released, we already considered that, contrary to the Government's claim, this proposal cannot check the growth in the number of cars or encourage car owners to switch to more environmentally-friendly vehicles. Conversely, this measure will cause certain unfair phenomena. Shortly after the release of the Budget, my office received complaints from members of the public, who complained that they had already paid the deposit for buying a vehicle but with the tax increase suddenly proposed by the Government, the cost has thus gone beyond their original budget but if they give up the deposit, they will still suffer losses. There is even a case in which the owner has already signed the sales and purchase agreement and he is supposed to register with the Government a few days later but now, he has to pay more in tax. Is this fair at all?

If the reason for the Government to increase the tax is to suppress the growth in the number of vehicles, can consideration be given to granting exemption of the FRT to owners who plan to replace vehicles which perform poorly and are more polluting with new vehicles which perform better and are more environmentally-friendly? This approach of replacing one vehicle with one vehicle will not increase the number of cars on the roads, and it may not be possible for the old cars to be turned into second-hand cars and to run on the roads continuously. This proposal can reduce traffic congestion on the roads and prevent the creation of more pollution.

Moreover, I wish to talk about the policies on home affairs, especially in respect of culture, arts and sports. Although the constituency represented by Mr Timothy FOK should include culture and arts, he only talked about sports from what I have just heard, which is indeed disappointing. With regard to the development of the West Kowloon Cultural District (WKCD), I hope the Home Affairs Bureau can earnestly co-operate with the West Kowloon Cultural District Authority (WKCD Authority). It is because the WKCD has a large seating capacity for cultural and arts performances and I am indeed very worried about whether our software will be able to support the expansion of hardware. The

software requirements cannot be met simply by pressing a button as the nurturing of software will take a long time. What I am talking about is not just the performing arts, but also arts management and even management of museums. So far, we cannot see in the existing policy of the Government that it has a close relationship with the WKCD Authority; nor is there any policy which allows more involvement of the WKCD Authority in the utilization of arts resources. I very much hope that the Advisory Committee on Arts Development, established recently, can include representatives of the WKCD Authority, so that more comprehensive planning can be made.

In respect of sports, the Government is going to set up a \$7 billion sports fund and we are certainly happy about it. But with regard to the issues that we have long raised, such as a reward mechanism for disabled athletes, problems relating to the governance of the Sports Federation, the development of retired athletes, and so on, it seems that not much resource has been provided to deal with these issues. The \$7 billion sports fund proposed to be set up mainly serves to provide support to elite athletes and elite programmes. I hope that the Government can effectively put the fund or government resources to good use in other areas, with a view to resolving the deep-rooted problems faced by the sports sector and facilitating the more healthy development of the sports sector.

As for other matters relating to home affairs, such as the amendment and review of the Chinese Temples Ordinance, the review of the policy on New Territories villages and village representatives, the review of private recreational leases, the provision of support specifically for property management, and so on, disregarding how many written questions we have raised, it seems that no satisfactory response has been given. From the Government's reply, I have the impression that the Government is not going to channel resources to these areas, let alone drawing up work plans. I hope the Government can review afresh the distribution of its resources.

On environmental protection, the proposals are just old wine in a new bottle, as the many projects mentioned in the Policy Address are once again proposed in the Budget as old wine in a new bottle. But with regard to such issues as waste management and air quality which are of great concern to society, we do not see the Government providing new resources or target-specific resources; nor do we see any planning in the longer term. This is indeed utterly disappointing.

When it comes to environmental industries, we feel even more furious. Hong Kong actually has to support the development of the green industries, especially the recycling industry, with a comprehensive policy and abundant resources. But in the Budget, we do not see any measure that can truly support the progressive development of the environmental industries.

Lastly, I would like to talk about planning. The conservation of the Government Hill has been an issue of great concern to us. In the speech of Financial Secretary John TSANG, we can almost be certain that the Government has decided to sell the Government Hill to property developers. President, I do not understand why the Government Hill, which has so important historical meaning to Hong Kong and showcases the history of governance in Hong Kong and which is so extraordinary in terms of its importance and significance, has to be sold to the developers. Does it not show that Hong Kong is officially under the rule of property developers? Is this not the best way to show hegemony of the real estate sector? I do not understand why the Government has to sell its most precious resource to private developers for their sole ownership. I very much hope that the Government can reconsider the reasons for sacrificing the Government Hill. Meanwhile, resources should be provided for conducting a review of the Town Planning Ordinance, with a view to stepping up law enforcement on the breach of land leases.

The "Three Lows" — low skills, low marks, low vision — are simply a great disappointment to the public. Thank you, President.

**MS AUDREY EU** (in Cantonese): President, the Financial Secretary's Budget this year has provided tax rebates amounting to over \$4 billion. He even made a 180 degree-turn subsequently by "giving out money" to the public at a cost of \$37 billion. Coupled with such measures as the rates waiver, the electricity tariff subsidy and an additional month of CSSA payment, and so on, the Budget should have been very well received by the public and yet, the Budget has still failed, scoring a mark of only 48.5. Half of the interviewees said that the Budget failed to mitigate such problems as spiralling property prices, inflation and the wealth gap, and they considered that the Government lacks vision, while 30% of the interviewees said that as the Financial Secretary had revised the original Budget in such a drastic manner, their confidence in him has dropped rather than increased.

Let us draw a comparison among the four most recent Financial Secretaries, namely, Donald TSANG, Antony LEUNG, Henry TANG and John TSANG. If we look at the public's rating of the Budget since 2003, we will find that Antony LEUNG's Budget in 2003 is the only one that can be compared with this year's Budget. Back then, a quarter of the public were dissatisfied with it. As for this year's Budget, one fifth of the public have expressed dissatisfaction.

With regard to that Budget formulated by Antony LEUNG in 2003, the economy was in the doldrums and SARS was rampant at the time. Antony LEUNG was going to increase the standard rate for salaries tax as well as the profits tax and property tax, and to streamline the Civil Service establishment. Added to these was the suspicion of him having jumped the gun in buying a car. Anyhow, when juxtaposing that Budget with this year's, we can see the gravity of ill feelings among the public.

Certainly, Financial Secretary John TSANG has shifted the blame to other people. First, he said that the media is unhelpful by describing his Budget this year as the most useless Budget in history. He also chided the democratic camp which opposed him, saying that he had been specifically made the target of opposition. I have read what the Financial Secretary said in his blog. He said that his Budget was politicized by Members for political reasons. I would like Members to think about this: How does the democratic camp politicize the aspirations expected of the Financial Secretary? We have, in fact, met with the Financial Secretary and submitted various opinion papers to him.

After the Financial Secretary delivered the Budget, we have summed up our consensus into three major aspirations: First, introducing universal retirement protection; second, increasing the production of public rental housing (PRH), resuming the Home Ownership Scheme (HOS); and third, increasing public expenditure by \$20 billion to implement long- and short-term policies in healthcare, education, and environmental protection. With regard to these long- and short-term policies involving \$20 billion, we have set out 15 measures which can be adopted by the Financial Secretary. These measures all concern issues relating to the people's livelihood. There is entirely no political slogan or flavour, and they are aspirations which have truly incorporated the views of the community and public sentiments. How can they be politicized?

Moreover, Financial Secretary John TSANG also said that some aspirations have fallen outside the scope of the Budget. I think he was referring to the universal retirement protection scheme, but I absolutely disagree with him. In retrospect, in his 2008 Budget, the Financial Secretary earmarked \$50 billion for the purpose of healthcare financing in future. Subsequently, he introduced healthcare financing proposals and encouraged the public to take out medical insurance. Now, the Health Protection Scheme, which has not yet produced any outcome, seems to have been put on the shelf, and we have no idea for how long it will be delayed. From this we can see that it is not unprecedented to earmark a sum of money as the seed fund for a specific purpose in the Budget and conduct consultation subsequently.

I certainly understand that we can express different views on healthcare financing proposals or the universal retirement protection scheme, but this does not mean that the Government can do nothing and drag its feet. In fact, the Government should consider these issues and discuss them with Members. This is why a number of colleagues asked in their speeches whether the democratic camp has merely put up slogan-like demands in calling on the Government to implement universal retirement protection scheme. Is the seed fund of \$50 billion not sufficient to meet the relevant expenditure? The Government is, in fact, duty-bound to take the lead to implement it because obviously, the MPF System does not cover low-income earners, housewives, and chronic patients. If population ageing is a problem that Hong Kong will face, we really must start the discussion on universal retirement protection scheme early. This is indeed an issue that has to be addressed in the Budget. Regrettably, the Government has not expressed any view on it.

The Democratic Party has learnt that Prof Nelson CHOW Wing-sun assisted the Government in studying this issue a few years ago but, after the study, nothing has been done. The Government's attitude has been a great disappointment indeed. Some reporters asked me this question yesterday. Given that a meeting used to be held with Ronald ARCULLI every Saturday to discuss the reform of the Civil Service system, the incident of LEUNG Chin-man, and so on, what is the outcome of the report that took two years to prepare? Nobody knows. This is actually the case with many studies, too. While the Government has commissioned a study, it does not present the findings for open discussion. The public are certainly dissatisfied, and they are asking for an explanation from the Government.

Simply put, I absolutely do not agree with what the Financial Secretary said in his blog. He said that his critics have politicized the issue or that certain opinions have fallen outside the scope of the Budget. In fact, the Budget should be discussed at all times, and not only the short-term issues but also the long-term issues should be discussed, particularly as Hong Kong has a fiscal reserve of \$600 million and an accumulated surplus in the Exchange Fund. This is all public money, which means that it belongs to the public. The Financial Secretary must discuss this with the public.

Besides, another issue that the Financial Secretary should long have discussed is how much reserve we need to maintain in order to be considered sufficient. When there is more than what is considered sufficient, can the surplus be drawn down? If it is not spent on the people and society, that would not be in line with the Financial Secretary's view that the Government's money is the people's money. The public consider these remarks despicable and on hearing these remarks, they even feel all the more furious. So, the Financial Secretary must indeed face these issues.

Moreover, let us look at property prices, which is also an issue of great public concern. The Government has only told us that the inflation rate is 4.5% but if we look at the rate of increase in property prices, we will find that in October last year, the territory-wide average price per square feet was \$5,164 but in March this year, it increased to \$5,714. In a short span of just a few months, the rate of increase has absolutely exceeded 10%, not to mention the rise in the price of rice with a fillet of grouper and corn or some necessities in our living, and even for ginger, garlic and chili, it is clear to the public that their prices have increased by over 4.5%. This explains why the public think that the Government is merely looking at the statistics behind closed doors, rather than truly understanding the plights of the people.

To address the problems in the property market, we in the democratic camp have proposed the resumption of the HOS and the provision of more PRH flats by the Government. These are also the consensus of the people, but the Government has only proposed the My Home Purchase Plan, without responding to these aspirations otherwise.

In respect of education, the Financial Secretary said in his blog that we should look at this Budget in which various measures are proposed to help

students from low-income families. As Members may have learnt from the press recently, the debundling of textbooks and teaching or learning materials for pricing has aroused a huge controversy. We would also like to cite a survey recently conducted by *Metro Daily*, in which 90% of the responding parents receiving textbook subsidies pointed out that the amount of their subsidies could not meet the actual learning expenses of their children. Each student now receives a subsidy annually ranging from \$1,434 to \$3,604, depending on their grade level. But the findings show that the responding parents spend an average of about \$3,500 annually on textbooks and uniforms for their children. So, there is simply no money left, not to mention participation in extra-curricular activities.

On the education front, we call for the provision of comprehensive early childhood education, or the so-called 15 years of free education. In the \$20-billion expenditure proposed by us, the first five items of expenditure concern improvements in education. Apart from the provision of 15-year free education, we have also proposed the implementation of small class teaching in secondary schools, an increase in government-subsidized post-secondary places and implementation of an education voucher scheme for universities, abolition of the risk rate of non-means-tested loan schemes for post-secondary students, and provision of additional manpower for counselling service in primary schools. These measures are all intended as the right remedies.

But Financial Secretary, I would like to tell you that, unlike what you have said in your blog, we did not criticize you for doing nothing. We only think that the Government has not prescribed the right remedies and more often than not, we can only see the Government giving out some petty favours or doing something only in some very minor aspects. As for the major measures that we have been fighting for, the Government has completely remained indifferent.

Besides, I also wish to talk about environmental protection. Of the six priority industries, I think we are most capable of developing this area, because it can create job opportunities for low-income earners and reduce the volume of waste to be shipped to landfills. But if we are talking about the industrialization of education services, honestly, we are still unable to do a lot of things domestically in Hong Kong and an example is the insufficient number of international school places in Hong Kong for children of expatriates coming to work in Hong Kong. When these problems have not yet been properly dealt with, the industrialization of education services is utterly out of the question.

However, consideration can be given to the development of environmental industries as a way to address the domestic problems in Hong Kong. As we can see, Hong Kong is even no match for Taiwan in this respect. In Taiwan, many low-income earners or the elderly assist in the separation or processing of waste, which will increase the value of the waste recovered. This actually has great potentials for development in the market, but our green industries have just talked about electric vehicles over and over again. I am not saying that it is not good to develop electric vehicles, but the public really do not see what development has been achieved. The production of electric vehicles estimated by the Government last year is not met this year, and the public absolutely cannot find these vehicles in their general living.

Furthermore, the Government's measures are running counter to their objectives. A case in point is the increase of the First Registration Tax (FRT) for vehicles. On the one hand, the Government encourages the public to replace their vehicles with new ones but on the other hand, it increases the FRT. We consider that in order to solve the problem of congestion on the roads, first of all, the Government should stop selling so many sites such as the Government Hill mentioned by Miss Tanya CHAN for the construction of more high-rise buildings.

Apart from providing a subsidy for environmentally-friendly vehicles, the Government should consider providing a subsidy for writing off vehicles. I have talked about this for so many times in this Council. This is not only discussed in Hong Kong. There are also similar measures in other places. For instance, if a new vehicle is purchased to replace an old one, the price of the new vehicle can be discounted by a certain rate. This can truly address the problem of congested roads or old vehicles not meeting environmental standards. In respect of buses, for instance, can the bus replacement programme be accelerated? So many buses of the old Euro II models are still running on the roads now. Can the Government provide some subsidies to the bus companies, so that it does not have to take 18 years to replace the buses?

Frankly speaking, these views are not new at all. The Government has also made some proposals, such as customs clearance arrangements for waste identification, establishing connectivity with the Mainland, and so on. Under Secretary Dr Kitty POON has also suggested that a special certificate should be issued to companies with good reputation in the Mainland and Hong Kong to operate under a point-to-point approach, thereby creating a recycling industry in

the Pearl River Delta by "recovering waste in the front shop and recycling waste at the back plant". Regrettably, there has been no further development since these proposals were mooted.

Moreover, President, I would also like to mention that from the written reply that the Government gave us in the Finance Committee, we can see that in 2009-2010, the electricity consumption of the Government was 2.569 billion units, showing an increase of some 30 million units over the 2.537 billion units in 2008-2009. This shows that its electricity consumption has not dropped but even risen slightly instead.

The Government has kept on rolling out energy conservation measures but we have seen that down in its heart the Government is actually thinking about increasing its electricity consumption continuously even to the extent of 40% to 50%. This is why it has to take forward the plan for 50% of electricity to be generated by nuclear power. The Government has not learnt a lesson from the Fukushima nuclear power plant incident. On the contrary, it gives us a feeling of "business as usual", as it increases its electricity consumption as usual. This is not a sustainable approach; nor is this a good solution to the long-term development of Hong Kong and to the next generation.

President, before I made this speech I had considered whether it is necessary to rehash the same old stuff every time these issues are discussed. However, I found that if we do not discuss these important issues when we debate the Budget or the Policy Address, when should they be discussed? Besides, their repetition does not mean that no new opinion is put forward. It only means that even though the Government has heard some consensuses, it is still unwilling to put them into practice. This, I think, is regrettable.

Compared with other places, Hong Kong has such an abundant reserve and surplus, and also a long history of governance. Why has it, in recent years, given people the impression that this Government is just "waiting to call it a day"? President, not only Hong Kong people have this feeling, but even some people from the Mainland may have this feeling, too. I think this is so regrettable. It is not the case that we can waste time in such a way every year. We call on the Financial Secretary to make use of this Budget to draw up long-term plans for us. Thank you, President.

**DR MARGARET NG:** President, the 2011-12 Budget of the Financial Secretary does not deserve the support of this Council: not the original budget introduced little more than a month ago, and even less, after the drastic change hastily announced only a few days later. The move has undermined the SAR Government's credibility, and made thinking members of the community question the Government's ability to govern.

Let us reflect for a moment the basis of government. The primary civic duties of everyone living in a civil society are to obey the law and to pay tax. The primary function of the Government is to maintain social order under the law, and to promote public policies to meet the needs of society. Revenue is raised and put to use for this purpose.

This is the framework within which we should look at the budget.

The public has conscientiously done its duties. We have the right to ask, "How has the Government applied our funds?"

Hong Kong's social needs are many and urgent.

To begin with, the most serious problem which has to be addressed to maintain social stability is the widening gap between the rich and the poor, with the vast middle class rapidly sliding to the bottom. The situation of the elderly, the sick and the handicapped are serious. The problem of housing confronts most families. Education is another great concern as the single most important lifeline for our next generation. Jobs and the costs of running business; Hong Kong's dwindling competitiveness, the deteriorating environment which is threatening health and comfort — these are all matters which a responsible and far-sighted government has to address.

We have the resources to do a great deal. Of course no government has all the resources needed to meet all needs to the full. Hence, the importance for a responsible and far-sighted government to prioritize and to determine the right level of expenditure to be applied. This is always a difficult task for any government, and more so for one which does not have the mandate of a democratic structure. But this is the reason why this Government has to work harder and listen harder to find the right balance, so as to avoid the kind of violent controversy and widespread discontent.

On the other hand, the problem is simplified to some extent for Hong Kong. Under colonial rule, it was well understood that Hong Kong must make its own ends meet. Financial prudence was axiomatic. Under the Basic Law, the SAR "shall follow the principle of keeping expenditure within the limits of revenue". We must cut our coat according to our cloth. This principle is well-understood by the people of Hong Kong. None of us ask for the moon. All we ask for is that the Government uses a prudent level of our ample resources to give the maximum relief possible within our means to relieve our most pressing needs.

President, we do not require the Government to be perfect; but we do expect it to do its duty. This budget declared the Government's abdication from responsibility when the Financial Secretary threw all pretence of financial principle and policy to the wind and announced its instant decision to distribute a cash handout to all Hong Kong Permanent Residents over 18 — an estimated total of \$37 billion — thereby turning a budget with a \$3.9 billion surplus to one of \$8.5 billion deficit.

The cause of this drastic change was transparently political. Ironically, it was not the dreaded "welfare brigade" of democrats who forced the Government to reckless expenditure. It was the pro-Government lobby who found that they could not support the budget without risking their seats in the next election.

Thus, this budget "U-turn" on political grounds has set a precedent for future budget "U-turns". Already, commentators have remarked that the budget is now reduced to the status of a "consultation document". The weakness of the Government is now plain to the derisive public: it is not financial principle or prudence which decides, but simply a question of whether enough pressure is asserted.

This also raises the question for the future shape of the budget for the SAR: Will it now be a matter of increasing recurrent expenditure by a limited percentage to keep existing services running, and then divide up the year's surplus as cash handouts among adult Hong Kong Permanent Residents? If not, why not? Now that a vested interest is created for this class of persons, it is difficult to see how this Government is to manage expectations next year if there is again a

surplus. Such a form of "budgeting" can only head for disaster by creating division and discontent. Meanwhile, to please the maximum number of people who consider themselves entitled to cash handouts, less and less will be left to apply to meet the overall needs of Hong Kong.

The "U-turn" has, unsurprisingly, undermined the Government's credibility in the eyes of the Hong Kong and international community, because the Chief Executive Donald TSANG and Financial Secretary John TSANG had, up to the moment of the "U-turn", repeatedly and consistently derided Macao's cash handouts. The *Sunday Morning Post* on 20 March 2011 carried a feature story "John TSANG Rolls the Dice", with these quotations:

*July 2008*

*Donald TSANG's response to calls for him to copy Macao's cash handout*

"If I gave you HK\$5,000 or HK\$6,000, it would not be of any use to you. It wouldn't be enough for you to purchase petrol for your car."

*February 2009*

*John TSANG*

"Public money must be spent using a focused approach. An indiscriminate handout of cash is not a feasible option."

*April*

*Donald TSANG*

"Macau has Macau's way, while we have our way."

*January 2011*

*John TSANG*

"We must stick closely to the principle of prudent financial management and cannot see the giving out of sweeteners as the only solution to problems."

*23 February*

*John TSANG, presenting his fourth budget*

"The budget has struck the right balance. I will continue to explain it to the public and hope more people will come to understand it."

*25 February*

*John TSANG*

"We can't take this part out and that part out. It is impossible. It's difficult."

*2 March*

*John TSANG on his cash handout U-turn*

"All of us have heard clearly the strong demands from society. That's why I make this decision after striking a balance ..... The most important thing now is to forge a consensus."

Public revenue cannot be applied to save the skin of government officials. The proposed cash handout has none of the features of a considered policy. Up to this date, officials still cannot give us the concrete plan of execution, or indeed how practicable such a plan may be, no details of who and how many will benefit and what is the justification for the amount of \$6,000 or the eligibility criterion.

Officials are insisting that cash handout is nothing new but merely a different way of implementing the existing policy, I repeat "existing policy", of "藏富於民", that is, "leave wealth with the people" (this is the Government's translation); they argue that the original injection of \$6,000 into each MPF account was under that policy. But this is blatant nonsense. "藏富於民" is a slogan, not a policy. The "民" (people) in the MPF injection plan is not a status but refers to the working population, it refers to members of the MPF scheme. So some who may have been entitled under the original proposal have now lost the promised benefit. Nor is the new proposed handout anything like "藏" (store). The original proposal, as stated in paragraph 177 of the Budget speech, is "to increase the retirement savings of [MPF] scheme members". The new proposal, as stated in the Government's paper to the Finance Committee, is to

"leave wealth with the people" and "respond to public demand." That the two measures reflect the same policy is hardly convincing to anyone who can read.

I am not categorically excluding cash handouts as proper relief under a budget if there is a cogent policy reason which stands up to scrutiny, for which a sum computed on rational budgetary grounds have been set aside — these are no more than the normal requirements of responsible policy. For example, President, if the Financial Secretary were to say that because there is a category of needy people who cannot be reached, with disbelief, save by cash handouts, and fully justify them, I see no reason why this Council should not give it serious consideration. But this is not the present situation.

It is said that the Financial Secretary should be applauded for so promptly correcting his error of judgment after listening to public opinion. I wonder how many people believe this. Does this mean he did not listen to public opinion prior to setting down the budget? And if he is keen to listen, then why does he stop at the cash handout? Why has he hardened this heart against the elderly who die in their thousands while waiting for a placement in a home for the aged?

Doesn't this come back to the first principle of the budget being a balancing exercise — if you have \$37 billion to spare for cash handout, why not spare some to relieve more urgent needs? Is it more important to give \$6,000 to a well-to-do person for whom this is just small change, than to use the sum for more long-term purposes? Where is our priority? Is it for this sort of spree that Hong Kong taxpayers have done their civic duty to give up part of their cash?

President, I am sorry that the Government has not bothered to give its critics a fair reply. I hope the Financial Secretary will repair this discourtesy in his reply in this debate. Thank you.

**MR LEE WING-TAT** (in Cantonese): President, I believe the Budget this year is by far the most outstanding one in history. When I first joined the former Legislative Council in 1991, I listened to the Budget speech made by Hamish MACLEOD, then it was Donald TSANG, Henry TANG and now Financial Secretary John TSANG in the subsequent years. I have altogether listened to the Budget speeches made by four Financial Secretaries.

As for those prominent Financial Secretaries further back in time, like John COWPERTHWAITTE and John BREMRIDGE who are often mentioned by the rightist economists in the press, I did not have the opportunity to listen to their Budget speeches because I am not senior enough, but I have read the full text of their speeches. A common characteristic of all these speeches is that a large part of them was devoted to discussing economic philosophy and the philosophy and principles of budgetary management of a place rather than a nation. Therefore, the first half to one hour of the Budget speeches of these prominent Financial Secretaries was usually very boring because it was about the relevant philosophy and concepts.

After the reunification, I began to find it boring to listen to Budget speeches because I often had a feeling that they were annual occasions on which a treasurer would give an account of the revenue/expenditure allocation. It is not that the Financial Secretary has not dealt with the economic development of Hong Kong, but compared with previous Financial Secretaries, the approach adopted by the incumbent is even more similar to that of a Secretary for the Treasury. The duties of a Secretary for the Treasury are certainly to manage the tax revenue of Hong Kong, determine the level of government expenditure and then set the resource allocation procedures and priorities for each bureau. However, are these really the duties of a Financial Secretary? I do not think so.

Why do I say that the Budget this year is very special? In saying that it is special, I do not mean that it is necessarily desirable. I will explain in detail later why it is special, but the major reason is that it has aroused much controversy.

President, the Budget debate this year has made me rather sad. Honourable Members of this Council and members of the community may debate on major social policies on two occasions every year. The first occasion is the Chief Executive's Policy Address, and the other one is the Budget debate, in which the Financial Secretary plays the leading role. If we only focus on asking the Financial Secretary when the cash handout of \$6,000 will be offered on the second occasion of debating major social policies, has our society really degraded to such a deplorable state?

I certainly understand that members of the public are gravely concerned about how the \$6,000 will be handed out. I am none of those who are so aloof

and detached as being completely unaware of the plight of mortals and ignorant of the grassroots' keen concern about the \$6,000. The administration of any place or country knows that people are usually more concerned about short-term benefits. As for long-term social affairs, either they have no time to care about them due to the pressure in living or they may think that the relevant decisions will be made by the government or politicians and they have no say in them. Therefore, I appreciate the public's keen concern about the \$6,000. However, the Financial Secretary or the Chief Executive, as a senior government official, even attempted to use this \$6,000 to divert the focus of the public's discussion on the Budget. This is a most undesirable and unwise approach.

President, the Budget actually contains many serious issues. These issues, which have always been subjects of controversy and discussions, have not been discussed by us this time. For example, will our economic development be marginalized, as indicated by the State or hinted by someone a few years ago? Can our economic growth sustain so that there is sufficient wealth and revenue to safeguard and maintain our existing welfare services or even expand their coverage? Is it really necessary for us to, as the Financial Secretary said, maintain our reserves at a level not just equivalent to some 10 to 20 months but even 30 months of government expenditure, and even accumulate reserves for social welfare development after 2030? Is it necessary for us to maintain our recurrent expenditure at 20% of our Gross Domestic Product (GDP)? Is it impossible for our GDP to grow any further? Do we have sufficient social services?

Actually, we have to deal with many serious issues in the Budget debate, but sorry, what I find really disappointing is not about whether a cash handout of \$6,000 will be offered to the public, but that members of the public and the Legislative Council have let slip an important opportunity of debating these serious issues, and everyone only focuses on asking about the arrangements concerning the \$6,000.

As I said just now, it is understandable that the public are generally more concerned about short-term benefits, but as a political leader, the Financial Secretary — if we regard the Financial Secretary as one of the political leaders of Hong Kong — has made a grave mistake. His mistake lies in the fact that he has used his most important exercise in the year to direct the public to discuss a short-term benefit to the neglect of the long-term economic and social planning of

Hong Kong and the priorities in the use of funds. The approach adopted by the Financial Secretary this year has completely ruined the established reputation of all the Financial Secretaries of Hong Kong since the colonial era.

It can be envisaged that in the Budget debate next year, the general public and Members of this Council will definitely pursue a few issues, such as whether or not the consultation conducted by the Financial Secretary is genuine consultation, whether the consultation is really useful and whether the initiatives announced by the Financial Secretary will be changed within a short time. Besides, the public may also ask whether a cash handout of \$7,000 will be offered, given that a cash handout of \$6,000 was offered in the preceding year and the economic condition of 2012 is not too bad. Besides, people from trade unions or political parties with leftist inclinations may propose offering a cash handout of \$8,000 rather than \$7,000, and then some other people may suggest handing out \$10,000.

I do not know whether the Financial Secretary is aware that this decision will lead to very serious historical consequences with far-reaching detrimental effects. A new culture of budget consultation and preparation will probably not be developed until his tenure of office as the Financial Secretary expires in 2012 when this Government's term of office expires and a new Financial Secretary takes office.

President, I have recently finished reading the book *A Journey*, written by Tony BLAIR after he had ceased to serve as the Prime Minister of the United Kingdom. A chapter of the book is on the Iraqi War. As Members may know, when the United Kingdom decided to join the Iraqi War, over 1 million people in the country took to the streets against BLAIR's decision. Some members of his cabinet even resigned to dissuade him from joining the Iraqi War, and many members of his cabinet voted against his decision.

I do not mean to say that I support invading Iraq. What I wish to point out is that after a political leader has made a major decision, he must do his utmost to lobby support for the relevant policy extensively rather than wavering and being indecisive in the face of major challenges. This is where the difference lies between what we call "politicians" (從政人士) and what some people call "politicos" (政客) or "statesmen" (I do not know how it should be rendered in Chinese), which is supposed to refer to people who are engaged in the affairs of a

nation. I do not know whether the Financial Secretary would regard himself as a politico, a politician or a statesman. However, we can see that this time the Financial Secretary has, in order to achieve the short-term goal of enabling the passage of the Budget, made an exchange of political benefits and given up the priority of budgeting, which should actually be accorded to discussing long-term economic and social planning and resource allocation. With his giving up the latter in pursuit of the former, I would only regard him as a politico rather than a politician, not to mention a statesman.

President, next, I will spend a few minutes on land and housing, which is an issue of grave concern to me. After the announcement of the Budget, the property market has shown no signs of cooling. Despite the drop in the number of transactions, property prices kept soaring. The property index of the Centaline Property actually recorded a rise in property transactions in the first quarter, both in the primary and secondary markets. At present, we cannot see any clear market message for prospective home buyers indicating that it is a real and feasible plan of the Hong Kong Government to substantially increase land supply.

The Financial Secretary claimed that there would be a supply of 35 000 to 40 000 flats this year. Against this, I bet on my resignation and challenged him to an open debate, and now he has withdrawn this remark. Secretary Carrie LAM has indicated that with the most realistic calculations, there will be a supply of only 19 000 flats, while the supply of the remaining flats hinges on whether or not developers will trigger lots. In that case, will there be a supply of 35 000 to 40 000 flats in the end? I once claimed that only if the Government could launch 40 000 flats onto the market, I would definitely tender my resignation and offer an open apology to the Financial Secretary.

The issue under discussion now is not only the supply in a year. To change the message in the market, the Government has to adopt a firm stance in drawing up a land and housing supply cycle of five years or an even longer interval, which was once the practice adopted. However, as the Government has now given up this practice, a five-year rollover programme for land and housing supply is no longer available. For reasons unknown, no explanation has been given so far. The Government said it did not wish to set a hard indicator. However, drawing up planning for supply does not mean that the Government must provide the relevant flats in full quantity within that particular year. It only

means that if the Government plans to provide land for building 30 000 residential flats annually, it may make available land for building 30 000 flats when the property market is robust; make available land for building 20 000 flats when property market is stable; and make available land for building only some 10 000 flats or so when the property market sees a downturn. Actually, the Government can use its own chips flexibly. On the contrary, however, it has indicated that this is a hard indicator. May I ask why it is such? We propose that the Government use the land in hand at its own pace rather than adopting the current approach, because when it does not have any land in hand, it will not be able to identify any site no matter how hard it tries.

My second stance is that I am strongly supportive of resuming the Home Ownership Scheme (HOS). The more I discuss this issue with members from the real estate industry, the more I feel that they are less opposed to it. On the contrary, it is the Government which is most strongly against it now. Why are individual real estate developers no longer against it? Because they think HOS flats belong to a separate market. At present, it may take over \$2 million to purchase a newly-completed HOS flat in the urban area, but what kind of flats can be purchased in the private market with this amount?

Chief Executive Donald TSANG said to me in 2009, "Ah Tat, do not always ask me to resume the HOS. Just look around, there are actually plenty of small-sized residential flats priced at \$2 million." Is he still saying the same thing now? Not anymore, because although it is still possible to find flats priced at about \$2 million, such flats may be old flats in Yuen Long or Tsuen Wan, or they may be flats in Tin Shui Wai, plus they are becoming scarce. At present, newly-completed flats cost at least some \$3 million to \$4 million, or \$4 million to \$5 million. As for old flats, the asking price of flats with an area of about 400 to 500 sq ft can be as high as \$3 million to \$4 million. Therefore, existing HOS flats and private residential flats actually belong to two separate markets.

President, my last point, which is also the proposal I recently put forth to the Secretary, despite her strong disagreement, is that I think there is a need for society to begin to think about and discuss this: Should the Hong Kong Government prohibit or impose restrictions on foreign investment in the local market of low-to-medium-priced residential properties? To my understanding, investments of funds are not limited to stocks, and quite a large amount of international funds are used for acquiring commercial buildings, which may

involve the substantial acquisition of an entire block or an entire floor, or the purchase of luxury flats. I do not oppose allowing foreign investments in the market of luxury flats and industrial/commercial properties because these are investment activities. However, if some Mainland tycoons are buying three flats in Mei Foo Sun Chuen with over \$10 million or 10 flats in Tin Shui Wai with over \$20 million in one go, Members should realize that it is no longer a matter of investment, but an issue which will affect people's livelihood. I think it is necessary for us to consider whether or not to impose restrictions on the purchase of local low-priced flats by foreign funds. This issue warrants our serious discussion. Thank you, President.

**MR KAM NAI-WAI** (in Cantonese): President, many Members said yesterday and today that the Budget this year can be considered a very special one. Special as this Budget is, the debate yesterday, which was the first day of the debate originally scheduled for two days, ended as early as at around 6 pm. Everyone found it very strange, and the reporters also asked why it ended so early.

Originally, the debate today is expected to extend into the afternoon, but I guess it will probably finish this morning. Why is it so strange? Despite being so controversial, this Budget seems to have attracted little discussion. My analysis is that perhaps the pro-establishment camp and the royalists do not know what opinions to give, and neither do they know how they can support the Government's Budget. Perhaps, all they can talk about is only the issue surrounding the \$6,000, that is, how the amount of \$6,000 can be handed out, to whom should this \$6,000 be handed out and that this amount should be handed out expeditiously. All that has been said boils down to just this single issue. We cannot see any long-term commitments in this Budget. Is it true that there is not any upside to this Budget? Actually, critics and members of the public should take a look at the Budget to draw their conclusions.

The focus of my remark is: Given the Government's substantial surplus, why should tax increases still be proposed this year? One of the examples of proposed tax increases is the proposed increase in the rate of the First Registration Tax (FRT) for vehicles. The Financial Secretary made it very clear right at the beginning that the proposed increase of the FRT rate for vehicles is intended to relieve traffic congestion instead of raising tax revenue.

The Financial Secretary has just left the Chamber. I wish to use these eight to 10 minutes to analyse and discuss with the Financial Secretary why the Democratic Party opposes raising the FRT rate for vehicles. Certainly, we may talk about it for eight to 10 minutes here, but it is hard to say whether the Financial Secretary will listen to us because, as Members may know, they have all along been conducting the so-called consultation . . . . . Some Members did not speak again today probably because they know that even if they did, the Financial Secretary would not listen to them. However, we will express our views anyhow.

Regarding relieving traffic congestion, the Democratic Party thinks the current measure of raising the FRT rate for vehicles has failed to target at the problem and is actually unable to solve the traffic congestion problem. Why did I say so? The Government has provided us with two figures for reference. In the New Territories, the travelling speed of vehicles this year has dropped by 7% compared with that last year; and in the urban area, the travelling speed of vehicles this year has dropped by 5% compared with that last year. In other words, traffic congestion has become increasingly serious, and so the travelling speed of vehicles has been dropping. However, why has the travelling speed of vehicles been dropping in the New Territories? I do not know whether the Financial Secretary has been kept in the dark by his think-tank, which may have made him unable to see the true situation.

Mr LEE Wing-tat said just now that we demand the resumption of the Home Ownership Scheme (HOS). Actually, the price of properties in the urban area is rising higher and higher, which has caused more and more people to move to the New Territories where rentals and property prices are lower. From some figures, we can see the movements in the number of permanent quarters in the New Territories since 2007. In 2007, there were 1 283 000 flats in the New Territories, but the figure reached 1 314 000 in 2009. On Hong Kong Island, there were 475 000 flats in 2007, but the figure dropped to 470 000 in 2009. In other words, the relevant figure has been dropping. These figures show that there are more and more flats in the New Territories and fewer and fewer flats in the urban area. This proves that more and more people have moved to the New Territories. Why do people who have moved to the New Territories not take public transport? I would like to discuss with the Financial Secretary the reasons for this. I do not know what the Financial Secretary thinks, and perhaps he only rides in the government vehicle with the number plate of "FS" but not

buses. Even for members of the public who live near to the bus stops and thus do not have to change, the single-journey bus fare from Yuen Long to Central is over \$20, and a return-trip bus fare is over \$40. So, their monthly travelling expenses are over \$1,000.

So, Members can understand why those people who have been attracted to live in the New Territories will easily come up with the idea of driving their own cars instead of taking means of mass transport. The reason is that fares of public transport services are exorbitant. This morning, I heard that there was a breakdown on the Ma On Shan Rail again. Actually, there has been a minor breakdown once every few days and a major breakdown once every month on the rail. Therefore, many people prefer driving, which has inevitably caused the increase in the number of road users in the New Territories, thereby slowing down the vehicles' travelling speed.

As for the urban areas, there is even no need for any analysis. As Members may know, the traffic distribution of the three road harbour crossings, namely the Cross Harbour Tunnel (CHT), the Western Harbour Crossing (WHC) and the Eastern Harbour Crossing (EHC), is very uneven. We have repeatedly requested the Government to buy back the WHC and regulate the traffic flow by the toll levels. However, the Government has been turning a deaf ear to our plea, saying repeatedly that studies are required. It has also attributed the cause of the traffic congestion problem to the growth in the number of private vehicles, and thus it proposed to raise the FRT rate for vehicles. However, we should also draw on previous experience and make reference to figures on the growth in the number of private vehicles. After the Government had raised the FRT rate for vehicles in 2003, the number of private vehicles increased by 1.7% and 1.8% in 2004 and 2005 respectively. In 2009, the relevant number increased by 2.8% compared with that in the preceding year. Actually, it is obvious that each time after an increase in the FRT rate for vehicles, minor effects would be achieved during the year or in the subsequent year, but the growth in the number of vehicles would resume very soon, that is, it would show an upturn. Therefore, we do not consider raising the FRT rate for vehicles an effective measure to tackle the problem. Certainly, we also have to understand that this measure will bring some adverse effects at the same time. Some Honourable colleagues have also pointed out just now that this will cause many people to use second-hand and old vehicles. Earlier, we organized a hearing. According to the figures provided by the Motor Traders Association of Hong Kong (MTA) at the hearing,

there were 158 716 private vehicles in Hong Kong in 2009, and more than 100 000 of these vehicles were over 10 years old. The MTA pointed out that if these old vehicles continued to run on the roads, serious air pollution on the road would result.

The MTA once proposed that the Government offer concessions to vehicle owners who write off their old vehicles and replace them with new ones. It also pointed out that if the Government could dispose of over 40 000 old private vehicles aged 10 years or over with this measure and replace them with new Euro IV vehicles, emissions of pollutants from private vehicles would be reduced, which would in turn reduce the emission of suspended particulates by 12% and the emission of volatile organic compounds by 28%, thereby alleviating air pollution. On the contrary, if many old vehicles continued to run on the road, air pollution would become increasingly serious.

The Democratic Party proposes that if the Government intends to solve the traffic congestion problem, it may give consideration to adopting the following approaches. For example, the Government may buy back the WHC and implement the "park and ride" arrangement under which drivers may park their vehicles at large-scale carparks and then change for other modes of public transport, such as trains, to travel to the urban areas, so as to relieve traffic congestion.

The Democratic Party also proposes that the Government reduce the fares of some public transport services and refrain from allowing the operators to impose fare increases every year. It is only with this targeted measure that the traffic congestion problem can be solved. Therefore, the Democratic Party opposes the proposal of raising the FRT rate for vehicles. I hope the Government will withdraw the proposal on its own initiative. However, I do not know whether the Government will accept our proposal. We have presented a lot of statistical support, and we hope the Government will heed public opinion and really solve the traffic congestion problem.

As I am the Member from the Democratic Party overseeing affairs relating to environmental protection policies, I would like to discuss the electricity tariff subsidy introduced by the Government this year. Actually, in its submission to the Financial Secretary, the Democratic Party has proposed that the Government introduce an electricity tariff subsidy. At the same time, however, I have also

given regard to criticisms against this initiative from various organizations. According to the computations of Prof William CHUNG, director of the Energy and Environmental Policy Research Unit under the Department of Management Sciences of the City University of Hong Kong, experience from the electricity tariff subsidy of \$1,800 introduced by the Government in 2008 showed that the subsidy offered back then directly caused an increase of 700 million kWh in electricity consumption by residential electricity accounts within a year. In other words, the granting of an electricity tariff subsidy will cause members of the public to use electricity in a wasteful manner. All of us should bear in mind the incident of the Fukushima nuclear plant incident. We also hope the public will save energy.

If the Government only offers an electricity tariff subsidy without introducing other complementary measures, the problem of energy wastage mentioned by Prof CHUNG will arise. Therefore, the Democratic Party proposes that apart from introducing the electricity tariff subsidy, the Government should also require residential electricity accounts to reduce electricity consumption in any half-year period by 5% compared with the same period of the preceding year. For example, the electricity consumption from April to 30 September this year should be 5% less than that from April to 30 September last year, and the relevant residential electricity accounts should be offered an additional electricity tariff subsidy of \$1,200. We think this can encourage the public to reduce electricity consumption. We hope the Government will take on board our view and refrain from introducing any electricity tariff subsidy indiscriminately. The Government must consider this issue from the perspective of energy conservation and grant members of the public an additional subsidy if they can reduce electricity consumption.

President, I would also like to spend some time to talk about the Elite Athletes Development Fund (the Fund). During the budget consultation conducted by the Financial Secretary this year, the Democratic Party proposed that the Government make a provision of \$6 billion to set up a sports fund for athletes. The Government advised, with much generosity, that \$7 billion would be allocated for this purpose. However, by taking a more careful look at it, one will find that there is no such a bargain. We found out that the \$7 billion referred to by the Government is purely seed money, and recurrent funding will only be provided to the Hong Kong Sports Institute when investment returns can

be obtained. We feel very concerned about this, and we hope the Government will underwrite the shortfall.

By proposing that the Government provide a funding of \$6 billion, the Democratic Party actually hopes that it will inject \$500 million to \$600 million annually into the development of elite athletes in the next 10 years. However, with the \$7 billion fund currently proposed by the Government, if an annual return of only 4% to 5% is made, only \$200 million to \$300 million will be available each year. Besides, we are also concerned about whether such a high rate of return can be achieved. This is the concern of the public and the athletes, and we hope the Government will underwrite the shortfall so that the training of elite athletes can be implemented.

President, as the last point, I would like to say that the Government has a substantial surplus this year and has allocated over \$40 billion for "handing out candies" and offering cash handouts. However, facilities in many districts still need improvement. According to my rough computations, if this amount of some \$40 billion is to be distributed to the five major districts, each district will receive about \$7 billion to \$8 billion. Take Hong Kong Island, which I am more familiar with, as an example. Many facilities there remain to be improved. For example, \$3 billion may be required to construct a rail link to Siu Sai Wan. Besides, additional elevators are needed in various districts, such as Ap Lei Chau and Pound Lane in the Central and Western District, the construction costs of which will only amount to some \$100 million. Moreover, there is a need to build libraries in various districts, including Sheung Wan, because many members of the public hope that a library will be provided in their own district. Actually, it only takes the Government a few hundred million dollars to alleviate the problem of insufficient community and local services. I hope the Government will improve community facilities and services to benefit the public even if it does not introduce long-term policies. It is only in this way that the public will accept this Budget. President, I so submit.

**MR WONG SING-CHI** (in Cantonese): President, I still remember vividly that at the meeting of the Finance Committee on 25 March, Chairman Emily LAU asked the Financial Secretary at about 1.30 pm whether it was possible to extend the meeting for 15 minutes. The Financial Secretary said he had other tasks to do and he had not had lunch yet. What he probably meant was he wanted to end

the meeting. Fortunately, he stayed to continue to discuss others issues with us in the end.

The Financial Secretary had other tasks to do, but members of the public even do not have a job; the Financial Secretary had not had lunch yet, but many members of the public even do not have the opportunity to fill their stomachs. When Members were raising questions and giving a detailed account of their demand in relation to the Budget, the Financial Secretary even used these excuses to dismiss them. It is a shame indeed.

President, what the Budget should do is actually not only to please all the people of Hong Kong. Some members of the public will indeed be very delighted to receive a cash handout of \$6,000, but after that, they still have to face a society in which there is the problem of disparity between the rich and the poor, in-work poverty and inter-generational poverty, and some single-parent families will continue to live in hardship. Moreover, some elders and people with disabilities also hope that they will have a better place to live in and their family members can take better care of them, but they are still facing great difficulties. Why did the Financial Secretary only propose the fleeting measure of a \$6,000 handout in the Budget while being unwilling to make any long-term commitments?

President, I have mentioned more than once in this Council that according to the statistics obtained from the Census last year on the 18 districts published by the Census and Statistics Department on 31 March, compared with 2009, the wealth gap among the 18 districts has widened. The richest district is Wan Chai, with its median household monthly income amounting to \$29,000; and the poorest districts are Sham Shui Po and Kwun Tong, with their median household monthly income being \$14,000 and \$15,000 respectively, which have actually increased slightly, but the increase is only minimal. As Members can see, there have been increases in prices, particularly those of properties, and growth in the economy, as reflected in investment activities, but there has been only a slight increase in people's income. Mr LEE Wing-tat has discussed this at great length just now.

People's median monthly income has only increased slightly, which is actually unable to catch up with the situation of the whole society, in which the rates of increase in property prices, prices of goods, rental, travelling expenses

and various fees and charges have far exceeded the rate of increase of people's income and their affordability. In this Budget, however, I cannot see that the Government has any determination, made any long-term planning and shown any genuine intention to make commitments and solve the long-term problems for the people of Hong Kong. Unfortunately, some Members were even complacent, thinking that they had succeeded in fighting for a cash handout of \$6,000, which is indeed disappointing for many members of the public who have ideals and are committed and attached to Hong Kong.

President, inter-generational poverty is still a very serious problem in Hong Kong. The Financial Secretary or the Chief Executive advocated the establishment of a Child Development Fund (CDF). Over these few years, however, the number of beneficiaries of the CDF has only increased from 750 to 1 500. Only \$20 million out of the original funding of \$300 million injected into the CDF was deployed. Why? The Government actually has no intention to implement initiatives in this respect. Information from various sources and statistics provided by the Hong Kong Council of Social Service (HKCSS) show that there are actually almost 300 000 children in poverty in Hong Kong, yet only 1 500 children were benefited. The Budget is even silent on this, and neither has it proposed any specific long-term measures for these 300 000 children in poverty to help them practically solve the problem of inter-generational poverty.

As for in-work poverty, according to the definition of the International Labour Organization, in-work poverty means the employed's incomes are not enough to enable them to lift themselves and their families above the poverty threshold. Government statistics show that in December 2009 and March, June, September and December 2010, the average real wages saw a year-on-year decrease. As I said just now, the prices of goods, property prices, rental, travelling expenses and basic daily expenses have been increasing, but people's income have been decreasing over a period of time in the past. Although we have not set an official poverty line or poverty threshold — not a critical point but a threshold — many studies, such as the "A Statistical Profile of Low-income Households in Hong Kong" published by the HKCSS, pointed out that a family is a poor or low-income family if its household income is below 50% of the median household income of families of the same size.

At present, 200 000 working families in Hong Kong, involving 700 000 people, are living at this standard. Over 60% of these families have children or

elderly members, but the employment rate of the adults, who have to bear the responsibility of supporting them, is rather low. Therefore, each working adult has to support an average of two family members. Compared with the fact that a working member of a family has to support only 0.8 family member in general, the family burden of families of in-work poverty is heavier. However, what has the Government done in this respect? It only keeps talking about the "three short piles". People would certainly save up when they have money, but how could they do so if they do not have money?

For members of the public with a relatively high income, the Mandatory Provident Fund (MPF) is certainly desirable, but for people with a low income, how can the MPF provide them with retirement protection? In the end, they can only apply for assistance under the Comprehensive Social Security Assistance (CSSA) Scheme. However, the review of the CSSA Scheme has yet to be conducted, and the rent allowance under the CSSA Scheme has to be drawn somehow from the Community Care Fund. The Government still keeps dwelling on how the mechanism worked in the past, unwilling to adjust the rent allowance under the CSSA Scheme despite the prevailing rental spiral.

However, the Financial Secretary even decided overnight to hand out a total of \$36 billion, which is actually more than sufficient to provide such rent allowance for 20 years. Instead of making this commitment, the Government has only taken a fleeting measure, which will only give people momentary joy.

Regarding the elderly in poverty, Oxfam commissioned a survey among 541 respondents aged 60 or above who are eligible but have not applied for CSSA. The findings of the survey show that the average monthly income of these elderly people, which is the sum of their savings and such allowances as the "fruit grant", was about \$3,359. However, their monthly spending was \$3,904. In other words, they faced a deficit of \$545 every month. There were many reasons why they did not apply for CSSA, and we will not go into their details. Obviously, however, one possible reason for them not to apply for CSSA was they had a feeling that the Government has all along been stressing that "CSSA nurtures lazybones".

Here, I have to point out that applying for CSSA is a right of the people in need. Just take a look at this group of elderly people. Has the Government taken responsibility for and given any regard to their situation? The Budget has

not proposed any targeted measure to tackle these problems and thus has allowed the wealth gap problem to continue to exist in society and caused many members of the public to continue to live in hardship. Moreover, there are currently about 2 032 severely mentally handicapped persons and 1 407 moderately mentally handicapped persons waitlisted for places in the relevant hostels; and the waiting times for nursing home places and contract residential care homes for the elderly (RCHEs) are 40 months and 34 months respectively.

In different committees, many Members of this Council have been requesting the Government to increase the number of places of residential care homes for people with disabilities and RCHEs, but the Government would turn a deaf ear to them and only provide a small number of additional places each time. The number of community care places remains at the level of only some 500. Besides, the relevant services have yet to be extended to the entire territory. How much funding is required to do so? The purchase price of an EA1 place is only about \$7,000, and it will take less than \$1 billion to buy 10 000 such places. If \$36 billion is used to purchase these places, 10 000 elderly people will be allocated such places at once. How long will such funds sustain? More than 40 years. However, instead of doing so, the Government made the decision overnight to hand them out.

President, you might not have noticed that I had a discussion with some operators of private RCHEs and representatives of the Government last week. At first, I told the operators of RCHEs that there were inadequacies in various aspects of their RCHEs, and there was even a case in which an elderly person was fed with faeces. They said it was indeed hard to operate RCHEs, and they had already put in a lot of efforts. EA1 is the highest standard of bought places recognized by the Government. However, apart from the exorbitant rent, soaring prices of goods and increased prices of foodstuff, they also have to face the minimum wage which will be implemented on 1 May. Regarding bought places, the Government has only increased the number of bought places by 1.4%, which is not even 2%, and it even claimed that it cares for the elderly. Has anything gone wrong? This rate is even not as high as the rate of pay rise for civil servants and the rate of bus fare increases. The cost of travelling expenses per day is more than \$3, yet the subvention for a bought place for each elderly person has only been increased by \$100 monthly, which is only \$3 per day. How mean! Why is it so mean? Why has the Budget become such a mean

one? On the other hand, the Government even proposed to offer a cash handout of \$6,000, giving away \$36 billion in total.

President, our criticism of the Budget is not unfounded. We hope the Government will really draw up long-term planning and make long-term commitments for the people of Hong Kong. Why did the Financial Secretary still think that his other tasks and the fact that he had not had lunch yet should have priority over everything else? Many people are still jobless, some people do not have enough food even though they are employed, and some others are even starving. Why could not the Financial Secretary see all this? Why did he only care about the fact that he still had other tasks to do and had not had lunch yet? If this is the way the Government conducts itself, how can members of the public endure any longer?

President, it is not that the Government is running out of funds. With our foreign exchange reserves standing at \$2,500 billion and fiscal surplus amounting to some \$600 billion, which add up to over \$3,000 billion, Hong Kong has established itself as one of the 10 richest regions/countries in the world (we are only a region, but our financial position is even comparable to that of some countries). Why does the Government not make any long-term planning and prepare for the future of the people?

Thank you, President.

**DR SAMSON TAM** (in Cantonese): President, subsequent to the release of the Budget, a lot of discussion was induced by it in the following month or so. We have heard many Members deliver their speeches yesterday and today, and most of them levelled strong criticisms at the Budget. Of course, we can also see that public opinion surveys indicated that this Budget was given a failure grade and some Members even claimed that this was the worst Budget ever.

The Financial Secretary was present this morning but he has now left. I think that since the Financial Secretary has created such a situation, he certainly has to give audience to all Members or the voice of the public. However, at the same time, I also think that even a bad or most useless Budget may still serve some purpose. As LAO Zi said, even useless things still serve some purpose.

This time, the Financial Secretary has taken two unprecedented steps. The first is that while cash has never been handed out in the past, this time, \$6,000 in cash will be handed out to residents aged 18 or above. In the past, I think the Government probably had the idea that handing out money could solve problems, and even though a lot of political parties or public opinions demanded that the Government hand out money, it turned out that when the measure of cash handout was really introduced this time around, the majority public, including the people whom I met in taxis or minibuses, actually had other views on the proposal to hand out money.

Of course, it is nice to receive \$6,000, but the majority public think that the Government, in handing out \$6,000 in this way, is not necessarily showing the greatest commitment and responsibility. Therefore, even a proposal serving no purpose should still enable the Government to learn a lesson and understand that the public do not simply want to gain some short-term personal interest; rather, they hope to see the Government introduce policies that can bring improvements to Hong Kong as a whole.

The second step taken by the Financial Secretary was that after releasing the Budget, despite his repeated reference to there being no room for change, after hearing all the hue and cry among the general public, he made an about-turn abruptly. I believe the Financial Secretary, after deciding to make this about-turn, hoped that his popularity would also take a turn for the better and public approval would rise. However, strange enough, even though the Government had made such a major change of course or concession, the reaction of many members of the public was that they expected the Government to be a strong one and if a measure could be changed overnight, this would make the public lose confidence in the Government and doubt if the Government had the ability to prepare a budget properly. Even though there are different voices in society, the Government should have good grounds or justifications to back up its measures. In view of this, during this period of time, the Government should have learnt a lot of things from this incident, and I hope that the Government can learn some useful lessons from this useless or not so desirable Budget.

Coming back to the proposal a \$6,000 cash handout, in fact, the situation is most paradoxical. In the past, money was also handed out in various countries or regions but in doing so, these countries or regions received more applauses than criticisms. Why? Is this because Hong Kong people in particular like to

criticize or oppose everything, so no matter if the Government hands out money or otherwise, they will still voice opposition?

Just come to think about it more carefully, why did problems not arise when money was handed out in other countries or regions? Take Singapore as an example, why did the people there support the Government in handing out money? Because the Singaporean Government had already done a good job in many of its policies, including in its policies on housing and the economy. The public felt that sufficient resources had been committed to various areas, so since the Government still had some money left or since the public were in need, it was desirable for the Government to hand out money to ease people's hardship.

However, if we review our economic development in the past few years, was it really that good? Apparently, there is an enormous surplus in the coffers but we all know that in reality, all the surplus is derived from the financial and real estate sectors, or has resulted from a bubble economy, so can this result be sustained? Even though \$6,000 will be handed out, can it make up for the money spent by the public on buying a flat or servicing their mortgage? Of course not. Therefore, the public is well aware that given the present economic policy and pattern, even if \$6,000 was handed out every year, they would still stand to lose more than they gain.

What is even more worrying is that an economic boom cannot be taken for granted. In particular, we can see that under the economic reforms of our Motherland, Hong Kong is no longer the only financial centre or commercial centre. How will Hong Kong's positioning be like in the future? Many people also doubt if Hong Kong's stability and prosperity can be sustained.

Having talked about the policies reflecting the beliefs in administration, I also heard a number of Honourable colleagues demand yesterday and this morning that the Government truly resolve some deep-rooted problems and of course, they meant the problems of wealth disparity and in housing and education. The Government hopes that we can pass this Budget as quickly as possible and promised us that after its passage, the Government would conduct a review immediately. I hope that the Government can undertake in its reply that it will really initiate reviews of several major policies, including its policies on housing, the economy and people's livelihood.

President, apart from using public funds appropriately to solve problems relating to people's livelihood, I think it is equally important for a responsible government to promote the economic development of a region or a country, so that a place can develop in a sustainable way and earn adequate revenues. Has the Budget this time around done so, or has it done enough? President, I am a little disappointed because if we look at the fiscal revenues of the past, we will find that most of them were the fruits of the appropriate commitments made by us a decade, two decades or even three decades ago. However, when it comes to new commitments, it can be said that there is hardly any.

Let us look at the National 12th Five-Year Plan. This time around, Hong Kong is also included in it and it is hoped that some new industries can be identified for future development in Hong Kong. However, regarding the six industries enjoying clear advantages, what resources has the Government actually committed in the last couple of years? This is really questionable.

President, concerning the budget last year, as a Member representing the information technology sector, I also expressed some views to the Financial Secretary. I put forward four practical ideas on how to invigorate the development of information technology in Hong Kong, so that the whole economy can become a new Internet economy. President, concerning the four demands made by me, the first is related to investing in and building a good communication infrastructure, so that the one in Hong Kong can surpass those of our neighbouring regions and countries. I believe that free communication and the communication infrastructure are very important to Hong Kong's long-term development.

I also proposed that the Government undertake, study or promote the construction of a next-generation Internet. I am convinced that the Internet economy will soon enter a high-growth period and if the old economy of Hong Kong, including the logistics industry, factories, services, and so on, do not align with the new-generation or the next-generation Internet, we will definitely be marginalized. President, I have also lobbied the Government on making greater efforts in bringing about a digitally inclusive society and nurturing information and communication technology talents.

President, you may think that since I am a Member from the information technology sector, I would surely talk about networking because I am most well

versed in this area. However, is it for the sake of our sector that I propose the Government deal with these matters? This is part of the reason, but the other part is that I am convinced Internet information technology is definitely the most important aspect in the restructuring of the Hong Kong economy.

President, can the Hong Kong economy be sustained given its long-standing reliance on such traditional industries as the financial sector? If the answer is in the affirmative, can it solve the problem of wealth disparity? Today, in raising the issue of Internet economy again, I hope that the Government can make use of the Internet economy to solve some of the deep-rooted problems in Hong Kong, including the problems relating to inter-generational poverty and the career prospects for young people.

President, let us look at the situation in the United States again. Is it possible for the majority of young people there to accumulate wealth by relying on the real estate or the financial sector? I think some of them can, but if we look at the list of the 100 richest people in the world nowadays, we will find that many of them became the world's richest young people by virtue of their creativity or the Internet economy.

Therefore, I am convinced that if the Hong Kong Government can promote Internet economy, the new generation of young people in Hong Kong can escape from poverty by virtue of networking. They do not have to have high academic qualifications and if they have creativity and are willing to try new things, they have opportunities. The Internet economy can give young people better prospects, but I think that, more importantly, Internet economy can be conducive to the upgrading and transformation of SMEs in Hong Kong.

President, I know many friends operating SMEs who are facing a lot of troubles. The costs of processing and trading in the Mainland market are ever increasing and it is easier said than done for them to gain entry into this market. How can SMEs in Hong Kong become more competitive? I believe they must develop in the direction of Internet economy, that is, in the direction of trading and procuring online, developing links with the world, placing advertisements and launching publicity on the Internet because SMEs do not have sufficient capital to set up a lot of chain stores, nor do they have sufficient funds to launch large-scale publicity drives. However, on the Internet, everyone is equal and so long as the services or products are good, it is possible to give play to one's

strengths on the Internet. If there are no SMEs in Hong Kong, wealth disparity in Hong Kong will be even greater. Therefore, I hope the Government can understand this situation and it must show commitment to SMEs by assisting them in their transformation.

The Internet economy is important, but what has the Government done or what is it going to do? Here, I suggest that the Government must really commit resources. For example, our neighbouring city, Shenzhen, already knows the importance of networking and the modern service industry, so it has implemented infrastructure projects at Qian Hai by carrying out reclamation there. However, what has the Hong Kong Government done? I hope the Government will really do a proper job in conducting studies and committing resources.

Here, I will make two specific proposals. The first one is related to a data centre. A data centre is surely a desirable outlet for Hong Kong's development. Hong Kong is highly suitable for the establishment of a data centre because it has excellent legislation, infrastructure, and so on. At present, the development of data centres in such neighbouring areas as Singapore is far ahead of us. Yesterday, some members of the public and the sector pointed out that yet another foreign-capital bank planned to move its backup data centre to Singapore. As a result, another group of people will become unemployed in Hong Kong.

In fact, Hong Kong is a centre of service industry and it is not just Hong Kong that has to rely on the networking service of data centres, rather, the whole region and even the whole world also have to. Therefore, should the Government not offer incentives in such terms as land, financing and taxation to assist in the development of a data centre, so that Hong Kong can become the top-notch data centre in the region or the world? Although the Financial Secretary once said that Hong Kong could develop in this area, there are no specific measures, policies or funding, so this matter has only remained at a theoretical level.

President, the second point that I expect the Government to deal with is to continue to commit resources to promoting the development of innovative technology. Since its establishment, the \$5 billion Innovation and Technology Fund has operating for a decade now and the results can be seen gradually. Should the Government not consider how to boost its efforts in this regard? Last year, the Government introduced a 10% cash rebate but unfortunately, the total

amount of money involved in the applications processed stands at only several million dollars, so are the efforts in this regard sufficient? Should the Government not expand the scope further, so that adequate resources are available to all companies or R&D institutes in Hong Kong and incentives can be offered to attract international companies to carry out R&D in Hong Kong?

I think that if the Government is willing to step up its efforts and roll out numerous schemes, as Singapore and Taiwan have, the results can certainly be seen very soon. Therefore, I hope the Government will commit resources to and introduce policies on innovative technology and Internet economy. Of course, I have all along lobbied for the establishment of an innovation and technology bureau by the next Government as a complementary measure, for this will surely enable us to get twice the results with half the effort.

President, lastly, since the rating for this Policy Address is so low, should we as Members support it or continue to oppose it, so as to force the Government to make greater concessions? I have learnt from the Internet that the Congress of the United States also has to deal with a budget and there are interminable arguments over it. The situation in the United States is even more complicated. Three short-term appropriations were approved, so if the budget is again vetoed, funds will not be available to the country in the next six weeks. Concerning this controversy, President OBAMA has queried if this will hinder the operation of the country and if the people concerned can bear the consequences.

Similarly, I hope that, if not absolutely necessary, the legislature and the Government in Hong Kong should reduce their arguments, sit down and work together for Hong Kong's development and way forward. I think this is very important. For this reason, I hope the Government will respond to the views expressed by us as soon as possible.

**MR ALAN LEONG** (in Cantonese): President, the greatest difference between the Government of the United States and the SAR Government is, of course, the fact that the Hong Kong Government is awash with money but the United States Government is keeping to a budget that is designed to contain its deficit. Since the release of this Budget more than a month ago, the criticisms in society have been never-ending.

Last year, the global economy was in recession but it turned out that a surplus of \$71.3 billion was recorded in Hong Kong. This is really a situation that the financial chiefs of many European and American countries would desire and yearn for in vain. Unfortunately, the Financial Secretary did not seize the opportunities presented by this enviable advantage by carrying out long-term planning to address the discontents of the public with the Government's administration and the hegemony of property developers. Rather, he aggravated the deep-rooted conflicts in society and aroused such a great controversy even in handing out money. Many Honourable colleagues in this Council have pointed out that the Financial Secretary is indeed capable of accomplishing feats that others are incapable of.

Having created such a situation, of course, the Financial Secretary has to assume primary responsibility. However, since the whole "lame duck" Government is prepared to work for the Donald TSANG Administration with the mentality of a caretaker government, it can hardly absolve itself of the blame, either.

What the public take issue with the most now is the Government's choice of inaction. I have related in this Council the experience that some "kaifongs" whom I met in the streets recounted to me. Simply put, at present, we pay taxes to the Government, so that it should provide good healthcare services to us, so that our parents can be admitted into homes for the elderly without being unable to be admitted despite having waited until their death, so that our children can have a sound basic education and receive education in small classes, and so that we do not have to queue up for out-patient service for five hours only to have seven minutes of medical consultation. All these are matters that only the Government can accomplish. This is why the public say that if the Government would rather hand out \$6,000 than to achieve what it rightly should be doing a good job in education, environmental protection, healthcare and social welfare planning, what is the use of this Government? This is precisely the greatest helplessness we are facing. Why is our Government like this? Not only is its ability being called into doubt, it has nothing to show even by way of the will to govern.

President, as you know, some people said that it was not justified to ask the Financial Secretary to carry out long-term social planning because it was the job of the Chief Executive, that if the Financial Secretary announced everything,

what was the use of the Chief Executive? President, all along, I have the impression that the Donald TSANG Administration is a team, so I do not believe that the waves of criticisms attracted by this Budget has nothing to do with Donald TSANG. Dealing with political crisis is precisely the best opportunity for the Government to show how it works in synchronization and in concert as a team. The Chief Executive cannot possibly tell us now, through the Financial Secretary, that insofar as building HOS units is concerned, we should approach Eva CHEUNG; or that insofar as small class teaching is concerned, we should approach Michael SUEN; or that if we want more drugs to be included in the Drug Formulary or get new drugs, we should approach York CHOW. President, this is not how it should be like. This Budget should actually manifest Donald TSANG's vision and beliefs in administering Hong Kong as a Chief Executive through the Government's allocation of resources and use of the surplus.

I wish to elaborate a little on the three main points advocated by the pro-democracy camp now, including the resumption of the HOS, the introduction of a universal retirement fund and the allocation of \$20 billion as recurrent expenditure. First, I wish to talk about resuming the HOS. I notice that among Members who have spoken in the Legislative Council, almost none of them has voiced any opposition to resuming the HOS. I also heard the chairman of the biggest party in this Council, Mr TAM Yiu-chung, say in his speech earlier on that he had voiced his strong support for resuming the HOS to solve the problems relating to housing and the living environment in Hong Kong.

The Government often tells us that if we do not proceed carefully, the construction of HOS flats will affect the private property market. However, history has shown that this is not the case. Before 1997 or 1998, or before the reunification, HOS flats were available for sale all the time. Even in the first year after the reunification, the volume of HOS units put up for sale was more than 30 000 units and the price index for private properties at that time, according to the private residential property price index published by the Rating and Valuation Department, was 155. In 2003, when the construction of HOS units was halted, in comparison, the price index for private residential properties did not rise but fell instead, with the index standing at 65.4 at that time. Subsequently, in 2004-2005 or 2005-2006, the price index of private residential properties actually stayed at a low level and did not rise. Strange enough, when the Government put the surplus HOS units on sale in 2010, with 3 200 units sold in 2011 — this is a rough figure — the price index of private residential

properties broke the 150 mark in the same year and almost returned to the level in 1997-1998.

Apparently, it can at least be seen from these two figures — the volume of sales and price index of private residential properties — that the HOS market and the private residential market are actually two different markets, as many Members pointed out earlier on. The prices of private residential properties, particularly those which are the objects of speculation, are not affected by the construction of HOS flats. I hope Donald TSANG will cease to use this as the pretext to continue to act in defiance of public opinion and refuse to resume the HOS.

"The Thematic Report: Household Income Distribution in Hong Kong" of the 2006 by-census points out that "the provision of subsidized sale flats by the Government to needy households help to narrow down the income disparity over the past ten years.". In 2006, the moratorium on the sale of HOS units imposed by the Government was still in effect and the Gini Coefficient in Hong Kong then was 0.533. Therefore, the report prepared by the Census and Statistics Department (C&SD) was indeed to the point in that it zeroed in on the ways to narrow the wealth disparity slightly. The report points out that subsidized housing can serve to narrow the income disparity and of course, there is no need for the C&SD to point this out for all of us already know this. When Donald TSANG ran for a second term in 2007, he acknowledged in his election platform that the widening wealth gap was a stark social problem in Hong Kong then but he did not take on board the suggestion of the C&SD in 2006 by resuming the HOS, so as to narrow the wealth gap. We think this is a great shame. Here, the Civic Party calls on the Chief Executive to be amenable to sound advice and he must not continue to behave like a "lame duck" in his remaining tenure. Rather, he should announce the resumption of the HOS in the future as this will be a hugely benevolent measure.

In addition, I wish to talk about universal retirement protection. In fact, universal retirement protection is a social security system that is extremely time-sensitive because many experts have told us that had Donald TSANG introduced a universal retirement protection system immediately when he took office as the Chief Executive of the third term, it would not have been necessary to establish a seed fund of \$50 billion because the continual replenishment of the young working population would have been capable of sustaining the retirement

fund, so that even at the peak of population ageing, when one in four or one in three Hong Kong people is aged 65 or more, the fund will still be capable of supporting the system. However, even now, the SAR Government has still not promised to introduce universal retirement protection. I wonder if Donald TSANG really thinks that the "three pillars" mentioned by him frequently, that is, personal savings, the MPF and Comprehensive Social Security Assistance (CSSA), are really enough to meet the need. In fact, judging from the prevailing developments, in the end, it is highly likely that only CSSA of these three pillars can provide support to the majority of Hong Kong people. In that case, does the Government want to force Hong Kong people, in particular, low-income people or people not required to make contributions to the MPF, to rely on CSSA in the future?

President, a recurrent expenditure of \$20 billion is by no means a lot actually and Mr Ronny TONG of the Civic Party also pointed out clearly in his speech on the first day that \$20 billion was by no means excessive or a lot of money. In the past, the lack of funds for small class teaching, employing more doctors and making improvements to the Drug Formulary is attributable to the need for prudent fiscal management and keeping expenditure within the limits of revenues, so public expenditure cannot be increased all of a sudden. However, this time around, the consultations carried out on the Budget in the course of six months were overturned within three days and it is now said that \$6,000 will be handed out and \$40 billion will be required. In that case, I think that perhaps the pretext of "prudent fiscal management" can no longer be used. Why does the Government not respond? For example, when I was in the street ..... I believe that when our President walks in the street, many members of the public would also ask him why they have to wait such a long time for the services provided by public hospitals, why they have to wait at least one and a half years for their turn for surgeries and why the Government, despite being awash with money, does not do a better job. In fact, dealing with these grumbles is really easy because the Government is now awash with cash instead of having no money. It can thus be seen that our demand, that is, committing \$20 billion to recurrent expenditure, is not in any way excessive.

The Government or some Members in this Council have responded that this would not work and that the Financial Secretary cannot be asked to carry out so much planning at the stage of Budget formulation. This is indeed a wrong claim! In fact, President, I think we have voiced these demands for at least eight

to 10 years, so it is not true that the Government is incapable of acting on them. Only that it is unwilling to do so. If we do not employ the strongest and most effective ammunition at our disposal, that is, the votes in our hands, even at such a time to tell the Government that if it does not carry out longer-term and sustainable planning, we will stand up against it, until when are we going to wait then?

I said just now that the biggest problem with the Government now is that it is a Government of inaction, which is not going to work hard but will drag its feet and evade its work as long as it can. Its approach to administration is just to put out fires whenever they break out, so what is the only thing that the public can do? In the face of such a government of inaction, I think what the public can do is only to embark on a mission of self-rescue. Of course, there are many ways of self-rescue, one of them being coming out to tell Donald TSANG on 10 April ..... I hope parents who want the implementation of small class teaching, patients who have waited a long time for surgeries, elderly people who are waiting to be admitted to homes for the elderly, people who cannot receive any protection when they go into retirement, victims of the land policy and patients who cannot get Deferasirox or oral cancer drugs can all come out on 10 April and take this course of action as a self-rescue measure, in the hope of lobbying for a Budget with long-term planning. The march will start at 3 pm on Sunday at Victoria Park. I hope we will have a large civil self-rescue brigade to deal a head-on blow to this incompetent Government.

I so submit.

**DR PHILIP WONG** (in Cantonese): President, after the delivery of this year's Budget, the SAR Government has extensively taken on board public opinions and made substantial adjustments to the Budget, deciding to "give out money" and to grant a tax rebate. The Chinese General Chamber of Commerce (CGCC) which I represent welcomes the revised Budget and supports the Budget in making inflation its main objective while giving regard to the needs of the people's livelihood and diversification of economic development. The Budget has not only accepted the views of the CGCC and various sectors of the community in respect of land supply, provision of support to the underprivileged, and improvement of education, healthcare and social welfare services, but has also proposed measures to enhance the competitiveness of the pillar industries in

Hong Kong and strengthen regional co-operation with Guangdong Province and the neighbouring regions.

I support the measures proposed in the Budget to strengthen co-operation among Guangdong, Hong Kong and Macao, including the improvement of the environment and ecology in the region and the co-operation plan on infrastructure development. I think the development of environmental industries must be led by the Government, and it is only through enhancement of co-operation with the neighbouring regions that greater effectiveness can be achieved. This year marks the beginning of the National 12th Five-Year Plan. The SAR Government should seize the opportunity, adjust its mindset and adopt a broader perspective to actively provide support and make greater commitments for the State and Hong Kong by, among other things, fully capitalizing on internationalization, marketization and the leading edge of the service industry and considering the formulation and implementation of a "Five-Year Development Strategy for Hong Kong", putting in place a structure which corresponds to the national plan of development and proposing to the Central Government that the successful experience of early and pilot implementation in service industries under CEPA in Guangdong be extended to the Yangtze River Delta and the Strait-West Coast Economic Zone, and also strengthening co-operation with the Southeast Asian regions by following the pattern of Hong Kong-Taiwan Business Co-operation Committee and setting up a similar agency in the local industrial and business sectors with collaboration between the industrial and business sectors in Hong Kong and Southeast Asian countries or regions.

The much convoluted internal and external economic conditions that have arisen since last year have made it easy for prices to rise but difficult to come down. The Quantitative Easing Policy of the United States, the turbulence in the Middle East and North Africa and the rebuilding of the disaster zones in the aftermath of the earthquake in Japan have led to an influx of hot money and aggravated inflation. Added to these are the appreciation of Renminbi, depreciation of the Hong Kong dollar, surging property prices and rentals, and price hikes in food and transport. Many members in the lower-middle class think that prices have become more expensive than before on all fronts and the impoverished population has increased, and they have grown increasingly worried about the inflation being even fiercer than a tiger. I think it is indeed very difficult to solve the inflation problem in a short time, and this will be a

long-standing, ongoing and difficult process. I urge the SAR Government to maintain vigilance before the emergence of problems and put the surplus to good use by further expanding the social security system to provide more assistance to the elderly and the disadvantaged groups, while expeditiously giving effect to the counter-inflation measures proposed in the Budget, so as to ease the pressure of living on people who are suffering from inflation.

As we all know, the small and medium enterprises (SMEs) are an important pillar of the economy and the employment market in Hong Kong. The Budget has proposed to create a more favourable business environment, promote the Hong Kong brands, and increase the total guarantee commitment under the SME Loan Guarantee Scheme from \$20 billion to \$30 billion to provide SMEs with more extensive, stable and flexible support in their acquisition of equipment, extension of the scale of operation and business expansion. I hope that the SAR Government, apart from increasing the level of its loan guarantee commitment, will also step up publicity for the various SME loan schemes and appropriately streamline the application procedures. In the long run, the Government should provide assistance to SMEs in expediting their upgrading and restructuring and to open up the Mainland market, while giving consideration to consolidating the various loan schemes for SMEs into a unified scheme, with a view to helping SMEs to achieve healthy development continuously.

I support the Budget in proposing various measures for economic development, injecting more resources into education and training, increasing the care services for the elderly and the disadvantaged groups in society, and providing various types of assistance to members of the public who are in need. In fact, the CGCC has always been enthusiastic about taking part in community services, and it provides funding support annually to public service projects and charity activities, such as education, disaster relief work, and so on. We have encouraged young people to better equip themselves and strive for continuous improvement. We have organized internship and exchange programmes in the Mainland to promote a better understanding of and a sense of belonging to the country among our young people. The "We Care, We Share Campaign" and the volunteer team of the CGCC have actively contributed both money and effort towards this cause, in the hope that through co-operation among business enterprises, the Government and service providers, the spirit of caring for others can spread across the territory and more people in need can be provided with

assistance to ride out the difficulties. This can ultimately achieve what is requested by the Budget in its concluding remarks: "To provide the necessary platform for co-operation for the big society, involving the community, business and Government, to work together for social and economic development."

President, with regard to the adjustments made to the Budget, I think I must say a few words in all fairness. As a common saying goes, "One man's meat is another man's poison". It is not strange for any proposal, especially the Budget, to receive both supportive and opposition views. I think a creative, magnanimous Budget must explore all means to strike a balance between economic development and improvement of the people's livelihood, to strike a balance between long-term needs and short-term needs, and to strike a balance among different interests. However, given limited government resources *vis-à-vis* numerous social demands, to strike a balance in these three aspects is easier said than done. So, I hope that those people who remain dissatisfied with the Budget may consider taking another perspective by rethinking how a balance can be struck among the various demands, so as to meet the requirements of "keeping expenditure within the limits of revenues and striving to achieve a fiscal balance" in the Basic Law.

I think although the SAR Government has a huge surplus and reserve in its treasury, it should learn a lesson from the *laissez-faire* approach of fiscal management and misuse of funds in Western countries, which have caused their governments to face the crisis of closure, and instead, the Government should ensure sound and sustainable development of its finance. As far as I remember it, after the reunification of Hong Kong, no budget has ever been fully accepted and passed by this Council. Therefore, I hope that the Financial Secretary, in drawing up a budget, must ensure co-ordination while having regard to long-term planning and leaving some room for manoeuvre, and after the release of the budget, he must listen to public opinions and communicate more with various sectors of the community, and he sometimes has to make changes decisively in line with the trends of the times in order to minimize damages. It is because political parties must also be responsible to the public and it is very difficult for them to accept the Government's proposals wholesale, or else the public will think that they have not duly fought for the public interest. In this connection, I have proposed to the Financial Secretary that consideration be given to revising the strategy by appropriately including in the Budget certain parts to which various political parties can propose amendments. Then, the Government can

take on board the constructive views and put forward a revised proposal, thus drawing on concerted efforts to resolve social conflicts. This approach will not only help facilitate acceptance by various political parties but also strengthen the ties among the Government, political parties and Members.

In fact, the Central Government always has a clear picture of the problems in Hong Kong and pays close attention to the overall and long-term interests of the public. In future, it will be more desirable if the SAR Government, political parties and Members can work in concert to make achievements. As for the direction of the future development of Hong Kong, the central leaders have called on us to pay attention to three points: We must have a long-term and scientific plan for development; we must attach importance to and resolve the deep-rooted conflicts in the economic and social development; and we must make an effort to improve the people's livelihood. I think these three points are blessings bestowed on us by the Central Authorities as well as their expectation of us. While we work hard to achieve them, these directions should be desirable judging from the actual circumstances in Hong Kong.

President, I so submit.

**MR VINCENT FANG** (in Cantonese): President, I raised a written question last week about the consultation exercise on the Budget, asking the Government how much resource was spent on this consultation exercise, why there is such a great discrepancy between the contents of the Budget and the proposals made by various sectors of the community, and whether there is room for improvement to be made to this consultation exercise.

I did not mean to be sarcastic to the Financial Secretary in raising this question. I raised it purely with an ordinary state of mind. President, if I consult your views every year and you give your views seriously but I do not accept your views every year, I believe you, in such circumstance, will feel dispirited and even when I consult your views again in the future, I am afraid you will simply dismiss me.

The consultation and debate on this Budget have given me this feeling. I feel as if I have said nothing even though I did express my views. At the end of the day, the Government has still formulated this Budget according to its

established mindset. Today, I will talk about my views on this Budget in a number of aspects.

First, I will talk about the idea of "giving out money" announced by the Financial Secretary after the delivery of the Budget; second, I will talk about the fiscal philosophy of the Government in drawing up this Budget; and third, the inspirations given by the Budget to the sustainable economic and social development of Hong Kong. Lastly, I certainly have to talk about my views on the two tax increase proposals.

In less than a week after the Budget was delivered, the Financial Secretary announced a most explosive decision of giving out a sum of HK\$6,000 to all permanent residents aged 18 and above in Hong Kong. The Financial Secretary said that the "cash handout" proposal will be separated from the Budget. The views of political parties and groupings, business associations, organizations and the public were not accepted during the several months of consultation on the Budget but in less than a week's time, the Government could make a decision to introduce a proposal that it had never taken into consideration to "put out the fire". This shows that the Government had not considered implementing this proposal at all and that this decision was made only in great haste.

On the proposal to give out \$6,000, people may ask: Since so much money will be put into our pockets, why do so many Members and members of the public still oppose it? Since there are so many different voices, this proposal certainly has problems, and what interests me most is through what channel the Government is going to give out this sum of money.

I remember that in 2008 when the financial tsunami broke out, there was an overall shrinkage in the consumer markets all over the world. Seeing imminent tides of layoffs, many countries, territories and cities introduced measures to rescue their markets, such as distributing sales coupons to drive domestic demands, thereby boosting the economy and preserving employment. At that time, the response given by the SAR Government to this proposal was that if it would be distributed to each and every citizen, the coverage would be too extensive and the administrative cost involved would be too high.

Even though the roads in Taiwan compare far less favourably to those in Hong Kong and its population is three times that of ours, the sales coupons were

distributed to all residents in Taiwan. Hong Kong has never "given out money" before. Therefore, I very much look forward to knowing in what way the SAR Government will be giving out the money.

Members of the Legislative Council and political parties generally hold that when the Government has such a huge fiscal reserve and a colossal surplus of over \$80 billion for the year, is it possible to inject more funds out of the surplus of the year without drawing down the fiscal reserves to implement measures of support for the elderly, the vulnerable and the sick, and for education and healthcare services? We encourage the Government to invest the surplus in projects that can support the sustainable development of the economy, create job opportunities, support business start-up by the public, and promote upward mobility of grass-roots workers, thereby alleviating social conflicts. We do not encourage the Government to adopt the one-off measure of "giving out money".

Here, I would like to cite the remarks of an academic, Prof Nelson CHOW Wing-sun. He wrote an article on 30 December last year and he said, to this effect, "The Government has 'handed out candies', but are the social conflicts hence resolved? This cannot even prevent the conflicts from deepening, let alone resolving them ..... The Government has handed out over \$10 billion in the past few years, but has the people's living been truly improved?" Prof CHOW is right. A one-off relief measure cannot in the least address the deep-rooted problems. Prof CHOW wrote another article on 24 March this year, saying that the Government must make the people feel that the Government has determination in its work, and that it has both short-term strategies and long-term planning. Regrettably, even such a kindhearted academic considers that this Government indeed lacks vision. Prof CHOW also said, "Without long-term planning, the people cannot see the future and do not know what the Government has done, and as they only see that the problem is growing in proportions, how is it possible that their grievances are not escalating?"

Over the past few years, I have been calling on the Government to be more courageous by taking out a certain proportion of the annual fiscal surplus and boldly investing it in medium-to-long-term projects, thereby creating an impetus for sustainable economic development.

Regarding economic development, the Financial Secretary has dedicated 42 paragraphs in the Budget to giving an account of this, but only on all projects

currently in progress. If the Government is unwilling to make long-term investments and relies solely on high property prices and a robust stock market to generate revenue for the Government, the economy of Hong Kong cannot develop in a sustainable manner.

The Financial Secretary has proposed to increase two taxes, namely, the tobacco duty and the First Registration Tax (FRT) for private cars. While these proposals will be put to a vote only on 4 May, I personally have reservations about these two proposals.

The Transport and Housing Bureau has proposed an increase of 15% in the FRT of private cars in the hope that the public will give up buying new vehicles because of the high tax imposed on new cars, which can, in turn, mitigate traffic congestion.

President, as we all know, traffic congestion in Hong Kong is not caused by private cars and besides, exhaust emission from old vehicles can lead to even more serious air pollution than that from new vehicles. Speaking of the effects on air quality, why do we not see any official from the Environment Bureau attending this meeting now? This is proof that before the SAR Government introduces a new policy, there is primarily no communication among government departments, and the departments only formulate policies separately to show off their own achievements.

As regards the proposal to substantially increase the tobacco duty, the reason put forward by the Food and Health Bureau is that smokers are reluctant to pay expensively for cigarettes and so, this can encourage more smokers to quit smoking. This reason is really so far-fetched. People who cannot afford taking ketamine will turn to abuse inhalants, not to mention the fact that Hong Kong is not an isolated island and it is located next to the world's biggest base of counterfeit cigarettes which can supply an unlimited quantity of counterfeit cigarettes. If the public are reluctant to buy expensive cigarettes, they will turn to illicit cigarettes. I have said in meetings of the Legislative Council for countless times that if the Government still considers tobacco a legal commodity, it should allow this commodity reasonable room of operation and enable smokers to smoke in dignity. If the Government wants to reduce the medical expenditure caused by cigarettes, it should protect non-smokers from being adversely affected by second-hand smoke and help smokers quit smoking, rather than driving all

smokers onto the streets which will increase the chances of children and pedestrians coming into contact with second-hand smoke. The tobacco control policy of the Secretary is a good policy in its own right, but when it goes to the extreme, it will only produce the opposite result.

President, illicit cigarettes have become so rampant that more and more smokers have turned to substandard cigarettes of a poorer quality. Exhaust emission from old vehicles has seriously affected the air quality. All these are indisputable facts. The two proposals of tax increase have put across a message: People who have the means can continue to smoke authentic cigarettes and buy new cars, whereas the needs of the grassroots can be neglected. How can this resolve conflicts in society? The Government is continuously lobbying support for the two tax increase proposals. I think if a proposal put forward by the Government is unsound and many people are opposed to this proposal on a reasonable ground, a responsible government should withdraw the proposal, rather than being hell-bent on its implementation.

President, many people may wonder why, during the era of British rule, the budgets could always lead Hong Kong to move forward but the SAR Government is unable to do this. I think the reason is simple. To a sovereign state, what is the value of a colony? The answer is: The colony absolutely must not become the burden of the sovereign state and what is more, the colony must be able to make contribution. This is why Hong Kong was described as a goose capable of laying golden eggs at that time. On the contrary, this caretaker government today invariably turns to the Central Government for assistance whenever it is in trouble. Some time ago, people on the Mainland already commented and even criticized Hong Kong as having degenerated into a burden on the State. Hong Kong has a huge fiscal surplus and needs not hand in its surplus to the Central Government and yet, it always asks the Central Government to introduce policies to back up Hong Kong. As a Hong Kong resident myself, I feel ashamed of this, so what will comrades in the Mainland think?

President, the Legislative Council is comprised of representatives of various sectors of the community and political parties and groupings. I think this composition can bring into the Government the voices, aspirations, views, comments or constructive proposals of various sectors of the community for reference by the Government in making laws and administration. But regrettably, the Government is always afraid that any political party will hence be

given credit and therefore, the Government has evaded our opinions and accepted just some of our proposals and then made modifications to them. When it comes to winning credit, how is it possible that the Government does not have a share of it? Because only the Government can make the final decision. At this stage, it is unrealistic to expect more amendments to be made to the Budget. I would rather hope that this Government can put up a good show when it formulates the last Policy Address and Budget in its term, so that we can keep them in our memory.

I so submit. Thank you, President.

**DR PRISCILLA LEUNG** (in Cantonese): President, the two biggest problems facing the Budget this year are the inflation problem (everything has become more expensive) and the structural problem of wealth disparity. I think that given the very abundant reserves of the Government this year, the expectations of the public are very high but in respect of these two problems, two situations have perhaps arisen after the release of the Budget. First, concerning the structural problem of wealth disparity, the Budget gives the public the impression that the Government is at its wits' end and there is no solution to this structural problem and second, on the inflation problem, the Government wanted to inject \$6,000 into the Mandatory Provident Fund (MPF) accounts to prevent the public from spending the money in the market after getting the cash, thus aggravating inflation, but we would describe this as a "dumb trick". Therefore, in one case, the Government has no more tricks and in the other, it only has a dumb trick, so after the Government has released the Budget, the reaction aroused is far greater than expected.

I think the reason is not the failure of the Government to hand out cash, nor is it the failure of the Government to respond to the demands of many members of the public, rather, the major reason has to do with the expectations. On the public's expectations, even though many financial measures have been conceived to combat inflation, the public may not find them acceptable, so the amendments to the Budget were proposed. However, even the relevant amendments have aroused equally strong reactions and personally, I think this has to do more with political issues. I believe politics is the art of compromise. No matter if one could play a part in the negotiations or not, what we should look at most of all is whether or not the relevant amendments will make improvements to the Budget.

I think we should regard the amendments as only normal. None of them is anathema and there will always be a first time for everything. At that time, when we were discussing constitutional reform and the issue of "one person, two votes", that is, such packages as the District Council package and the super-District Council member package, in fact, we did not like them either. However, if the introduction of "one person, two votes" can improve the situation and given the need to compromise, I think politics ..... in fact, the amendments to this Budget are also the result of compromise.

Yesterday, I heard an Honourable colleague ask why Members of the pro-establishment camp had not proposed the amendment proposals A, B, C, D and E. If I remember it correctly, during the several meetings, not only did each Member of the pro-establishment camp proposed dozens of proposals, each of the other Members involved also proposed dozens of proposals, rather than just items A, B, C, D and E. All of us talked about how the Budget could be revised and put forward various proposals, with some asking for a tax rebate of \$20,000, others asking for money to be handed out immediately and many people insisting on the resumption of the Home Ownership Scheme (HOS). However, in the end, it was possible to reach a compromise only on three major points.

Concerning the details of this Budget — Mr Abraham SHEK is also here — in fact, right from the beginning, the stance of the Professional Forum was that we agreed that the Government should not hand out money and also considered that the Budget had responded to some of our demands. However, after the release of the Budget, the mass media and the public focused almost entirely on the injection of \$6,000 into MPF accounts. On this issue, we immediately visited the local communities to ask members of the public, be they members of the middle class or the grassroots, how they looked at this. The great majority of them said that instead of a fund injection, it was more preferable to pay out cash instead, so as to avoid the situation of a remote solution not being able to provide a prompt remedy for an imminent problem. This is one of the major public opinions.

Moreover, many members of the public were also dissatisfied with the Government's decision not to offer a tax rebate. I remember a newspaper reported that even a member of the middle class earning \$130,000 monthly had complained about not being offered a tax rebate, asking why the middle class had to pay taxes all the time but was not given any tax reduction. These voices

stood out from many other views. Therefore, after discussions, we agreed that we should reflect the major views of the public to the Financial Secretary, the first being to change the fund injection into MPF accounts to a cash handout because if the Government takes its words back after saying that it wants to give away candies, that would be very bad. Second, since the middle class hopes that a tax rebate can more or less be offered as the Government has money, why can it not be benefited? Third, in view of the fact that some people would surely be left out in the course of handing out money, we also suggested that assistance should be offered to the "N noes" in particular. Fourth, we also proposed that an appropriate number of HOS units be built having regard to market conditions, that the healthcare voucher be increased to \$1,000 and that rent subsidy be offered to the sandwich class. These were the six proposals put forward by us.

All of us can see that three of these six proposals were accepted by the Financial Secretary in their entirety, that is, the middle class can get a tax rebate, the injection of funds into MPF accounts have been changed to a cash handout (moreover, we get more than we hoped for because all people aged 18 or above can get a share); in addition, we welcome very much the care given to the "N noes". When these proposals were raised on that day, we foresaw that some people would be left out, so I think more time should be given to the Government to think over them. On the provision of ex gratia payment to the "N noes", many people say that they have been neglected in the cash handout exercise because there are many categories of people in this group, so we hope that they can be included by all means. Therefore, this is the most important reason for our proposal on taking care of the "N noes", that is, it is hoped that all people can get a share.

From 4 to 6 March, we conducted a public opinion survey. In the survey, 535 members of the public were interviewed and among them, 60% expressed satisfaction with the revised Budget and 40% accepted the measures taken by the Financial Secretary, considering him to have heeded public opinion. Therefore, we think that basically, the revisions were made according to the expectations of the public. However, in the revised Budget, many problems have still been overlooked and as I said at the beginning, there are two problems, one being the problem of having no more tricks and the other is the problem of a dumb trick, so how should we solve them?

Concerning the problem of having no more tricks, that is, the structural problem, the most vociferous call now is the resumption of the HOS. We also believe that resuming the HOS ..... I also understand that the Budget has to accord with the Policy Address last year and the Policy Address did not adopt the measure of resuming the HOS but adopted the My Home Purchase (MHP) Plan instead. Be it the MHP Plan or the HOS, we wish to tell the Government very much that it has to shake loose the shadow cast by "the policy of 85 000 flats" and treat the two schemes as two different brands.

Here, I must point out that the issue relating to the HOS may be rather sensitive to some districts and some classes. I have visited some rather representative but not upscale middle-class housing estates and indeed, many members of the middle class said that they felt a bit concerned about the resumption of the HOS. But they, also bearing in mind other people's problems in buying their own properties, hoped that the Government could ensure that the volume of units built under the resumed HOS was commensurate with the demand in the market. In fact, their thinking is readily understandable because these members of the middle class who own properties are concerned about their own properties becoming negative equity assets, so the Government certainly must not return to the Great Leap Forward policy of building 85 000 flats again.

If these two brands can meet the needs of the market, I do not wish to totally negate the MHP Plan. I think they can be mutually complementary and cater to two different target groups in the market because the MHP Plan is a new brand that needs to go through tests to see if it is to Hong Kong people's liking. However, since the time needed for the tests is lengthy, I think that at the next stage, the Government should consider adopting a two-pronged approach on the housing issue.

In addition, without resuming the HOS, the MHP Plan alone cannot serve to put out nearby fires. Under the Budget, even the proposal to offer loans to first-time home buyers is not accepted. In fact, some policies can serve as the water at hand to put out nearby fires. The Government can consider the measure of offering a rent subsidy to the sandwich middle class. Some people in the sandwich class are worried that they may make a mistake by joining the property owner club now. Even if they buy HOS flats or other properties, there is still a chance that this may prove to be a mistake. We must consider our housing needs prudently, so I hope the Government can consider introducing a rent

subsidy scheme. Similarly, when the transport subsidy was initially raised for discussion, all of us thought that the chance of its introduction was slim but gradually, a way was worked out and the transport subsidy for all 18 districts was introduced. I believe that to people in the sandwich class, such a rent subsidy is very practical.

Of course, individual Members and political parties and groupings all have their pet issues that they hope to resolve the most. What I am most unhappy with is the failure of the Budget to mention the issue of improving the water quality because water is the most precious resource in Hong Kong and be it the poor or the rich, they can all enjoy it. At present, the sea water in most places in Hong Kong is not suitable for swimming and as a result, no cross-harbour swimming events can be organized. For this reason, I hope that when carrying out long-term planning — everyone is talking about long-term planning and sometimes, we say jokingly that perhaps the Government is deliberating leaving more issues behind, so that the next Chief Executive can garner support with them — I hope that in its long-term planning, the Government will not just concern itself with the housing problem or the retirement problem of the elderly but also with the problem of water quality because it has a direct bearing on our health. I once said formally to the Financial Secretary that I hoped the Government could allocate \$10 billion to ameliorating the water quality problem in the Victoria Harbour and the neighbouring urban areas over the long term.

In addition, I am grateful to Prof Patrick LAU and Mr Paul TSE for going with me to Hung Hom because this is the first stop of the ferry trip. Since 2008, we in the Kowloon West New Dynamic have included the construction of a waterfront promenade as one of the major items of our political platform, in the hope that there can be a long and winding waterfront, particular in West Kowloon. At the end of this year, the first section will be completed and one can walk directly from Hung Hom to Tsim Sha Tsui. After reaching Hung Hom, Prof Patrick LAU said, "If there is a waterfront promenade, how can there be no ferries?" Mr Paul TSE also said that ferries were an important aspect in the promotion of tourism in Hong Kong because they could let passengers enjoy the harbour vista along the way but at present, the ferry services were out of joint with this aspect. We have suggested long ago in our proposal document concerning a waterfront promenade that it is hoped the Government can develop a water taxi service. Its nature is different from that of ferries. Ferries can carry tourists, passengers and Hong Kong residents and they are a more

environmentally-friendly means of transport. Therefore, I hope that in respect of the policy on ferries, apart from the outlying islands, the Government must not cut it into bits and pieces by treating it as a transport issue because if it does so, such issues as subsidies will be involved. If the policy on ferries can tie in with the planning on tourism and the waterfront, ferries should be able to ply in the harbour and continue to exist. In fact, we often say that the harbour is our collective memory and the piers are also places associated with the fond memories of the public.

There are two and a half minutes left, so I wish to talk about a key issue underlying a large number of problems, that is, the issue of the demographic structure, including the present insufficient beds in hospitals for pregnant women to deliver. In respect of education, the culling of schools, small class teaching and sufficient admission of students are also all related to the demographic structure. The healthcare services for the elderly and the Drug Formulary both involve huge expenses, but has it ever occurred to anyone that co-operation with local governments on the Mainland can be sought in respect of the retirement of elderly people, for example, by building more retirement housing estates for the elderly, so as to provide a living environment for them to live comfortably in old age? How many people will produce how much, how many people will retire, how many people will become elderly and how many people will die, including the problem of columbarium niches, are all related to the demographic structure. Indeed, it is difficult to find a place to live when one is alive and it is also very difficult to find a columbarium niche for the deceased.

In this context, the Policy Address last year responded to the demographic issues with just one paragraph and the Budget delved none the deeper into this issue either, so this definitely would not do. The demographic structure involves many issues in the long-term planning of Hong Kong. If the problems relating to the demographic structure are not solved, as is the case now, many issues will become fragmented and we can only grope our way across the river. The wealth disparity problem nowadays cannot be solved in this way.

Finally, the Budget has actually addressed some issues, for example, a fund for arts education, the Elite Athletes Development Fund and assistance in the development of proprietary Chinese medicines. It has also responded to the issues of land supply as well as employment and training for workers in the construction industry. What I am most happy with is the Government's response

to such finer issues as improving the traffic in Mong Kok and the relocation of the office of the Water Supplies Department in Mong Kok, which we have raised for four years. Therefore, I think it is not true that the Government has not responded to our demands in any way.

As regards the loan guarantee for the middle class and SMEs, encouraging entrepreneurship with the Government-guaranteed loans from banks, and so on, they are all desirable proposals, so I do not think that the Budget has completely failed to make the grade. In fact, the Budget can get a pass but in its handling of the two major issues, it is true that it has left something to be desired.

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

**MR ABRAHAM SHEK:** President, over 40 Members have spoken, the majority have heaped criticisms than praises, their words are not without reasons nor are they overly mean. I urge the Administration to take heed and reply to them with equal zest and rationality, in particular to Dr Margaret NG's comment on the Government's off-tracking from the traditional principle of the administration of public finance.

President, despite the storm of criticism, could anyone of us here present a more generous and innovative Budget than that of our Financial Secretary? The answer is obviously "no", for never in the history of Hong Kong has there been a Financial Secretary who has the courage and guts to open the floodgate of the treasury for so many and for so much, yet, many have blatantly targeted him and asked for his removal. What crime has he committed? The only crime that he has committed is his generosity.

President, we are living in a strange world. Indeed, this is a strange world that people get criticized for being overly generous.

Financial Secretary (now absent from this Chamber), you have the courage to do what you have to do, you believe in what you have to do and you do what you need to do for the good of Hong Kong people. May I congratulate you for this courage. I may not agree with you on everything, but at least, we believe in your sincerity.

Financial Secretary (now absent from this Chamber), your political adversaries wanted your pound of flesh like that of *The Merchant of Venice*, and your allies, like the orphans in Charles DICKENS' novel *Oliver Twist*, "we want more" and we want more. You are in a no-win situation. But Financial Secretary, you need not worry for you will never never walk alone, you will not be alone in climbing mountains and overcoming your Budget, not alone in crossing stormy waters, for there are the pro-establishment and the pro-people legislators who will vote for the Budget.

History may repeat itself; fate is however not normally shared: not long ago, David CAMERON, the British Prime Minister unravelled the "Big Society" concept, highlighting the greater public interest in where the future governance should be oriented. In Hong Kong, our Financial Secretary has swiftly parroted the "Big Society" concept, lest it will lose track of the zeitgeist political currents. Will the "Big Society" concept be the lip service paid as a tiny bandage covering all ills? Or will the "Big Society" concept be "the End of an experiment", as coined in the Economist last July, milking its erosion of Hong Kong free-market ways? Overall speaking, this year's Budget is more like an over-baked Christmas pudding, falling short of refined culinary skills. I hereby elaborate why the add-up ingredients of housing, education and elderly social welfare still leave us a mouthful blend of bitter-sweetness.

President, it warrants little reminder that education bears invigorating synergy in our manpower development through which a gigantic step in socio-economic development will be facilitated. However, it is lamentable that the proposed measures on education in this year's Budget with an increase in financial commitment are no different from extinguishing fire with distant water. First, in the knowledge-based society where higher education starts to play a more prominent role, it is mind-boggling to learn that measures in both expanding the UGC-funded school places and enhancing remunerations to staff at government-funded and self-subsidized post-secondary institutions are left out in print. With the eye-popping level of fiscal surplus recorded, there lies little excuse from being the Charles DICKENS' novel's "Scrooge", a super miser, by not offering more financial and learning support to all eligible high-school graduates failing to enrol in the government-funded tertiary courses. It should be reminded that an enlightened society could only be realized with massive investment in education where our future talents and leaders will be groomed. In fostering the development of self-subsidized post-secondary sector, attractive

remuneration package offered to passionate teachers is essential in laying fertile ground where bottles of hope and enlivening spirits to our next generation are brewed.

Equally frustrating, I am bemused by the inverted logics of our Government in the formulation of education policies in the face of a predictable decline of the number of junior secondary school students. By putting a cart before the horse, only God knows the reason for a passive and indiscriminate axing of school classes, running contrary to the spirit of education "No child is left behind". Instead, our Government should actively take it as advantage in implementing the small class teaching which is proved academically to be beneficial to our students' later development. Followed by the global-wide trend in developing free pre-primary education, it is beyond reason that our Government still quibbles over the idea, swallowing its promise in developing pre-primary education. I suggest our Government immediately start practising the 15-year free education from which more than 1.2 million students will be benefited at a mere extra cost of \$450 million a year.

As for the ethnic minorities, the Financial Secretary proposes to make good use of district networks and the services of district organizations and non-governmental organizations. On the surface, it may seem effective for the ethnic minorities to assimilate them to the new culture, but given closer scrutiny, a jigsaw of hope fails to conceal a whole picture full of complexities. Due to time limit, I shall mainly focus on the realistic integration problem encountered by the ethnic minorities students who struggle between the rock and the hard place. Although there are 28 designated schools for the ethnic minorities students, 19 of which are primary schools and nine secondary schools, the number tells little of their plight: these schools are only temporary escape from hell or maybe not. With the lack of Chinese learning environment, it impedes them from effectively studying Chinese and mingling with the Chinese peers in favour of their social integration. Even when ethnic minorities students are sent to non-designated schools where they study with the local peers, a dearth of teaching and learning support provided may weaken their learning incentives, if not their sense of attachment to our society. Unless a long-term multi-pronged integration policy for the ethnic minorities has been put in place, it will only be a pilgrim to a temple with prayers on equal opportunities yet left falling into deaf ears.

Like all developed economies, Hong Kong is bound by a growing silver population (elderly population) which as reported in a study, will be 25% of our total population aged 65 or above by 2030. In other words, due attention should be brought to address the various impending needs of our elderly who have contributed all their lives to our present prosperity. Nevertheless, in coming close to our elderly welfare policies, our Government is to be whipped for providing insufficient subsidized places in the nursing homes and care-and-attention homes for the elderly. Although the Financial Secretary has pledged an increase of \$130 million in the annual recurrent funding to provide about 1 300 additional subsidized residential care places, it is spine-shivering to learn from an earlier question by Mr WONG Yuk-man over the number of elderly people died while waiting for their subsidized residential care places. In 2010, the number of elders who passed away while waiting for subsidized nursing home places and care-and-attention places were 1 823 and 2 971 respectively. Does the Government have a heart? Do our officials have that heart? Are we talking about 4 000? Even one is more than enough. From this perspective, much work remains to be done by our Government in expeditiously increasing subsidized residential care places. Adding insult to the injury, our Government emphasizes that elderly home is not the only choice as it claims the elderly prefer to age at home. It fails to realize the social demographic changes in nowadays core family structure where elderly no longer live with their offspring. The proposal of elderly ageing at home only exists superficially. It is only an ideal. Worse still, by taking such distorted belief as the Government's policy objective, it shows that our Government not only puts the boots in the wrong foots, it is no different that our elderly people, who used to warrant our utmost care and love, are ironically left bare foots in the cold wailing and shivering to stone.

**MR ABRAHAM SHEK** (in Cantonese): President, I wish to say a few words on the resumption of HOS, for there are a lot of misunderstandings at present. As mentioned by Dr Priscilla LEUNG just now, many people think that once the construction of HOS flats is resumed, properties owned by the middle class will become negative assets. President, this is a misconception, as HOS flats and private flats belong to different markets. The former is used to help those people who have made contribution to society but have financial difficulties in acquiring their own flats. It is therefore different from the private market. The question is that the Government has not only failed to clarify this point, but also made up such misconception deliberately as an excuse to reject the resumption of HOS. President, this is a very serious problem.

Moreover, the Government's policy is also wrong as it advocates that the HOS market should be revitalized. What does it mean? The objective of constructing HOS flats is to enable a certain group of people to buy their homes, rather than putting those flats on the private market for sale. The Government is heading in a wrong direction. Please stop immediately, or the private market will definitely be affected. Construction of HOS flats is meant to give those in need (apart from tenants of public rental housing) homes, so that they can have a place to live through the generations. The past experience of Hong Kong tells us, once they become financially capable, they will come back to the private market.

President, why is the HOS market different from the private market? Let me draw an analogy here. In order to buy a second-hand flat valued at \$2 million in the private market, one should at least have a saving of \$1 million. Indeed, it is very difficult to save up such an amount. However, if one wishes to buy a HOS flat of the same value, only 5% of the saving is required. The Government is duty-bound to enable members of the public to acquire their homes and give them hope.

The HOS is not only a housing problem, but also an issue relating to social stability. This point is very important. President, how can the My Home Purchase Plan currently proposed by the Government put the mind of the public at ease? They have to live in these flats for five years, but there is no way for them to predict the flat prices after the five-year tenancy period. How can they make their purchase? Their mind can hardly be put at ease. As proposed by the DAB, this Plan should be further enhanced by offering the public options of "rent-and-buy" or "rent-or-buy", provided that they should be informed of the flat prices.

Therefore, I think the DAB's proposal is on the right track. The Government should take it into serious consideration, rather than insisting on its refusal of resuming the HOS. The construction of HOS flats is necessary, for it can show our society a very good direction.

Thank you, President.

**MR JAMES TO** (in Cantonese): President, in the Budget debate last year, I cited a survey conducted by The Chinese University of Hong Kong (CUHK) concerning social harmony last year. At that time, I said that the survey showed that less than 30% of the respondents — and I stress less than 30% — considered Hong Kong a harmonious society and 25% of the respondents considered that the Government would respond to people's aspirations only when the most radical means were employed. I believe this actually reflects a deep-rooted conflict.

President, why have I cited the survey conducted by CUHK last year? The reason is that I believe the Financial Secretary's willingness to amend the Budget by changing to handing out \$6,000 instead (at present, it seems this has become the talk of the town) is actually also attributable to the public's taking to the streets, thus making the Government or the Central Government realize that a lot of people are dissatisfied with the Budget and prompting the Financial Secretary to make a major about-turn on the Budget. President, I believe that if the Financial Secretary were a politician who really had his own political convictions, he would surely be true to them. If he does not believe in the least that handing out money would work, he must have resigned long ago. A politician with aspirations and breath of mind should have done so because he would not believe in this kind of measure at all. A politician should put the convictions he has and the initiatives he believes to be good for Hong Kong into practice.

Recently, I had a chat with some overseas parliamentary members and they all expressed incomprehension with the happenings in Hong Kong. Therefore, I made an explanation to them, saying that in the final analysis, this was very simple. At the beginning, the Government actually did not want to hand out \$6,000 but it knew that there was an enormous surplus in the coffers. Therefore, it could only find ways to give the money to the public, but it had to be ensured that they could not use it immediately, so as to avoid stoking inflation. Therefore, it formulated the pre-amendment Budget.

President, I have known John TSANG for a long time and in the past decade or two, I have had discussions with him on a number of occasions and I really do not believe he would consider this course of action correct. President, I believe that from the angle of returning wealth to the public, this sum of \$6,000 can actually be handed out all the same. I only think that in respect of people who are very rich or who think that they do not need this sum of \$6,000, the

Government should not hand out the money to them. Let me give an example. Suppose the Government decides to introduce a tax rebate capped at \$6,000 together with this decision to hand out money, to people whose tax payable exceeds the maximum amount of tax rebate of \$6,000, we should not offer a tax rebate of \$6,000 to them, should we? In fact, this can be done very easily because the Inland Revenue Department already has files on members of the public. In contrast, earlier on, in December, when the Government dealt with the transport subsidy for low-income people who have genuine needs, it was stingy and refused to accede even an inch. In fact, it is obvious that only the latter approach is the actual established financial management philosophy of the Government.

President, on the increase in tobacco duty, I think that unless the Government steps up law enforcement, it will be difficult to attain the original aim but doing so will incur additional costs. I suggest that the Government increase the provision for the Customs and Excise Department to enable it to launch more operations against cigarette smuggling. If the Government does not step up its actions against cigarette smuggling but wants to increase the tobacco duty substantially, in the end, this measure will only benefit people selling illicit cigarettes. The overall smoking population will not decrease significantly and it will even only see a very slight decrease. This move will not serve to attain our goal at all.

On the motor vehicle First Registration Tax (FRT), I believe the present approach has put the cart before the horse. At least, the Government should offer exemption to people who are willing to switch to more environmentally-friendly vehicles. Otherwise, the measure to increase the FRT will affect all people indiscriminately and impact on all people. At the same time, old vehicles will continue to survive, thus making it impossible for us to achieve the goal of environmental protection. When there is traffic congestion, old vehicles will also worsen our air quality.

President, on housing and land, just now, Mr Abraham SHEK raised his objection to the invigoration of the Home Ownership Scheme (HOS) market and of course, he did not state clearly if he is opposed to or supports the construction of HOS units. President, at present, the whole society and we Members are all feeling disappointed and are even in despair. We know that the present Donald TSANG Administration will not resume the HOS. What I am going to say next

is addressed to those people who are likely to run for the Chief Executive office or the next Chief Executive. I hope that they can consider in earnest the inclusion of the resumption of the HOS in their political platforms.

However, how many HOS units should be built? Recently, I had a detailed discussion with people from various sectors, experts and members of the industry. I even advanced a very bold view because someone asked me how many HOS units should be built before they could be considered enough. Of course, the most conservative suggestion is to "progress in a gradual and orderly manner" or "to build a small quantity first". However, can we also look at this issue from another angle? At present, we can allocate public housing to needy people on the Waiting List within three years. Can we adopt the same approach in respect of the HOS? For example, can we also pledge that members of the public can definitely acquire an HOS unit within seven years? Of course, what I mean is that the people concerned must maintain the same income level and meet the same requirements. Frankly speaking, these members of the public still have to wait for seven years, then service the mortgage for 15 to 20 years. Should a people-oriented society still oppose this arrangement?

Some people say that the catch lies in the difficulties in forecasting how many units should be built. In view of this, some senior members of the real estate sector have put forward a proposal. Since the standards of many new public housing units are also very high currently, they suggested that a large pool of buildings could perhaps be built, to be used either as HOS units or public housing, so as to handle the demand for and supply of public housing and HOS units with flexibility. For example, if in a certain year, some factors that dampen the take-up of HOS units have indeed emerged, we can assign several thousand units as public housing appropriately to shorten the waiting time for public housing. If we can exercise flexibility, perhaps the situation could be quite satisfactory.

The second point that I wish to raise has to do with Mei Foo Sun Chuen. Back then, the Government made a blunder in planning and subsequently, although it considered resuming the site of the fuel depot by means of land exchange, the officers in charge of planning considered that since the site of the fuel depot could not be used to build a taller building, there would not be any incentive for development. As a result, in order to save a piece of land, the plan to swap the fuel depot site with another site was abandoned. Consequently, the

operator of the fuel depot bought another site on its own to relocate the fuel depot. President, back then, the Government's intention to save a small piece of land has resulted in the prospect of a new development that is incompatible with the overall planning of Mei Foo now. I call on the Government to identify a site for a land exchange, so as to remedy its past mistake as soon as possible.

The third point that I wish to make is that since the scope of legal aid has recently been expanded, so that victimized owners of first-hand properties can now be assisted in suing developers for misleading practices, I am worried that the legislation on monitoring the sale of first-hand properties will meet delays and may even be shelved.

The fourth point that I wish to talk about is that at present, due to the increases in rent, some members of the general public have raised the issue of rent control again. If, after considering all factors, the Government still thinks that it has to oppose raising the issue of rent control again, I think the Government should consider offering a housing and rent subsidy to the lower class during the three years that they are waiting for public housing.

The second major item that I wish to talk about is related to legal issues. The first point has to do with the recent expansion of the Supplementary Legal Aid Scheme, that is, the so-called legal aid scheme for the middle class. At the meetings of the Panel on Administration of Justice and Legal Services, we have discussed with the Government its proposal in detail. Each time we proposed some reasonable proposals on enlarging the scope to cover such areas as compulsory sales and financial products, for example, the victims of the Lehman Brothers minibonds, the officials of the Home Affairs Bureau always had just one answer. They said that since this scheme was self-financing, they were worried that it might suffer losses. For this reason, I must raise this matter in the Budget debate today purposely. In some cases that have a bearing on justice, the people concerned need assistance but cannot afford the legal fees. Therefore, if the Government is concerned about suffering losses — in fact, the amount of money involved may amount just to \$100 million, \$200 million or \$300 million — and ignores those instances of injustice and does not help the people who should be helped, I think the Government is already in itself a very unjust one. Therefore, I have to raise this point in particular in the Budget debate.

The second point that I wish to raise is that the Government, in particular, the Department of Justice, should seriously consider offering compensation to people who have been wrongly jailed. President, in particular, I wish to cite the case involving Barrister Kevin EGAN and Solicitor Andrew LAM Ping-cheung as an example. Had it been other people, they would not have had the ability to persevere and take their case to the Court of Appeal. Both of them have spent a lot of money and their licenses to practise law were on the verge of being revoked but in the end, they made justice prevail for them. Yet, when they wrote to the Secretary for Justice, the latter went so far as to say that there were no legal provisions in this regard in Hong Kong, so no compensation could be offered to anyone who has been wrongly sentenced to a term of imprisonment. President, I think this is unjust.

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

On security, in contrast, there are fewer problems. I only wish to raise several points. First, recently, we received a paper on how to streamline the manpower for criminal investigations, that is, the Police Force and its Criminal Investigation Department (CID). This paper touched on a number of areas and one point therein gave me a shock. I am not going to talk about the other reforms because these matters will be discussed in detail in the meetings of the Panel on Security. However, there is only one point involving matters of money in it. At present, each officer of the CID receives \$180 monthly in CID allowance. The Commissioner of Police said that consideration can be given to making increases to it in the medium term or long term. Deputy President, I wish to point out to the Secretary for Security in particular that there is no need to talk about the medium or long term because there is now already an exodus in the CID of the Police Force. I hope an increase can be made immediately.

The second point that I wish to talk about is that, the Zheng Sheng College has applied for a site to build a new campus for a very long time, why is there still no outcome? If the Government really thinks that it is not suitable to grant the site at Mui Wo to the Zheng Sheng College, is it possible to identify a better site, so that students undergoing drug rehabilitation in the Zheng Sheng College can move to a better environment?

The third point that I wish to raise is that in the last couple of years, the Government Flying Service has been considering buying two new fixed-wing airplanes. I once made an enquiry with the Government and expressed my great concern about spending US\$100 million on buying two fixed-wing airplanes. We pay this sum of money mainly for the on-board infrared detection alarm systems. In 2005, we also wanted to buy them but the United States Government refused on the ground of national security. We are worried that this time, we may get a raw deal. If, in the end, we cannot buy the infrared detection alarm systems, will we really give up the purchase of the airplanes altogether? Or is the Government's bottom line the purchase of these two jet planes alone? Does the Government have other ideas? The Government replied that according to the contract, if the combined infrared-radar detection systems cannot be purchased, we can give up the purchase of those airplanes. However, I am worried that the Government is actually very keen on buying those two jet planes without the infrared systems.

Fourthly, I hope the Government must by no means implement the ambulance service charging scheme.

Fifthly, the drills on incidents at the Daya Bay Nuclear Power Plant. Putting other areas aside, I only wish to point out a problem that is perhaps related to money. Some people say that since a drill would involve thousands of people, the Government was worried that it would create a lot of hassles for the public and cost a lot of money, so for over a decade, no drill has been carried out in respect of the Daya Bay Nuclear Power Plant. Deputy President, if it is really due to such a small sum of money, I hope the Financial Secretary will tell the Secretary for Security that he really must not think this way.

Finally, I wish to raise several points relating to financial and economic affairs. First, the Government has accepted my views on iBond. However, if in the end, the scheme launched by the Government is neither fish nor fowl and each member of the public can only get one or two board lots, that is, \$10,000 or \$20,000 of bonds, this will actually amount to a waste of manpower and money. I propose to the Secretary for Financial Services and the Treasury that he should allocate to applicants applying for \$50,000 or less of iBonds the full amount of bonds. Only doing so will make the public interested in applying for them.

Second, on the Lehman Brothers minibond incident, the Commercial Crime Bureau of the Hong Kong Police Force and the Securities and Futures Commission should work in conjunction to investigate if systemic fraudulent sales practices as specified in section 107 of the Securities and Futures Ordinance are involved, so as to do justice to the victims of the Lehman Brothers minibonds incident. I hope the Government will concern itself with the recent "blunder warrant" incident involving Goldman Sachs. If it was possible to renege even on what was written down in black and white, how can we possibly be an international financial centre anymore?

The last point is that the incident involving the CITIC Pacific Limited has been dragging on for 30 months and it seems that recently, the Government has won the legal battle and obtained the documents. When actually can we find out the truth, so that justice can be done to the small shareholders?

**MS CYD HO** (in Cantonese): Deputy President, the Budget is an important document on Hong Kong's development in the short, medium and long terms, and it has profound implications on people's livelihood. In fact, we should solve the existing grilling issues of people's living through resource allocation and the optimal use of resources, which should be complemented by administrative measures.

At present, the greatest difficulty in people's living is certainly high property prices and exorbitant housing expenses. Except the 2.7 million people who have paid off the mortgage on their homes or are living in public housing, more than half of the population is actually subjected to the oppression of high property prices and high rents, having to worry frequently about housing. After the Government lifted the rent control and enacted the Landlord and Tenant (Consolidation) (Amendment) Ordinance, at present, it is only necessary to give tenants a month's notice in order to request them to move out and each time they move, their rent will be increased.

We can see in some examples that in 2005, the rent for a solid-partitioned cubicle of 100 sq ft was \$1,500 monthly but now, it is \$3,700. Last year, some small families were living in small units of 370 sq ft consisting of two rooms, a sitting room with a kitchen and a toilet, with the main door of these units opening onto the doors of five other small units. Its monthly rent was \$6,000. After the

tenancy agreements had expired, the landlord did not renew the agreements and if these families tried to find other small units in buildings that were also 30 to 40 years old in the same district, the rent was \$8,000. However, have we ever seen such a rapid rise in wages? Not to mention the grassroots, even the salary of a humble middle-class member has not increased by 25%. Those affected are not just confined to the tenants of private residential buildings. Even residents living in public housing are not spared, since this group of people have children of marriageable age in their families whom we have not taken into account.

According to the latest Census figures, in fact, there are as many as 1.09 million people aged between 25 and 34 in the population and these young people have reached marriageable age. They should move out to live on their own but there is no opportunity to do so because property prices are indeed too high, whereas elderly property owners living in old districts are afraid that under the newly enacted legislation on compulsory sale, their properties can be acquired by other people at any time and they can be driven out of their homes with very low price offers for their flats. When more than half of the population cannot enjoy any stability even in the basic necessity of housing, the greater part of the income of a person or family has to be used to pay for land prices, and there is no autonomy whatsoever in other areas of life, society will become unstable. However, the Government condones high land prices and all people, on account of housing and land prices, have to give up pursuing further studies and other cultural pursuits. Handing out \$6,000 surely cannot solve or counter the problem of the hegemony of property developers, nor can it solve the problem of wealth disparity or the sense of restlessness among people. When is it time to consider a cash handout? If everyone is affluent and it so happens that the coffers are overflowing with money in a certain year and there is a large sum of surplus, the Government can then hand out money as a structural measure to reduce tax. However, if many members of the public are still in deep water after the cash handout, public anger will definitely be aroused.

The example cited by us just now involves small units of 370 sq ft, the rent of which is increased by \$2,000 each time a new tenancy agreement is made. The \$6,000 handout by the Government can only pay for the increase for three months. Even if two members in such a small family work, they can only cope for half a year and the effectiveness of this measure is far less than the long-term benefits of using this sum of money to increase the supply of public housing and resume the Home Ownership Scheme (HOS).

Deputy President, you belong to a small number of people in this legislature who, like me, support an increase in the supply of public housing, whereas many other Members propose that the HOS should be resumed. We definitely cannot neglect the grassroots and if the grassroots can solve their housing problem, a rippling effect will be created, thus causing the rents of the small and medium units rented by the grassroots to fall, since there will not be many people to compete to rent these small units.

The Government's cash handout will cost \$36 billion. The construction of 100 000 public housing units will only cost \$28 billion. Deputy President, the cost of building a public housing unit is \$280,000, so such a measure can already benefit 100 000 families without taking into account the rippling effect. In the future, these families will perhaps have the spare money to spend on their children's education and cultural pursuits each year, or the people in these families do not have to work 15 hours daily, so they will have enough rest time, not having to exert themselves so much. They can then take care of their own health properly and ultimately, this will enable the Government to save public healthcare expenditure.

The Government likes to say very much that each \$1 spent should yield a return of \$2 or even more. The construction of public housing to increase its supply can precisely help the public and each year, there will be social returns. The social benefits reaped by the Government in spending each \$1 on public housing are definitely not just limited to \$2. However, the present annual supply of public housing is limited to 15 000 units only. In addition, there are 35 000 private residential units which the great majority of people find unaffordable. To borrow a comment made by us just now, on the basis of 1.09 million people in marriageable age, our demand for housing each year is 54 500 units on average. Not to mention whether or not they are affordable, at present, the supply is 4 500 units short. Moreover, not many people in this group of marriageable people can afford a second-hand flat at \$3 million to \$4 million. Without enough supply in public housing, do we have to rely on forcing young people back to the Mainland and establish themselves there to reduce the demand, so as to solve this problem?

Not only do high land prices add to the pressure arising from housing expenses, they also push up the rents of shops. This is the local characteristic of the causes of inflation in Hong Kong. For many small and medium enterprises

(SMEs), if they do not belong to the chain stores operated by consortia, it is impossible for them to survive. Therefore, the shops in the streets nowadays invariably belong to various consortia and their approaches in service provision have become increasingly uniform because the whole chain group adopts the same kind of training. Deputy President, when you go shopping, you may also be aware that most salespersons use the same pattern to urge customers to buy more goods. Occasionally, there may be some small-capital businesses that are creative, with goods and service approaches that are very special but there is no room for their survival. If even these creative small-capital businesses cannot become self-financing in the private market and operate on a commercial basis, the Government can only forever provide supplements or subsidies to the creative industry and they always have to be assisted through the allocation of funds or subsidies.

In fact, many cultural workers have moved their rehearsal rooms or studios to industrial buildings long ago. A group prepared a cultural map and it found that there were painting galleries, porcelain workshops and work rooms in the industrial buildings in Fo Tan, and the works of some painters were even purchased by overseas museums with six-digit sums of money and kept as part of the collections in these museums.

In San Po Kong and Kwun Tong, there are rooms for music bands and rehearsal rooms for drama and dance troupes. In the past, the rent per sq ft of these industrial buildings was only \$5, so cultural workers and fresh graduates could save money by leading a frugal life, buying fewer clothes and avoiding any extravagance or eating out to rent a place in these industrial buildings, so that they could have enough space to engage in creative pursuits and work with peace of mind.

But what is the situation like nowadays? After the revitalization scheme for industrial buildings was introduced, at present, the rent of industrial buildings has risen to \$13 per sq ft. In respect of industrial buildings with simpler land titles, the owners are even poised to take action and repossess the leased units as soon as possible, so that they can turn these industrial buildings into hotels.

However, at present, in these industrial buildings, about 1 400 units are being used by these individual visual artists for cultural work and this kind of visual arts is not catered to in any way by the so-called cultural district in West

Kowloon, which is dominated by considerations of box office receipts and tourism events. In the schemes to provide financial assistance to arts groups, these visual artists are also seldom catered to because the fund allocations to arts groups are confined to nine arts groups of the largest scale, the programmes of which are opened to paid viewing in some venues. Our funding provisions for cultural items are dominated by consideration of ticket office receipts, so these minor cultural workers are no match for the hegemony of property developers and these problems cannot be solved by the sum of \$6,000 either.

The problems in housing, wealth disparity, local inflation and the stifling of the creative industry all cannot be solved with this sum of \$6,000. After we have received this \$6,000 and spent it, the problems relating to healthcare, education, the environment and transport fares will all remain, so this is why the public are berating the Government despite the prospective cash handout.

If we do our calculations in terms of the opportunity cost, handing out money is the least effective measure. This exercise to hand out money costs \$36 billion which can otherwise be used as a start-up fund for universal retirement protection, the construction of public housing and HOS flats to suppress and stabilize property prices, increasing the number of subsidized places in universities, implementing small class teaching in primary and secondary schools, subsidizing the tuition fees of sub-degree students, increasing the manpower of the public healthcare sector to avoid the wastage of healthcare workers, replacing all smoky buses and heavy vehicles, introducing energy-saving measures in old buildings, buying back The Link REIT, reducing the daily expenses of the grassroots, buying back the three tunnels, so that the Government can regain the initiative on ways to ease traffic congestion, increasing the places in residential care homes for the elderly and residential care homes for persons with disabilities, and so on. No matter how it is used, it is always better than a cash handout.

Moreover, the worst thing of all is that the exercise to hand out \$6,000 has caused rifts among society groups, bringing to the fore mutual exclusion among people and rejection of outsiders. Society as a whole will have to pay a price for all these. The bitterness and discrimination are the negative outcomes resulting from this \$6,000.

We can see that the Government is now so poor that it only has money. In order to secure votes and thinking that the public are only money-minded, the Government made the decision to hand out money within a very short time, giving up considerations of how to use public resources from a policy-wise and cost-effective perspective. As a result, disregarding the fact that we actually have \$600 billion in fiscal reserve and the fact that we have an asset value of \$2,300 billion in the Exchange Fund, it tried to pacify the people by handing out \$36 billion. However, it has turned a blind eye to some long-standing and fundamental deep-rooted conflicts.

In fact, this approach of handing out money shows that the Government has lost its will, convictions and direction. It even represents a loss of good sense, and its thinking is so impoverished that it can only come up with this trick of handing out money. For this reason, the public despise this Government because they do not think in this way.

Some friends are already using their own money to buy some food or daily necessities and give them away to street sleepers and unsupported elderly people even before they have received this \$6,000. Recently, they bought some toys for distribution to grass-roots students and children, and a lot of people have responded to their appeal. However, personal efforts cannot replace the power and responsibility of the Government in public administration. For example, even if the more than 70 000 taxi drivers all contribute the \$6,000 they will receive, they cannot build a couple of additional liquefied petroleum gas filling stations, so that they can queue up for two hours less each day and do more business.

Even if all the people and tenants at the grassroots were to contribute their \$6,000, they could not build a public housing block, something that only the Government has the power and resources to do. Therefore, the Government has the ultimate social responsibility in public administration to use its resources and power optimally to handle such matters.

In addition, of course, it is necessary to put in place policies and measures to complement this, so that this sum of money can be used with greater cost-effectiveness. However, this SAR Government, apart from condoning the hegemony of property developers, also encourages the private sector to pursue development in such areas as education and healthcare, which should rightly be

the social responsibilities of the Government, thus allowing the public sector to wither. For example, as a result of its commitment of \$500 billion to healthcare insurance, we can see that there is wastage of healthcare workers in the public-sector healthcare system. This measure is designed to force the public to bear higher costs in moving towards the private market in the future.

At a time when people's grievances are boiling over, the Government would rather hand out \$6,000 to "suppress the coughing". However, the leitmotif remains that of pushing the public towards the private market. But this kind of administration is not designed to achieve long-term stability and prosperity.

There are only 15 months left in the tenure of this Government, but this Budget is already a piece of trash. Even if we oppose it, it will not do any good to our existing deep-rooted conflicts. However, the road ahead for Hong Kong is still very long and we still have to carry on. In the future, this caretaker Government will still prepare another budget and I hope very much that the public, in particular, those members of the public who can offer their \$6,000 to help the poor of their own accord, must come out on 10 April to tell the Government and the public their views and their demands relating to Hong Kong.

However, if the Government still cannot hear the demand of the public, that it must show its commitment to long-term development through its fiscal management, protest activities and increasingly radical protest activities will never end and they cannot be solved by this \$6,000 or through suppression by police powers.

**MR LAU KONG-WAH** (in Cantonese): Deputy President, there are two focuses in the discussion on the Budget this year. The first is whether short-term measures or long-term strategies are needed, and the second is whether this subsidy of \$6,000 should be made available for use immediately, or used as an investment in the future.

In the discussion in these two days, Members have voiced many views on these two focuses and personally, I believe there is actually no conflict between short-term measures and long-term strategies, nor are they mutually exclusive. In response to the rather serious inflation this year, which may cause hardships

among members of the public irrespective of their classes (but the lower class in particular), if the Financial Secretary can introduce short-term measures to ease people's hardships in view of these circumstances, I think this is nothing objectionable. Nevertheless, it does not mean that we can refrain entirely from proposing long-term strategies in planning for the future.

It is not true that the Budget has not talked about long-term strategies in any way. For example, we have pointed out frequently that it seems land supply has been suspended for a long time, so in this Budget, the Government finally proposed a 10-year land supply programme and this is precisely an important long-term strategy. As regards welfare for the elderly and the retirement issue, the Chairman of the DAB, Mr TAM Yiu-chung, also mentioned a piece of history yesterday, saying that the DAB had made a relevant proposal about two decades ago but in these two decades, there was quite a lot of controversy surrounding the meaning of universal retirement protection. In these two days, we have heard quite a number of Members voice this demand in slogan style. Such slogans are certainly fine, but where can the money come from? How should the public make contributions?

One controversy that I heard in the past was: If all people could only receive more or less the same amount of money in their retirement no matter how much they contributed when they were young, people may voice disagreement. In these circumstances, I think it is necessary for all of us to discuss in detail and implement the relevant policy only after reaching a consensus.

The Secretary for Financial Services and the Treasury is also present, so I wish to suggest that after the Budget debate, the Financial Secretary or the Secretary should certainly be able to collect the proposals put forward by various political parties and groupings in this meeting, and the proposals put forward should be practical ones. When any political party or grouping says that it wants to lobby for something, it must consider such issues as the details of the proposal, whether or not its proposal is sustainable, whether or not our young people would agree to it, whether or not our elderly people would also agree to it, and so on. The Government should consult all members of the public on the proposal submitted by each Member. This is an important and also necessary process. Therefore, I propose that the Secretary adopt this approach to enable the public to understand at a glance the cost they have to pay and what is being lobbied for.

On the housing issue, since the Government has already proposed the My Home Purchase (MHP) Plan and undertaken to provide 5 000 units in the next few years, I think we should treasure this policy rather than totally rejecting or discarding it. I think doing so is unwarranted. Originally, under the MHP Plan conceived by the Government, people have to rent their flats first before buying them and Mr Abraham SHEK also said that people could buy their flats only five years later. The DAB wishes to make a counter proposal here, that this plan be turned into one in which people can either buy or rent. Furthermore, this measure should be introduced immediately. In this way, 5 000 units more can be provided to the grassroots in the market. I hope the Chief Executive can consider this counter proposal or improved proposal in earnest, so that constructive proposals can be derived from our debate.

Regarding the sum of \$6,000 to be distributed by the Government, should it be made available for use immediately or should it be used as an investment in the future? In fact, society has reached a consensus on this. Originally, this sum of \$6,000 would be paid into MPF accounts but due to our disapproval of this measure, the arrangement was changed to directly giving the money to the public instead, and this is quite important. I have looked at the records at that time. After the Financial Secretary had proposed paying \$6,000 into each MPF account, many members of the public voiced disagreement and Ms Audrey EU also wrote an article in which she said, to this effect, "The most generous gesture is to use \$24 billion to inject \$6,000 into the MPF account of each wage earner, but in the face of the inflation now, such a measure cannot address their immediate and pressing problems.". It means her view at that time was that this sum of money should not be deposited into MPF accounts and Mr Alan LEONG even said that the authorities, in injecting \$6,000 into the MPF accounts of the public, was tantamount to handing out candies that the public could eat only when they had no teeth, since the public had to wait until they were 65 years old before they could draw the money. However, what the Financial Secretary is distributing now are candies that we can eat when we still have teeth, so why are we opposing it again?

Therefore, I think that sometimes, the Government has quite a difficult time in effecting administration. On the one hand, they hear Members say that such a measure is inadequate to address pressing and immediate problems, but when the Government really tries to put out nearby fires, they then say that the Government should think more about distant matters. This is precisely the

difficulty faced by the Government. When it goes in the East, some people would say that it had better in the West. When it goes in the West, some people would then say that it had better in the East, so in the end, it does not know which way to go. However, it does not matter. There will always be pluralistic voices in the legislature. Certainly, one of the voices is like this, but other Members are quite pragmatic and rational, so they know what they should do.

Mr Ronny TONG often advances one argument, that is, he would attribute all the problems, be it the wealth gap problem or the housing problem, to the absence of universal suffrage or democratic elections. In fact, in the last couple of years, I could often hear Mr Ronny TONG advance this kind of argument in the legislature. However, can all the problems really be solved once we have universal suffrage?

Deputy President, nowadays, there is a surplus in the public coffers in Hong Kong and even the cash handout has given us a headache. However, the problem that is giving European countries and the United States a headache is one of deficits rather than surpluses, and these are precisely countries that practise universal suffrage and democracy. What we can see is precisely the fact that when certain European countries or the United States did not adopt a prudent approach to fiscal management in their pursuit of aspirations, in the end, problems may surface in the next generation.

Therefore, I think that from a rational point of view, we should not mix these two issues together and the Basic Law has also laid down the relevant principles. For this reason, even though we have many criticisms of the short-term measure of handing out candies from the angle of long-term planning, I think prudent financial management is also quite important. Yet we should also respond to the demands of the public at the same time and forge a consensus in the legislature and among the general public. I think these several conditions are quite important.

Deputy President, in the whole process of the discussion on this Budget by the general public, many episodes have certainly given me a deep impression and some incidents may even have far-reaching implications on the general situation or order in society. I remember that in a rally and campaign against the Budget, a group of people blocked a road and the police arrested a number of people among them. Deputy President, I could also see the Chief Executive being

jostled when he attended a function and he was injured as a result. We could also see someone dash onto the stage in front of the camera but fortunately, Secretary TSANG Tak-sing reacted very quickly, otherwise, some undesirable consequence may arise.

Can Hong Kong society tolerate this kind of rampages and irrational and violent behaviour? In fact, acts of resistance are not at all uncommon, but should acts of resistance also be carried out in a non-violent manner? In fact, we can also see that society does not wish to see this kind of things happen. Deputy President, what is even more worrying is that when there were such acts of violence or obstruction outside the legislature, often, there were also a lot of people voicing their support in the legislature and they even painted the work of the police in a negative light, thus fuelling this kind of trend, so I am also somewhat worried about this.

Recently, when the top brass of the police had just taken over the helm, of course, someone asked him if he should apologize for the incident of dispersing the protestors but he said, "If it is necessary to apologize even for upholding law and order, that would indeed be inconceivable.". Deputy President, I have also heard many members of the public sing high praises of this remark. Hong Kong society needs order but it also allows acts of resistance, only they have to be carried out in an orderly manner. The Secretary for Security is present. Although many Honourable colleagues in the legislature often lambaste him, asking him to step down and condemning him, I can tell him that in fact, many members of the public support him in this job of maintaining public order.

Deputy President, one very strange thing is that many Honourable colleagues in this Council are often involved in acts of instigation here, but they would never break the law themselves. They are always mindful of not putting themselves in harm's way. Young people are instigated in these circumstances and in fact, I feel that it is most unfair to them.

Deputy President, the most important thing is: Every year, we would discuss the Budget, so should we not deal with it in a rational manner? We could see that an episode relating to provisional appropriation was also tossed into this matter. This sum of money is just a routine appropriation, but in the legislature, some Honourable colleagues are reckless and they oppose for the sake of opposition. As a result, the provisional appropriation was nearly scuttled.

The public find this so incomprehensible, nor do they approve of such a course of action, so I hope some Honourable colleagues in this Council can reflect on this.

On one occasion, when Mr LEE Cheuk-yan had discussions with me in a forum, he said sarcastically that it would be very cheap of the public to take this \$6,000 and now, many people are criticizing this remark on the Internet. I advise Mr LEE Cheuk-yan to withdraw this remark. In fact, many supporters of Mr LEE Cheuk-yan come from the lower class or belong to the grassroots. They can only earn some \$5,000 or \$6,000 monthly and this year, since the Financial Secretary has a huge surplus, it can be said that it is nothing objectionable to distribute \$6,000 to such members of the public in this way, so why did he say that these members of the public were cheap? If the opposition to the Government has reached such an irrational state, I think it is actually unwise. Having said that, after this budgetting exercise carried out by the Government, I think the Financial Secretary has learnt a profound lesson.

With regard to the future, I often say that having gone through the discussion this time around, we are presented a golden opportunity to do several things properly. First, the Government can consider how to handle the relationship between the executive and the legislature in the future and how it can secure majority support in the legislature. Second, we can also take this opportunity to establish links with Members of various political parties and groupings, so as to consider and plan for the future of Hong Kong. This is very important. It is necessary for us to plan together not just for the housing problem, for the retirement of the elderly and for the education problem, but also for a host of such other problems as healthcare, transport, economic development and employment problems. If we can discard some irrational attitudes, I am sure that after the discussion this time around, we can move forward together.

Regarding such temporary measures as the \$6,000 handout, some people would oppose it, but it does not matter. I will support it because I hope the legislature can pass the Budget. However, our attitudes towards long-term planning are the same but all of us have to present feasible and constructive proposals, rather than merely making criticisms, not knowing how to do something constructive. In these circumstances, I think the Government is duty-bound to take the lead in discussing long-term planning for the future, which is vitally important.

Thank you, Deputy President.

**MR PAUL CHAN** (in Cantonese): Deputy President, after the release of the Budget, I said that it was a Budget prepared by a caretaker government and obviously out of touch with public sentiments. I also criticized the Budget for the Government's lack of vision and long-term commitment for Hong Kong. I have already said all these and in the last couple of days, a number of Honourable colleagues have also talked about them, so I am not going to dwell on them again.

Deputy President, my speech today will focus mainly on six points. First, in saying that this Budget is out of touch with public sentiments, I am actually referring to the middle class. In the consultation exercise on the Budget, I proposed to the Secretary that in order to cater to the needs of the middle class, such measures as increasing tax allowances and providing deductions for private healthcare insurance contributions and home loan interest should be introduced. I am grateful that the tax allowances for dependent parents and children and care for the elderly are increased by 20%. This was the proposal put forward by several accountancy societies and me. However, I think that it is still not enough. I also wish to take this opportunity to convey to the Financial Secretary once again my hope that appropriate responses can be given in the budget next year.

The first point is to make adjustments to tax allowances according to inflation. Such adjustments will not free many taxpayers from the tax net, nor will it lead to a significant narrowing of the tax base. The second point is that in the present economic situation, the middle class is having the most difficult time. Therefore, I propose that further studies be conducted on how to widen the salaries tax bands of the middle class as the existing ones have been maintained for a rather long time, and the marginal tax rate should also be adjusted.

Moreover, a friend in the accountancy sector has raised two points with me. The first is that if one's parents are not living in Hong Kong or are not permanent residents of Hong Kong, at present, one is not eligible for the dependant parent allowance. At present, the absence limit in respect of Old Age Allowance has already been relaxed to 60 days. In view of this, I suggest that the SAR Government should also consider, in respect of the dependent parent allowance, permitting people whose parents reside in Hong Kong for 60 days or more to apply for the allowance. This is because the practical consideration is that often, although these people's parents have gone to live on the Mainland and as a result,

their children do not have such a hard time in supporting them, they still have to spend money.

Another point is about personal assessment. At present, if a couple wants to choose personal assessment, it is mandatory to file a joint tax return, thus leading to unfairness. I am not going to delve into the technical details in this regard, but I hope the officials concerned can really look into this when they are back in their offices. These are some of the unreasonable areas that still remain in our taxation system, so changes are really in order.

In fact, just now, these issues relating to the middle class raised by me are actually nothing terribly important, Deputy President. However, I think that if the Government can be more caring with regard to every detail, such that the public can feel that the Government really cares about them and has their well-being as its foremost consideration, their feelings would be very different.

Deputy President, another subject that I wish to talk about is the commitment to recurrent operating expenditure. In the past, I have already pointed out both in my articles and speeches that there is room for the SAR Government to make improvements in this regard. Many Honourable colleagues have also advanced similar arguments in the legislature and even made some specific demands.

I remember that in paragraph 62 of the Budget, the Financial Secretary points out that the expenditure for 2010-2011 had increased by 29% compared with that in 2007-2008. Prior to this, he also said in his blog that the expenditure had increased by 35%. In other words, the SAR Government thinks that it is not true that it is reluctant to spend money, rather, more money has been spent.

However, is this the reality? Let us look at those figures closely. I have compared the government expenditure in 2007-2008 with that in 2010-2011 according to the figures set out in the Budget. It is true that \$68.6 billion more was spent in 2010-2011 than in 2007-2008, but \$32.6 billion of it was capital expenditure because we have reached the peak period of infrastructure construction. In other words, the increase in operating expenditure was only \$36 billion.

Of this \$36 billion in operating expenditure, if the \$11.1 billion non-recurrent operating expenditure for one-off measures or allocation to various types of funds is excluded, the real increase in recurrent operating expenditure was only \$24.9 billion. Compared with the recurrent operating expenditure of \$199.4 billion in 2007-2008, the increase was 12.5% rather than 29%.

Deputy President, if the inflation rates and the real growth rates in GDP in the past few years are factored into this increase of 12.5%, we will find that the recurrent operating expenditure of the SAR Government has actually not seen any increase. If we look at these figures in the context of the ever increasing number of the poor, the worsening poverty problem and soaring property prices in the same period, we can fully understand why the discontent of all the people in society is so great and why deep-rooted conflicts have arisen.

Deputy President, on these issues, I cannot help but add a few points more concerning the figures cited just now. The first is that in the past four years, \$37.5 billion of the Government's increase in non-recurrent operating expenditure was actually allocated to various types of funds. Last month, I asked the Government a written question and the reply of the Government said that of the \$37.5 billion in various types of funds at present, only \$8.4 billion has been used with a balance of some \$27 billion, that is, some 70% of the funds have yet to be used. In other words, the Budget, in allocating money to various funds and these funds, in using the money in this way, are likely to give the impression that the Government, apart from being unwilling to make long-term recurrent commitments, also has many small coffers that help embellish its account.

Deputy President, the second point I wish to raise is that if we compare the expenditure in 2010-2011 with that in 2007-2008 using the expenditure in the original Estimates rather than in the revised Estimates, we will find that the increase was actually 35%. In other words, the estimate in the Budget is bigger but actually, it would not be possible to spend so much. I think the Financial Secretary is not lying but he may have been kept in the dark by his subordinates.

In this regard, I also wish to elaborate with an example. The amount of money under Head 106 of the Budget (which is commonly referred to as the "emergency fund", an additional commitment) is some \$50 billion this year, but if we review the six years from 2005-2006 to 2010-2011, ultimately, some \$94.5 billion under this item was credited back without being used.

In other words, the margin in the budget every year was quite large and to some extent, this sum affected the forecasts on whether there would be a surplus or deficit each year. I hope that after I have highlighted this part, the SAR Government will not repeat the same mistake in the budget next year.

Deputy President, on the question of whether or not the recurrent operating expenditure of the SAR Government is sufficient, apart from reviewing the situation in the past, I will also look ahead at the development in the future. By future development, I mean if we turn to page 7 of the Appendix on the medium range forecast in the Budget this year, we can see that from 2012-2013 to 2015-2016, the annual surplus in the operating account of the Government will range from \$57.9 billion to some \$70 billion.

Of course, it can be said that the capital expenditures in these several years will be higher, so the actual surplus will not be that great. However, the problem is that if the amount of operating expenditure is that much, to some extent, it actually reflects the fact that the Government should make greater commitment to the operating expenditure, as pointed out by Honourable colleagues in the legislature, including the sum of \$20 billion suggested by some Members. This is not an excessive demand, rather, the Government is capable of doing so. As regards to which areas this \$20 billion should be committed, whether to healthcare, the elderly or education, I think we can discuss this further. However, I hope very much that the SAR Government can make progressive commitments in recurrent operating expenditure and let all of us know about this.

Deputy President, the next thing I am going to talk about is related to a proposal of mine, that is, a mid-term budget. Recently, I visited the United Kingdom twice with Honourable colleagues of the Legislative Council, to attend a seminar organized by the Commonwealth Parliamentary Association on one occasion and on a duty visit as a member of the Public Accounts Committee on the other. It so happened that a budget was also published in the United Kingdom at that time, so I observed the meeting.

I found that there had been major changes in the preparation of the budget in the United Kingdom after the general election last year, one being the establishment of an Office for Budget Responsibility (OBR). What does this mean? In the past, when a budget was released by the United Kingdom Government, the economic and public finance forecasts were all the

responsibility of the Government, but it was found that the forecasts made in this way were not entirely reliable and might be subjected to political influences.

For this reason, they established the OBR, as I said just now. In the OBR, three people, that is, an academic, a taxation expert and an economist, are appointed to make independent forecasts on the economy and public finance. Apart from making such independent forecasts, they also make assessments on the budget released by the Government and provide independent advice to the Parliament, that is, they will assess if the forecasts made by the Government are reliable, if the pledges set out by the Government in the budget stand a 50% chance of success, as well as offering their views on those forecasts.

Apart from making forecasts after the release of the Budget, the United Kingdom Government will also publish a mid-term "Autumn Forecast Statement" in November each year. It is a report in autumn. In fact, the report is designed to submit to the Parliament some mid-term economic and public finance figures. When submitting the report to the Parliament, the Chancellor of the Exchequer has to present his views on the OBR's "Economic and fiscal outlook".

Of course, in citing these examples here, I do not mean that we have to copy the approach adopted by other people in full, but we have to do some self-reflection and perhaps we should not discuss the budget in this legislature just once a year. Rather, it is necessary for us to get hold of some figures in this period, so that we can have the chance of understanding the financial position of Government and the economic situation. If we can understand the situation in a timely manner and get hold of more information on the preparation of the budget next year, it will be possible to have better, more comprehensive and rational discussions.

At present, the Financial Secretary does consult us. However, Members can see that in November and December every year, everyone will be predicting how much the fiscal surplus, deficit or expenditure will be. I think that if we enhance the transparency in this regard, it would be conducive to the preparation of the Budget, so that it can meet the expectations of the public more closely. When various Members or political parties and groupings express their views to the Government, they can also have some actual figures at their disposal, so that they can offer informed opinions.

In passing, I wish to mention that in fact, the Government publishes some quarterly financial statements on the Internet. We have worked very hard to process them and found that it is very difficult to relate these quarterly financial statements to the annual financial statements and the budget to gain a thorough understanding of them. I will not go into the details here and after the meeting, I will make an appointment to meet with the relevant officials. I think there is great room for improvement in the disclosure and presentation of some information.

If this area can be improved, the general public or we as Members will be able to understand more thoroughly how the financial figures of the Government are actually like. In this way, it will be easier for us to reach a consensus on the future course of action.

Due to the time constraint, the last point that I wish to make is that many passages in the budget of the United Kingdom this time around are about taxation. They positioned the United Kingdom as the place with the most competitive tax regime among the G20 and the best place that welcomes people from all over the world to do business in and the Office of Tax Simplification will be established.

As Members all know, I have mentioned a number of times in the legislature that Hong Kong needs to set up a team for taxation policy. In view of the experience of the United Kingdom, we must use taxation as the means not only to enhance the competitiveness of society as a whole but also to address instances of inequality in society, and even some aspects of our tax regime which are lagging behind the times (*The buzzer sounded*) .....

**DEPUTY PRESIDENT** (in Cantonese): Your speaking time is up.

**MR PAUL CHAN** (in Cantonese): Thank you.

**MR LEUNG KWOK-HUNG** (in Cantonese): Deputy President, of late, I am suffering from back pain, so the Financial Secretary needs not be worried that I may hurl objects at him, nor do I have the strength to do so. What does this

make me think of? I think that in falling ill, I only have myself to blame because I often play football and sustain injuries as a result. However, I believe many patients nowadays cannot receive proper treatment and by that I mean Mr AI Weiwei.

A lot of people may query what the Budget has got to do with Mr AI Weiwei. Actually, this is because I have heard some Honourable colleagues say that they had to make appeals on behalf of the middle class, saying that the middle class was really miserable, so atrociously miserable because they only have a share in paying taxes but not in receiving any welfare benefit. Of course, this is a myth because the middle class also gets a lot of benefits from the infrastructure of the Government, for example, I seldom take airplanes but they do so frequently.

On this Mr AI Weiwei ..... today, I really feel pain ..... he is representative of the middle class in China. He engages in the art dealing business, that is, he sells works of art. His father is the well-known Chinese artist, AI Qing, who switched to writing poems when he was in the Great Northern Wilderness and he became better and better at it because he had endured a great deal of hardship.

I call on the Financial Secretary to consider this — of course, I am not addressing this to him but I have no alternative but to do so — when a member of the middle class felt that other people were suffering, he came out and spoke up, pointing out the sufferings borne by other people. This AI Weiwei considered that in making a trip to Hong Kong and speaking here, he would not lose his life but those babies who had taken tainted formula milk would die. AI Weiwei also belongs to the middle class, but is the middle class in Hong Kong so lame? Maybe they think that the poor in other places can have \$6,000 given back to them but they are not given this \$6,000, so they are infuriated; next, they think that if they can be given \$6,000, then get a tax rebate of \$6,000, that is even better. If "Long Hair" suggests that they be given another \$10,000, they will vote for "Long Hair" next time. In that case, the Financial Secretary and this Government will be in great trouble.

I do not believe that the middle class is like this, so the Financial Secretary needs not heed this group of people. They only want to get the votes of the middle class. Many members of the middle class have said this to me, "What I

hope the most is that Hong Kong can be freer and more democratic, so that my children will not have to hear Donald TSANG talk nonsense and grunt like a pig every day, turning cause and effect around or calling a stag a horse. "Long Hair", you have to speak up for me. I do not want their money; I only want them to speak their mind and that would do."

The people in this legislature like to talk about virtues and morals and the middle class all the time. The Secretary and the Financial Secretary have been to the United States before, is the middle class there like this? Do they often go about asking people for money in front of McDonald's? Do not insult other people anymore. This AI Weiwei is really in serious trouble and I feel the pain even standing here now. If he has a back problem at present, I wonder if he can receive any treatment and I am really worried about him. I hope the communist party will not fix him anymore.

There is also another person having some bearing on this legislature and his name is ZHAO Lian-hai. He is also a member of the middle class or the petite bourgeoisie as he also runs a small business. He is perhaps just like someone earning some \$10,000 monthly in Hong Kong. In this legislature, it can be said that he was in even more serious trouble, all because of the tainted milk powder incident. Of course, the middle class is very concerned about this problem. When I had my meal in the Central Government Offices, the people I saw there were all subordinate civil servants and they were all talking about such milk powder brands as Mead Johnson. They told me that when the Government paid them their salary, it would be most desirable if milk powder can be given in lieu of pay, so that the Government can supply milk powder to them. This is true.

This ZHAO Lian-hai is also a member of the middle class who has also spoken up about the tainted milk powder incident. Then, some Members of this legislature also said in their speeches that the Central Authorities had conducted themselves really badly and that they really had to do some self-examination. While we were voicing support for him outside, the Central Authorities succeeded in tackling him somehow. Now, he has come out to say that the Central Authorities deceived him by making him agree to release on medical parole. Now, he has made an appearance again and I do not know if he will be arrested again, nor do I know what that group of people who often talk about having to speak up for the middle class and justice would do in that event. Now,

he has stated clearly that he will back AI Weiwei. Such is the situation of these several people.

Although I myself also like money, I think that it is not desirable for some people to describe money as if it were indispensable.

This LIU Xiaobo is in even greater trouble. All the middle class who watched him on television would say "what's the hell". He is not in great trouble but his wife is. And she has disappeared now.

In debating the Budget here, we are now talking about wealth distribution but this also reflects how wealth weighs in our minds and hearts. What astonishes me greatly is that those political parties that base their appeal on being civilized, rational and middle-class would talk about money whenever they speak in this legislature and would say "Buddy, just pay up" each time they rise to speak. Of course, I would also demand that the Government "pay up", but should their virtues not be very noble?

Where does the problem lie? Today, it is the turn for the Financial Secretary but his subordinate, Secretary Prof K C CHAN, is no longer here. Now, the Government is about to introduce a minimum wage and today, some workers of outsourced services of the Government have approached Secretary Prof K C CHAN, telling him to ask the Financial Secretary, John TSANG, to pay up, so that they do not have to work an hour more on account of the minimum wage. However, "Ah Keung" said, "This matter has nothing to do with me, go and find Secretary Matthew CHEUNG.". Secretary Matthew CHEUNG also said, "This has nothing to do with me, go and find Secretary York CHOW.". What kind of Government is this? The legislative exercise on a minimum wage was initiated by the Government and in the process of legislation, we have already actively voiced our views. The Financial Secretary was not present at that time, but I asked an official surnamed WONG at that time if, in the process of calculation, one side had not yet done the calculation but the other side did the calculation only on a *pro rata* basis, that would be very dumb and if the share could be calculated in such a way. He said to me, "Mr LEUNG, we do not think there is any problem.". Secretary Prof K C CHAN is not present, so even if I want to hand him this letter, I cannot do so. Originally, I wanted to throw it at him but he has left. This picture shows his face and it says here, "I would be foolish to heed you."

Members, what are we discussing here today? It so happens that Mr LAU Kong-wah is not here and like me, he also strays from the subject matter frequently when he speaks. He said that some people had protested against the Budget .....

**DEPUTY PRESIDENT** (in Cantonese): Mr LEUNG, if you admit that you have strayed from the subject, I must stop you from doing so. Please speak to the question.

**MR LEUNG KWOK-HUNG** (in Cantonese): Deputy President, I am sorry, I will speak to the question now. You are really astute.

On 6 March, a lot of people opposed the Budget and many people said, "Long Hair", throw something at the Financial Secretary again. If you do, we may get something more.". In fact, we all know that even if I throw things again, we will not get anything more because they only have to secure enough votes in this legislature.

What can really make the Government or oneself change is public sentiment. To adopt the DAB's approach of conducting street interviews to understand public sentiment is the most deceptive approach because doing so will only make people pick the views that are considered the most appropriate in the course of interview.

If we want to make the whole society understand the fallacies of the Government's policies, one of the systematic and organized ways is demonstrations, so that all people can take the time to participate in them, rather than sitting passively in a restaurant and be asked, "Ah CHAN, are you satisfied with the Budget this year?" "Better than nothing.". What kind of view is this? The most focused way to reflect the views on a certain matter is to let citizens exercise the freedoms of protest, assembly and association, so that they can express their views systematically.

This is what happened on 6 March. On that day, some 10 000 to 20 000 people took to the streets and in the end, some protestors were unwilling to leave, using the approach of civil disobedience to demand that the Financial Secretary

come out to explain if he would really distribute \$6,000 to each member of the public and if he would introduce universal retirement protection. That is where the key lies.

According to the proposals put forward by civil society, the Government is actually capable of dealing with the issue of universal retirement protection. The Government has spent \$50 billion on the implementation of the Health Protection Scheme and this year, it will also commit tens of billions of dollars to various funds but the question is: If the Government can change its original decisions as a result of the pressure exerted by public sentiments, may I ask why it cannot change for a second time? The Government must answer this question. The Financial Secretary can refuse to answer it today, and so can he tomorrow. That group of young people has precisely adopted the approach of testing the law to demand that the Government come out to respond. They were arrested because the Government has not given them any response so far.

Mr LAU Kong-wah said that it would be most desirable if no violence was used. He has never participated in any demonstration throughout his life, so how could violence be an issue for him? That day, it was the police who charged at us and no matter who speaks in defence of Secretary Ambrose LEE, it is useless. Now, he would leave immediately whenever he sees me. Evidently, it was the police who used pepper spray on the people, but they said they had sprayed it into the sky, so do they mean they are the anti-aircraft squad shooting airplanes? The problem lies in the fact that the Government has no credibility.

Now, I am not asking anything additional from the Government, but is there any minimum wage protection? If there is, is it work-hour oriented? I dare not ask for too much and I only want to ask the Government: Is it going to introduce universal retirement protection?

Many people ask if not passing the government proposal to distribute \$6,000 would do harm to Hong Kong people. I now throw down the gauntlet to the DAB. They can go to the local communities to tell the public that in addition to being given \$6,000, they can also have universal retirement protection, and see if their supporters .....

**DEPUTY PRESIDENT** (in Cantonese): Mr LEUNG, please address the President when you speak.

**MR LEUNG KWOK-HUNG** (in Cantonese): Deputy President, in that case, I ask you to request the DAB to interview members of the public in the local communities by asking them whether or not they would object if, after the Government has handed out \$6,000, they can also have universal retirement protection. Do they dare do so? You can ask Mr LAU Kong-wah and Mr TAM Yiu-chung to conduct interviews with you by setting up booths in the local communities. If the answers indicate support, how can you explain this? Buddies, do not behave like you did in relation to the incident relating to ZHAO Lian-hai by making the ambivalent gesture of expressing agreement but actually opposing the motion and all you knew was to make ironical remarks. I now ask the DAB and all the people: If the Government were to earmark \$50 billion to \$70 billion for the introduction of universal retirement protection, would this legislature agree? Do not say that the opposition is holding the Government to ransom, rather, you too want to hold the Government to ransom on behalf of your voters, buddies, do you understand?

What did they say when they run in the elections? Now, they have turned round and accuse the opposition of holding the Government to ransom. We said that we wanted to do so at the very beginning and that we wanted to campaign for universal retirement protection for the sake of the public, did we not? If Financial Secretary John TSANG were to see them accuse him wrongly like that, he would surely feel irritated. Mr LAU Kong-wah, in his capacity as an Executive Council Member, had had meetings with the Financial Secretary as a cabinet member but after leaving the meeting, he criticized the Financial Secretary at his back. I would do nothing of that sort. I would chide him in his face. What kind of person is this?

The system of this Council is extremely rotten, so Mr Ronny TONG said that a rotten system has created those rotten people who do rotten things, thus making the system even more rotten and remain in the same old groove. What is the reason behind accusing the Financial Secretary wrongly today? Buddy, I do not believe that there are no internal phone lines in the Executive Council and as a result, he did not know. He surely knew. Now, I want to ask them another question. Those young people have tested the law to campaign for universal

retirement protection that would benefit all members of the Hong Kong public, including women and the elderly, so do they want it? If they want it, why do they not support those people who have proposed the amendments? You can go to the local communities and ask people if they want the introduction of universal retirement protection after receiving \$6,000. What nonsense!

Deputy President, sorry, but I am really worked up.

**MR ANDREW CHENG** (in Cantonese): Deputy President, I think "Long Hair" did not have to fly into such a rage. As I have said many times, if we get angry in this Council, it will indeed be very difficult for us to enjoy longevity. It is because whenever the Government introduces a new policy or acts against the wish of the people, we cannot help feeling outraged.

Deputy President, over the years, seldom did I refrain from speaking in the debate on the Budget but this year, I really do not wish to speak because I am not in the mood indeed. First, I certainly do not want to get angry; second, I think even though I have made my comments, nobody would bother to listen to me.

We have put forward a lot of views before, and the Financial Secretary has done a brilliant job in his consultation work over the past few years, as he has used cartoons and lively approaches which can effectively attract the public to give their views. But after the expression of views, what is the outcome? In handling the Budget, the Government has all along upheld the infallible principle of "fiscal prudence and keeping expenditure within the limits of revenues" since I joined the Legislative Council during the era of the Hong Kong-British Government over a decade ago.

When the Financial Secretary was conducting the consultation exercise, who would expect that the Budget would change from recording a surplus in tens of billion dollars to a deficit of over \$10 billion? Is this in line with the philosophy of fiscal prudence? Is it not contrary to the principle firmly upheld by the Government? But the Government has really done so. Of course, we still have to vote on it, but no matter how strongly we oppose it, I believe there will not be enough votes to negative the Budget, and we are set to face a deficit budget. Why have things developed to such a state? I have made a bold conjecture. While "Long Hair" said quite naïvely just now that he had deviated

from the topic of discussion, I do not think that he had deviated too far away from it because I am also prepared to make use of the cases of AI Weiwei, ZHAO Lianhai, and so on, to put across some ideas which have been bouncing in my mind over the past few days.

After the release of the Budget, there was widespread resentment among all the people and across the entire territory. This coincided with the Lily Revolution in the Middle East and on the Mainland, and the situation in the Middle East was not even at the initial stage as a revolution was going on at full throttle then, leading to the toppling of a number of tyrannies. According to my bold conjecture, as the whole city was in rage at that time, the Central Authorities, therefore, passed down an order, telling the Government to ensure that Hong Kong would not be turned into a southern base of revolution again in history because of the Budget. Once this order was given by the Central Authorities, the pro-government camp and the Financial Secretary, therefore, put up a show called "giving out money". So, the Government should cease blaming the democratic camp for setting eyes on politics only and for excessively politicizing the issue. This \$6,000 cash handout by you is downright an attempt to politicize the Budget with the objective of stabilizing the morale and stabilizing society. I am sure that the Financial Secretary still had no idea how the money should be given away when he made the announcement and yet, he must make an announcement first, in order to stabilize the morale and to stabilize society, because harmony overrides everything. It has remained unknown as to how the money is going to be given away since the announcement was made, but we are asked to give our support first and we will be told how the money will be given away later. Obviously, this is a Budget underpinned by political considerations.

This does not matter. As I always say, who in this Chamber is not a political person? Politics is not dirty, just that the Government often uses politicization to sling mud at the democratic camp, and I have never used politicization to sling mud at the Government. Insofar as this issue is concerned, we only criticized the Government for prescribing the wrong cure. Is there any person engaging in politics who does not wish to contribute his efforts? Is there any person engaging in politics who does not wish to see stability in society? Just that our viewpoints, principles and beliefs differ. In our view, it is a short-sighted practice to rely solely on "giving out money", as it will lead to a fiscal deficit and worse still, it can only produce a short-lived effect of a stimulant or even an anesthetic. Once the efficacy of the drug fades and the public regain

consciousness and look at their bank accounts, they will find that they cannot even afford the downpayment for a flat. After struggling hard for a period of time and when their money is spent bit by bit, they will only find that they do not have any protection at all when they retire. Then, the people cannot help thinking why the Government only imposes taxes but does not make use of public coffers to make long-term planning to help the people resolve their difficulties in housing by providing HOS flats and increasing the production of public rental housing, and why the Government does not introduce universal retirement protection to provide protection for the increasingly ageing population. When people hold the same view as that of Mrs Regina IP who said yesterday that the Government had presented the most useless Budget in history, this tipping point will turn into an ignition point.

For a short period of time, everyone will still feel that this society is doing not bad, quite harmonious, and everyone will be happy and rejoicing. As I said during the several debates held previously, young people have their own reasons to rejoice and they look forward to receiving this sum of money, so that they can buy an iPad or iPod. I am not sure if it was Mr CHEUNG Man-kwong who told me that some students aged just 18 are even planning to spend these \$6,000 on gambling in Macao to try their luck. Society must understand that this \$6,000 may not necessarily bring positive effects. Many negative social problems may arise as a result.

(THE PRESIDENT resumed the Chair)

Over the past couple of days I saw what happened to AI Weiwei and ZHAO Lianhai and particularly, I listened to that 19-minute speech made by ZHAO Lianhai while holding his son in his arms, in which several remarks can be applied to this Budget as they are very close to what we think down in our hearts. We all want to see the Government and society fare well, and when we see something wrong, we speak up to express our views. The situation in Hong Kong is still better as we can still speak up to express our dissatisfaction with the Government, even though we are accused of stirring up troubles in return. The more radical young people are accused of resorting to improper force, which is not in the interest of Hong Kong. But social advancements have always been motivated by a group of most radical avant-gardes ready to express views. Their

views may at first be different from the mainstream views in society, but as long as they aim to provide momentum for society to make progress in principle, they should not be stifled and suppressed. It is our wish to see advancements in the Motherland. We are all patriotic, and seeing what has happened to AI Weiwei and ZHAO Lianhai, we certainly feel our heart aches. Today, we can still enjoy freedom of speech in this Council and if we do not make use of it to drive society forward, we would be doing a disservice to the next generation. This is why we hope that through the Budget, we can make the Government adopt a more comprehensive philosophy of fiscal management which can have positive and good effects on society.

As regards the resumption of HOS and universal retirement protection, we hope that this Council can unanimously exert pressure on or lobby the Government, so that the Government will implement these policies for the benefit of the next generation. But unfortunately, Members of the DAB, especially Mr TAM Yiu-chung, said yesterday (*Ringing of phone*) that since universal retirement protection is a long-term policy, we should not put pressure on the Government during our deliberation on the Budget. But if we do not make use of the opportunity of our discussion on the Budget, on what other occasions can we still stand a good chance of success?

The Legislative Council has three major powers but, frankly, the power to make laws has long been castrated. When it comes to Article 74 of the Basic Law, how many colleagues can introduce a Private Member's Bill? We may not even be able to propose an amendment. So, we have actually long lost the power to make laws. As for the monitoring power, yes, it is confined to monitoring only. Very often when we exercise monitoring at panels or put an oral question to the Chief Executive, if we are just a little bit more agitated, we will be accused of stirring up troubles without doing any good or doing anything constructive and knowing only to hurl abuses at other people. We are responsible for monitoring only, and we are not governing. We hope that the Government will take on board the suggestions we made in the course of our monitoring and give effect to the proposals made by us, and since the Government refused to accept our proposals, our proposals would of course be considered not constructive, but we have indeed performed our duty of monitoring the Government. But then, the public take exception to what we do, and some media corporations tasked to defend the Government may kick us when

we are down by slinging mud at the achievements and proposals made by us and as a result, even the monitoring power is gone.

Now, we are only left with this mediocre power of scrutinizing the Budget every year. If we do not make good use of this opportunity and give it up, things would end up in a complete fiasco, and the Legislative Council will become the "Rubbish Council", as many people have ridiculed. What else could we do then? If things go on like this, it is absolutely not in the interest of Hong Kong people and what is more, it will be difficult to attract aspiring people to take part in politics. It is because the work of the Legislative Council will become meaningless and it means wasting one's prime and time for nothing as nobody would bother to listen to the views of Members. Now that even the Financial Secretary has left this Chamber and we are left here speaking to the ambient air. The views that we put forward are not taken on board by the Government, and the votes in support of the Government are even disposed of after use. I have no comment to make on those political parties which are prepared to be disposed of by the Government after use. But it is strange that while they criticize the Government even more fiercely than we do, they nevertheless vote in support of the Government after criticizing it. This criticism is most often heard in these two days. How can this problem be solved?

This second last Budget of this Government is, to me, a most unfortunate Budget. Despite such a huge surplus and such wealth amassed by the Government, it nevertheless has to "give out money" as a conclusion, causing the public to receive the money on the one hand and scold the Government on the other. Society has indeed reached a tipping point, as cautioned by Mr LAU Siu-kai. Disregarding whether or not he admits to have made this remark, I believe many people will think that society has really reached a tipping point. As I said earlier on, if public discontent keeps on accumulating, even though there may not be a lot of people taking part in the 1 July rally this year, there will eventually be another "1 July". When the masses think that the Government has left them behind and that it does not have regard to public sentiments and public opinions, the tipping point will definitely turn into the ignition point which will set off another bomb in society.

Thank you, President.

**DR LEUNG KA-LAU** (in Cantonese): The focus of my speech is on healthcare funding.

Recently, many hospitals under the Hospital Authority (HA) said that the number of doctors in their establishment was not enough and that the obstetrics and gynaecology departments had been overstretched. Many Honourable colleagues of this Council have said that the Government should increase the provision for the recurrent expenditure on healthcare. In this regard, I have talked with Members of many political parties in private, such as Mr Albert HO of the Democratic Party. I told him that actually the Government had increased \$2.6 billion or 7.6% this year, which is not a small amount. How much more should the funding be increased?

This morning I heard Mr Albert HO say that the funding had certainly increased, but the recurrent funding dropped from 92% in previous years to 88% in this Budget. So it has decreased and this is not right. I have thought about this. It would be very simple for the Government if it wants to handle this issue. If the non-recurrent expenditure for next year is reduced, then the recurrent expenditure will rise again to some 90% and this would not make any difference in real terms.

I have talked to the Financial Secretary many times before, that despite the large increase in funding made, services still seem to be inadequate. My colleagues are working very hard and patients have to wait for such a long time. So what can be done? The Financial Secretary's reply is that funding has been increased. It is true that funding has been increased, but why is it ineffective?

Over the past 20 years the provision for public healthcare expenditure has increased from \$7.8 billion to the \$36.8 billion set aside for the HA next year and it is an increase of more than three times. Should the Financial Secretary not think if he has met a swindler, or may be a group of swindlers? And should he think about auditing the accounts?

Often times when talking about healthcare issues in the budget, we find that the Financial Secretary seems to be not at all well versed in them and he does not know how things are done in the departments concerned. But should the Financial Secretary or the Bureau for Financial Services and the Treasury not

have the responsibility to look into how public money is spent in healthcare and welfare, or how the HA uses such public money?

I have tried to examine how the HA uses money. As seen from the figures released by the Government or the HA, for example, the daily cost for each hospital bed last year was some \$3,600 and it is increased to some \$3,800 the following year. The cost for each specialist out-patient consultation is \$900 last year and it will be increased to \$950 the next year. The rate of increase is higher than the inflation rate. Apart from these macro figures, I wish to ask this question. Why is there such a big increase and why are costs even higher than in the private sector? Are there any staff who are loafing, or are some drugs wasted?

Members may not know that at times I prescribe drugs to the patients in the HA and the prescriptions are for six months. The patients will walk out of the hospital with two large bags of medicine. It is said that at the entrance of the hospital, there are some people from the drugstores who will buy these drugs taken out from the hospital.

I think some modern ways of calculating costs can be used and these methods are used by private hospitals too. They would count every item of expenditure, such as the time used by each staff member, the duration the operation theatre is used, the drugs used, and so on. All these would be counted item by item. The total amount derived would be accounted to the cost incurred for that particular patient. This is not the fixed cost for the hospital as a whole.

So if we are to examine the efficiency of the HA, we should adopt the sampling method instead of looking at its operation as a whole. We should sample-test how each detail of the services provided by the HA is like and in this way we can know whether or not the operation of the HA is cost-effective.

There is another thing and that is, besides looking into the cost-effectiveness of the HA in its operations, we should also examine whether this is an overall phenomenon or a localized phenomenon. I have managed to find some data. It turns out that the funding which the HA allocates to the Kowloon Central Cluster is \$8.56 million for every 1 000 persons, and that for New Territories West is \$3.75 million for every 1 000 persons. There is a difference of more than 100%. In terms of manpower, there are 1.3 doctors for

every 1 000 persons in Kowloon Central, whereas there is only 0.6 doctor for every 1 000 persons in New Territories West. To further illustrate the situation in service delivery, let me cite one more example. The mean waiting time for patients in the ear, nose and throat department is one week in Kowloon Central, but as many as 92 weeks in New Territories West. This is most ridiculous.

If the HA can deploy resources well, then the problems with the waiting time of patients, or the problem of excessively long working hours of doctors and nurses, can be instantly solved. Why can these problems be solved? This is because often times when patients complain that the waiting time is too long, it would be a big issue if only 5% or 10% of the patients are making such a complaint. When doctors say that their working hours are too long, and if it is only 5% of the doctors who are making that complaint, that is already a very big issue. If resources can be distributed more evenly, can these problems be solved?

Just like what is happening now, the funding has been increased, but nothing is done to improve the working environment. Then colleagues will leave because they find the workload too heavy. They will switch to the private sector. Then the private sector will have abundant manpower. The Financial Secretary only increases the funding for the HA, but the HA cannot hire any hands. So what is the use of increasing the funding?

Hence, I hope that the Financial Secretary and the Bureau for Financial Services and the Treasury can help the Food and Health Bureau and the HA out and see how this swindler or this group of swindlers can be dealt with and see how resources can be distributed evenly.

The second point I wish to talk about is that I have heard Ms Cyd HO and many other Members say that the Government should put all the funding of \$50 billion in the seed fund for healthcare insurance. This is not the right approach to take. I have heard many people from various political parties say that the Government should give the entire sum of \$50 billion to the HA. Putting aside the question of how the HA will use the money, I recall that about this sum of \$50 billion and if my memory has not failed me, it was said in 2008 that the sum would be granted. And it was to be a one-off funding. If the sum were to be granted over a 20-year period, it would mean that there would be \$2.5 billion per annum. But from 2008 to the present, the recurrent funding for

the HA has increased by \$5 billion each year already. As the provision keeps on increasing, the recurrent funding which the Government gives to the HA has already exceeded the seed fund of \$50 billion.

I always think that as Members of this Council, we should try to balance the interests of all strata in society. When we have the healthcare resources, we should take good care of healthcare services for the grassroots. But now we have a funding of \$5 billion every year and the amount has accumulated to some tens of billion dollars, then should we not set aside some of it for the middle-class people in need? This is especially the case when they cannot take out insurance, for example, if they have had certain medical conditions before, they have to pay a very expensive premium. Should we not set aside a small portion of the funding to help them?

So as we work out how this funding of \$50 billion is to be used, shall we start by considering how this sum of \$50 billion is to be used? This is because apart from this injection of \$50 billion, we should also count the resources which should be injected into public healthcare. If we work out the sum this way, we will find that there would be an additional 60% to 70% of resource injection into the HA. And that sum of \$50 billion would actually take up about 20% to 30% only.

I would also like to talk about developing the healthcare industry. This is an issue which we have discussed for many years. Friends from the DAB have suggested setting up some investment fund to finance the development of the six priority industries. I support that idea. I do not know much about the situation in the other five industries. With respect to the healthcare industry, I do not think that there is any problem in terms of money. I can work out that sum by myself. What we lack most of all is land. Last year, that is, in March 2010, the Government received 30 submissions and it said at that time that some details on tender would be finalized by end 2010. And four sites would be offered. But when the Financial Secretary delivered his Budget, he said that land would be put up in end 2011. I do not know why there is one year's delay all of a sudden or what the complications are. Will there be a delay year after year? If this is the case, how are we to develop the healthcare industry and how can we lend our support to healthcare insurance?

Actually, we can use a rather simple method and, that is, to place the site on the Application List. This would enable the investors to pick certain lots of land for open tender after making careful considerations, finding the right networks, clientele and medical and nursing staff. In this way, it can be ensured that public money will not be wasted and that there is flexibility in the market to enable the flexible development of the healthcare industry.

In addition, I wish to talk about the healthcare vouchers. Now the value of these vouchers will be doubled from \$250 to \$500. What is the justification for that? Why is the value increased from \$250 to \$500, but not \$750 or \$1,000? If I were to devise the healthcare vouchers, I would acknowledge the fact that they are originally intended to help the elderly at the grassroots. They have been going to the out-patient departments of the public hospitals and we hope to shorten the waiting time for them and give them some subsidy so that they can visit private clinics. If that is what we want to achieve, I believe the first thing we should do is, when an elderly person does not go to a public hospital but go to visit a private clinic instead, we have to find out the increase in fees he has to pay each year. Then we can work out the subsidy we should give before the elderly persons are encouraged to use the vouchers.

Suppose the consultation fee for each visit to a private clinic is \$200 and these elderly persons may need nine to 10 visits a year. If I want to change their pattern of behaviour and as I have worked out, they would need to spend an extra \$2,000, then we should presume this sum of \$2,000 will be the additional amount each elderly person from the grassroots would need to spend each year. So, how much money should we give these elderly persons each year before they will change the pattern of their behaviour? Can the provision of \$250 be able to achieve that? Of course not. So this explains why the previous healthcare voucher scheme is a failure, because the grass-roots elderly will not use these vouchers.

Then would things get any better if the value of these vouchers is increased to \$500? If an elderly person needs to use \$2,000 but he only gets \$500 as a subsidy, then we can imagine that the effect will be very limited. If we really want to encourage elderly persons to use private-sector healthcare services, then when they need to spend \$2,000, I think the Government should at least give them a subsidy of \$1,500 or even \$1,700 before the desired effect can be achieved. Then why do we not offer a full subsidy? This is because a full

subsidy will certainly lead to abuse. So at times the service users may need to pay a nominal sum of money such that abuse can be prevented.

Therefore, regarding the issue of healthcare vouchers, many people say that they hope the value of these vouchers can be increased to \$1,000. I support this idea. But if we look at the rationale, we will find that this value of \$1,000 is also not enough. The best approach is to use the accountable approach and grant a subsidy at 80% of the consultation fee charged. Then the remaining 20% should be met by the elderly persons. This approach can be used to prevent abuse.

Finally, I wish to talk about the tobacco duty issue. As a medical doctor, I wish to point out that there are all sorts of evidence proving that smoking is harmful to health. And this also applies to second-hand smoke. But does that mean that increasing the tobacco duty can solve the problem? I have reservations about that. So I remain undecided as to whether I will give my support to this proposed increase in tobacco duty.

A new reason is offered by the Government this year when it proposes to increase the tobacco duty. It is said that the young people should be deterred from smoking and it is hoped that when smoking becomes expensive, they will not smoke anymore. But it must be noted that smoking among the young people is already a kind of pathological behaviour and also a kind of pathological social behaviour as well. We cannot rely on the argument that when cigarettes become expensive, the young people will not smoke as a means to prevent them from smoking.

As a matter of fact, when young people smoke, it is because there is some family problem or problems with their peers. If the Government increases the tobacco duty and these young people still go on smoking, what will they do when they do not have the money to buy cigarettes? Will they cease smoking? I do not think so. On the other hand, I think they will find other ways of getting money to buy cigarettes. But how can they earn money? Will they abandon themselves and not care about what they might do? The girls may engage in compensated dating and the boys may commit crimes. Then will the Government be able to input more resources to help these young people change their pathological behaviour? Thank you, President.

**MR WONG YUK-MAN** (in Cantonese): President, about the Appropriation Bill 2011 introduced by Financial Secretary John TSANG and tabled in this Council for deliberation, I can only describe it as "appearing to be tough but frail inside and stuck in a dilemma".

I have joined this Council for three years. But in the second year I did not have a chance to confront the Financial Secretary because we resigned due to our attempt to push for the *de facto* referendum in the five constituencies. However, in the first year, that is, in 2009, before the budget was delivered, we had met with the Financial Secretary and presented our suggestions to him on the budget. Of these suggestions we made, there were some which mentioned the use of a cash handout or money instead of injecting a sum of \$6,000 into the MPF accounts. Of course, at that time, he did not even bother to listen.

Now he wants to hand out cash. But I will not be happy about it. I will not think that my suggestion has been accepted. We will not claim this kind of credit. This is because this has really nothing to do with me actually. Why is there such a big change? Of course, this is not due to our efforts that we have succeeded in fighting for it. This is not the kind of fighting to get something done as we often see in the boards on the streets in which vague claims are made. We will never say such things. For we would be ashamed to say such things. The credit should really not go to us.

As money will be handed out, many grassroots will benefit. When I paid a visit to the districts, some old grannies saw us and they asked me, "Yuk-man, when will the money be paid out?" They said that this sum of \$6,000 meant that they would not have to pick up carton boxes on the streets for one year. These grannies can really benefit. Some people say that while it is not good to hand out cash, it is better than having nothing. So I will not oppose this cash handout. More so because I had proposed that a long time ago.

But some people question why the Financial Secretary made such a U-turn and why he changed from being so arrogant to being so humble. They wondered what he would do in future. Would he hand out cash again next year? This is a complete knocking down of the original philosophy in fiscal management, and everything on the slate is wiped out. I always think that those AOs working in the Bureau of Financial Services and the Treasury who are responsible for fiscal management will certainly oppose his move. I bet they

will. Right, Secretary? You people have had such a bad time arguing for him. On that day I saw how the Secretary gave a reply to an oral question. I was sure that you people must be having a bad time making such distorted arguments that there was no conflict between this cash handout of \$6,000 and the philosophy of public finance management. This is really such a bad time. You have all my admiration. I know how to twist and bend arguments, but I can never come close to what you have done. You people are really awesome. You can reject something first and later say that it can work. You also say that it does not contradict with the original proposal.

In the first year I spoke in Putonghua. The speech was entitled "*Bu Gai*" which meant "It should not have been done this way". The Financial Secretary, John TSANG, was really *bu gai* in the sense that he should never have done it. In the second year, I was not allowed to speak. But when I can speak this year, that friend of mine is not in attendance. He was not in attendance the last time when I spoke. I have never had a chance to talk to him in his face. But I am sorry to say that the Secretary is again in attendance. When I began my ranting on the practices in relation to the MPF schemes, the Secretary was in attendance. In the debate on the Budget and when I rebuked people on Wednesday and Thursday, he was there. So Professor CHAN, I am really sorry. Actually, the person I scold is of course the Financial Secretary. He deserves our criticisms. Of course, you are also rebuked because you are here on his behalf. I am sorry.

Coming back to the philosophy of fiscal management, the ideas of "keeping expenditure within the limits of revenues" and "prudent financial management" have been in force for many years and there is also the idea of "active non-intervention" as well. All these are regarded as golden rules. They are the infallible laws to which this executive-led SAR Government adheres in this so-called free market and liberal economy. But why is this U-turn? We would oppose that as a matter of course. Now it is the Government which is rich and the people who are poor. But the Financial Secretary denies it. I have always wanted to have a debate with him on that. Why are the Government rich and the people poor? Why does this Government have to hoard some \$2,000 billion to \$3,000 billion in its coffers?

Once on the Internet radio I told a story that happened more than a thousand years ago. In the *Chronicles of the Zhen Guan Era*, there is a story about what happened in the second year of the Zhen Guan era in the Tang

Dynasty, that is, during the reign of Emperor Tai Zong. Once Emperor Tai Zong said to WANG Gui, an official in charge of the Edict Examination Bureau, "In the 14th year of the reign of Kai Huang in the Sui Dynasty there was a great drought and many people starved. At that time the government warehouses were full, but no grains were given to the people as relief. And the people were ordered to find food in other places ..... Those who rule the country should hoard in the people and not in the warehouses. There was an ancient saying which says, 'How can the king be said to be sufficient when the people are not?' But keeping food in the warehouses can save for a lean year, so there would not be any worry about hoarding food. If the successors are virtuous, they can keep the country intact. If they are not virtuous rulers, even if there is much food in the warehouses, it would only provide the means for their lavish spending and this is the cause of the downfall of a country." The Financial Secretary, John TSANG, who has received Western education may not have the chance to come across this section from the *Chronicles of the Zhen Guan Era* while he was at school. But this is really very meaningful when we read that "But keeping food in the warehouses can save for a lean year, so there would not be any worry about hoarding food." Last time when the Financial Secretary delivered the Budget, we put up our resistance in a very gentlemanly manner. We put up two placards which carried these words: "Those who rule the country should hoard in the people and not in the warehouses." Then a lady sitting on one side said that she was blocked from view and could not see the officials. That was a very gentlemanly fight we put up last time, for we just had two placards. We read out some classical Chinese to him, but we were not permitted. So on the next day we had to throw some hell banknotes and left. So Secretary and President, we had plans in our action. We are only showing our reaction to some of these measures found in the Budget, for the Financial Secretary is very much detached from the realities of life.

Yesterday, many Members criticized the proposal of injecting \$6,000 into MPF accounts. I had said that as early as in 2009. Now many people were claiming this and that to their credit. This applies to Mr LEE Cheuk-yan in particular. He says that it is only he alone who has said that. How can it be only him who has said it? This is obviously not the case. Ask any wage earner and you will know. I have said that many times. I remember I said that to Secretary Prof K C CHAN back in 2009. I said there was one waiter in my restaurant and I said to him, "The Financial Secretary will put \$6,000 into your MPF account." Then he asked me when he could get the money. I said when

he was 65. Then he burst out six-worded vulgarities in Cantonese. This is a perfectly normal reaction indeed.

What kind of opinion polls LAU Siu-kai has done? Please tell me, what kind of opinion polls he has done and what kind of policy studies he has conducted. In respect of this Budget I propose an amendment to delete the provision of \$89 million for the Central Policy Unit, including all the salaries of the chief consultant and all the other consultants. This amount of funding can only have three uses, that is, the salaries of this bunch of consultants, the funding for public policy research and conducting opinion polls. This requires a sum of \$89 million. Initially, I had no idea how this sum of money could be deleted and under what item. I found out later that this sum of \$89 million is under a subhead under the Administration Wing of the Office of the Chief Secretary for Administration. This sum of money can really be said to have been spent in vain. The Government relies on it to conduct opinion polls and public policy studies, then the findings are given to the Chief Executive and bosses in the Policy Bureaux for reference. This is almost general knowledge and such blunders should not have been committed.

Well, even if the amendment in 2009 were passed, there would be no reason to do it again in 2011. And a sum of \$24 billion has to be added. This really sounds stupid, is it not? I really want to air grievances for you people. But I will not talk about it now, because too many people have already made the point. And it has become general knowledge. People everywhere are talking about it. But the question is, this kind of U-turn smacks of some big trouble. Some people say, Yuk-man, you snap him for not handing out cash, and you are saying that it is some big trouble when he hands out cash. Mr Paul CHAN once reminded us to think in other's place and sometimes we had to think on the part of Grandpa. I will now put myself in his place and think in his place. He was arrogant before and now he looks humble. He has gone back on his words. When he rolls out some other policies the next time, I do not know on what kind of ideas in governance or philosophy of financial management his policies are based. We are really baffled.

I believe every government in the world should act like me, that is, firm and unwavering. I will not hand out any money. And no one in the whole world can make me change my mind. If there are people who oppose it, I will do it in another way. But I will never go against my philosophy of financial

management. I will never do anything against the government, the team or my ideas in governance. Do they have this kind of guts? No. They will retreat when people attack them. Actually, they have not retreated when they are attacked. The key is Grandpa. I do not think I need to make that clear, right?

We are thinking — that is actually general knowledge but I do not know if it is right to say so — that had it not because of the intervention from Beijing, even if I had to put my head as a stake, I will not believe that this wilful and stubborn Mr TSANG would make this U-turn. So what I have said just now may sound a bit contradictory. I question the Government's philosophy in governance and financial management. But they should have insisted on them. They backed off when Grandpa stepped in. Did the SAR Government not want to stand firm? As for the attempt by the pro-establishment camp to stage a "coup" ..... I said last time that this "coup" by the pro-establishment camp was based on the community and public opinion. They meant it and it was a serious matter. This is because there are elections. Similar to the case of the transport subsidy on the last occasion, should the DAB do anything to sacrifice its votes? No, that is impossible. For these people from the DAB, a wise comment from our President is that the Government only gives them disgrace but not the honour. They cannot let the Government always do that. They do not want to be betrayed by the Government all the time. And so they have to fight back and stage a "coup". But this "coup" is not the most important reason.

Some people always talk about "one country, two systems" and "Hong Kong people ruling Hong Kong". I do not believe in such nonsense since day one. All through these 10 years or so, the Central Government has been most caring to Hong Kong in economic matters. It will not impose any control on us by all means. It is just like in the Twelfth Five-Year Plan. Even in Chapter 57, an effort is made to preserve the uniqueness of capitalism in Hong Kong. Some people will certainly say that at least Hong Kong is a window. That is to say, as the Mainland is walking on the path of socialism and practising market economy, there is some leverage and room left when Hong Kong is used as a window. So the Central Government has to keep this capitalist system of Hong Kong unchanged for 50 years. Not only will that system be preserved but it should also be developed. It is precisely because of that that the Central Government allows Hong Kong to become the offshore settlement centre for the Renminbi and Hong Kong is encouraged to pursue development in that direction. Mr IP Kwok-him has said that Hong Kong does not have to do so, but the Central

Government lends its support for Hong Kong to do so. This is clear enough that Grandpa does not want to interfere with Hong Kong's financial and monetary matters. But it does not have any other way but to interfere when it comes to politics. It will step in when it comes to political matters. Control must be imposed. There is no room for compromise. How then does the Budget make Grandpa think in terms of politics and decide to step in? This is because of the follies of the SAR Government.

I have put myself in the shoes of the Financial Secretary in making those remarks just now, but they do not represent my standpoint. It is because of his follies and stupidities that he is blind to the world around him. There are jasmine revolutions going on all over the world. And he is foolish enough to compile a budget that is repulsive to everyone. He has caused a public outcry and flared up discontents. Members including those from the DAB said they could not support such a Budget. After this Budget has been compiled, many members of the people are incited to take to the streets. On that day when we performed the ceremony of "beating the little men", as many as 6 000 people came. Though it was not reported in the newspapers, the Financial Secretary should surf the Internet and watch it. I am sure he would be scared to death. So people vented their spleen by beating a drawing of his head. Some people say, "Yuk-man, what you are doing is useless. You should sit in the middle of Queen's Road Central and fight to your last breath with him." I said, "There is some use for that because if that is done in a humorous way, people's grievances can be vented. Look at those old nannies who do a roaring trade under the flyover of Canal Road beating the 'little men' and you will know that this is actually a form of venting people's spleens." So we thought on that day that we would want people to air their grievances and let them beat John TSANG. Some people beat another person. But that is up to them. Most people beat John TSANG on that day. But they were not really beating him, just his Budget.

So far, I have not read my draft speech at all. It strikes me that as I go on, a feeling of melancholy just sweeps all over me. We will not lend our support to this Budget. Some people may say, "Yuk-man, now that there is this cash handout, there is no cause for not giving it our support." And there are also some people who say that we can support the revision for a cash handout. This is because we are the first ones to put forward that idea. I said I would think about it. This is because I have not thought about it well enough. I will ask

those people who try to persuade me to support the Budget to go away. I think I cannot support the Budget. Because it comes from a U-turn, one that is made in the name of self-preservation and in compliance with the demand for social stability from Grandpa. This is how I judge it from common sense.

Also, apart from the cash handout and tax rebates, there is little change. It is hard for us to expect the Financial Secretary to divide the Budget into different parts because so much work on consultation has been done and discussions have been held with the Policy Bureaux. It would be a harsh demand on him. I do not agree with some people who always demand the Financial Secretary to produce more public rental housing units or resume the production of HOS flats, then use a sum of money to implement some sort of long-term measure. Buddy, this Budget is obviously unable to do such things. Right? We had better leave these until we talk to the Chief Executive in this October or sometime before this October.

I will not support this Budget. But a debate is to be held on the amendments later, when I will speak because I have proposed some amendments. By that time I will talk about things that I have planned to say but have not the chance of doing so. *(The buzzer sounded)*

**PRESIDENT** (in Cantonese): Mr WONG, speaking time is up.

**MR WONG YUK-MAN** (in Cantonese): Thank you.

**DR LAM TAI-FAI** (in Cantonese): President, in the last couple of days, I have been suffering from an infection in the cementum in my teeth. The toothache has led to a headache and I do not feel well. Having a toothache is even worse than suffering from a serious disease. I am now a few pounds lighter than before. I do want to speak on the Budget for 15 minutes with the voice of someone suffering from a toothache. I should not do that. Therefore, when I have recovered, I will find another chance and platform to express my views to the Government. I hope that members from the Chinese Manufacturers' Association of Hong Kong and friends in the business sector can appreciate the

present condition of my health. My doctor has advised me against my getting upset or agitated or speaking loudly, for this would aggravate my condition.

President, I so submit.*(Laughter)*

**PRESIDENT** (in Cantonese): Dr LAM, please take good care of yourself.

**MR WONG KWOK-KIN** (in Cantonese): Thank you, President, for inquiring after the toothache problem of Dr LAM.

President, the budget is a document on the estimates of government spending for a certain year and in other words, it is about the distribution of resources in society for the coming year. On this question of distribution of resources in society, there are certainly interests related to different groups and social classes. And it is because of these varied demands arising from different interests that a budget is bound to arouse controversies every year. This is just normal.

The reason why this year's Budget has attracted so much attention is its new focus — the \$6,000 cash handout. The original proposal is to inject a sum of \$6,000 into the MPF account of every employee. But this proposal has aroused widespread discontent and strong reactions from the community. This originates from the negative impression which the people have about MPF. They think that first, it is impossible for the MPF to solve the problem of retirement protection; and second, the management fees charged by MPF schemes are too expensive and the employees' contribution is always being eroded. For those people in the labour sector, there is another teeth-gnashing reason and that is, the MPF can be used to offset long-service payment and severance pay. This erodes the retirement benefits of the employees to a large extent.

In such circumstances of a strong reaction in society, the Financial Secretary gave in and changed his proposal. He decided to hand out \$6,000 in cash to every permanent resident of Hong Kong aged 18 or above and taxpayers are entitled to a tax rebate capped at \$6,000. After the proposal was put forward, there were different reactions in society. Many members of the public

whom we met were very pleased with this proposal. There are also people who opposed the Government's decision to hand out cash instead of making long-term commitments. They used this as an excuse to oppose the Budget. I do not agree with this kind of dissenting arguments against the Budget because many of these people are merely making opposition for the sake of it.

First, some say that this cash handout is not restricted to people from any social class. A person like LI Ka-shing can also get it. This will waste resources in society. But I must ask, how many people are in the likes of LI Ka-shing in Hong Kong? How many people with an annual salary of a few million dollars or up to \$10 million will get this sum of money? Those who get the money could well be mostly from the middle class. As a matter of fact, they do not need this sum of \$6,000 so badly. I think many of them will respond to the calls of charitable organizations and groups and donate that sum of money. But can we say that these people should not get the money because they do not need it? The money comes from our society and this is the wealth created by all the people in it. So they are entitled to it. I do not think any class distinction should come into play here. We cannot say that money should not be given to certain people because they do not need it. Since the Government decides to hand out cash, it should be fair to everyone.

The second argument seems to pitch the demands for long-term commitment from the Government against the short-term relief measures. It is thought that after giving out \$6,000 to everyone which involves a total of some \$36 billion, it will be impossible to introduce universal retirement protection, resume the production of HOS flats or increase government recurrent expenditure. Will things be really like that? The fiscal surplus last year was \$71.3 billion, and this cash handout proposal when added to other benefits like waiving the rentals for public rental housing units, granting a subsidy on electricity tariff, government rates waiver as well as an extra month's payment for recipients of CSSA, Disability Allowance and Old Age Allowance (OAA) and so on, would come to just a total of some \$50 billion to \$60 billion. And last year's surplus is not all spent. Furthermore, the fiscal reserves of the Government still stand at close to \$600 billion. Even if this sum of money is handed out, the Government would still be able to meet other welfare expenses. If the Government can see that point and is prepared to make commitments, it can introduce universal retirement protection and resume the production of HOS flats on top of effecting this cash handout. I cannot see any conflict in this.

Ms Cyd HO has just said that many of these social problems cannot be hoped to be solved with this cash handout of some \$36 billion. It seems that Ms HO thinks that this sum of \$36 billion is like a cure for all problems. Is that really the case? If this is so, then the Government might as well allocate \$100 billion or a few hundred billion dollars and all the problems in our society can be solved. So we think that there is no conflict between handing out cash and the demand for long-term commitments.

The FTU welcomes this cash handout proposal and we think that this is like paying out dividends to the public. When a company makes a lot of profits, it will pay out special dividends or special bonuses to the shareholders. The shareholders of society are members of the public at large. Now that the Government has an abundant surplus — it was \$71.3 billion last year, then why can dividends not be given to the people as a token of gratitude? For many people at the grassroots, they need this sum of money badly for short-term relief. So the FTU thinks that both short-term relief measures and demands for long-term commitments can co-exist and we can fight for them at the same time. There is nothing contradictory when we have taken the money and go on fighting.

We have consulted the grass-roots people and recently, I think each Member of this Council from the FTU had at least held eight to 10 sessions to consult the residents. We went to the communities and housing estates and in each of these sessions, we consulted the people on this cash handout proposal in the Budget. We found that the proposal was extensively welcomed. We also asked the people to give a show of their hands on whether they thought that they would support the Budget. In about 11 of these sessions held to date, there was only one person who raised his hand to show disapproval.

Certainly, the residents are very clear that after getting this sum of \$6,000, it does not mean that they will give up their long-term demands, the most important of which is retirement protection for the elderly. We are very clear about it. I do not think I need to say more about it. Now the people of Hong Kong badly need protection in retirement and the MPF cannot meet this demand.

As a matter of fact, the FTU already put forward the idea of a central provident fund way back in the 1980s. In the end the Government did not accept it and instead the MPF, which is neither fish nor fowl, was introduced.

In our opinion, Hong Kong is becoming an ageing society and whether you want it or not and whether the Government of this term or the next or the one after the next would like to handle it or not, the problem of ageing in our society has to be faced. Some retirement protection system must be set up before the welfare issues of the elderly and the hardship they face can be addressed.

However, before any retirement protection system is set up, I would think that all existing welfare benefits for the elderly should be enhanced. An example is that many elderly persons hope to spend their retirement life in their hometowns. The Government has floated an idea about giving an allowance to those elderly persons who choose to retire in their hometowns. But when will this allowance become a reality? I hope the Government will not engage in empty talks.

Although the restrictions regarding the OAA have been relaxed, there is still a 60-day absence from the territory rule to observe, for those elderly persons who have settled in their hometowns, this is an unfair treatment to them. I hope that the Government can bypass the restrictions of the OAA and commence studies on the new measure of granting an allowance to elderly persons who retire in their hometowns. This will give another option to those elderly persons who intend to do so.

President, a wise man once said to me that money had to be spent before its value could be realized. So I hope the Government would do something so that people will not criticize it as a miser. It should increase its recurrent expenditure and drive the development of a diversified economy in Hong Kong. It should improve the benefits in helping the disadvantaged and do something to restore social mobility so that the young people can have a brighter future. Such are the big issues in our society which this Budget and the Chief Executive's policy address must face and respond to.

President, I so submit. We will lend our support to the Budget.

**MR IP KWOK-HIM** (in Cantonese): President, first of all, I wish Dr LAM Tai-fai a speedy recovery and that he will never have to speak with the voice of someone suffering from a toothache.

President, I have prepared a draft speech, focused on the issue of funding for government policies which are a concern to me. These include how more funding can be given to government offices on the Mainland in the wake of the planning for the Twelfth Five-Year Plan, how the training of elite athletes can be enhanced under the \$70-billion sports fund, and how more support can be given by the Home Affairs Department against the background of building and windows inspection schemes across the territory and heavier financial burdens exerted on the owners' corporations. All of these are policy issues which I have planned to speak on.

However, after listening to the views from many Honourable colleagues on the Budget these two days, I feel compelled to voice my opinions on the issues and views which I have heard.

In the past couple of days, I have heard many Members from the pan-democratic camp criticize the pro-establishment camp for their blind support for the Budget. They queried why the pro-establishment camp does not join hands with the pan-democrats and vote down the Budget and hence force the Government to solve long-term problems and implement the consensus reached by the political parties. I think this kind of argument is really doing an enormous injustice to us.

First of all, the pan-democrats put up three demands — they claim that they are three demands with quality — what are they? They are resuming the production of HOS flats, setting up a universal retirement protection system and increasing recurrent expenditure significantly by \$20 billion. In these three demands we can see that apart from resuming the production of HOS flats which is a consensus reached by the pan-democrats and the pro-establishment camp — and that is clear enough — that is, we demand that the Government should resume the production of HOS flats, with respect to the other two demands, have the pan-democrats reached any consensus with the pro-establishment camp? I wish to tell Members a fact and that is, not only is there no consensus reached between the pan-democrats and the pro-establishment camp, but also among the pan-democrats themselves, and I have a feeling that they have not yet reached a consensus. Take the example of universal retirement protection, even the vice-chairman of the Democratic Party, SIN Chung-kai, has written an article in the newspaper to state his disapproval. He says that setting up a universal retirement protection system is paving the way to hell for the next generation.

He says it is paving the way to hell. I am sure members of the public can see clearly his view on the issue from that remark.

So with respect to this controversial issue, there is not yet any consensus reached in society. So how can we want to have it introduced in such great haste? Why can we not undertake some more studies so that society can forge some common grounds on it? Of course, the DAB may not necessarily agree with the remarks of SIN Chung-kai, but we think that when discussions are held on the issue of setting up a universal retirement protection system, we cannot imagine that this can be done with demands in the form of slogans as put up by the pan-democrats. We should study seriously how a universal retirement protection scheme can be introduced. And there are issues like making contributions and withdrawing benefits which are crucial ones indeed.

Therefore, the chairman of the DAB, TAM Yiu-chung, pointed out right from the beginning that studies and considerations should be conducted in that direction and before any common ground is forged. How can we say that a consensus has been reached?

The pan-democrats have criticized the pro-establishment camp for its blind support for the Budget. I think it would be better to say that the pan-democrats oppose the Budget blindly, which is a more apt description. I agree that a cash handout cannot solve long-term problems, but if cash is not handed out, long-term problems cannot be solved either. Since this is the case, then why do we not support a proposal which can address the urgent needs of the people? Now people are hard pressed by inflation and there are waves of price hikes, a cash handout is the fastest and most effective way to help the grassroots meet their urgent needs. When added to the other sweeteners proposed by the Budget — actually, I am not sure if we should use the term "sweeteners" — we have certainly got some practical relief measures. These include those with which we are very familiar, like the subsidy on electricity tariff, government rates waiver, additional payments of the Old Age Allowance and CSSA, paying the rents for public rental housing units, and so on. All these measures can at least bring instant benefits to most of the people.

Some pan-democratic Members say that this cash handout of \$6,000 by the Government is only a petty favour, but for the grassroots, this \$6,000 can be a great relief. I think Members will remember, and I can remember very vividly

too, that when the Financial Secretary announced that a sum of \$6,000 would be given to all permanent residents of Hong Kong aged 18 or above, the TV showed a reporter asking an old lady who picked carton boxes on the streets and she was asked how she felt about it and whether she was glad. The old lady said that with the \$6,000, she would not have to pick carton boxes for quite some time. At that time, we could see that the old lady was overjoyed. She smiled because the Government did care for her. So since the people, ..... of course, we know that this sum of \$6,000 is unable to solve any long-term problems, and we can see that the people want to see some long-term initiatives from the Government. But it is equally important to have some short-term relief measures as well. However, the pan-democrats cannot even make that point clear and they pitch the cash handout in direct confrontation with long-term policies. This is confusion in logic. A cash handout and solving long-standing problems are not a dichotomy. It is never the case. I fail to see why the pan-democrat Members have arbitrarily made it an either-or issue and one must choose one of the two. It could be that the pan-democrats think that this is something which is the result of the fight put up by the pro-establishment camp and so they are jealous of it.

As a matter of fact, the discontent of the public at large, including the pan-democrats, with respect to the proposal to inject \$6,000 into MPF accounts, was actually a consensus. If the Government, having learnt about it, made some changes, then I think it is a response to popular demand. So why should the pan-democrats be jealous?

Although there are many places in the Budget which leave a lot to be desired, do we have to vote down the Budget? Do we have to reject it wholesale? Quite a number of measures proposed in the Budget are beneficial to the people and they merit our support. An example is the increase in the funding to the Hospital Authority by \$200 million to make more drugs available to patients. Of this funding, \$10 million will go to drugs for patients suffering from acute thalassaemia. Such a proposal is well-received by the patients. As the patients need help urgently, they hope that the Budget can be passed soon and no complications should ever crop up. I am sure, with the support of Members from the pro-establishment camp, there is a chance for the Budget to pass. For if not, the case would be like what happened last time about the Vote on Account resolution. Members from the opposition all abstained from voting or they just sat in the Chamber and did not vote. The resolution failed to pass as a result. If that really happens later on, I do not know how Members from the

pan-democratic camp can walk out of this Council and face the public? Of course, if this kind of unfortunate things really happen, the pan-democrats may put the blame on other people again and say that the pro-establishment camp fails to come to the rescue of the Government. I have actually seen some leaflets accusing those Members of this Council who did not vote on the last occasion.

Demands made by Members from the pan-democratic camp include universal retirement protection and an additional \$20 billion of recurrent expenditure. They sound all very attractive and may get a momentary applause from the people. But problems will emerge after the applause. There should be long-term financial commitment to materialize the policies. But where will the money come? I have heard many Members talk earlier on about the source of funding. This is what Mr Anthony CHEUNG of the Executive Council has talked about. He has said that there is only discourse on public consumption in Hong Kong but no discussion on the problem of financing which comes with it. There is a mentality prevalent in society, that people can ask for all sorts of benefits while no one cares about where the money comes from.

Of course, the pan-democrats may say that the public coffers of the SAR Government are overflowing with money. As the Government is so rich, why should it worry about money? The fact is, however, the greatest and latent financial problem of Hong Kong is the narrow sources of public revenue and their great volatility. I am sure Members know this most clearly. We cannot pretend not to know this fact. The tax base is narrow and the tax rate is not high, but with ever-expanding expenditures, the SAR Government can only keep on selling land to maintain public expenditure. This accounts for that bias towards the real estate sector in the revenue of the SAR Government. This is by no means healthy. Now that the property market is robust and there is certainly no problem in public revenue for the SAR Government. But when there are problems with the property market, like during the financial tsunami of 2008, there will be a drastic fall in revenue from land sales. How then can the Government pay for such huge amounts of expenditure? I think Members all know the financial management principle found in the Basic Law, that expenditure should be kept within the limits of revenues.

The pan-democrat Members always say that they fight for long-term policies for the public. But they have never cared about the financial viability of the Government and whether it can make any long-term commitment. I have

listened to certain phone-in programmes on the radio and the host questioned some Members such as Mr LEE Cheuk-yan who are now in attendance. The host said that the universal retirement scheme had become a total failure in the West and so it must never be introduced into Hong Kong. At that time, Mr LEE Cheuk-yan said that nonetheless the people in those countries had had a good time for some decades. If a policy can only be enforced for two or three decades before it fails because the policy has stretched beyond a country's affordability, can that policy be called a long-term policy? Do we want such a kind of universal retirement protection scheme?

The pan-democrats made their demands on the Government, saying that they are long-term issues of enormous import. This is true. But can we rely on a budget to achieve all these? I have listened very attentively to the speech made by Mr WONG Yuk-man. I think he was quite honest when he said that it would be impossible to solve all the long-term policy issues by a single budget. Long-term policies should be discussed in a policy address and goals regarding such policies should be striven for in the context of a policy address. I believe this is the correct approach. The pan-democrats may have a problem in mistaken identities because both of these people are surnamed TSANG. One is Donald TSANG, and the other is John TSANG. I would think that it is more proper to fight for these in the context of the policy address.

About this Budget, though the Government has caused a fiasco because of its cash handout proposal, in the positive light, the Government has indeed responded to the demands of the people. I therefore think that the Government should be given credit for that. What should we do if the Government only listens and does nothing? We agree that the Government has changed after heeding public opinion. The DAB therefore supports the Budget. But we will keep on fighting in a practical and rational manner for the implementation of long-term policies by the Government.

Thank you, President.

**MR PAUL TSE** (in Cantonese): President, after some 50 Members have spoken, there is actually not much I can say. But if people are watching this debate on the television now, I believe they must have understood the relevant issues very well. Please allow me to take up a bit more time to add a few points.

My proposals concern four aspects, and I would like to explain them one by one. President, the first is somewhat related to tourism. Then, I will very quickly turn to the second point and explain why I will vote in support of this Budget. Third, I will talk about the "time lag" phenomenon, and fourth, I would like to make some proposals in the hope that the Financial Secretary or the relevant authorities can consider them.

Firstly, President, with regard to tourism, of course, it is based on what the Chief Executive said in the Policy Address, that is, in paragraph 103, as he talked about this in just one paragraph. Basically, it is about how the regulatory framework should be rationalized, and such work is currently in progress.

In fact, what the Financial Secretary can do within this general framework or what I can propose to amend — although we have many different opinions — there is really not much that can be done. What he said briefly from paragraphs 98 to 101 in the Budget are all initiatives with which we are familiar, including the development of the cruise terminal and infrastructure facilities or the setting up of the Mega Events Fund. But I am afraid all this may not be able to fully meet the demand long stressed by me for a comprehensive tourism policy, similar to that in Singapore, with a view to promoting the development of tourism in the long term. This, I think, is perhaps another issue which can be further discussed granting the opportunity.

In fact, many issues are related to the various levels of the tourism sector. For instance, the problem of congested airspace in the aviation industry, the third runway, the problem of the Civil Aviation Department and even the Airport Authority charging excessively high fees, and so on. All these can be discussed.

As regards hotels, the issues relating to land and licensing, and even in respect of talents, the question of whether or not improvements can be made to the admission of talents; all these can be further discussed. Travel agencies are even plagued with more problems. And, in respect of the entry and departure or ticketing arrangements, a lot of problems still need to be solved. But I think we can further discuss them one by one only at an appropriate time, an appropriate opportunity and an appropriate level.

Let me now come back to this Budget. Basically, if the overall environment in Hong Kong is good, the tourism sector will benefit from it. An

example is that when the Financial Secretary proposed to make the \$6,000 cash handout, or to "hand out candies", so to speak, the tourism sector was very delighted as this cash handout of \$6,000 would easily turn into their business. Who would have expected that the Fukushima incident would occur shortly afterwards? This is proof that in this world, disaster and happiness happen in the wink of an eye. So, we should not feel too sad or excited, as we have to face a lot of problems in reality after all. We should deal with them in a calm state of mind and with a positive attitude.

Second, President, why will I vote in support of the Budget? I am afraid this is because under the existing system, the Government's Budget cannot be considered item by item. Many colleagues in this Chamber may not approve of this attitude of the Government which makes no commitment for the long term, and they are not quite happy with this approach of "handing out candies". These, coupled with the three reasons stated by Mr IP Kwok-him for not supporting the Budget, explained why they are not supportive of the Budget.

On the contrary, although I have some reservations about this "handing out candies" proposal of giving out \$6,000, I think such measures are, on the whole, worthy of support and so, I am forced to support them because we cannot take out an individual measure and then handle it and put it to a vote separately. If that is possible, it would certainly ensure more clarity and be easier to handle.

President, many people as well as the media have criticized that after much arguing, Members of this Council will still vote for the Budget in the end. This is actually because of the system, for we have no other choice and besides, this is a normal practice. Why? In fact, with regard to many Bills, including the most controversial Bill on minimum wage recently, even though many colleagues considered that the provisions were unclear and particularly, members of the labour sector opposed the relevant figures, the mechanism, the time for conducting a review, and so on, they ultimately voted in support of the Bill because on the whole, it was a Bill worthy of support, and having it is still better than not having it.

To the legal profession, and as many barristers in this Chamber know very well, when we argue a case in Court, not only do we state the best, the most favourable viewpoints, we also often face unfavourable viewpoints, and we prefer to state these viewpoints to resolve crises or to "defuse the bomb", in the hope

that the Judge or the Jury will more readily accept the merits of our arguments on the whole.

As friends in the media also know, when they write up an article, they cannot express support one-sidedly; nor can they express opposition one-sidedly. Otherwise, the article will not be attractive, unless some newspapers are insistent on acting in their own way and except for these newspapers, members of the media sector who, comparatively speaking, respect themselves may make additions or deletions in one way or another, so as to make the article appear to be impartial. However, they certainly have their own agenda, or they have already made a decision and so, this is not a problem at all. If it is worthy of support on the whole, we would support it.

President, this Budget actually has its positive sides, and as many colleagues have mentioned this point, I am not going to make any repetition. Let us look at these eight pages of Budget Highlights. Excluding the cover, there are altogether seven pages, of which six sevenths are about improving the people's livelihood, increasing land supply and easing the burden of the people, whereas the part that really mentions investing in the future and promoting the economy consists of less than one page, and I am most dissatisfied with this. It is because most of these pages are about how to improve the people's livelihood and injecting huge amounts of money into various aspects, such as social welfare, healthcare, education, and so on, and the percentage of the funding has also increased in these aspects. Given the time constraints, I cannot explain them one by one. But generally speaking, the Government has introduced a host of new measures.

Perhaps let me talk about the "time lag". President, I have spent some time reading the speeches made by many Members in the past. Of course, I have not read all of their speeches but as I read their speeches up to 2007, I found that the demands made by many Members before might not be met right away, such as increasing the "fruit grant" to \$1,000, the provision of a transport subsidy, increasing places in residential care homes for the elderly, and even introducing a property speculation tax, enacting a fair competition law and a law on minimum wage, and so on. These achievements are made after many years of efforts made by Members in fighting for them. They were not achieved overnight, and the Government has indeed responded to the aspirations voiced by Members — of course, there is a time lag in its response, which means that the demand may be

proposed this year but perhaps it can be implemented only next year and if that is not possible, it may take another year for it to be implemented, but the Government will eventually implement it. Whether the pace of work is quick or slow is a matter of judgment, but the Government has indeed given a response. Even in respect of the legislation on minimum wage which was criticized by many people, the proposal of equity injection was put forward in 2008 and implemented in 2009 ..... my apologies, it was proposed in 2007 and implemented in 2008, and at that time, many people did not consider this appropriate. So, we may perhaps say that this is an about-turn and on the question of an about-turn, I will talk about it when there is the opportunity. But it was a process from which a lesson could be drawn.

President, I said earlier that there are positive sides. In fact, if this Budget has proposed to do nothing else but only sought funding for "giving out money", I would surely oppose it resolutely, and I believe many colleagues would also oppose it. But in fact, the Government does not just "give out money". It has also proposed many other measures.

A respectable lama, Yongey Mingyur Rinpoche, will hold a seminar in Hong Kong next week to give teachings on how to increase the happiness index. He is famous for proving that he is the happiest man in the world through scientific and objective tests, and even if he is not the happiest, he is at least one of the happiest. He mentioned an example about putting some marble balls into a bag. The white balls stand for happiness whereas the black ones stand for negative feelings. When you have a negative feeling, take a black marble out of the bag. At the beginning, many people may be holding black marbles in their hands but if you remind yourselves that you can actually transform your thoughts into white marbles or positive messages, you can change your happiness index quickly. This is an example, and I hope Members can make reference to it. When we go about things and get along with others, and also to people like us who are engaged in politics, it often depends on what attitude we have adopted. As some colleagues have said, there is always something that can be criticized in whatever we do. The question is in what way you choose to do it.

I think this Budget has more positive than negative sides on the whole. I agree with some of the views expressed. For instance, Dr Margaret NG criticized the Government's philosophy of fiscal management earlier on and I agree with her comments. Or, Mrs Regina IP criticized the Government

yesterday for maintaining the colonist mindset and for sticking to the old rut and being too conservative in many of its approaches and also for adopting a shopkeeper's approach in handling the Budget. This, I also agree. But the point is Hong Kong is facing an era of restructuring. Of course, if financial issues are dealt with from a professional angle, it would be a lot easier because calculations would be made with an elitist attitude, in which case it would even be unnecessary for the Financial Secretary to do what he has done. I wish to take this opportunity to criticize the Government for spending \$8.54 million on 26 shows for consultation. Such a consultation process may not be really necessary, for its value seems to lie more in putting up a show than truly canvassing views for consideration and analysis by the Government. The latter is a quality kind of consultation, which will produce better results than consultation conducted in form and in haste across territory-wide.

Anyway, in this era, a balance has to be struck between two "Ps", namely, "professional" and "politics". When it comes to professional judgment, there may be a different direction in respect of certain measures and approaches, such as fiscal prudence or handling issues in ways long cherished by Hong Kong. But politics is a different matter. Politics changes according to changes in the social environment, particularly as Mr WONG Yuk-man has stressed, this major about-turn was made obviously for a reason, and I agree with this point to a certain extent, but this is a major political consideration. Our society cannot be separated from politics, or else we will only be stuck in the colonial way of thinking of Hong Kong in the past. But in present-day society, I am afraid we are not allowed not to make political considerations. For this reason, when the time is appropriate, and if the cash handout proposed now can avert a disaster in politics and if there is no better choice in view of the political situation, this can be considered as having struck a balance between the two "Ps", that is, going in a direction that we should go between the two "Ps", though I do not agree with this "cash handout" approach in the long term.

President, as some colleagues have mentioned, what will happen if we do not vote for the Budget? Of course, Members will understand the consequence mentioned in Article 50 of the Basic Law and that is, there will be a constitutional crisis. If we negated the Budget, the Chief Executive might have to conduct consultations with Members and if that failed, the Chief Executive would have to announce the dissolution of this Council. To a certain extent, consultations have actually been conducted, although the Government is not really caught in a crisis.

It is not caught in a crisis as it has yet come to a state where all Members or a majority of Members have voted against the Budget, which makes it necessary for consultations to be conducted to come up with a way to deal with the situation and to make changes. But in fact, when this Budget was first delivered, the voices of opposition had made it impossible for the Government not to conduct consultations immediately, and even though I have reservations about the process and level of consultations, I think in order to genuinely conduct consultations, there should be no affinity difference. Rather, the voices and views of all political parties should be taken on board extensively and efforts must be made to secure their support.

I made criticisms in this respect some time ago. Let me reiterate that for the purpose of comprehensive consultations and compromise, I think all parties and groupings should be included, and this will be more beneficial to the political atmosphere and development of Hong Kong in the long term. But in any case, it was because consultations had been conducted that the Government had to act so speedily, because we do not wish to see the Government being forced to make changes only when it comes to a cul-de-sac or when a crisis has emerged. Of course, the Government conducted consultations only with political parties and groupings which are mostly in support of the Government. I think the Government should learn a lesson and do it more openly next time, in order to make it easier for the public to accept it.

All in all, in modern politics, basically, votes should not be canvassed only inside the Chamber. Rather, a consensus should be forged outside the Chamber by all means. Even in a democratic system, a tyranny may often emerge so long as a sufficient number of votes can be secured. This is not a direction towards quality democracy that Hong Kong should follow. Rather, a compromise acceptable to all should be reached by all means outside the Chamber before moving forward. This is what quality democracy means.

I think I do not have enough time to finish what I wish to say. But I still wish to make a couple of points. The major change that has taken place in principle this time around is a compromise made in politics that I have just mentioned. To ensure that it will not be more difficult for us to move on in the way forward, I think it is necessary for the authorities to consider the need to put in place a mechanism, whereby when there is a surplus or when there is a surplus of at whatever percentage, we will know what mechanism can be activated and

what factors can be considered for putting the surplus to use. That way, more systematic arrangements can be made, in order to pre-empt more unnecessary disputes caused by the public having higher expectations when a budget surplus is recorded in future (*The buzzer sounded*) ..... Thank you, President.

**PRESIDENT** (in Cantonese): Every Member has already spoken.

**MS MIRIAM LAU** (in Cantonese): President, I move that the debate on the Second Reading of the Appropriation Bill 2011 be adjourned to the meeting of 13 April 2011.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the debate on the Second Reading of the Appropriation Bill 2011 be adjourned to the meeting of 13 April 2011.

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

(Members raised their hands)

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

(No hands raised)

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

**PRESIDENT** (in Cantonese): Council will continue with the debate on the Second Reading of the Appropriation Bill 2011 at the meeting of 13 April 2011

when public officers will respond. If the Bill is read the Second time, its remaining stages will also be proceeded with at that meeting.

### **NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 11.00 am on Wednesday 13 April 2011.

*Adjourned accordingly at seven minutes past Three o'clock.*