

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 27 March 1985****The Council met at half past two o'clock****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR EDWARD YOUDE, G.C.M.G., M.B.E.

THE HONOURABLE THE CHIEF SECRETARY
SIR CHARLES PHILIP HADDON-CAVE, K.B.E., C.M.G., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY
SIR JOHN HENRY BREMRIDGE, K.B.E., J.P.

THE HONOURABLE THE ATTORNEY GENERAL
MR. MICHAEL DAVID THOMAS, C.M.G., Q.C.

THE HONOURABLE SIR ROGERIO HYNDMAN LOBO, C.B.E., J.P.

DR. THE HONOURABLE HARRY FANG SIN-YANG, C.B.E., J.P.

THE HONOURABLE FRANCIS YUAN-HAO TIEN, O.B.E., J.P.

THE HONOURABLE ALEX WU SHU-CHIH, C.B.E., J.P.

THE HONOURABLE CHEN SHOU-LUM, C.B.E., J.P.

THE HONOURABLE LYDIA DUNN, C.B.E., J.P.

THE HONOURABLE PETER C. WONG, O.B.E., J.P.

THE HONOURABLE WONG LAM, O.B.E., J.P.

DR. THE HONOURABLE THONG KAH-LEONG, C.B.E., J.P.
DIRECTOR OF MEDICAL AND HEALTH SERVICES

THE HONOURABLE ERIC PETER HO, C.B.E., J.P.
SECRETARY FOR TRADE AND INDUSTRY

DR. THE HONOURABLE HO KAM-FAI, O.B.E., J.P.

THE HONOURABLE ALLEN LEE PENG-FEI, O.B.E., J.P.

THE HONOURABLE ANDREW SO KWOK-WING, O.B.E. J.P.

THE HONOURABLE HU FA-KUANG, O.B.E., J.P.

THE HONOURABLE WONG PO-YAN, O.B.E., J.P.

THE HONOURABLE DONALD LIAO POON-HUAI, C.B.E., J.P.
SECRETARY FOR DISTRICT ADMINISTRATION

THE HONOURABLE WILLIAM CHARLES LANGDON BROWN, O.B.E., J.P.

THE HONOURABLE CHAN KAM-CHUEN, O.B.E., J.P.

THE HONOURABLE STEPHEN CHEONG KAM-CHUEN, O.B.E., J.P.

THE HONOURABLE CHEUNG YAN-LUNG, M.B.E., J.P.

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

THE HONOURABLE MARIA TAM WAI-CHU, O.B.E., J.P.

DR. THE HONOURABLE HENRIETTA IP MAN-HING

THE HONOURABLE PIERS JACOBS, O.B.E., J.P.
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE DAVID GREGORY JEAFFRESON, C.B.E., J.P.
SECRETARY FOR SECURITY

THE HONOURABLE CHAN NAI-KEONG, C.B.E., J.P.
SECRETARY FOR LANDS AND WORKS

THE HONOURABLE RONALD GEORGE BLACKER BRIDGE, J.P.
COMMISSIONER FOR LABOUR

THE HONOURABLE CHAN YING-LUN

THE HONOURABLE MRS. RITA FAN HSU LAI-TAI

THE HONOURABLE PETER POON WING-CHEUNG, M.B.E., J.P.

THE HONOURABLE YEUNG PO-KWAN, C.P.M.

THE HONOURABLE JAMES NEIL HENDERSON, O.B.E., J.P.
SECRETARY FOR EDUCATION AND MANPOWER

THE HONOURABLE KIM CHAM YAU-SUM, J.P.

THE HONOURABLE KEITH LAM HON-KEUNG, J.P.

THE HONOURABLE CARL TONG KA-WING

THE HONOURABLE JOHN WALTER CHAMBERS, J.P.
SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE MICHAEL LEUNG MAN-KIN, J.P.
DIRECTOR OF EDUCATION

THE HONOURABLE PETER TSAO KWANG-YUNG, C.P.M., J.P.
SECRETARY FOR HOME AFFAIRS

THE HONOURABLE IAN FRANCIS CLUNY MACPHERSON, O.B.E., J.P.
SECRETARY FOR TRANSPORT

THE HONOURABLE PANG YUK-LING, I.S.O., J.P.
SECRETARY FOR HOUSING (*Acting*)

ABSENT

THE HONOURABLE JOHN JOSEPH SWAINE, O.B.E., Q.C., J.P.

THE HONOURABLE MRS. PAULINE NG CHOW MAY-LIN

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR. LI WING

OATH

MR. PANG YUK-LING took the Oath of Allegiance and assumed his seat as a Member of the Council.

Papers

The following papers were laid pursuant to Standing Order 14(2):—

Subject *L.N.No.*

Subsidiary Legislation:

Public Health and Urban Services Ordinance. Hawker (New Territories) (Amendment) Regulations 1985 -----	45
Hong Kong Airport (Regulations) Ordinance. Hong Kong Airport (Traffic) (Amendment) Regulations 1985-----	46
Public Health and Urban Services Ordinance. Declaration of Markets in the New Territories-----	52
Coroners Ordinance. Coroners (Fees) (Amendment) Rules 1985-----	53
Public Health and Urban Services Ordinance. Public Health and Urban Services (Public Markets) (Designation and Amendment of Tenth Schedule) (No. 2) Order 1985-----	54
Interpretation and General Clauses Ordinance. Specification of Public Office-----	55
Cross-Harbour Tunnel Ordinance. Cross-Harbour Tunnel (Amendment) Regulations 1985 -----	56
Money Changers (Disclosure of Rates, Charges and Commissions) Ordinance 1985. Money Changers (Disclosure of Rates, Charges and Commissions) Ordinance 1985 (Commencement) Notice 1985 -----	57
Public Health and Urban Services Ordinance. Swimming Pools (Amendment) By-Laws 1985 -----	58

Sessional Papers 1984-85:

No. 50—Report by the Trustee of the Correctional Services Children's Education Trust for the period 1 July 1983 to 31 August 1984.

Government Business

Motions

INTERPRETATION AND GENERAL CLAUSES ORDINANCE

THE CHIEF SECRETARY moved the following motion:—That with effect from 1 April 1985

-
- (a) the functions exercisable by the Director of Urban Services by virtue of the provisions of the Public Health and Urban Services Ordinance specified in Part I of the First Schedule to this resolution, be transferred, in relation to the New Territories other than New Kowloon, to the Director of Regional Services;
- (b) the functions exercisable by the Director of Urban Services by virtue of —
- (i) section 105L(2) of the Public Health and Urban Services Ordinance and of any regulations made under section 105L(1) of that Ordinance;
- (ii) the Third Schedule to that Ordinance;
- (iii) the Sixth Schedule to that Ordinance; and
- (iv) the enactments specified in the second column of Part III of the First Schedule to this resolution,
- be transferred to the Director of Regional Services;
- (c) the functions exercisable by the Director of Urban Services by virtue of—
- (i) section 55(3) of the Public Health and Urban Services Ordinance, and of any regulations made under section 55(1) of that Ordinance; and
- (ii) the enactments specified in the second column of the Second Schedule to this resolution, be transferred to the Secretary for Municipal Services;
- (d) the provisions of the Public Health and Urban Services Ordinance specified in the second column of Part II of the First Schedule to this resolution be amended in the manner specified opposite thereto in the final column;
- (e) the enactments specified in the second column of—
- (i) Part III of the First Schedule; and
- (ii) the Second Schedule,
- to this resolution, be amended in the manner specified opposite thereto in the final column;

- (Cap. 114, sub. leg.)
- (f) the functions exercisable by the Chairman of the Urban Council by virtue of the Miscellaneous Licences Regulations be transferred—
- (i) in relation to the urban areas, to the Director of Urban Services; and
- (ii) in relation to the New Territories other than New Kowloon, to the Director of Regional Services;
- (Cap. 114, sub. leg.)
- (g) the Miscellaneous Licences Regulations be amended in regulations 75, 76, 125 and 126 by deleting ‘Chairman of the Urban Council’ wherever it occurs and substituting the following—
- ‘Director of Urban Services in the urban areas and the Director of Regional Services elsewhere’;
- Third Schedule.
- (h) the functions exercisable by the Secretary for Home Affairs by virtue of the enactments specified in the second column of the Third Schedule to this resolution, be transferred—
- (i) in the cases specified in Part I of that Schedule, to the Secretary for District Administration;
- (ii) in the cases specified in Part II of that Schedule, to the Secretary for Administrative Services and Information; and
- (iii) in the cases specified in Part III of that Schedule, to the Secretary for Municipal Services; and
- Third Schedule.
- (i) the enactments specified in the second column of the Third Schedule to this resolution be amended in the manner specified opposite thereto in the final column.

FIRST SCHEDULE

FUNCTIONS OF DIRECTOR OF URBAN SERVICES TRANSFERRED TO DIRECTOR OF REGIONAL SERVICES

PART I

Sections of the Public Health and Urban Services Ordinance in respect of which functions of the Director of Urban Services in the New Territories are transferred to the Director of Regional Services

<i>Item</i>	<i>Provision</i>
1.	Section 43(1)
2.	Section 81(1)
3.	Section 83A(2)
4.	Sections 104A, 104B, 104C and 104E(1)(g)

<i>Item</i>	<i>Provision</i>
5.	Sections 105A, 105B, 105C, 105E and 105F(1)
6.	Section 110(1)
7.	Section 117(1)

PART II

Amendments to the Public Health and Urban Services Ordinance

<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
1.	Section 43(1)	Insert after 'swimming pool' where it first occurs the following— 'in the urban areas, and the Director of Regional Services may in relation to any public swimming pool elsewhere,'.
2.	Section 55(3)	Delete 'Director of Urban' and substitute the following— 'Secretary for Municipal'.
3.	Section 81(1)	Insert after 'market' where it first occurs the following— 'in the urban areas, and the Director of Regional Services or such other public officer as the Governor may so authorise may in relation to any market elsewhere,'.
4.	Section 83A(2)	Delete 'Urban Services' and substitute the following— 'Regional Services'.
5.	Section 104E(1)(g)	Delete 'Urban' and substitute the following— 'Regional'.
6.	Section 105F(1)	Insert after 'Urban Services' the following— 'in relation to stadia in the urban areas, and the Director of Regional Services in relation to stadia elsewhere'.

<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
7.	Section 105L(2)	Delete ‘or the Director of Urban Services’ and substitute the following — ‘in relation to libraries in the urban areas, or the Director of Regional Services in relation to libraries elsewhere,’.
8.	Section 110(1)	Insert— (a) after ‘ <i>Gazette</i> , may’ the following — ‘in relation to public pleasure grounds in the urban areas, and the Director of Regional Services or such other public officer as the Governor may so authorise may in relation to public pleasure grounds elsewhere,’; and (b) after ‘resorting to’ the following — ‘such’.
9.	Section 117(1)	Insert after ‘Cemetery’ the following — ‘in the urban areas, and the Director of Regional Services or such other public officer as the Governor may so authorise may in relation to any public cemetery or any Commonwealth War Graves Commission Cemetery elsewhere,’.
10.	Section 122(a)(iii)	Insert after ‘Services’ the following— ‘, or the Director of Regional Services,’.
11.	Third Schedule	(a) Delete ‘Director of Urban Services’ wherever it occurs in the third column and substitute the following— ‘Director of Regional Services’; and

<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
		(b) insert in the third column, in relation to section 105F(1), the following— ‘Director of Regional Services’.
12.	Sixth Schedule	Delete ‘Director of Urban Services’ wherever it occurs in the third column and substitute the following— ‘Director of Regional Services’.

PART III

Other enactments in respect of which functions of the Director of Urban Services in the New Territories are transferred to the Director of Regional Services

	<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
(Cap. 132, sub. leg.)	1.	Bathing Beach (New Territories) Regulations	In regulation 2, in the definition of ‘Director’, delete ‘Urban’ and substitute the following— ‘Regional’.
	2.	Civic Centres (New Territories) Regulations	In regulation 3, in the definition of ‘Director’, delete ‘Urban’ and substitute the following— ‘Regional’.
	3.	Colouring Matter in Food Regulations	In regulation 7(b), delete ‘Urban’ and substitute the following— ‘Regional’.
	4.	Cremation and Gardens of Remembrance (New Territories) Regulations	In regulation 3, in the definition of ‘Director’, delete ‘Urban’ and substitute the following— ‘Regional’.
	5.	Dried Milk Regulations	In regulation 7(b), delete ‘Urban’ and substitute the following— ‘Regional’.
	6.	Food Adulteration (Artificial Sweeteners) Regulations	In regulation 5(b), delete ‘Urban’ and substitute the following— ‘Regional’.

<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
		(c) in regulation 20B(6), delete 'New Territories' and substitute the following— 'Regional'.
14.	Imported Meat and Poultry Regulations, regulation 8(b) only	In regulation 8(b), insert after 'Director' the following— 'of Regional Services'.
15.	Library (New Territories) Regulations	In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'.
16.	Milk (New Territories) Regulations	In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'.
17.	Mineral Oil in Food Regulations	In regulation 6(b), delete 'Urban' and substitute the following— 'Regional'.
18.	Museums (New Territories) Regulations	In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'.
19.	Offensive Trades (New Territories) Regulations	In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'.
20.	Places of Amusement (New Territories) Regulations	(a) In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'; and (b) in the Second Schedule, in Forms 1, 2, 3 and 4, by deleting 'Urban' wherever it occurs and substitute the following— 'Regional'.
21.	Pleasure Grounds (New Territories) Regulations	(a) In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'; and

<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
		(b) in regulation 19, delete 'Urban' and substitute the following— 'Regional'.
22.	Preservatives in Food Regulations, regulation 10(b) only	In regulation 10(b), delete 'Urban' and substitute the following— 'Regional'.
23.	Private Cemeteries (New Territories) Regulations	In regulation 2, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'.
24.	Private Markets (New Territories) Regulations	In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'.
25.	Public Cemeteries (New Territories) Regulations	(a) In regulation 2, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'; and (b) in regulations 7(1) and 8A(5), delete 'Urban' wherever it occurs and substitute the following— 'Regional'.
26.	Public Cleansing and Prevention of Nuisances (New Territories) Regulations	In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'.
27.	Public Conveniences (New Territories) Regulations	In regulations 6(h), 8 and 12, delete 'Urban' wherever it occurs and substitute the following— 'Regional'.
28.	Public Market (New Territories) Regulations	In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'.

<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
29.	Public Swimming Pools (New Territories) Regulations	In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'.
30.	Sanitation and Conservancy (New Territories) Regulations	In regulation 3, in the definition of 'Director', Delete 'Urban' and substitute the following— 'Regional'.
31.	Slaughter-houses (New Territories) Regulations	(a) In regulation 2— (i) in paragraph (1), in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'; and (ii) in paragraph (2), delete 'Director of New Territories Services or by any Assistant Director of New Territories' and substitute the following— 'Deputy Director of Regional Services or Assistant Director of Regional'; and (b) in the First Schedule— (i) in Forms 1, 2, 3 and 4, delete 'Urban' wherever it occurs and substitute the following— 'Regional'; and (ii) in Forms 3 and 4 delete 'Urban' wherever it occurs and substitute the following— 'Regional'.
32.	Stadia (New Territories) Regulations	In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'.
33.	Swimming Pools (New Territories) Regulations	In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'.

<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
34.	Undertakers of Burials (New Territories) Regulations	<p>(a) In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— — 'Regional'; and</p> <p>(b) in the Schedule, delete 'Director of Urban Services' and substitute the following— 'Director of Regional Services'.</p>
35.	Ventilation of Scheduled Premises (New Territories) Regulations	In regulation 3, in the definition of 'Director', delete 'Urban' and substitute the following— 'Regional'.
36.	Wo Hop Shek, Sandy Ridge and Sandy Ridge (Urn) Cemeteries, Private Lots, Rules	<p>(a) in rule 2, insert before the definition of 'private lot' the following— "Director" means the Director of Regional Services; and</p> <p>(b) in rules 2, 3, 4, 5 and 6, delete 'Urban' wherever it occurs and substitute the following— 'Regional'.</p>
(Cap. 172, sub. leg.)	37. Places of Public Entertainment Regulations	<p>(a) In regulation 2, in the definition of 'licensing authority', delete 'Urban Services' and substitute the following— — 'Regional Services';</p> <p>(b) in regulation 176(1), delete 'Urban' and substitute the following— — 'Regional'; and</p> <p>(c) in the Schedule, in Form 3 in paragraph (b) of the <i>NOTICE TO APPLICANT</i>, delete 'Urban Services' and substitute the following— — 'Regional Services'.</p>

	<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
(Cap. 354.)	38.	Waste Disposal Ordinance	<p>(a) In section 2(1), in paragraph (b) of the definition of 'collection authority', delete 'Urban' and substitute the following— 'Regional'; and</p> <p>(b) in section 14 delete 'Urban Services' wherever it occurs and substitute the following— 'Regional Services'.</p>

SECOND SCHEDULE

FUNCTIONS OF DIRECTOR OF URBAN SERVICES TRANSFERRED TO SECRETARY FOR MUNICIPAL SERVICES

	<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
(Cap. 53.)	1.	Antiquities and Monuments Ordinance	<p>(a) In section 2, in the definition of 'Authority' delete 'Director of Urban' and substitute the following— 'Secretary for Municipal'; and</p> <p>(b) in section 17(1)(a), delete 'Director of Urban' and substitute the following— 'Secretary for Municipal'.</p>
(Cap. 132, sub. leg.)	2.	Food Adulteration (Metallic Contamination) Regulations, regulation 4 only	<p>(a) In regulation 2, delete the definition of 'Director'; and</p> <p>(b) in regulation 4, delete 'Director' and substitute the following— 'Secretary for Municipal Services'.</p>
	3.	Harmful Substances in Food Regulations, regulation 4 only	<p>(a) In regulation 2, delete the definition of 'Director'; and</p> <p>(b) in regulation 4, delete 'Director' and substitute the following— 'Secretary for Municipal Services'.</p>

<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
4.	Imported Meat and Poultry Regulations, regulations 2 and 3 only	<p>(a) In regulation 2—</p> <p>(i) insert before the definition of ‘competent authority’ the following— “‘Authority’ means the Secretary for Municipal Services;”;</p> <p>(ii) delete the definition of ‘Director’; and</p> <p>(iii) in paragraph (a)(i) of the definition of ‘official certificate’, delete ‘Director’ and substitute the following— ‘Authority’; and</p> <p>(b) in regulation 3(1) and (2), delete ‘Director’ wherever it occurs and substitute the following— ‘Authority’.</p>
5.	Preservatives in Food Regulations, regulation 11 only	In regulation 11, delete ‘Director of Urban’ and substitute the following— ‘Secretary for Municipal’.
(Cap. 142.)	6. Books Registration Ordinance	<p>(a) In section 2—</p> <p>(i) delete the definition of ‘Director’;</p> <p>(ii) in the definition of ‘publisher’, delete the full stop and substitute a semicolon; and</p> <p>(iii) insert after the definition of ‘publisher’ the following— “‘Secretary’ means the Secretary for Municipal Services.”; and</p> <p>(b) in sections 3(1) and (2), 4 and 5(1) and (2), delete ‘Director’ wherever it occurs and substitute the following— ‘Secretary’.</p>

THIRD SCHEDULE

FUNCTIONS OF SECRETARY FOR HOME AFFAIRS

PART I

Enactments in respect of which functions of the Secretary for Home Affairs are transferred to the Secretary for District Administration

<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
(Cap. 153.)	1. Chinese Temples Ordinance	In sections 5(2), 7(1) and (2)(a) and 14(1), delete 'Home Affairs' wherever it occurs and substitute the following— 'District Administration'.
(Cap. 154.)	2. Man Mo Temple Ordinance	In section 5(b), delete 'Home Affairs' and substitute the following— 'District Administration'.
(Cap. 172, sub. leg.)	3. Places of Public Entertainment Regulations	In regulation 178(a), delete 'Home Affairs in the urban area and by the Secretary for the New Territories, outside the urban area' and substitute the following— 'District Administration'.
(Cap. 178.)	4. Marriage Reform Ordinance	(a) In sections 21(1) and (2) and 23, delete 'Home Affairs' wherever it occurs and substitute the following— 'District Administration'; and
(Cap. 178, sub. leg.)		(b) in the Schedule to the Marriage Reform (Forms) Regulations— (i) in Forms 8 and 9, delete 'Home Affairs Branch, Government Secretariat' and '布政司署民政科' wherever it occurs and substitute respectively the following—

<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
		<p>‘Headquarters, City and New Territories Administration’ and ‘政務總署總辦事處’; and</p> <p>(ii) in Form 10, delete ‘Home Affairs Branch, Government Secretariat’ and ‘布政司署民政科’ and substitute respectively the following—</p> <p>‘Headquarters, City and New Territories Administration’ and ‘政務總署總辦事處’.</p>
(Cap. 241, sub. leg.)	5. Emergency (Deportation and Detention) Regulations	In regulation 9(1), (3) and (4), delete ‘Home Affairs’ wherever it occurs and substitute the following— ‘District Administration’.
(Cap. 334.)	6. Multi-storey Buildings (Owners Incorporation) Ordinance, section 15(4)(b) only	In section 15(4)(b), delete ‘Home Affairs’ and substitute the following— ‘District Administration’.
(Cap. 1040.)	7. Po Leung Kuk Ordinance	In the Schedule, in paragraphs 4(2)(b), 18(2)(a) and (7) and 19(3) delete ‘Home Affairs’ wherever it occurs and substitute the following— ‘District Administration’.
(Cap. 1044.)	8. Secretary for Home Affairs Incorporation Ordinance	<p>(a) In the long title, delete ‘Home Affairs’ and substitute the following— ‘District Administration’;</p> <p>(b) in section 1, delete ‘Home Affairs’ and substitute the following— ‘District Administration’; and</p> <p>(c) in section 2, delete ‘Home Affairs shall’ and substitute the following—</p>

	<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
			'District Administration shall'.
(Cap. 1051.)	9.	Tung Wah Group of Hospitals Ordinance	In the Schedule, in paragraphs 1(i), 4(2)(b), 19(2)(a) and (7) and 20(3), delete 'Home Affairs' wherever it occurs and substitute the following— 'District Administration'.
(Cap. 1076.)	10.	Grantham Scholarship Fund Ordinance	(a) In paragraph (d) of the preamble, delete 'Secretary for Home Affairs Incorporation Ordinance' and substitute the following— 'Secretary for District Administration Incorporation Ordinance; and (b) in section 4(1)(a), delete 'Home Affairs' and substitute the following— 'District Administration'.
(Cap. 1077.)	11.	Brewin Trust Fund Ordinance	In section 5(2), delete 'Home Affairs' and substitute the following— 'District Administration'.
(Cap. 1101.)	12.	Sir Robert Black Trust Fund Ordinance	In section 5(2)(a), delete 'Home Affairs' and substitute the following— 'District Administration'.
(Cap. 1110.)	13.	Li Po Chun Charitable Trust Fund Ordinance	In sections 4(1) and 5(1)(a) and (7), delete 'Home Affairs' wherever it occurs and substitute the following— 'District Administration'.
(Cap. 1112.)	14.	Chinese Permanent Cemeteries Ordinance	In sections 2 (in the definition of 'Chairman') and 3(2)(a)(i) and (3), delete 'Home Affairs' wherever it occurs and substitute the following— 'District Administration.'

	<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
(Cap. 1118.)	15.	Sir Murray MacLehose Trust Fund Ordinance	In sections 2(3) and 5(1), delete 'Secretary for Home Affairs Incorporation Ordinance' wherever it occurs and substitute the following— 'Secretary for District Administration Incorporation Ordinance'.

PART II

Enactments in respect of which functions of the Secretary for Home Affairs are transferred to the Secretary for Administrative Services and Information

	<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
(Cap. 32.)	1.	Companies Ordinance	In section 71A(3)(a), delete 'Home Affairs' and substitute the following— 'Administrative Services and Information'.
(Cap. 49.)	2.	Transfer of Businesses (Protection of Creditors) Ordinance	In section 5(3)(ii), delete 'Home Affairs' and substitute the following— 'Administrative Services and Information'.
(Cap. 52.)	3.	Television Ordinance	In section 36B, delete 'Home Affairs' wherever it occurs and substitute the following— 'Administrative Services and Information'.
(Cap. 172.)	4.	Places of Public Entertainment Ordinance	In section 7(1)(g), delete 'Home Affairs' and substitute the following— 'Administrative Services and Information'.
(Cap. 344.)	5.	Multi-storey Buildings (Owners Incorporation) Ordinance, section 5(3) only	In section 5(3), delete 'Home Affairs' and substitute the following— 'Administrative Services and Information'.

PART III

Enactments in respect of which functions of the Secretary for
Home Affairs are transferred to the Secretary for
Municipal Services

<i>Item</i>	<i>Enactments</i>	<i>Amendment</i>
(Cap. 295, sub. leg.)	1. Dangerous Goods (General) Regulations	<p>(a) In regulation 2(1), delete the definition of ‘Secretary for Home Affairs’;</p> <p>(b) in regulation 184, delete ‘Home Affairs’ wherever it occurs and substitute the following — ‘Municipal Services’; and</p> <p>(c) in the Second Schedule, delete ‘Secretary for Home Affairs’ wherever it occurs in relation to regulation 59 and substitute the following — ‘Secretary for Municipal Services’.</p>

He said:—Sir, I rise to move the motion standing in my name in the Order Paper.

This motion arises from certain decisions which I announced in this Council on 15 February last year, and which were further amplified by the Secretary for Home Affairs in this Council on 16 May last year. Consequentially, certain changes have been made in the distribution of responsibilities within the Government Secretariat and this motion deals with the necessary transfer of statutory powers.

To remind Members briefly of the background, a Provisional Regional Council is to be established on 1 April 1985 to cover those areas not under the aegis of the Urban Council. A new department, to be called the Regional Services Department, will be created to serve the new Council. It will be made up of the present New Territories Services Department of the Urban Services Department, together with those elements of the present Recreation and Culture Department and Cultural Services Department of the Urban Services Department which provide services at the regional and district levels outside the Urban Area.

At the same time, the Urban Services Department will be reorganised so as to offer the best possible service to the Urban Council.

On the same date, 1 April 1985, two new branches will be created and a number of responsibilities transferred between other policy branches in the Government Secretariat. A new branch in the Government Secretariat entitled the Municipal Services Branch to be headed by a Secretary for Municipal Services, will be responsible for maintaining close liaison with the Urban Council and the new Regional Council and advising on the formulation of policies by the two Councils to ensure consistency in the services provided. The new Municipal Services Branch will assume responsibility for environmental hygiene matters (refuse collection, cemeteries, abattoirs market and the like) from the Health and Welfare Branch, and from the Home Affairs Branch responsibilities for antiquities and monuments, country parks and countryside conservation, liquor licensing, recreation and cultural services at territorial level, U.S.D. licensing other than health matters, and Urban Council relations with the Government. The Municipal Services Branch will also assume from the Home Affairs Branch and the Recreation and Culture Department policy and executive functions relating to the Music Office and the principal sporting and cultural organisations.

The opportunity has also been taken to transfer responsibilities for the collation of community information, liaison with traditional Chinese organisations and related matters, management of Trust Funds and properties, and management of Chinese temples and Chinese permanent cemeteries from the Secretary for Home Affairs to the Secretary for District Administration.

The residue of the Home Affairs Branch, which includes policy mainly relating to information and public relations, Chinese Language, as well as registration of newspapers and publications, gambling and public entertainment will be combined with the present functions of the Councils and Administration Branch to form a new Administrative Services and Information Branch headed by a Secretary for Administrative Services and Information.

The present Home Affairs Branch, the present Councils and Administration Branch and the present Recreation and Culture Department will then cease to exist as will such posts as the Secretary for Home Affairs and Director, Councils and Administration Branch.

As I mentioned, Sir, at the beginning of this speech in order to affect these changes certain statutory powers need to be transferred to, and from, various officers concerned and these are set out in the motion and the attached schedules.

Sir, I beg to move.

Question put and agreed to.

THE FINANCIAL SECRETARY:—Sir, in the Budget speech I said that my proposals for increased Business Registration Fees, Betting Duty and Air Passenger Departure Tax were designed to come into effect on 1 April 1985, and that the

changes would be accomplished by way of resolutions under the relevant Ordinances. This would necessitate the passing of the resolution during the course of the resumed debate. However it would not be proper to move the resolutions until Unofficial Members have spoken on the second reading of the Appropriation Bill.

On the other hand, Standing Orders 11 and 12 and the practice of this Council require motions to be listed and to be taken before bills.

Therefore, in accordance with Standing Order 68, with your consent, I move that Standing Order 11(1) be suspended so that the motions standing in my name in the Order Paper may be dealt with tomorrow, after the Unofficial Members have finished speaking on the second reading of the Appropriation Bill.

Question put and agreed to.

Second reading of bill

APPROPRIATION BILL 1985

Resumption of debate on second reading (27 February 1985)

Question proposed.

DR. FANG:—Sir, the Financial Secretary is to be congratulated for introducing once again a fair and sensible Budget despite deficits in the past three years. He has tried hard to look after the average wage earner, the sandwiched class and the elderly.

Rightly so, he put on new taxes and increased existing levies on dispensable and luxury items and certain categories of fees. The response from the public at large has been more than complimentary.

I wish to speak on the following issues.

Privatisation of government hospitals and clinics

I had spoken on various aspects of the organisation and administration of government hospitals and clinics in previous debates in this Council, but it seems that the points I made have not received serious consideration by Government. I do feel the time is right for Government to have another look at the subject. I realise that a team of consultants have been appointed to look into possible improvements on the management of our hospitals. Without preempting their recommendations and the advice of the Medical Development Advisory Committee, of which I am the Chairman, I feel duty bound as a legislator to present my personal views in this Chamber as I consider that a major change of policy is required.

At the present time we are spending some \$2,000 million each year on our hospitals and clinics, which are under the direct control of the Director of Medical and Health Services whose responsibility is so stretched that he is held directly accountable for whatever mishaps, complaints and discontent that may arise therefrom.

Public comments of over crowding, inadadequacy and inefficiency of service, poor attitude of staff, long hours of waiting at clinics, accident and emergency departments, and X-ray investigations and surgery, etc. are not entirely unfounded. Discontentment of staff on inadequate training opportunities and poor working environment are not completely unjustified. All of these criticisms are not necessarily directed at the Administration which has in fact done a most admirable job in maintaining Hong Kong at a very high standard of public health. They could be the result of the rapid increase in our population, the increasing affluence and aspirations of our people, and the fact that our present system of hospitals and clinics needs changing.

For many years our medical budget has remained roughly at the level of 8 per cent of the total government annual expenditure, although the actual amount in money terms has increased. This state of affairs would mean that to improve our medical care from the present level would be quite impossible as it will have to compete with other services for the limited funds.

But by changing the present system and allowing government hospitals and clinics to be managed independently, each with its autonomous board of governors and a block grant, a great deal of improvement can be achieved. Because each hospital will then be made directly accountable for its operation and competition will increase efficiency and improve staff attitude and performance. Money will be saved, for example, by putting staff, especially doctors, on contract terms on full-time or part-time (sessional) basis. They need no longer be in the civil service. Although the hospitals would become nonprofit-making institutions, additional funds can be generated from modest increases in fees for various services, while keeping them within the means of the average wage earner.

Local community leaders and District Board or Urban/Regional Council members could be involved in the management of such institutions. This would improve further the relationship with the public and genuinely provide 'hospitals without walls'.

On the issue of clinics, the specialty clinics which are outpatient departments of various hospitals should continue to be so attached. General outpatient clinics, however, can be run by the College of General Practitioners on a rental basis or at an agreed fee. The College could be delegated with the duty of providing information required for epidemiological and public health sampling purposes or Government could retain some of the strategically placed clinics for those functions.

In suggesting the above changes I may be blamed for stripping my friend the Director of Medical and Health Services and his department of their essential duties. Quite the contrary, by relieving the department of direct primary (outpatient) and secondary (hospital) medical care, greater emphasis and effort can be spent than as at present on public and environmental health, policy and planning, subventing and monitoring the medical service as a whole. This system is not new, it has by and large been the basis for other services such as education and social welfare in Hong Kong. Nor are we alone, privatisation of the medical services has been strongly advocated by the Prime Minister of Malaysia two years ago. Even in China, the Ministry of Health is contemplating private practice for medical doctors.

I am sure there would be lots of difficulties in the implementation of this new concept but a successful example could be drawn from the privatisation of the Kowloon-Canton Railway. If the principle can be accepted we can work in steps gradually towards the goal. Perhaps we could make a start with the new Tuen Mun or Shaukiwan Hospitals.

Hospital fees

Having suggested a scheme which may take years to implement, I now wish to make a few more comments on matters which can be dealt with quickly by Government. First, on fees—I refer to hospital fees in particular. While the average cost to the community of a bed in an acute general hospital amounts to some \$400 per day, a general ward patient is at present charged at \$15 a day inclusive, which can actually cover the cost of meals alone. I think it would not be wrong in principle or excessive in practice to start charging a moderate sum for items such as X-ray, laboratory tests, physiotherapy treatments, surgical procedures, etc. conducted in government hospitals. Of course, those patient who cannot afford will have the fees waived or reduced. This will go a long way towards contributing to the future expansion of our medical service and allowing necessary increases in the medical budget.

Dutiable commodities

The tax on soft drinks creates some problems. I wish to seek clarifications from the Financial Secretary that besides milk, pure fruit juice and distilled water, other health drinks such as soya bean milk are exempted from tax. The Hong Kong Soya Bean Products Co. Ltd. has made a representation to UMELCO that its pure soya bean milk product should be classified under food and milk and not under non-alcoholic beverages. I support this request.

I understand that soya bean milk has always been regarded as a cheap substitute for dairy milk, especially for those who are intolerant to lactose. Back in 1940, beri-beri and pellagra were very common diseases in Hong Kong. The Company launched its soya bean milk in that year for the relief of those suffering from malnutrition but could not afford to buy fresh milk. I was told that it was also commonly used in third-class wards of government hospitals at that time.

Even when table waters were subjected to duty prior to 1973, soya bean milk was not taxed. In re-introducing the tax on non-alcoholic beverages this year I think soya bean milk should continue to enjoy exemption as it clearly is a health item rather than a 'pleasing indulgence'.

I would also suggest that there should always be a distinct differential between the prices of soft drinks and that of beer so that Government is not seen to be encouraging the young into opting for the stronger drink containing alcohol.

Turning now to cosmetics, I hope the Financial Secretary could draw a clear line between luxury items and items which are for hygiene and therapeutic purposes such as soap, skin lotion or cream. The latter should be exempted from tax.

The civil service

The civil service in Hong Kong has been, in my view, one of the biggest asset which we can depend on and take pride in. It is also a major stabilising force in our society. While recognising the need to restrain the size of the public service, it is absolutely essential that those in the service are properly and adequately remunerated and their pension schemes reassured if we are to have continued stability and prosperity in Hong Kong for the next 62 years and beyond.

I wish to suggest that the Government issue an annual statement of accumulated pension to all eligible officers similar to the existing arrangements on the Widows' and Children's Pension Scheme. I am sure all officers concerned would welcome this as an evidence that their pensions are constantly being taken care of by Government.

Sir, with these remarks, I support the motion.

MR. TIEN:—Sir, in rising to make a few remarks about the recent 1985 Budget, I must first congratulate the Financial Secretary for his new approach. The new approach is to tell us of the 'punishment' which we all must suffer before the explanation for the deed. It is rather like reading an Agatha Christie novel backwards or even, following Lewis Carroll's Queen hearing 'Sentence first, Verdict afterwards'. In any case, the change is indeed useful and constructive. Those of us who really enjoy Budget speeches can hear the treatment proposed and then relax to enjoy the Financial Secretary's easy flow of discursive explanation.

Sir, on analysis, we discover that these Budget proposals intend to turn us, or so it would appear, into a community of saints. The message for all sinners is clear—thou shalt not drink beer or drink certain pernicious soft drinks, thou shalt not smoke, drive cars, fly out of Hong Kong or over indulge in cosmetics—the art of painting the face of the lady.

This is a hair-shirt Budget, a Budget of born-again saints who have seen the light held high by the Financial Secretary. A Chinese scholar said food and sex are necessities and he never thought of taxing these things—which puts him in the same category as our esteemed Financial Secretary.

However, I must be careful, knowing as I do Sir John's well-recognised capacity for reducing strong critics to due humility. There is in Jamaica a wellknown proverb: 'Never call an alligator big mouth until you pass him'. Sir John is a perfect gentle knight and no alligator. There is however, Sir, an important point to which I would like to make reference.

In paragraph 150 of his speech, the Financial Secretary indicated that social aspirations in fact have no limit. In other words, what we as a community want is *infinite*, only that the resources required are without doubt *finite*. The Financial Secretary tells us that he envisages 'continual downward pressure by the Administration on public sector expenditure,' matched by 'continual upward pressure on revenue'. The crux of the Budget is to achieve this sort of balance. The Financial Secretary accepts that subsidised operations are unhealthy operations unless fully justified. I am glad to see that we are spending masses of public money on education—17 per cent of total expenditure: ten primary schools, five secondary schools as well as numerous other elements are proposed in the field of education. In all this figure is \$7.81 billion—a sum more than our entire budget a few years ago. Of course, education like the family and all other good things is a community aspiration. We must henceforth consider these 'huge sums of money involved' (paragraph 70), to see how this money can *best* be spent. We should never forget the proper needs of the technical and vocational sector of education, upon which our future prosperity depends. I therefore urge that the grants to the Vocational Training Council should be kept at an adequate level.

For within each vote, he must ask the two questions which he poses at the end of his speech: 'What are the priorities? Where is the money coming from?' If we fail at every point to ask these questions we merely get bigger government. Big government comes about when the demand for services expands. But let us recall President Reagan's wise words: 'Government does not have the solution to our problems. Government *is* the problem.' Neither the President nor the British Prime Minister has been able to roll-back the surging tide of public expenditure. Let Hong Kong heed the warning of budgets out of control in a number of states in Western Europe. What is needed is adequate, but not excessive, government expenditure of public money.

The present Budget has been constructed in a climate of hope and an almost 10 per cent expansion. We must always remember that we must pay for our hopes. Nothing is for nothing. We are talking about billions of dollars.

Sir, we are a more caring society than we were, but we must retain our sense of competitive realism. As Damon Runyon put it, 'the race is not to the swift

always, nor the battle to the strong, but that's the way to bet'. I hope Members will keep that in mind for their next trip to Happy Valley. Sir, the Financial Secretary used a quotation from Dickens with which to end his speech. I would refer him also to Dicken's classic *Oliver Twist*. Beware of the boy who may ask for more.

Sir, I support the motion.

MR. ALEX WU:—Sir, I should like to congratulate the Financial Secretary on the well balanced and sensible Budget he has put before us. The Budget succeeds largely in maintaining the delicate balance between the aspirations and expectations of the people on the one hand and the stark realities of the fiscal position on the other. This is no mean feat.

Nevertheless, my endorsement cannot go unqualified. However sensible, benign and pragmatic the Budget on the whole may be, certain areas of activity have, I think, been rather harshly treated. I realise that in times of financial stringency, it is difficult, even impossible, to satisfy the many competing claims for funding, however worthy they may all be. In the process of assessing priorities, activities which are not classified as essential services—those which superficially do not contribute directly towards building the economy—are inevitably and invariably budgetary casualties.

However, to the more enlightened, educational, cultural, and recreational activities of all kinds are as vital as are economic services to the well-being of our society, and to the individual and collective fulfilment of generations to come. We have planted the seeds for the future. We must avoid damaging the growth of vigorous young plants for reasons of short-term expediency.

I have no doubt that the various departments and agencies affected by these measures appreciate Government's dilemma. But Government in turn must recognise that it has dealt a harsh blow which will make it difficult in some cases to maintain the envisaged growth. I therefore strongly urge that when the Financial Secretary is able to balance his Budget, the levels of provision made available in 1985-86 in these areas would not be used as the basis of funding in the future.

Sir, let us not be shortsighted, and let us bear in mind that the quality of our human resources is at stake!

With these remarks, Sir, I support the motion.

MR. S. L. CHEN:—Sir, we have not had a budget surplus since 1981-82. We have become leaner but, after years of hard work, fitter. I must congratulate the Financial Secretary for his consistent and apparently successful efforts in reducing the gap over the years and I am glad that he is predicting a balanced budget for 1986-87. In fact, given his usual conservative nature, he might just achieve that sooner than planned.

In the Budget debate last year I criticised the Financial Secretary for taking a U-turn from his approach adopted in 1983-84 when nearly all increases in tax were raised without impinging on the income sensitive elements of the taxation system. I said in my speech that I would have preferred to see a package of tax increases with a higher contribution from indirect taxation. I am gratified therefore to note that in the Budget proposals for 1985-86 he has returned to indirect taxation.

I generally support the Budget proposals. However, having regard to the Financial Secretary's declared principle in his last year's Budget speech, in which he said 'taxation should be moderate, falling more heavily on the better off', I cannot help feeling that this year's Budget proposals have not gone far enough towards 'falling more heavily on the better off'. What I am really saying, Sir, is that the well off have not been asked to contribute more to the public coffers, given the low tax base in Hong Kong.

In last year's Budget debate I called upon the Government to levy heavy taxes on commodities which only the well off can normally afford and had suggested a number of options for raising more indirect taxation without causing undue hardship to the men in the street. Today I do not propose to dwell on this point beyond repeating what I have said above, that is to say the Financial Secretary has not gone far enough in this direction.

Nevertheless, I have two proposals to make to-day. The first is to impose a tax on advertising expenditure.

Advertisement, as we know, does not increase the real value of the products it represents. It creates only impressions. Since the question of whether advertisement and expenditure on it were useful to society at all is highly controversial, I shall not build my proposal on this argument. Nonetheless, society will not suffer, nor the general standard of living be lowered, if advertisement expenditure is reduced as a result of the proposed tax.

One needs no reminder to the fact that our TVs, newspapers and magazines are inundated with advertisements on such items as cigarettes, cars, alcoholic drinks and cosmetics, etc., etc. Although there is no official statistics on the total annual expenditure on advertising in Hong Kong, I think the revenue potential of the proposal is huge. The Census and Statistics Department recorded a total turnover of \$2.6 billion for the public relations, market research and advertising trade as a whole in 1982. Even assuming that half of the expenditure was for advertising purposes, and with an annual growth rate of around 25 per cent which a university researcher has discovered recently, the total estimated expenditure on advertising is somewhere around \$2 billion in 1984. It should also be noted that since advertising expenditure will generally grow with consumption, tax revenue will grow with further increases in our G.D.P.

Incidentally, a bonus which may accompany this proposal is that if advertisement is reduced as a result of the proposed tax, the selling cost of the commodities, for example soft drinks, could be lowered towards helping to offset the tax proposed by the Financial Secretary to be levied on soft drinks.

Concomitant with my proposal for taxing advertisement, I would also like to suggest that Government give serious consideration to taxing the use of air space over roads by advertising signs protruding from buildings. Such a proposal will result not only in revenue accruing, rightly in my opinion, to the public purse, but also may result in a tidier and potentially safer environment for the city.

My second proposal is that Government should introduce a more effective system of taxing self-employed professionals. I know Government has for years talked about instituting such a system but up to now I have not seen evidence of progress in this direction. We all know that tax avoidance of unsalaried professionals is practised widely and an effective system against avoidance would not only be fair but also help substantially towards the Financial Secretary's effort in attaining a balanced budget at an early date. I therefore would like to express my strongest support for his anti-avoidance legislation.

Finally, Sir, the Financial Secretary has stated his aim to stabilise the total establishment of the civil service coupled with his tough value-for-money criterion, which I fully endorse. This is achieved by cutting out waste and by increasing productivity. Obviously this is the task that the Controlling Officers will have to address to this year. When the Report of the Public Accounts Committee was tabled in January this year, I spoke of the need of a training scheme whereby all officers rising to the directorate rank in the civil service are required to be trained in financial management. This is especially relevant given the no-growth policy in the civil service.

Sir, with these remarks, I support the motion.

MISS DUNN:—Sir, we must all applaud the Government's efforts to rein in the growth of public sector expenditure, which some of us thought was practically out of control in the 1980s. Nevertheless, though we are past the worst of the recession the growth of the economy in 1985 is forecast by the Financial Secretary to be less than in 1984 and we have not yet achieved our aim that the growth of public sector expenditure should not over the years exceed that of G.D.P. Despite all the creditable efforts that have been made, the relative size of the public sector has declined by less than three percentage points since the peak reached in 1982-83 and it is still higher than it was before the bulge of 1981-82 to 1983-84 and it is forecast to decline only minimally in the coming year to 16 per cent. This may be compared with the average ratio for the four years ending 1981-82 of 14.3 per cent.

These are not just arid figures. When public sector growth is too high this means that we are drawing too high a proportion of our resources away from the profitable economic activity on which our economic prosperity and hence our public revenues depend. We are not back on course yet and it is at least arguable whether any growth in public sector expenditure is wise for the time being.

I have been using the 'adjusted' figures for consolidated account expenditure that the Financial Secretary has provided in the tables appended to the Budget speech, yet in the 1982 Budget speech he said that 'the definition of Consolidated Account Expenditure results arguably in too loose a leash on expenditure by the M.T.R. now and the K.C.R. soon'. I would go further than that. The definition produces a positively misleading figure for public sector expenditure.

This is because the definition excludes expenditure by those organisations. As stated in Appendix A to the Budget speech—'the Government has only an equity position, such as the M.T.R. and the K.C.R.'. This is clearly misleading. An investor who has 'only an equity position' in a corporation has no further liabilities. The Government is committed to the M.T.R. not only for the *whole* of the equity, but also to the extent of over \$7 billion in guarantees. To put it another way, if the Government was incorporated under the Companies Ordinance, it would have to consolidate the M.T.R.'s accounts with its own in order to present, as the accountants say, 'a true and fair view of the state of affairs'. The same argument can be applied to the Export Credit Insurance Corporation where the Government's or, if you prefer, taxpayers' maximum liability is \$3.6 billion. It seems to me fair comment to say this: that all the figures should be reworked and published so that we can see where we really are as a going concern.

The same sort of criticism can be applied to the material available to us on our assets and liabilities. The so-called Statement of Assets and Liabilities published in Volume 2 of the Estimates is a strangely selective document. It includes the balances in the Capital Works Reserve Fund, but none of the other funds such as the Development Loan Fund. It has a note that it does not include the equity holdings in the M.T.R. and the now dormant Owensbord Enterprises Ltd., but makes no mention of the K.C.R.

The Statement also makes no reference to the liability represented by Letters B, which were 'monetised' with effect from 1 April 1984. The Financial Secretary told us in last year's Budget speech that Letters B to the value of roughly \$400 million might be redeemed in 1984-85 and that the estimate of revenue receivable had been reduced accordingly. This year he has said that a continuing factor depressing the 1985-86 draft Estimates by about \$700 million is the extent to which the 'so-called monetised Letters B' are being used for land purchases. These are not inconsiderable sums. What is the total liability? In a document purporting to be a Statement of Assets and Liabilities it should be declared.

While I am on this Statement, I wish to ask the Financial Secretary to clarify the list of contingent liabilities. The list in the Notes on the Statement is twice as long as the list in footnote 18 to the Budget speech. Does this mean that our free reserves are in fact less than \$6.6 billion as at the beginning of April next?

When revenue yields were flushing and the public accounts, however, defined, were in surplus it was inconceivable that we should not be able to meet all our liabilities even though they were growing so fast. But times have changed. Members of this council need, and the public is entitled to, a full statement of the Government's financial position, which should also include some information, I emphasise some, about the diversified asset portfolio of the Exchange Fund and some indication of the extent to which the value of the assets in the fund exceed liabilities. The accounts of corporations in which the Government has a majority holding should be consolidated, and where it has small holdings, these should be shown in the balance sheet.

But beyond the definition of public sector expenditure and the Statement of Assets and Liabilities the form and content of all the tables, appendices, statements of funds etc. that support the Budget statement should also be examined with the aim of making them as complete and accurate and presenting them as simply and clearly as possible. The Budget publications this year weigh nearly nine pounds (3.85 kilogrammes for those who cling to the metric system) and run to 1 476 pages. Unofficials are given one month to tackle all this material *in their spare time*—an awful warning to those who will be joining us in the future. It is essentially difficult material anyway and we have a right to request that it be made easire, more self-evident reading.

I accept that much of the information is for the record, but little effort is made to offer it in such a way as to present a clear picture of the Government's true financial position let alone with projections of future revenue and expenditure and information about all its actual as well as contingent liabilities. As I have mentioned, the Letter B liability is not included at present and, although the Financial Secretary mentioned 'the liability arising from the bond issue' in the Budget speech, that is not there either.

I am sure we all welcome the Financial Secretary's intention to present a balanced Budget in a year's time. But, in stating this intention, has he fully Comprehended the task facing him? Despite the tax increases in the 1983 and 1984 Budgets, recurrent expenditure has since 1981-82 been growing much faster than recurrent revenue, with the result that the surplus on recurrent account has shrunk from \$7.7 billion in 1981-82 to \$4 billion in 1984-85. But for the new revenue proposals for the coming year, it would shrink further.

We all know that we must have a surplus on recurrent account because we could not finance anything like our current programme of capital expenditure from capital revenue alone, which is estimated at only \$2.3 billion for the coming year, against capital expenditure on Revenue Account of \$8.6 billion.

The key question is—how do we obtain a sufficient recurrent surplus? I believe that we cannot afford to go on increasing taxes every year to do it but I fear that that is what the Financial Secretary might have in mind. In the final paragraph of the Budget speech he said

‘A balanced Budget is being achieved by continual downward pressure on public sector expenditure and by continual upward pressure on revenue ... Further increases in indirect taxation are at least undesirable.’

When one takes into account that the downward pressure on public sector expenditure will still leave us with a 4.6 per cent increase in real terms (11.5 per cent in money terms) in 1985-86, that statement seems very likely to lead to further increases in indirect taxation next year.

Many people who have to make their own domestic or business budgets will feel that the Financial Secretary constructs his the wrong way round. He has told us that he first sets a limit for General Revenue Account expenditure. When, after the hard bargaining with departments, a final figure emerges, he then looks at the revenue estimates. If there is an ‘ostensible deficit’, ‘new revenue measures are clearly inevitable’. And he favours new measures of indirect rather than direct taxation.

The argument as between the two, that is to say the argument as between indirect and direct taxation, will go on forever. I don’t think one can say that one is more equitable than the other. It depends on the detail and in practice all tax systems are imperfect and a degree of inequity is inevitable. In Hong Kong that inequity is tolerable because the burden on each family is low. The important thing is to keep it low. I do not necessarily oppose the tax measures proposed in this Budget, but I do believe that the maintenance of our low tax environment—narrow base and low rates of charge—is of the utmost importance, so, as I said last year, we should get back to cutting our coat according to our cloth. In other words, the Budget should be *revenue*-based as it used to be, not expenditure-based, and the reserves should return to their classic role, that is, to meet unforeseen deficits.

It will not do to say that new revenue measures are ‘clearly inevitable’. Only death is inevitable. In life there are always choices. When I say that I know what the Financial Secretary will say. He said it in 1983 and though I answered it in advance in 1984 he said it again in his winding-up speech—‘which hospital, which school etc. would you cut?’ This time I will quote his own final paragraph in the Budget speech—

‘...literally no limit can be put on expenditure representing social aspirations unless tight controls are maintained on the taxpayers’ money and on the levying of new taxes... But every new proposition must be subject to test by two simple questions. What are the priorities? Where is the money coming from? Deficit finance is a profligate’s refuge...’

I couldn't agree more—and of course it applies to existing projects as well as new projects. No project is sacrosanct just because it once got into the Public Works Programme nor is it absolutely essential that it should go ahead this year rather than next year or even later. If an expenditure-based Budget will balance in 1986-87, fine. If not, new revenue measures are not inevitable. There is an alternative.

The reason why all this is so speculative is that the Financial Secretary has again not given us any figures for the forecast period. So I come back to my fundamental complaint about the Budget statement and related documents are neither self-explanatory nor self-contained. Forecast figures must exist. The Financial Secretary has said 'we look as far ahead as possible in our budgetary processes'. But who are 'we'? Obviously the Members of this Council are not included. It is unfortunate that the Financial Secretary has failed to place the Budget in the context of the future. Of course that cannot be done with precision but the Financial Secretary has given us no projections even for 1986-87, let alone for the forecast period.

So to sum up Sir, I hope the Financial Secretary will accept that it is difficult to take a definitive view of the Appropriation Bill 1985 as such in the absence of answers to these questions—

what is the Government's *true* financial position?

what is the *true* size of the public sector?

what are the likely financial needs of the M.T.R. and other statutory corporations?

what are the projections of revenue and expenditure for the forecast period?

What will be or are likely to be the long-term effects of Annex III of the Joint Declaration on our available capital revenue?

can we maintain our recurrent services intact and avoid stop-go in our capital works programmes without recourse to ever higher taxation?

if not, then what?

MR. PETER C. WONG:— Sir, the Financial Secretary's enlightened pragmatism is commendable. There were few surprises and generally the Budget has been well received. It must be right to aim for a balanced budget, for deficit financing over a long period is something that the Hong Kong economy would not be able to sustain.

I share the widely held view that the Financial Secretary's new style of presentation is most refreshing. It makes his speech much more interesting to listen to or to read. The first 19 paragraphs succinctly sum up the fiscal measures proposed and the reasons for adopting them. Paragraph 10 is of particular significance and is worth repeating—

‘Your Government remains committed to support of the free market economy; to provision of the infrastructure within which enterprise can flourish without unnecessary Government regulation; to the care of those who cannot care for themselves; and to low overall taxation. Hong Kong is not a tax haven, but we know not least from the experience of others that moderation in taxation is an essential spur to individual effort. Tax avoidance is not’.

Although it has a familiar ring, nevertheless, it is reassuring that Government is committed to a policy which has served Hong Kong well over the years. I fully endorse the Financial Secretary’s basic philosophy that equity and efficiency should be the guiding principles.

This afternoon, Sir, I propose to offer a few thoughts on the Budget and related issues.

On course

Hong Kong last enjoyed a budget surplus in 1981-82. In that year land sales revenue amounted to a staggering \$8.9 billion. Unfortunately, this was followed by the worst depression since the 1930s. Not surprisingly, Hong Kong was faced with huge deficits for three successive years. We must be thankful that as a result of the skilful handling of our public finances and the resilience of the Hong Kong economy, the deficits have dwindled from \$3.5 billion in 1982-83 to the planned deficit of \$1 billion for 1985-86. Barring unforeseen circumstances, we should be witnessing a balanced budget in 1986-87. Some have even predicted that we may not be in the red in the coming fiscal year. Judging from our excellent performance during 1984, this may well turn out to be correct.

Undeniably, our disciplined budgetary policies have paid off and as the Financial Secretary ably put it—

‘1984 was the year in which the Hong Kong economy was very largely got back on track. Economic growth increased, inflation fell, unemployment was low, confidence returned and investment began to recover. All in all, a welcome contrast to the gloom of 1982, which still persisted into much of 1983.’

Estimated Expenditure for 1985-86

At \$38.4 billion the estimated expenditure for 1985-86 represents only a moderate increase over the 1984-85 figure of \$37.3 billion and the 1983-84 figure of \$35.5 billion. This is clear evidence of rigid discipline and increased productivity.

One significant factor worth noting is the planned stabilisation of the size of the civil service. One would like to think that to some extent this may be attributed to the very strong calls made by Unofficial Members during Budget debates in the past few years. The Administration’s aim is not to permit any

increase in the total establishment in 1985. This is to be achieved by cutting out waste, by increasing productivity and by eliminating unnecessary work. A very difficult exercise no doubt, but one that will be necessary and rewarding. Naturally, there is to be no cut back on the various services being provided. Indeed, some services, such as education, medical and health and social welfare, will enjoy a moderate increase.

It appears that the Administration is beginning to appreciate that sound business practice is by no means inferior to bureaucratic inflexibility. This is a healthy development and one that should be encouraged.

Education

The importance of education is underlined by the fact that \$7.81 billion has been earmarked for education as against \$4 billion for medical services and \$2.53 billion for social welfare services. The amount for education represents 17 per cent of total expenditure and a 10.7 per cent rise over 1984-85.

The education programme comprises pre-primary, primary and secondary education, adult education, post-secondary, tertiary education and vocational training.

To those who assert that not enough is being provided in this field, may I draw their attention to some facts and figures. Government's stated policy is to provide primary schools within a reasonable walking distance for all primary school age children; to provide a subsidised place for all Primary 6 leavers; to increase the number of senior secondary school places in schools and places at technical institute and adult education centres to meet the full demand for Form III leavers who are suitable for the courses provided; and to phase out the Junior Secondary Education Assessment (J.S.E.A.) by 1991. To help meet these objectives, ten primary schools, providing 19 200 places mainly in the new towns, and five secondary schools providing initially 1 280 Form I and 640 Form IV places will be completed in 1985-86.

As regards vocational training and tertiary education, an impressive programme is in train. Expansion will continue so that hopefully the apparently insatiable demand will be met in the not too distant future.

The Education Commission has made a number of recommendations on the development of education in Hong Kong, the majority of which have been accepted by the Government. The implementation of these recommendations requires financial resources. There is obvious difficulty in making accurate forecasts on the availability of resources, as this is dependent upon the state of the economy. Be that as it may, the Commission accepts that under its terms of reference, it would be essential, in the next phase of its work, to review among other things the modes of financing education, including the financing of suggested improvements contained in its No. 1 Report to determine all possible options by which these and any future recommendations might be financed.

Such recommendations will certainly have an important bearing on the future of our educational system.

Sir, education is expensive. But if we are to maintain the momentum of our growth and to meet the challenges that lie ahead, is there any doubt that our best bet is to put our money on educating the younger and perhaps even the older members of our society?

Revenue proposals

As expected, the Financial Secretary has wisely refrained from increasing direct taxation. It appears that most people would consider as acceptable the five reasons he gave for raising the \$1.2 billion necessary to meet the estimated revenue shortfall by selective increases in indirect taxation.

Described as a mild tonic, the four concessions on personal taxation will appease, at least for the time being, critics who clamour for a more sophisticated system of taxation designed to bring about a more equitable re-distribution of wealth. In these difficult times, these concessions, which would cost \$150 million in 1985-86 and \$210 million in a full year, must be considered generous and viewed as an attempt by the Financial Secretary to reduce further any inequity that may be inherent in our existing system. Hopefully, these may well be the first of more concessions to come. If the forecast for 1985 is near its mark, perhaps in the next budget, the financial Secretary might find it possible to reconsider the question of separate assessment for married women. Even a phased programme will surely be hailed as a victory for the fair sex and for common sense.

The proposal to re-introduce duty on cosmetics and non-alcoholic beverages is not cosmetic. If approved, it will enhance the general revenue by \$100 million and \$210 million respectively. Naturally, certain sectors of the community are not amused, but it must be remembered that revenue has to be raised. It would be wrong to assume that the best things in life are necessarily always free.

Anti-avoidance legislation

Many would welcome the Financial Secretary's intention to introduce anti-avoidance legislation. If our tax is to be kept at a low rate, it is imperative that legislation should be reinforced so that the Inland Revenue Department would be able to collect taxes which might otherwise escape payment through loopholes in the law. The objectives outlined by the Financial Secretary appear to be both reasonable and feasible. I look forward to the introduction of the proposed legislation in this Council.

The proposed legislation may not please everyone. There is bound to be criticism and even opposition. That would be healthy and the Administration would be well advised to heed criticism where it is constructive. The freedoms and the rights that we enjoy must be jealously guarded and upheld.

Protectionism

I would like now to turn to a related issue—the growing trend towards protectionism. As Hong Kong is vulnerable to external factors, the recent unilateral action by the U.S. Government over the country of origin rules in respect of knitwear must be viewed with the utmost concern. Although the U.S. rules are out of balance with international opinion, the United States have so far shown no inclination whatsoever to make any concession. In terms of macro-economics, if a country's currency is strong, there is a strong temptation to adopt protectionist measures. Since the U.S. dollar is likely to remain strong in 1985, we must brace ourselves for a difficult year ahead. In the meantime, no efforts should be spared in finding a solution to an intractable problem, which leaves us with few options. The appeal by the Joint Committee of Hong Kong Knitwear Associations deserves support and merits careful consideration.

As members are aware, a bill is now before the U.S. Congress, which, if passed, would be a fresh blow to textiles. The bill seeks to impose quota restrictions on all textile items, including those not covered by the Multi-Fibre Arrangement (M.F.A.). And there is suggestion to replace the existing quota system by an import licence system. If that happens, effective control will be removed from the exporting country. I believe I do not need to elaborate on the consequences of such change.

Protectionism in any form must be deplored. One would like to think that this phenomenon is only temporary, but given the unpredictability of the international scenario, it would be difficult to say when the situation will change for the better. The better view is that it will get worse before it gets better. For our part, we must remain vigilant and flexible and be prepared to adapt ourselves to changing circumstances at short notice.

Sir, I have much pleasure in supporting the motion.

MR. WONG LAM delivered his speech in Cantonese:—

督憲閣下：過去三數年間，香港面臨政治前景不明朗及經濟不景，連年出現財政赤字的困擾。隨着中、英協議的簽署，本港政治前景已趨明朗。而從財政司八五—八六年度預算案看來，經濟狀況亦日見改善，財政赤字可望於隨後之財政年度消除。所以這個中、英協議簽署後的一個預算案可算是好的開始。

對於八五—八六年度預算案，本人只就其中三點加以討論。

(一) 公務員人手的增加

雖然經濟狀況有所改變，但財政司仍然積極控制公共開支，尤其對公務員人數的增長，力求加以控制，這是絕對合理和必要的。目前財政仍有赤字，仍然要向市民加徵稅項，仍然要從財政儲備中撥款運用，所以節約不單是美德，而且是政府的責任。事實上，無論歲入有赤字或盈餘，節約都是應該鼓勵的。公務員編制和人數，自七〇年代末至八〇年代初，快速增長，部份人士（包括本人在內）早已明確表示憂慮。及至近年才見政府認真處理這問題，雖然起步較遲，但亡羊補牢，總比不處理好。

財政司控制各公營部門編制和人數增長的努力，從各部門的支出預算中清楚顯示出來。部份部門更出現負增長，這是可喜的現象。不過，在緊縮各部門人數的增長時，政府明顯

(The following is the interpretation of what Mr. WONG Lam said.)

Sir, in the past few years, Hong Kong was harassed by the uncertainties about its future; the economic recession and the continuing financial deficits. Following the signing of the Sino-British agreement, the clouds over the political future of Hong Kong have cleared up, and from the 1985-86 Budget as tabled by the Financial Secretary, it appears that our economy is steadily improving and we can expect a balanced budget in the following year. Therefore, this first budget after the signing of the Sino-British agreement can be considered a good start indeed.

As regards the 1985-86 Budget, I would like to address myself on three aspects:

(1) The increase in size of the civil service

Though there are improvements in our economy, the Financial Secretary has continued to spare no effort in controlling public sector expenditure and, especially, the increase in size of the civil service. This is absolutely reasonable and necessary. At present, when we are faced with a deficit situation, when additional taxes have to be levied and funds have to be drawn from the fiscal reserves, frugality is not only a virtue but also a responsibility of the Government. In fact, irrespective of whether there is a deficit or surplus of revenue, frugality should always be encouraged. The establishment and size of the civil service had expanded rapidly from the late '70s to the early '80s. Some people including myself had already expressed their worries. It is not until recent years that the Government is seen to be dealing with this problem seriously. It is a bit late, but it is still better late than never.

The efforts which the Financial Secretary made in restraining the growth of the establishment and size of various government departments are reflected clearly in the Draft Estimates. Some departments even have a negative growth. This is an encouraging sign. However, in restraining the growth of various departments, it is obvious that the Government has given preferential treatment to the request of disciplinary departments, especially the Royal Hong Kong Police Force. While other departments have only insignificant growth or are allowed to increase staff only for the provision of new services (such as new hospitals), the size of the Royal Hong Kong Police Force has grown year after year. Besides, there were upgrading of posts, for example, from the rank of Chief Inspector to that of Superintendent, and from Superintendent to Senior Superintendent etc. From the 1984-85 Report of the Establishment Subcommittee of the Finance Committee, one can see that part of the justifications for staff increase in the Royal Hong Kong Police Force is merely the increase in workload which is more or less similar to the justifications put up by other departments. However it appeared that the Police Force has been given preferential treatment and approval. In recent years, automation has been introduced in the Police Force with advanced equipment to handle the work,

but the demand on staff resources has not dropped but rather has increased. This is worth a careful study and review.

According to existing arrangements, heads of departments, as Controlling Officers, are authorised to create or delete non-directorate posts in their respective departments upon the recommendation of Departmental Establishment Committees provided that the total personal emoluments of the department concerned after the creation/deletion do not exceed a certain amount which is the total sum of the notional annual mid-point salary of all non-directorate posts in the department. In the Royal Hong Kong Police Force, the total N.A.M.S. value of non-directorate posts is \$1,839 million as shown in the Draft Estimates, but this can still be increased to \$1,891 million. In other words, the Commissioner of Police may, with this difference of \$52 million, increase/delete the number or ranks of posts in his department in 1985-86. This is noteworthy. Although the amount, at a little over \$50 million, accounts for only about 3 per cent of the total expenditure on personal emoluments of the entire Force, it is in itself a considerable sum of money, representing a great proportion or even the whole of the total expenditure of some smaller departments, or 5 per cent of the \$1 billion deficit. Furthermore, once the size of a department is expanded or posts upgraded, it not only affects the expenditure on personal emoluments for the current financial year but subsequent years as well. I do not mean at all to pinpoint the Royal Hong Kong Police Force and I understand the importance of maintaining law and order. However, at a time when frugality is rigorously pursued, any privileged treatment enjoyed by a particular department will be unfair to other departments and a blow to staff morale generally. This is a matter concerning the whole civil service rather than one single department. In view of this, I think the Government should take this matter of preferential treatment seriously so that small departments can get the necessary staff increase while the big ones are less likely to expand unnecessarily.

(2) *Housing policy*

I am pleased that our Government is still vigorously building public housing and Home Ownership Scheme flats. Rents and prices of private sector housing in Hong Kong are in fact still very high. To the lower and middle income groups, being able to live in public housing or to purchase H.O.S. flats is as good as hitting a jackpot. The financial benefits so gained are beyond comparison with those not having public housing or H.O.S. flats. The provision of public housing or H.O.S. flats has a direct bearing on the quality of life of the lower and middle income groups. Therefore, the Government's policy should be aimed at enabling the maximum number of people to live in public housing or to have the opportunity to purchase H.O.S. flats. But once this is done, the Government should not continue to take excessive care of these people but should instead concentrate its attention on others who have not been offered public housing accommodation or those who have no chance of buying H.O.S.

When the Home Ownership Scheme was first launched, the very high land value was excluded in determining the selling groups. At that time, such a policy undoubtedly had a positive meaning. However, the continued exclusion of the land value (or part of it) in the selling prices of the H.O.S. flats in the face of decreased land values and considerable increases in the real income of the citizens is open to question. Even if the land value is included, I believe that the price for the H.O.S. flats are still far below those in the private sector as long as the profit element is excluded, and they will remain attractive to the middle and lower income groups. Though the pricing policy of excluding land value has benefited those who purchased the H.O.S. flats, it reduces Government revenue and thus hampers its financial ability to construct more H.O.S. flats. This in turn reduces the opportunity of those who have not yet bought H.O.S. flats to purchase one in the future. Therefore, I think the Government should revise the present policy so as to include at least part of the land value in the selling prices and use the increased proceeds to finance the construction of more H.O.S. flats for the middle and lower income groups.

(3) *Imposition of duty on non-alcoholic beverages*

On the question of increasing revenue, the Financial Secretary has put forward three reasons for the re-introduction of the duty on non-alcoholic beverages, the main ones being that such drinks are a pleasing indulgence and not a necessity and that the potential yield of revenue from this source is significant. While strongly supporting the principle of taxing indulgence, I am afraid I do not concur that non-alcoholic beverages are the best targets for raising revenue. Many non-alcoholic drinks such as aerated waters have already become part of our daily life. This is especially true for the middle and lower income groups. I do not believe that having a soft drink on a hot summer day is a luxury. On the contrary, many other commodities better meet the Financial Secretary's principles for the imposition of duty. Examples include air-conditioners, highquality clothes, gold ornaments, expensive famous brand watches, hi-fi systems and equipment and so on. Comparatively speaking, these are the merchandise or non-essentials for the higher income group and are better targets than beverages such as soft drinks for the imposition of the duty with equally considerable potential yield. It is unconvincing that the Financial Secretary should propose to do otherwise. I have my reservation regarding the duty on non-alcoholic beverages.

Sir, with these remarks, I support the motion.

DR. HO:—Sir, Hong Kong last enjoyed a budget surplus in 1981-82. We can again expect a budget deficit in the coming year. It is therefore appropriate that the Financial secretary should adopt a cautious, pragmatic and somewhat austere approach to this year's Budget. Although overall increase in public sector expenditure has been restrained, I am pleased to see that provisions for education, social welfare, public housing and medical and health services have

continued to grow in real terms. This indicates that the Government is firmly committed to improving the quality of life of the people of Hong Kong.

In order to bring down the expected deficit, the Financial Secretary has proposed increases in a wide range of taxes, duties, fees and charges. I believe in living within one's means and following from that a balanced budget. On the whole, I support the Budget proposals. However, I have reservations on the 10 per cent increase in annual licence fees and driving licence fees. Let me state my reasons.

Firstly, the hefty increases in annual licence fees and first registration tax in May 1982 were meant as fiscal measures to curb car ownership. They were not meant as revenue-producing measures. As a result of the increases, the number of licensed private cars has in fact dropped from 217 945 in May 1982 to 180 084 in February 1985. Road congestion has consequently been relieved to some extent. There is no justification to use fiscal measures to bring car ownership further down.

Secondly, a two-year pilot scheme on a limited Electronic Road Pricing system is now in progress. A full-scale Electronic Road Pricing system might be implemented if the pilot scheme is found to be successful. Senior transport officials have publicly stated that, with the implementation of the full system, the annual licence fees and first registration tax could be substantially reduced. Such being the case, there is no urgent need to increase annual licence fees and driving licence fees at this time.

Finally, private car owners as a group have already contributed more than their fair share to the public coffers. As past increases in annual licence fees and first registration tax have been effective in curbing the growth in the number of private cars, I believe that long suffering car owners should deserve a break, at least pending a decision on the Electronic Road Pricing system. Moreover, the opening of the M.T.R. Island Line this summer might further encourage people to leave their cars at home in favour of public transport.

Representations from cosmetic and perfume distributors, importers and retailers were made to UMELCO against the imposition of a 25 per cent *ad valorem* duty on cosmetics and perfumes. They maintained that about 50 per cent of the cosmetic products and 80 per cent of the perfumes imported into Hong Kong are for re-export to other countries. If duty is levied on these imported goods, it is feared that Hong Kong would likely lose its attraction to tourists as a shoppers' paradise and its position as a regional distributor of cosmetics and perfumes to Singapore. As a result, it is likely that revenue from this source may fall short of its expected yield of \$100 million.

I would like to ask the Financial Secretary to consider some of the suggestions advanced by the representatives of this trade.

The introduction of the duty on cosmetics is too abrupt, causing possible financial losses and disruption to the cosmetics business. Hence, it is proposed that shipments of cosmetic products for which orders have been placed before 27 February 1985, should be exempted from the duty.

The F.O.B. values of the imported commodities should be taken as the base for calculating the tax payable rather than C.I.F. prices. C.I.F. includes such costs as freight, insurance and handling charges in addition to the cost of the goods itself. Distributors who import supplies from far away places like France or the U.S.A. will be disadvantaged *vis-a-vis* their fellow traders who get their stocks from Taiwan or Japan.

As cosmetics have now become a dutiable commodity, the Customs and Excise Department should re-consider how much cosmetics and perfume a visitor or local resident should be allowed to bring into Hong Kong duty free from a foreign country. The currently permitted amount of 60 ml of perfume and 250 ml of toilet waters per person is somewhat generous and may affect government revenue.

Finally, while it is appreciated that a wholly unambiguous and watertight definition of cosmetics is not easy to arrive at, the classification currently adopted by the Customs and Excise Department must be revised so that traders in the cosmetic industry know clearly what cosmetic and toilette items are dutiable. For instance, at present hair shampoo, tooth paste and soap are not subject to duty, but shaving cream and lotion are. The logic behind this classification is unclear.

With regard to the overall estimates of expenditure proposed for the coming year, I wish to address myself to three areas of public concern.

Industrial safety and occupational health

With advances in production technology, the use of chemicals in industry is constantly on the increase. There are now hundreds of chemicals in common use in Hong Kong factories. A large number of these substances, if handled improperly or carelessly, could become health hazards to workers. Accidents in chemical plants might even cause injuries to nearby residents.

Toxic substances used in industry are normally in a solid or liquid state. However, during industrial processes they might be released into the environment in the form of dusts, particles, fumes or gases, if they are not properly handled. Tragic industrial accidents had occurred in the past. The gas incident in a San Po Kong factory is a good example of the seriousness of such accidents. We need to do our best to prevent industrial accidents in Hong Kong.

The Labour Department is responsible for industrial safety in Hong Kong's factories and for the protection of the health of the industrial workforce. It has only an establishment of 190 factory inspectors to do the job. A larger staff may be required. It is also imperative that factory inspectors are provided with

proper training so that they can keep abreast of the latest developments in production technology and the use of new chemicals in industry. I hope that sufficient provision is made for this purpose.

Moreover, I am concerned about the recent loss of very experienced factory inspectors to the department. Two Superintendents of Factory Inspectors retired early in late 1984. I understand that an acting Deputy Chief Factory Inspector and a Chief Factory Inspector will also leave the department this year. Between them, these four officers have over 100 years of experience in industrial safety. I hope that their departure would not affect the standards in accident prevention and industrial safety in Hong Kong. The Commissioner for Labour might well be advised to look into ways to retain the much-needed expertise and experience of Factory Inspectors at the senior management level.

Housing for elderly single persons

It has been estimated that about 1 000 people over the age of 60 are presently living in boarding houses in sub-standard private tenement blocks in old urban districts. The predominant majority of them are single men. They have frequently been described by the media as 'caged men'.

They live on double-decker or triple-decker bunks in cheap boarding houses. To provide a minimum degree of security and privacy, the bed spaces are fenced in by chicken wire. To maximise occupancy, the bunks are clamped closely together. According to a recent survey, as many as 100 bed spaces are found in some boarding houses. The average number is 50 bed spaces per flat. The average bed space per person is 1.4 square metres.

Communal bathrooms and toilets are available in these boarding houses. The ratio of lodgers to bathroom is 18.7 to 1 and the ratio of lodgers to toilet is 22.7 to 1. Cooking facilities are far from adequate. Residents usually cook in corridors or staircases or sometimes on rooftops. The boarding houses are overcrowded, poorly ventilated, poorly illuminated and insanitary. In a word, the conditions are appalling.

A large proportion of these lodgers came to Hong Kong from China in the sixties. The majority of them have no relatives in Hong Kong, and many of them are living on public assistance. Most are unable to move out because they cannot afford to rent private housing. Some are unwilling to move because they want to live near to their place of work and to be among friends.

The plight of these elderly people has attracted considerable public attention. I first raised this topic in this Council Chamber in 1980, but the problem is still with us today. I therefore urge the Government to take action to move them to proper housing.

This group of elderly people will have different housing needs. Some of them are still physically fit, and it is best that they are rehoused in self-contained public housing for single persons. If possible, the lodgers should be housed

together so that they could be among friends and help to take care of one another. Others who cannot be on their own should be placed in homes for the aged or hostels. Still others may be suitably moved to a care-and-attention home or an infirmary because of failing health.

The joint efforts of several departments are required to solve this problem, including the Social Welfare Department, the Housing Department, the Medical and Health Department and the City and New Territories Administration. I hope that the Social Welfare Department would take a lead in co-ordinating the planning and implementation of a programme to rehouse these elderly persons.

Primary education

The quality of primary education has long been the concern of educators and parents. The proposal for a Bachelor of Education degree course in primary education has been put forward by various groups before. Both the Panel of Visitors and the Education Commission suggested that such a course should be introduced to upgrade the standard of primary education. The course will also help to train senior teachers and principals for leadership and management roles in primary schools.

The cost for the programme is quite modest. In the first year of operation, three instructors and one support staff are required at the cost of \$1.7 million. As the course grows to maturity in its third year, an establishment of six instructors and a small support staff is needed at a cost of \$3.5 million. The proposed annual intake is 30 students and most of them will be Senior Assistant Masters and Principal Assistant Masters.

The proposed course might upset the present administrative differentiation between graduate teachers and non-graduate teachers. However, from the educational point of view, the merits of the course far outweigh the administrative inconvenience. Hong Kong has no major natural resources except for its people and a magnificent harbour. We need to invest in our human resources in order to maintain our position as a major industrial, financial and trading centre. I urge the Government to give further consideration to the proposal and to introduce a Bachelor of Education degree course in primary education as soon as possible.

With these remarks, Sir, I support the motion.

4.05 p.m.

HIS EXCELLENCY THE PRESIDENT:—At this point, Council might like a short break.

4.20 p.m.

HIS EXCELLENCY THE PRESIDENT:— Council will resume.

MR. ALLEN LEE:—Sir, Hong Kong's economy appears to be quite simple on the surface yet it is fairly complex. The mere fact that we were successful in the past does not mean that we do not have to look ahead into the future. I have given much thought to our economic development because I believe that without a sound economy, Hong Kong will lose its value to the world. I have often wondered about the factors which have contributed to the success of this small place situated at the mouth of the Pearl River in the South China Sea. A place which has attracted world-renowned economists to study its composition. What is the real answer and where do the real answers lie? During my extensive travels around the world, I have tried to find a place comparable to Hong Kong. However, there is no place like Hong Kong. Therefore it would only seem right for me to seek the answer right here.

I have discussed this topic with numerous people from the different strata of our society to seek their opinions and to try to come up with an answer. The conclusion is, the main reason for the past success of Hong Kong lies in the development of the manufacturing sector. Before the 1950s, the manufacturing sector was only a small element in our economy and a negligible one by international standards. Within a decade however, Hong Kong became one of the world's major suppliers of light industrial goods. The main factor for this change was due to a change of Government in China in 1949 which gave rise to a rapid influx of labour, capital and industrial expertise. Orders of equipment and machinery originally destined for China were diverted to Hong Kong and this caused the start of our industrial revolution. The revolution started in the textiles and clothing sector followed by foreign investment in electronics and then the local development in the plastics and toys sectors, etc. which made Hong Kong a major exporting place in the world. Therefore, it is my belief that the manufacturing sector, which is the largest sector for employment, is the back-bone of our economy and it is towards the development of the manufacturing sector that I wish to express my opinion today.

There are many areas in which the Government can enhance our industrial development. I would like to speak on three topics which I believe are important, product innovation and design, automation and foreign investment promotion.

Product innovation and design

As an export orientated economy, our products end up all over the world. The brand 'Made in Hong Kong' is no longer a strange sight. What is important is that our products must carry a reputation of design and quality. The manufacturers in Hong Kong are conscious of the fact that we must maintain a standard that is acceptable to buyers and customers. During the latter part of 1979, a proposal was put forward to Government to establish a Product Innovation and Design Unit (P.I.D.U.). This proposal went through the Government's bureaucratic machinery and to this date, I understand that it is still in the discussion stage with no definitive commitment. Is it in the Government's mind that product innovation and design is of no importance

towards our industrial development? I have often heard high-ranking officials in the Government say that we must move up-market and that we must develop technology intensive industry. But I would like to ask how are we going to accomplish this? When will we begin in the basic requirement of good product design? We continue to hear of the Government's positive non-intervention policy yet Government will provide infrastructural support to strengthen our industrial development. To establish a P.I.D.U. is certainly in line with the Government policy of providing the necessary infrastructural support, and we must move ahead as we have already lost valuable years pondering over the proposal. I need not be so long-winded as to explain the details nor the importance of product innovation and design as it is well-known in the industrial circle.

Industrial automation

Along with product innovation and design, industrial automation is another subject close to my heart. Hong Kong's past development was based on labour intensive industries as labour was inexpensive and the supply was plentiful. It was an absolutely correct development strategy as we needed to provide employment for our people. But time has changed and we have made significant progress both on the social and economic fronts. The upgrading of our educational system and standard is yet another important step that we have taken. The young people, as I have on past occasions said, tend to be reluctant to join industry. There are people in our community who have accused the manufacturing sector of not paying competitive wages. I do not wish to argue this point at the present moment but I would like to point out that the wages of an average Hong Kong factory worker is higher than our competitors, namely South Korea, Taiwan and Singapore which share with us the same market with similar products. In my opinion, the reluctance of young people to join industry is a social trend. It is no different from what happened in the United States, Western Europe and Japan in the past and it is still true today. So what is the next step in the local industrial scene? We should take a step in the direction of automation. A proposal was put forward by the Hong Kong Productivity Centre to establish an Industrial Automation Unit within the Centre to cater for the requirements of industry, to assist industry regardless whether it is large or small, to move towards automating the manufacturing processes, to strengthen our competitiveness and to provide consistent quality and delivery of our products. As Chairman of the Hong Kong Productivity Council, I do not believe that I need to declare an interest here. If there is an interest to declare, it is in the interest of our industry. I hope to hear a positive response from Government towards this proposal and that we will not have to wait for five years and ending up in the discussion stage.

Foreign investment promotion

Sir, foreign investment in industry has played an important role in our economic development. For instance, during the early sixties, the electronics

industry which is currently the second largest industry, started with foreign investment. Foreign investment not only brought capital into Hong Kong but more significantly, it brought technology and management expertise. The industrial sector has learned a great deal from the foreigners and will continue to learn in the future. During a session earlier this month of the Finance Committee, questions were raised by the Unofficial Members on foreign investment promotion. Firstly, we are concerned with the Government's activities in the promotional aspect of foreign investment. Secondly, we would like to enquire if there are any other avenues which the Government may have possibly overlooked. The media has sensationalised this encounter between the Unofficials and the Chief Secretary. Certainly, this was not our intention. Sir, may I again raise these points in this debate due to the importance that I have attached to foreign investment. On the outset, it is not the \$19 million that I am concerned about, it is the result, the bottom line that counts. Has the Government looked for any other avenues that might be more effective in the promotion of foreign investment? Government presently has four overseas offices with a fifth one which will be established shortly. Could the Government not utilise, for instance, just for instance, the services of the Trade Development Council which has a much wider coverage around the world and Government could then play the role of a central co-ordinating function in enhancing foreign investment. I am in no way saying that civil servants are incapable, I am merely asking if we can do better in attracting more foreign investment into Hong Kong? I am grateful to the Director of Industry who took the initiative of asking me to discuss this with him concerning what Government is currently doing in this area, shortly after this debate.

Sir, there are obviously other areas concerning our industrial development. For instance, I brought up the concept of establishing a border industrial zone in the earlier debate. Sir S. Y. CHUNG, a well-respected figure in the industrial circle, also voiced his preliminary thoughts on this subject. I will not elaborate further since all I am going to ask for from the Government is not to close the door in a negative fashion. There are pros and cons of a border industrial zone, perhaps a study team could be set up to investigate the implications.

Sir, I would like to conclude by saying that our economy is basically sound but it needs refinement. The subjects I spoke on today is the fine tuning that is necessary to further develop our industry. Like everyone else in our community, I care about education, social services and programmes, transportation, housing, etc, but we must set our priorities correctly. The priority must be within this sphere of further strengthening our competitiveness in exporting of goods so that our people may continue to enjoy the high standard of living that they deserve. Therefore, we must strive vigorously towards our industrial development and maintain the momentum which has carried us this far for a brighter and prosperous future.

With these remarks, Sir, I support the motion.

MR. So delivered his speech in Cantonese:—

督憲閣下：香港人愈來愈關注公共事務，「施政報告日」和「預算日」已被視為大日子。事前固然有很多忖測，該日市民亦會透過大眾傳媒的報導或親臨本局會議廳，細心聆聽。測對了的固然很歡喜，認為英雄所見略同，自己有做總督和財政司的材料。猜錯了的會埋怨政府短視，窒息工商業，劫貧濟富或迫害三文治階層。一早把汽車灌滿汽油，更換行車證，或購入香煙洋酒的市民亦會埋怨政府，累他們空走一場。事後，傳播媒介和社團組織則設論壇，就施政報告或預算案辯論一番。市民亦能透過報章讀者版，電話或街頭訪問吐露心聲。報章或雜誌刊登的小品文和漫畫經常繪形繪聲，暢所欲言。就本年財政預算案而繪製的漫畫有一幅是財神爺戴上烏紗帽，穿上官服，怡然自得的用吸管雙管齊下地飲汽水和啤酒。可謂維肖維妙！今年不比去年，香港前途明朗了，大家再專心投入辦理香港事務。所以特別注意預算日，該日之前，謠言滿天飛，恐怕政府大幅加稅和增加各項收費，以應付龐大開支和避免動用儲備金。二月二十七日財政司公佈了「幸福與悲哀」的預算案後，雖然有些人，包括我在內，對恢復徵收不含酒精飲品稅項稍有微詞外，一般市民才鬆了一口氣。不過，一波未平，一波又起，市民面對的是消費品，服務行業或公用事業的可能加價，事實上，一些公司機構近來學精了很多，加價前總由行政人員用傳播媒介或午餐例會演講的機會透露申請加價的風聲，測試市面的反應。造成有關加價的消息，無日無之。對於消費物品或服務行業的加價，市民多少也有選擇和取捨的權利，因為需求可以影響價格。不過，專用公用事業一旦增加收費，市民便往往感到束手無策，只能寄望於輿論和壓力團體的呼籲，兩局議員在這方面亦反映市民心聲，做了不少工夫。一九八二年十一月廿四日，本局就監管公用事業進行辯論，也是因為大眾對事件極關注而引致的。那天的「亞蘇動議」，雖然萬萬比不上「羅保動議」那麼轟動和影響深遠，但也曾哄動一時。本月十三日經濟司向本局提交的「顧問公司檢討政府對電力公司的監察措施報告書」也是那次辯論的產品。

政府一向堅持，除了食水供應和郵遞服務直接由政府經營外，一般公用事業服務應盡可能由私營機構提供。這個基本政策是對的，用戶和消費者獲得可靠的服務，各公用事業亦得到「合理利潤」。連政府辦的郵政局在本財政年度亦會有三千六百九十萬的盈餘，這個現象，真是羨煞鄰近很多地區。政府經營的公用事業，辦理機構必須向立法局負責。法定公司的管理職責，例如地下鐵路和九廣鐵路公司，則交由政府委派的董事會去擔當，因為政府是它們的唯一股東。至於其他非屬政府的法定公司，則要按照個別法例去經營。政府對領有專利或半專利權的私營公用事業，則盡量避免干預它們的內政，而只透過所謂管制計劃來保障消費者與用戶的利益。目前，和政府訂有管制計劃協議的公司共有七間。它們是中華電力、中華汽車、香港空運貨站、香港機場服務、香港電話、九龍汽車和香港電燈等有限公司。沒有管制計劃是由法例或專利權條文約束的公司則包括兩間渡海小輪、香港電車、山頂纜車和大嶼山巴士等等。至於政府如何決定應與那間公用事業機構訂製管制計劃和賦予專利權，則似乎沒有準則。例如香港大東電報局和煤氣公司基本上是在專利和半專利的情況經營的，但卻不受管制計劃所管制。香港電話有限公司既然被認定在專利情況下經營，為甚麼大東電報局卻不是呢？電話服務受管制；流動電話卻不受管制；公司與聯營公司及附屬公司的交易等等，都令人費解。

釐訂各公用事業的收費，政府是有一套準則的，主要是它們的收費必要足夠支付全部成本。不過，由誰人去釐訂和批准卻並不劃一，其中有十一間公用事業公司的收費要由行政局批准；民航署則負責香港空運貨站和香港機場服務；九廣鐵路、地下鐵路和中華煤氣的董事會有權調整和批准收費。今年大東電報局實施新收費辦法和增加附加費，已經由郵政局認可；立法局只有權連同行政局處理電話公司的收費。如此參差不齊，便難怪有些關注和壓力團體在為民請命時往往「鬧錯部門請錯願」了！

就是最具爭論性的「合理利潤」條文，七個管制計劃便有七個不同的合理利潤，使人丈八金剛，摸不着頭腦！

負責監察公用事業的政府單位只得五名人手，加上並不劃一的計劃和程序，就算他們有三頭六臂，也難期望他們作徹底的監察工作！

故此，本人希望政府在消化顧問公司檢討兩電監察措施報告的時候，應全面檢討對所有私營公用事業的監察方針、制訂劃一和全面的政策和程序，以便制訂新的管制計劃的時候應用，同時又設立特別的委員會或委託兩局議員負責協助檢討和執行監察公用事業的工作，向市民作交代，改善現有的矛盾和消除消費者與用戶的心理威脅！

督憲閣下，本人謹此陳詞，支持動議。

(The following is the interpretation of what Mr. So said.)

Sir, the people of Hong Kong are getting more and more interested in public affairs. The 'Policy Address Day' and the 'Budget Day' are now important events. They are preceded by all sorts of speculations and, when the time arrives, people will listen attentively to the speeches on the radio. Some would even attend the Legislative Council meetings in person.

For those whose guesses happen to coincide with the outcome, there is cause for jubilation. They will say to themselves that great men think alike and are convinced that they possess what it takes to be governors and financial secretaries. For those who have miss the score, the Government is blamed for being short-sighted in introducing measures which will strangulate commerce and industry, rob the poor to pay the rich and squeeze the 'sandwich class'. There are yet others who will also blame the Government for wasting their time and effort for filling up the petrol tanks of their cars, renewing their vehicle licences and stocking up on cigarettes and imported liquors in vain. Forums will be held by the mass media and community groups to discuss the Budget speech. In addition to this, members of the public can also voice their opinions by writing to the letters-to-the-editor columns of the press, calling up the open lines or simply airing their views through street interviews. There will be articles and comic strips in newspapers and magazines and in their lucid, vivid and lively style of expression, they talk freely about the Budget speech.

For the current Budget, there is a cartoon which shows the 'god in charge of wealth' dressed up in the ancient Chinese mandarin attire—a black official headpiece and a robe—leisurely sipping beer and soft drink at the same time with two straws. It is remarkably descriptive. The situation in Hong Kong this year is different from that of last year. As uncertainties on the future have been cleared, people have set their minds on the administration of local affairs again. Hence, they greet the Budget Day with greater interest. Before the day, Hong Kong was rife with rumours. There were fears that the Government would increase taxes and charges sharply in order to cover government expenditure without dipping into the fiscal reserve.

On 27 February, the Financial Secretary made public his Budget which he concluded with a quotation about 'happiness' and 'misery'. Although some people, myself included, felt slightly uneasy at the re-introduction of a duty on non-alcoholic beverages, the general public were much relieved. Nevertheless, hardly has one wave subsided when another rises. The public is again faced with increases in consumer goods and services and higher charges by the public utilities. In fact, some corporations were more tactful than in the past. Their managements have learned to fly kites by leaking news of possible price increases through the mass media and by giving speeches at regular luncheon meetings to test the reaction of the public. As a result, we could hear news about price increases almost every day.

With regard to increases on consumer goods and services, citizens have, to some extent, the right to choose and select and demand will affect prices. However, when the franchised utilities raise their charges, citizens find themselves quite helpless and have to rely on public outcry and criticisms of pressure groups to fight their case. UMELCO Members have done a lot in this respect by reflecting the wishes of the people. The debate on the monitoring of public utilities during the Legislative Council meeting on 24 November 1982 was largely the result of public concern on the matter. The 'Ah So Motion', though far less striking and far-reaching than the 'Lobo Motion', had been then the talk of the town. The report prepared by the consultancy to review the Government's monitor arrangements of the power companies, put forward by the Secretary for Economic Services on 13 March 1985, is a product of that debate.

The Government has always insisted that public utilities and services, except water supplies and postal services, should be provided by the private sector as far as practicable. This basic principle, which allows users and consumers to enjoy reliable services and the utilities companies to obtain 'reasonable returns', is sound. The fact that the Post Office, though being a government department, has a surplus of \$36.9 million this financial year will certainly make many neighbouring countries feel envious. If a public utility is run by the Government, the department concerned must be accountable to the Legislative Council. Statutory corporations such as the Mass Transit Railway Corporation and the Kowloon-Canton Railway Corporation, which are wholly owned by the Government, are monitored by their Boards of Directors which are appointed by the Government. As for other non-government statutory corporations, their operations have to comply with the provisions of specific ordinances. Government refrains as far as possible from interfering with the internal administration of privately owned utility companies which have been given a franchise or semi-franchise. It only protects the interests of consumers by means of the so-called schemes of control. At present, there are all together seven companies which have entered into scheme of control agreements with the Government. They are the China Light and Power Company Limited, the China Motor Bus Company Limited, the Hong Kong Air Cargo Terminals

Limited, the Hong Kong Air Terminal Services Limited, the Hong Kong Telephone Company Limited, Utility companies which are not bound by any scheme of control agreements but are under the control of the law or franchise clauses include the two ferry companies, the Hong Kong Tramways Limited, the Peak Tramways Company Limited and the New Lantao Bus Company. However, it seems that there are no criteria governing the Government's decision on which companies should be brought under a scheme of control or be granted a franchise. For example, although the Cable and Wireless (Hong Kong) Limited and the Hong Kong and China Gas Company Limited are primarily operating on a monopoly and semi-monopoly basis, neither of them is under a scheme of control. As the Hong Kong Telephone Company Limited has been required to operate on a franchised basis, why has it not been so with the Cable and Wireless (Hong Kong) Limited? Telephone services are subjected to control, but the mobile radio telephone services are not. These anomalies and the dealings between utility companies and their associated and subsidiary companies are all very puzzling.

The Government has a set of guidelines governing the charges of the public utility companies, the principal one being that charges must be able to cover operating costs. However, there are no standard rules for determining which authority should determine or approve charges. For instance, 11 public utility companies have to seek the approval of the Executive Council on matters concerning their charges; the Hong Kong Air Cargo Terminals Limited and Hong Kong Air Terminal Services Limited are required to seek the approval of the Civil Aviation Department for that matter; on the other hand the Boards of Directors of the Kowloon-Canton Railway Corporation, the Mass Transit Railway Corporation and the Hong Kong China Gas Company are empowered to revise charges for their services. The introduction of new tariff structure and the increase in additional tariff this year by the Cable and Wireless (Hong Kong) Limited has got the approval of the Post Office. The Legislative Council only has a say in the charges of the Hong Kong Telephone Company and it has to exercise this authority in conjunction with the Executive Council. Such being the situation, there is no wonder that some interested bodies and pressure groups find themselves always 'clamouring at the wrong doors or petitioning the wrong departments'.

The most contentious issue concerning the provisions is the concept of 'permitted return'. There are seven different levels of permitted return for the existing seven schemes of control.

The government unit responsible for the monitoring of public utilities has a workforce of only five. Given the differences in the schemes of control and in the monitoring procedures, strict enforcement would not be possible even if they were supermen.

With this in mind, I hope that, while considering the consultancy report, the Government would conduct an overall review of the policies towards the monitoring of all privately owned public utilities and formulate a uniform and

comprehensive system for new schemes of control. Moreover, for the purpose of public accountability, either a special committee should be set up or UMELCO Members should be appointed to assist in the review and monitoring of public utilities. This would help to remove existing anomalies and to relieve consumers of their worries.

Sir, with these remarks, I support the motion.

MR. F.K. HU:—Sir, it is a great relief to Hong Kong that we are now out of the confidence crisis since the signing of the Sino-British agreement on the future of Hong Kong. The Financial Secretary pointed out in his Budget speech that the general increase in economic activities and the return of confidence helped to stimulate a recovery in private investment in plant and machinery throughout the year and there has been effective full employment. The Administration should be congratulated on its decision to remain steadily and visibly on course towards a return to balanced budget without resort to stop and go tactics and we have to learn to live with the reality of the drastic fall in land revenue to about \$1.7 billion in net terms, which in the Financial Secretary's tactics may establish a trend for future years.

I share the Financial Secretary's view that enterprise and hard work are stimulated by low direct taxation and by confidence that it will remain low. It is such belief and encouragement that have enabled Hong Kong to establish itself as one of the leading industrial, commercial and financial centres and that have brought in more wealth and revenue. On the other hand, we have to look for ways and means to reduce expenditure without affecting our long term goal of stability and prosperity. We must continue to take care of those who are least able to care for themselves. I see no reason to carry on policies which allow for across-the-board subsidy including subsidising those who can afford to pay the full cost. This is an area where the Administration should pay more attention to as considerable saving can be achieved without sacrificing the principle of caring for those who cannot care for themselves.

It is evident that some public housing tenants have prospered over the years since they moved into public housing. The latest household survey indicates that tenants living in public housing spend more on foodstuff and drinks and consumable goods than those in private housing. There has been a growing trend of opinion that these tenants should move out of public housing in order to allow the Housing Authority to allocate housing to those who really need subsidy. Recognising this pressing problem, the Housing Authority has recently set up a special committee to look into firstly the question of identifying those tenants who do not need housing subsidy and secondly ways of implementing reduction of subsidy. It is a wise decision to look for ways and means of limiting the spending of public money on caring for only those who cannot care for themselves. In the meantime, I do hope that the proposals for implementation, which must be simple and easy to understand, will cause as little inconvenience or disruption as possible to the ways of life of the affected tenants.

This arrangement will inevitably increase rent for certain sections of the public housing tenants. Higher rent will mean less subsidy from other taxpayers and indeed will be an incentive for these tenants to consider seriously to buy H.O.S. flats which are less subsidised. Such arrangement will enable the Housing Authority to contribute more towards capital expenditure for rental housing and to be more independent in carrying out its ambitious and long term plans.

The Housing Authority has given the undertaking of buying back H.O.S. flats within certain period of time subject to a number of specified conditions. Furthermore, there could be a number of flats difficult to dispose of for various reasons. Therefore there are bound to be a number of empty H.O.S. flats at any time. Consideration can be given to rent out these H.O.S. flats at unsubsidised rent to tenants who can meet set conditions, but for various reasons prefer to stay in rented flats instead of owning the flats.

The same argument for reducing housing subsidy can also be applied to the Student Travel Scheme which will cost \$248 million in 1985-86. I commented on this scheme in this Council on 24 March 1983 for different reasons. The same reasons still apply today, but there is the additional reason against substantially subsidising those students who can afford to pay full fares. This scheme was approved on 22 July 1981 and it is about time for the Administration to reexamine the continued justification for this scheme so as to decide whether the scheme should be terminated or allowed to continue but with revised arrangements.

I fully support the idea of regular updating of all government fees and charges as services should be paid by those who use them. I note that Controlling Officers are encouraged to consider value for money for these activities. Controlling Officers should also consider whether such services can be provided more competitively through contracting out as it would not be fair for those who pay for services to pay exorbitant fees or charges because of Government's own provision of these facilities at a higher cost while an alternative cheaper arrangement is available. I note that vehicle towing could be undertaken by either Government through its own means or alternatively through contracting out. Comparison should be made accordingly between the costings of these alternatives before vehicle towing charges are revised.

Up to now, I might have appeared to be an advocate just for money saving. In fact in some areas of social services which require personal attention, flexibility is needed to enforce the policy of stabilising the size of the public service in order that effective work can be maintained to cope with these increased activities. I am in particular referring to social work provided by the Government and subvented voluntary agencies. I suggest that here we should allow increases in manpower where they are justified and where improvement and expansion of facilities have already been planned for. There are bound to be situations where productivity cannot be further stretched and the current total establishment

ceiling needs to be exceeded. A case in point is the inability to implement the scheme of community service orders although it has been approved to go ahead. Social work and its related services are essential in improving social welfare and Hong Kong can hardly afford to be lagging behind in these services in our continuing efforts to achieve stability and prosperity for the community. I hope, therefore, the Controlling Officers concerned will be allowed to exercise flexibility and discretion in the implementation of this policy.

Sir, with these words, I support the motion.

MR. WONG PO-YAN delivered his speech in Cantonese:—

督憲閣下：財政司在本局提議本財政年度政府收支預算案二讀時，在他簡明而詳盡的演辭最後一段引用大文豪狄更斯的話說「年入二十磅，歲出二十磅零六便士便是悲哀」。我們可以理解到他提出的本年度預算內有赤字十億元之多，一定會使他心中感到十分悲哀。但是我們應該讚賞他的勇氣與決心，在這困難及緊縮開支的環境中能夠在預算案裏面充份照顧到本港的發展前途，對重要的公共建設維持繼續進行，為本港日後的發展基礎創造條件。對需要居屋的廣大民眾提供比前更多的，每年平均有四萬四千個單位落成，對教育、醫療衛生、社會福利各項目的撥款也表現得十分慷慨，使這些項目在支出的比重方面比以前的預算有增無減。由這些措施看來可佑財政司對本港前途及長遠的利益表現甚為負責的態度。因此對在他的歲入預算項目中要受不同程度影響而增加負擔的市民來說，我們可以預料有最大的諒解。

財政支出極力抑制的結果，使得公共開支在生產總值所佔的比例在過去一年度內下降至百分之十六點四，而且在一九八五—八六的年度中更預料會降至百分之十六，確實是得來不易的成就。就從去年三月二十八日本人在本局預算辯論中提出的希望降至百分之十五的目標相去不遠。這點本人認為是本港公共開支方面走向更加健康的一步。但是另一方面，我們應該注意到去年我們的國民生產總值實質增長率為百分之九點六，是異常良好的表現，今後數年未必會有同樣的成就。因此，如果公共開支有不容易控制的增長，這百分比有可能再行上升。本人認為我們的努力應該是二方面的，一方面應當適當地抑制開支，另一方面更加重要的是努力設法提高生產力，以求生產總值的良好增長。

過去三年內，政府已經盡量設法徵拔稅源，以求收支平衡，到今年已經向非酒類飲品徵稅，這些建議已經引起不少公眾反應，因此我以為未來數年可以接受的新稅源非常有限，我希望今後財政司應該把每一次徵拔稅源的努力來緊縮開支。

財政司在他演辭的第四十三段說我引述「我已經常強調，在減低財政赤字方面，我們所採用的方法必須是冷靜的，穩健的，而且最重要的是要有規劃的」。我相信他所提出的原則是同樣應用在收入與支出方面的。在這裏我想就收入方面提出一點意見，就是我們在徵收稅項方面必須堅守我們行之已久的地域原則，即是我們只在本港範圍內產生的利益徵稅。

由於本港地位特殊，我們除了因為對外貿易的關係要與各地有密切的聯繫與活動以外，在金融方面有國際性的活動交流，也是本港得以生存與發展的重要因素。資金的流入流出，資金的管理的活動，有形及無形，短期及長期均對本港的經濟活動有千絲萬縷，複雜錯綜的關係，而本港亦因此在不同範疇之內受益。由於這種重要性，我們必須避免在我們極須增加收入的時候採取任何與我們一向奉行不渝的原則相違背的措施，如果對已通過的法案的解釋令到我們對此有疑慮的時候，我們必須採取「冷靜的、穩健的」態度，儘量避免任何措施會引導暫時仍未表現出來的可能的長遠損失。另一方面，如果我們需要在基本原則

上或行政措施上對芋一法例的解釋需要偏離行之已久的原則的話，我們亦應該深思熟慮，細心檢討，不可草率從事。

督憲閣下，我聽了財政司演辭第一百三十二段有關利息的一九八四年修訂條例的演辭，表現出他對一些意見認真考慮的態度，極表欣慰，上面一段講話，希望可以作為決定時的參攷。

本人完全同意財政司在演辭第十七段所說的本港「公務員的生產力已明顯地有所增加，而且仍然在增加中」。目前的情況是，我們一方面要不增加公務員的人數，另一方面確實在很多地方因為工作需要要多用人手，要達到這目標，優先的考慮就十分重要，財政司演辭第五十七段說「我們必須減少浪費，提高工作效率和將不必要的工作刪除」實在是十分中肯的話，問題是如何達到這些目標。在政府繁雜的工作中，浪費情況無疑存在，不必要的工作有的可能行之已久，但是沒有因環境與工作的調整而消失，我們怎樣去找出問題再進一步來解決呢？我以為要解決這問題，除了政府內部自己的經常及詳盡認真的檢討之外，因為政府的活動與市民息息相關，因此，政府應該廣泛注意，甚而主動積極去尋找一般市民的意見，以開誠佈公、誠懇的態度接納市民的良好建議，這樣，我們可以預料會有很好的成果。此外，我要強調的是，對一些與本港經濟活動有關的工作，特別是出入口貿易的進行，政府必須採取措施，保證不會因為人手不足而受阻礙。

本人對香港前途抱有極大信心，去年九月中英聯合聲明草簽之後，本港及世界各地人士對本港金融、工商業及各方面的積極投資態度與行動使本人深信本港未來的經濟發展仍會照以前許多年的軌跡繼續前進，其中會有起有落，但總是向上的。我們的財政預算的改善比預料的更好，從本年度的預算看來，平衡已經在望，如果我們小心謹慎，不會很難在三五年內又返回以前的頂點而且可以更進一步。

督憲閣下，本人謹此陳辭，支持此項動議。

(The following is the interpretation of what Mr. WONG said.)

Sir, in moving the second reading of the Appropriation Bill for the next financial year in this Council, the Financial Secretary quoted in the last paragraph of his concise but comprehensive speech the words of the great writer Charles Dickens: 'Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery'. We can well understand his great misery when he presented this year's Budget with a deficit of \$1 billion. However, we should all admire his courage and determination that in the face of difficult and financially stringent times he has taken good care in his Budget of the various future developments in Hong Kong and the maintenance of major programmes, thus laying the foundation for the further development of Hong Kong. For the vast majority who are in need of housing, he promises to build more H.O.S. flats at an annual rate of 44 000 units. He is also very generous in the allocation of funds for education, medical and health and social welfare, thus increasing the proportion of such allocation as in the previous budgets. As reflected from these measures, we can see the Financial Secretary's responsible attitude towards the future and the long-term benefits of Hong Kong. We can expect the utmost understanding to come from those who have to shoulder a heavier burden in taxes in different degrees in the various budgetary items.

As a result of the severe restraint in expenditure, the proportion of public sector expenditure to G.D.P. has dropped to 16.4 per cent last year and it is estimated that this will further fall to 16 per cent in the year 1985-86. This hardearned achievement is also quite close to my expectation of a fall to 15 per cent as mentioned in my Budget debate in the Legislative Council on 28 March 1984. I consider this to be a good step forward in the better utilisation of public funds. On the other hand, we should note that the growth rate, in real terms, of G.N.P. was 9.6 per cent last year, which was very remarkable indeed.

I am afraid we may not be able to match a similar achievement in the coming years. Therefore if the growth of public sector expenditure is not held at bay, this percentage may rise again. I consider that we should concentrate our efforts on two aspects, namely, to apply appropriate restraint on expenditure and, more importantly, to spare no efforts in increasing productivity in order to achieve a better growth in G.D.P.

In the past three years, the Government has tried various means to increase sources of revenue in order to achieve a balanced budget. The proposal in this year's Budget to re-introduce the duty on non-alcoholic beverages has aroused much public outcry. I think in the years ahead, the Government will find very limited new sources of revenue which are acceptable to the public. I hope that the Financial Secretary would in future spend his efforts on cutting expenditure instead of further tapping new sources of revenue.

The Financial Secretary said in paragraph 43 of his speech, and I quote 'I have frequently emphasised the need of a calm, steady but above all planned approach towards reducing the deficit.' I believe he has applied this principle in both revenue and expenditure. Here, I would like to speak on the revenue aspect. We should stick to the long standing 'source rule' in the imposition of tax, that is, we only levy taxes on profits generated within the territory. The status of Hong Kong is unique. We have to establish close links and engage in activities with other countries for the purpose of promoting international trade. Besides, the international exchange of financial activities is also an important factor for the survival and development of Hong Kong. The inflow and outflow of capital and its management, visible and invisible, short-term and long-term, are interwoven with the economic activities of Hong Kong. And Hong Kong thus derives benefits in various spheres. Owing to their importance, we must avoid adopting any measures contrary to the principles that we have followed all along at a time when we are in bad need of increasing our revenue. If we have any doubts about the interpretation of the bills which have been passed, we must remain 'calm and steady' and try our best to avoid adopting any measures which may lead to long-term losses that have so far not yet shown for the time being. On the other hand, if, in the matter of basic principles or administrative measures, we need to deviate from our longstanding principles in the interpretation of certain legislation, we should consider and analyse it more carefully and seriously and in great detail and hasty decisions are to be avoided.

Sir, I am glad to see that the Financial Secretary has given serious consideration to certain views expressed as shown in paragraph 132 of his speech concerning the enactment of the 1984 Amendment Ordinance relating to interest. I hope what is said above will be of good reference when a decision is taken.

I am in total agreement with what the Financial Secretary said in paragraph 17 of the Budget speech that in the civil service 'productivity has obviously increased and is still increasing'. The present situation is that while there should be no increase in the size of the civil service, there are indeed many areas where additional staff are needed to do the job. Priority will be a very important consideration if this goal is to be achieved. The statement 'This can be achieved by cutting out waste, by increasing productivity and by eliminating unnecessary work' in paragraph 57 of the Budget speech is indeed a very valid remark. The problem is how these can be achieved. Among the Government's many and diverse duties, waste certainly exists while certain unnecessary work may already be there for quite a long time, but they have not disappeared with changes in both environment and work. How then are we going to pinpoint these problems and try to solve them? In my opinion, apart from frequent, thorough and serious reviews within the Government itself, and because Government activities are closely related to the public, the Government should widely heed or even make an effort to find out the views of the general public on its own initiative and to accept their constructive suggestions with an open mind. Thus, we can expect to have fruitful results. Besides, what I want to emphasise is that measures should be taken to ensure that any work associated with Hong Kong's economic activities, especially the conduct of the import and export trade, is not unduly hindered by insufficient manpower.

I have great confidence in the future of Hong Kong. Since the initialling of the Sino-British Joint Declaration in September last year, the positive investment attitude shown by investors both locally and from all over the world towards Hong Kong's financial, industrial, commercial and other sectors convinces me that Hong Kong's future economic developments will move ahead along the same track as in previous years. Although there may be ups and downs, but the trend will definitely be an upward one. Our budget has improved better than expected. As can be seen from this year's Budget, a balanced budget is already in sight. If we are cautious enough, it will not be too hard to return to the peak period we used to have, and even more than that, in three to five years' time.

Sir, with these remarks, I support the motion.

MR. STEPHEN CHEONG:—Sir, I do not think there is anyone in this Council, or indeed any right-minded person in Hong Kong, who would disagree with the Dickensian view taken by the Financial Secretary of the Government's budgetary strategy. This stance has served us well in the past and I believe that it will continue to serve us well in the future. I would therefore give my

wholehearted support to efforts made by the Administration to continue applying downward pressure on public sector expenditure, particularly recurrent expenditure, and applying upward pressure on revenue. I would like, however, to offer a few observations.

For many years now successive Financial Secretaries have developed a set of budgetary guidelines by which recurrent revenue, as reduced by recurrent expenditure, would produce a surplus to finance a part of our capital spending programmes, and the surplus on recurrent account taken together with capital revenue would go towards meeting capital expenditure. Times have now changed. Over the past few years, the level of capital revenue has fallen sharply and, having regard to the provisions of the Sino-British Joint Declaration, is unlikely to contribute as high a proportion towards our capital spending as was the case in the 1970s.

So my first observation is that time may have come for the Government to review and, if necessary, update the budgetary guidelines stated in footnote (7) of Appendix A of the Budget speech. I would like to see these guidelines rationalised *de novo* and projected forward as medium-term objectives, that is to say, as objectives which could be pursued with a degree of continuity whoever may be steering the course of our budgetary policies, so that this Council may be confident that the Government would not only be working towards achieving a balanced budget in 1986-87, but would also stay on this course in the years to come without having to increase taxes year after year, be they direct or indirect taxes.

I have every confidence that the Government would, given the necessary resolve, succeed in holding down public expenditure over the next few years; and hold it down we must, for I agree with Miss DUNN that the relative size of the public sector at the projected rate of 16 per cent still needs to be pruned further. I am less confident, however, about the Government being able to achieve sufficient revenue *without* substantially widening our tax base. In our attempt to increase tax yields, we have raised the level of taxation to the point where it is beginning to generate problems over avoidance and evasion. Evasions of duty are a case in point. It is all very well to plug loopholes and to tighten controls; and plug and tighten we must, but it must be remembered that these efforts have the effect of increasing expenditure.

Revenue suggestions

This brings me to my second observation. In order to increase public revenues substantially, say by \$1 billion the Financial Secretary said he would need this year to achieve a balanced budget, I believe the time has come to face up to the harsh reality that we need to widen our tax base by introducing a new tax or new taxes.

Having regard to the requirements for the fiscal systems, as outlined in footnote (6) of Appendix A to the Budget speech, a tax that could lead to a

balanced budget this year could be a flat 0.5 per cent levy on the value of all imports excluding foodstuffs. The effect of such a tax should, if the Government's forecast for imports in 1985 is realistic, yield close to \$1 billion a year. Such a tax would be only mildly inflationary. It would be easy and inexpensive to collect and administer, for we already have the mechanism of trade declarations. It should bear equitably on all sectors of our community. At a rate of half a percentage point such a tax would be unlikely to induce wholesale avoidance and evasion. And, finally, given the size of Hong Kong's imports, this is the sort of tax that is likely to produce increasing yields.

Of course we would have to be careful that the yield from this tax is not unwittingly passed on to the T.D.C., and we would have to consider very carefully the implications of such a tax on our oft-pronounced status in the G.A.T.T. as a free port. Before anyone shoots it down I would like to remind my colleagues that Hong Kong is something of an exception is not having an import tax and, much more importantly, that times have changed, and changed to such an extent as to justify our having to take a close look at our fiscal system.

If there are compelling reasons against having an import tax, we should at least be contemplating the introduction of a tax of, say, 1 per cent on sales at the wholesale level. Such a tax would again have to exclude foodstuffs, and it would produce less than the tax on the value of imports, and would almost certainly be more costly to administer. But many communities, notably the United States and practically all E.E.C. countries, have been taxing sales of one kind or another for years; we ourselves have recently introduced the tax on cinema tickets; and there is no good reason why the Government should not seek to learn from the experience of other administrations.

Economic prospects for 1985

Turning now to economic prospects for 1985, I am afraid I disagree with the Financial Secretary over his forecast growth rate of 11 per cent in real terms for Hong Kong's domestic exports. With adverse exchange rates, and with protectionism beginning to render our bilateral textile agreements somewhat insecure, my expectation for the growth rate of domestic exports would be much lower than 10 per cent in real terms. While the emergence of China as our second largest market is a welcome development in market diversification, it must not be forgotten that our exports to China are influenced by factors other than market forces, and that the value-added contribution of our exports to China tends to be less than that of our exports to the markets of the industrialised nations.

Suggested measures

This brings me to my third observation. Following the comprehensive study made of our economy by the Advisory Committee on Diversification in 1979, the Industry Department guided by the Industrial Development Board have

made strenuous efforts to encourage the importation of technology *via* industrial investment promotion, and to create and maintain those back-up services and facilities which our manufacturers need to improve their output. After a passage of seven years the time has come, I think, to take stock generally, and particularly on two main issues, namely, the scope for improving the output of various manufacturing industries and, secondly, the representational role of our overseas offices.

Dealing, first, with our overseas offices: while I think that the level of our representational activities in multilateral issues has been both laudable and adequate, I do not think that enough is being done within the United States and the E.E.C. In the case of our offices in the U.S. my recent experience in accompanying the Trade Department's delegations to Washington reinforces my suspicion that there is just not enough manpower to do all that needs to be done. My suspicions apply with equal force to the European scene. We need more manpower of sufficiently high calibre to influence national opinion, which has a marked effect on Community policy, in our favour. This could perhaps be achieved, by extending the Brussels Office's activities to the capitals of some of the Member States: Bonn, Paris and Rome, in addition to London. There is a case for doing much more than we have done in the way of promoting Hong Kong's case, whatever the issue may be, particularly as we do not have enough political clout to retaliate, or even to threaten retaliation. And, finally, the emphasis of overseas activities being represented with the aim of keeping open our access rights, I suggest that responsibility for supervising our overseas offices should clearly and firmly be vested in the Secretary for Trade and Industry.

As regards the manufacturing sector, I think it would be worthwhile for a review to be made of each major manufacturing industry to assess the size of their problems, to ascertain their export growth prospects and to determine the extent to which the Government may legitimately contribute towards improving the volume and quality of their output. This exercise should not require the revival of the Advisory Committee on Diversification, which took two years to complete its task, and should be undertaken within the existing machinery of the Government in consultation with various industries. The findings should be fed into the Industrial Development Board. I believe this exercise could be well worth our while: there is never any harm in taking stock, in the sense of re-examining the measures that the Government has introduced. Lest my intentions should be misunderstood, let me say categorically now that I am not seeking to upset or replace the Government's traditional role of positive non-intervention. The question that I would like to see answered is, given a positively non-interventionist stance, whether the measures and services which Government has directly provided—for example, in the supply of land and works, in promoting the investment of technology, and in the conduct of Hong Kong's external commercial relations—have been effective, and whether the essential business services for which the Government is indirectly responsible—

for example, trade promotion, export credit insurance, promotion of productivity—are as effective as they should be, in the light of changing economic and trading environment of the 1980s.

Finally, Sir, I would like to lend my support to the setting up of a committee to look into the feasibility and advisability of the border industrial zone as advocated by my colleagues, the Honourable Sir S. Y. CHUNG and the Honourable Allen LEE. This concept could be of vital long term importance to Hong Kong. It should not be dismissed as just a means through which industrialist would simply make more profits without due consideration given to the welfare of our workforce. Given Hong Kong's full employment situation and hopefully, we will be able to maintain this satisfactory state of affairs, any further long term development of our manufacturing base will need to look seriously into fine tuning of our production methods. Knitting of Panels for the Sweater Industry is a case in point. For the past few years, our workforce in the knitwear sector had fared relatively well simply because there were no problems of supply of panels being fed into our production lines in Hong Kong. Now that the U.S. had chosen to change the rules unilaterally, without regard to her obligation under international agreements our workforce will definitely be faced with adjustments problems which may lead to adverse effects on their employment opportunities. Surely, under such circumstances, there would be a case for serious thoughts on how best Hong Kong can do in order to provide some degree of stability to the situation. Sir, we ask no more than the setting up of a committee to look into the concept seriously. Being your advisers, it would be remiss of us if we do not voice our ideas for the Administration's careful consideration. I sincerely hope that the Government would be open minded enough to refrain from torpedoing the concept with just a stereotype response.

Sir, with these remarks, I support the motion.

Suspension of sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now suspend the Council until 2.30 p.m. on 28 March 1985.

Suspended accordingly at thirty minutes past five o'clock.