

1 HONG KONG LEGISLATIVE COUNCIL -- 26 April 1990

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OFFICIAL REPORT OF PROCEEDINGS

Thursday, 26 April 1990

The Council met at half-past Two o'clock

PRESENT

HIS EXCELLENCY THE GOVERNOR (PRESIDENT)

SIR DAVID CLIVE WILSON, K.C.M.G.

THE CHIEF SECRETARY

THE HONOURABLE SIR DAVID ROBERT FORD, K.B.E., L.V.O., J.P.

THE FINANCIAL SECRETARY

THE HONOURABLE SIR PIERS JACOBS, K.B.E., J.P.

THE ATTORNEY GENERAL

THE HONOURABLE PETER JAMES ALLAN, J.P.

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

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

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

DR. THE HONOURABLE HENRIETTA IP MAN-HING, O.B.E., J.P.

THE HONOURABLE CHAN YING-LUN, O.B.E., J.P.

THE HONOURABLE MRS. RITA FAN HSU LAI-TAI, O.B.E., J.P.

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

THE HONOURABLE CHENG HON-KWAN, O.B.E., J.P.

THE HONOURABLE CHUNG PUI-LAM, J.P.

THE HONOURABLE HO SAI-CHU, M.B.E., J.P.

THE HONOURABLE HUI YIN-FAT, O.B.E., J.P.

THE HONOURABLE DAVID LI KWOK-PO, J.P.

THE HONOURABLE NGAI SHIU-KIT, O.B.E., J.P.

THE HONOURABLE POON CHI-FAI, J.P.

PROF. THE HONOURABLE POON CHUNG-KWONG, J.P.

THE HONOURABLE SZETO WAH

THE HONOURABLE TAI CHIN-WAH, J.P.

THE HONOURABLE MRS. ROSANNA TAM WONG YICK-MING, J.P.

THE HONOURABLE TAM YIU-CHUNG

DR. THE HONOURABLE DANIEL TSE, O.B.E., J.P.

THE HONOURABLE GRAHAM BARNES, C.B.E., J.P.
SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS

THE HONOURABLE MICHAEL LEUNG MAN-KIN, J.P.
SECRETARY FOR TRANSPORT

THE HONOURABLE EDWARD HO SING-TIN, J.P.

THE HONOURABLE RONALD JOSEPH ARCULLI, J.P.

THE HONOURABLE MARTIN GILBERT BARROW, O.B.E.

THE HONOURABLE PAUL CHENG MING-FUN

THE HONOURABLE MICHAEL CHENG TAK-KIN, J.P.

THE HONOURABLE DAVID CHEUNG CHI-KONG, J.P.

THE HONOURABLE RONALD CHOW MEI-TAK

THE HONOURABLE MRS. NELLIE FONG WONG KUT-MAN, J.P.

THE HONOURABLE MRS. PEGGY LAM, M.B.E., J.P.

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

THE HONOURABLE MRS. MIRIAM LAU KIN-YEE

THE HONOURABLE LAU WAH-SUM, J.P.

DR. THE HONOURABLE LEONG CHE-HUNG

THE HONOURABLE LEUNG WAI-TUNG, J.P.

THE HONOURABLE JAMES DAVID McGREGOR, O.B.E., I.S.O., J.P.

THE HONOURABLE KINGSLEY SIT HO-YIN

THE HONOURABLE MRS. SO CHAU YIM-PING, J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, J.P.

THE HONOURABLE MRS. ELSIE TU, C.B.E.

THE HONOURABLE PETER WONG HONG-YUEN, J.P.

THE HONOURABLE YEUNG KAI-YIN, J.P.

SECRETARY FOR EDUCATION AND MANPOWER

THE HONOURABLE MRS. ANSON CHAN, J.P.
SECRETARY FOR ECONOMIC SERVICES

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

THE HONOURABLE MRS. ELIZABETH WONG CHIEN CHI-LIEN, I.S.O., J.P.
SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE ALISTAIR PETER ASPREY, O.B.E., A.E., J.P.
SECRETARY FOR SECURITY

ABSENT

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

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

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

THE HONOURABLE PANG CHUN-HOI, M.B.E.

THE HONOURABLE ANDREW WONG WANG-FAT, J.P.

THE HONOURABLE LAU WONG-FAT, O.B.E., J.P.

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR. LAW KAM-SANG

Second Reading of Bill

APPROPRIATION BILL 1990

Resumption of debate on Second Reading which was moved on 7 March 1990

MR. CHEONG: Sir, in rising to support the Appropriation Bill 1990, may I first associate myself with the Honourable Andrew WONG's tribute to the Financial Secretary. Sir, many in Hong Kong would know or would be able to sense that we do face difficult times ahead. To be Financial Secretary or indeed to be any responsible officers during these times is no easy task. Individual enthusiasm, hard work or even brilliance is not enough to carry us through. All of Hong Kong needs to work together with understanding, humility and a unity of purpose to get us through these troubled waters. It is with this spirit in mind that I would like to offer some observations for Government's further consideration.

My first observation relates to the economy. Sir, ever since the economic implications of the Chinese open door policy became better appreciated by the international community, the economy of Hong Kong has been drawn closer and closer to that of China. Five years ago Hong Kong's economy was capable of taking a separate course of action without being affected too greatly by what happened in China. Now, rightly or wrongly, various components of our economy have become so intermingled with that of China that we cannot disregard the Chinese dimension in the future development of our economy.

In the years 1986, 1987 and 1988 when China's open-door policy was taking hold our rates of growth were stunning. But with its austerity drive beginning in the latter part of 1988 coupled with the aftermath of June 4, China's economy has gone into a tailspin and we have had to revise expectations of our own economic performance. The immediate future may not be bleak, but it is not cause for rejoicing.

China has now recovered, somewhat, its equilibrium. We should not, we must not, do anything in any way to jeopardize this. Disequilibrium immediately means severe

adverse dislocations in our entrepot trade; in the activities of Hong Kong's vital production support base across the border. Furthermore, disequilibrium means a big drop in our retail business and in the number of tourists coming through Hong Kong. In short, practically all economic activities in Hong Kong will be affected. Hence it would be quite correct and fair to deduce that the well-being of our citizens depends to a large extent on the prosperity and stability of the mainland. I would urge all to recognize this reality.

In this context, recent moves by the United States politicians to use the Most Favoured Nation Status as a possible sanction tool against China deserve our full attention and concern. If such moves were to become a reality, it will no doubt have adverse impact on the Chinese economy. This in turn would affect Hong Kong adversely. However, what is more worrying would be the immediate adverse impact such a sanction on China would bring to Hong Kong's export related economic activities. My estimation is that it will deal a deadly blow to our domestic export which valued at \$224 billion in the year 1989 and re-export which valued in the year 1989 \$346 billion. A conservative estimate that I make is that 20% to 30% of our total exports (\$570 billion) -- that 20% to 30% is a \$150 billion worth of trade -- will be adversely affected.

Sir, if such would be the case, the knock-on effect on our economy will be so great that Hong Kong will be liable to face the most severe economic depression we have ever experienced for the past 20 years. I shudder to think of the consequences of such a scenario and therefore urge most strongly that the Government not only monitor closely development in this area but should immediately develop a working strategy to try to avert such a calamity from happening.

To the business community in Hong Kong, I urge that we should make our concern known to our trading partners in the United States. We should try to persuade our counterparts in the United States to lobby their own politicians for Hong Kong's cause.

To those Hong Kong people who clamour for and support United States trade sanction against China, may I respectfully urge them to climb down from such senseless and irresponsible bandwagon. If these people are loyal to Hong Kong and if they are really serious about caring for the interest of Hong Kong people, please act now and urge their political friends in the United States Congress to abandon the move to sanction China through the removal of the Most Favoured Nation status. It is simply

unthinkable that anyone can claim to stand up for Hong Kong and work for Hong Kong whilst at the same time supporting activities that will have such a huge adverse impact on the economic well-being of Hong Kong people.

Sir, the aftermath of those June events in China also precipitated adverse psychological effects on the people in Hong Kong. Fuelled by uncertainties and more unease over 1997, there have been more frustrations resulting in increased tendency to emigrate as well as precipitating an increasing air of militancy in labour management relations. This is very unhealthy indeed for our society. It is in this context that I worry about the long-term inflationary and unsettling effects of the recent spate of price and wage hikes.

In respect of the latest wage increases, whilst Government can argue that the percentage increase for the public service is a direct result of the pay trend survey which drew on the experiences of some 69 companies the past year, it has to be recognized that the great majority of private enterprises are small size operations, employing 50 or less workers. They do not have the cushion to absorb the increase in cost and will have no choice but to raise prices to pass on the increases. This will certainly help to provoke inflation and therefore higher wage demands, possibly sparking off an endless wage spiral.

Perhaps Government should review the pay trend survey methods and try to adopt a more realistic sample in feeling the pulse of the various sectors of our economy. Labour leaders too are advised to be mindful of the long-term detrimental effects of excessive wage demands. No place, however successful in the past, can afford to price itself out of the market. Current indications are such that Hong Kong is running a great risk of pricing itself out of the market. We are especially vulnerable because we have to compete in the world markets in both products as well as services.

Sir, I do not disagree that all sectors should have an opportunity to share in Hong Kong's well-being. Yet, Government should recognize that no economy can sustain long-term progress without an adequate supply of resources. Prolonged shortage of any resources -- be it financial, infrastructural or human -- will not be conducive to further long-term growth.

For the past five years, Hong Kong has enjoyed full employment, and has also been successful in improving the general standard of living of all people in Hong Kong. Long may this scenario continue as long as we can afford it. Unfortunately Hong Kong

is too externally oriented and our local economy is too small to be able to act as the only sustaining force on the growth of our economy. Thus, we have to be mindful of our competitive edge in world markets. Signs on the horizon are such that Hong Kong is rapidly losing its competitive edge. Prolonged shortage of human resources is taking its toll. Something needs to be done before it is too late. I urge therefore that Government reviews on an urgent basis the need for measures which can effectively combat the ill-effects of such prolonged shortages.

Thirdly, during the run-up to 1997 the maintenance of our economic and business environment is crucial. To maintain a favourable investment environment in Hong Kong, we should strive to uphold a simple taxation system and a reasonably low tax rate. The Government's intention of maintaining a more realistic ratio between direct and indirect taxation deserves our fullest support. Yet, Sir, I urge that all existing resources be fully explored before embarking upon the novel idea of a sales tax which is retrogressive in my opinion and which will hurt mainly the ordinary people.

In the past two Budget speeches, the Financial Secretary spoke on the need to broaden and stabilize the tax base as well as the idea of a sales tax. Discussion on the subject has been going on for some time. But so far what is meant by a broad and stable tax base is at best unclear to the general public.

Broadening the tax base can mean more people falling into the tax net. This can be done by lowering the personal allowances for income tax to make more people become taxpayers. Naturally this will be unpopular. But, equally, Sir, introducing a sales tax may be just as unpopular. Furthermore, the sales tax is an administratively complicated alternative as well.

The implementation of sales tax in a place like Hong Kong, where the majority of traders are medium to small size, is likely to be very costly. Until effort has been made to up-date the indirect taxes, I do not see any justifiable cause for making more commodities taxable which would be the case with a sales tax. It should be kept in mind that over the years there has been neglect in maintaining the yields from duties and general rates. For example, revenue from general rates was \$1.2 billion in the year 1984-85 and only \$1.5 billion in 1988-89. The increase in revenue throughout these years from general rates had in fact failed to catch up with inflation in the same period.

Finally, Sir, another lesson driven home to us by recent events is the need to

uphold openness in Government. If the Government expects Hong Kong people to trust them, it should first take the people into its trust. This means, in the first instance, that people should be told as much as possible. We should not, consciously or otherwise, set precedents which will be followed in future to our detriment.

In this context I find it disconcerting that the billions of dollars set aside for the Land Fund of the Hong Kong Special Administrative Region (SAR) Government should continue to be set down as an expenditure item. In effect this means that with the stroke of a pen the Financial Secretary has possibly removed from future legislative oversight this huge sum of money. Sir, the principal task of this legislature is to see that public funds are properly used. By setting up the Land Fund as an expenditure item, the money has theoretically been used and coupled with current arrangements, the future legislature of the SAR in theory could be excluded in overseeing its disbursements. I am certain this is not the intention of both Britain and China and urge that it should be made clear. Secondly, I hope that leaving out details of revenue estimates in the supporting documents of the Appropriation Bill was an oversight rather than a deliberate attempt to withhold information for Members' analysis and scrutiny.

In closing, Sir, as I have said at the beginning, our future is now irrevocably tied up with that of the mainland. We should stop thinking in terms of whether what we say and do will please or offend China. The two components are so interdependent that we cannot look at economic growth as separate entities. We must do what we can for mutual benefit. Otherwise both will sink together and it is in our interest not to see that happen.

Sir, I support the motion.

PROF. POON: Sir, this is my fifth budget speech and I would like to repeat once again my concern of the lack of government investment in Hong Kong's future in the important area of science and technology, and insufficient funding for research and development (R&D).

This afternoon, I shall concentrate on three specific areas: firstly, the need to develop the technological capability of Hong Kong in terms of "soft" infrastructure of the society; secondly, the existing government participation in this area; and thirdly, the setting up of a Science and Technology Council.

Soft infrastructure: technological capability

In his Budget speech, the Financial Secretary highlighted a rather unfavourable scenario of Hong Kong industry, with comments such as "reduced overseas demand for Hong Kong's products" and "the performance of our domestic exports in some of our major markets was rather disappointing". I am gratified to note that the Government will "continue to develop and improve our services and the infrastructure necessary to enable Hong Kong to continue its dramatic success story". There is emphasis on the "introduction of some new services" and "improvement to existing services" including additional funding for the new tertiary institutions. However, I cannot help but have the feeling that the proposed Budget has neglected the important development of soft infrastructure in Hong Kong.

Many Hong Kong people have the erroneous impression that the level of science and technology in Hong Kong is comparable with that of advanced industrial countries. However, nearly all higher technological products in Hong Kong are imported from the advanced economies and the level of technological know-how and capability is considered by many local industrialists to be lower than in the other newly industrialized economies. Most technological products can be purchased but technological capability is not a commodity that can be bought over the counter. It takes time and considerable accumulated investment to develop technological capability in terms of infrastructure of the society. Technological capability is more than know-how and hardware: it also involves people and local institutions.

It should be realized that the products and benefits of technological development are very long-range. Because of this nature, the benefits of investment in technological development may not be directly returned to the investor and will usually accrue to a sector of the economy which includes the investor as a member. Hence, in many countries, especially the newly industrialized economies, governments have helped to develop technologies as necessary infrastructure for their societies.

It is generally agreed that Hong Kong will not prosper purely as a service centre without a thriving manufacturing industry, since our economy is basically of the "export-led" type. The Government has decided to invest heavily in the "hard" infrastructure of port and airport to maintain Hong Kong as a key communications centre. However, without the "soft" infrastructure of science and technology, neither manufacturing industry nor services will be able to grow to such an extent

as to yield an adequate return on the "hard" infrastructure that is to be completed in the medium term. Apart from the fact that the influence of science and technology, that is, S&T, pervades the economy, it also pervades our daily life. Science and technology is more than an economic activity; it is a major component of the improvement in quality of life. Like education, S&T should be viewed in the context of helping to fulfil community needs and the social aspirations of Hong Kong people. It should be part of our culture.

Government participation

Positive non-intervention was a successful policy in the past. Until now the Government apparently perceives that S&T development is little more than some basic education and training in science and technology. Now the private sector is questioning the appropriateness of such a policy in the future. Science and technology is certainly a new dimension for government thinking.

Non-interventionism could be an excuse for zero action. There is a fear of making mistakes, although it is hidden from the present and will only be exposed in the future. As a matter of fact, the Government has in the past intervened successfully and very strongly in some areas of the economy. Because of the absence of a focus for S&T in the government structure, the following problems have developed:

- (a) Hong Kong lacks a coherent approach to S&T.
- (b) The very limited efforts of Government and the private sector are fragmented and unco-ordinated.
- (c) Some important aspects of S&T are neglected and there are as yet no plans to develop them.

Sir, S&T, like education, has to be a government responsibility because of the basic, pervasive and long-range nature of its effects. The non-existence or small size of the domestic market for technology-related products and services means that Hong Kong cannot rely on domestic market pull, but must choose an appropriate strategy to build up our own technological capability. This will not only enhance our competitive ability, but will also attract advanced industrial countries to make use of Hong Kong as an off-shore manufacturing centre with respect to their own industry.

A proposed fresh approach

In view of the importance of S&T for Hong Kong's future prosperity and the current lack of a proper government structure to support the work, it is proposed that the existing Advisory Committee on Science and Technology be replaced by a Science and Technology Council. This council is to be a statutory body with an executive arm and to have the following terms of reference:

- (a) to formulate and review science and technology policy;
- (b) to oversee the promotion and development of science and technology;
- (c) to act as the focus of co-ordination for efforts relating to science and technology both within and outside the Government;
- (d) to serve as a channel for consultation for the various stake-holders having an interest in science and technology;
- (e) to seek advice, through the aegis of committees and networks of experts, on scientific and technological issues relevant to Hong Kong;
- (f) to allocate funding and be empowered to disburse funds for the execution of plans and programmes, especially in relation to the support of applied R&D and S&T institutions;
- (g) to pool efforts from private and institutional sectors to participate in and to ensure sharing of responsibilities for development of S&T.

It is proposed that membership of the S&T Council be drawn from the private and institutional sectors with a limited number of government officials.

Initial funding requirement for the S&T Council will be modest. It will be several years before major investments in S&T infrastructure could be made with confidence. Funding requirements are therefore most unlikely to compete seriously with hard infrastructure requirements over the next five to eight years.

We can draw on the good experience and example of the Trade Development Council of introducing a suitable levy system on industry to obtain the necessary funding

for such development. There will be little extra burden on the Government and the sector which benefits will pay for the expenses. Furthermore, the proposed council may also consider pooling together expertise from industry and the academic circle to develop those most needed R&D projects. Such projects can also be supported with matching funds by the council with respect to the investment by the relevant industrial sector.

Sir, in conclusion, one important factor to ensure that the concept of "one country, two systems" will work after 1997 is to maintain Hong Kong's prosperity, progress and usefulness with respect to its neighbours and in particular to China. A prosperous and stable Hong Kong will benefit the entire international community. The enhancement of S&T in Hong Kong will help to maintain its links with the western world and enhance China's long-term respect for Hong Kong.

We must invest now to develop our own "soft" infrastructure. It may take time to gather experience and there may be some risk of not getting the best out of the investment. However, inaction or some passive and unco-ordinated efforts will be even more risky in the long term. A Science and Technology Council is therefore proposed to be set up. It will help the Government in conjunction with the industrial sector to make certain decisions for the transfer and development of those S&T capabilities most needed by Hong Kong at this moment as well as those needed in the future.

With these remarks, Sir, I support the motion.

MR. TAM (in Cantonese): Sir, we have seen better days for the past several years. It is now believed that days of austerity will be in store for the Government in the next few years. The Budget for this fiscal year has brought the Hong Kong public certain degree of uneasiness. Various projects such as the development of the new airport and port facilities, the Metroplan, the increase of tertiary places, environmental improvement schemes and improvements in transport facilities and so on are all due to start. However, whether Government has the necessary funds to cope with these projects is a concern of many people. The rapid growth of the public sector and the spate of civil servant disputes have brought further worries to the public. According to forecasts in the expenditure and revenue estimates, there will be a year-on-year consolidated cash deficit even after budget revenue measures. Thus members of the public are worried that substantial deficits may be incurred. With

the increasing growth in public expenditures, the public will have greater tax burdens. These tax problems have put the general public in a quandary. In tackling the issue we need to think rationally before making comments. Let me attempt to analyse the following issues today.

I am not bringing up old scores here. However, I consider that the Government's current need for coping with so many large-scale, mammoth projects at one go is attributed to its lack of a comprehensive concept in the overall development and infrastructure of the territory in the past. In fact, urgent needs for handling many items of work were known long time ago, but regrettably the Government time and again procrastinated in implementing these projects for financial reasons. As a result, substantive backlogs have accumulated to such an extent that it will not permit further procrastination and that all these projects need to start at once, thus giving rise to shortage of funds and even to an exigent situation that leaves the Government with no room for manoeuvre. I therefore hope that the Government will take account of these experiences. Many plans have been scheduled in the days ahead. They include the mammoth infrastructural projects, environmental improvement projects, provision of additional places at the tertiary education level and so on. Besides, decisions have to be made on how to carry out other items of work such as backup facilities for our industry. Faced with these scheduled items and possible programmes of work, the Government should expedite the drawing up of a practical and feasible priority list. Undeniably in view of the existing stringent financial situation, some projects may have to be postponed; however, indefinite postponement of these projects will cost Hong Kong dearly in its future development. In such a dilemma the Government should identify the programmes that need to be implemented as soon as possible, and make proper arrangements according to their importance. This is what a government with vision should do.

Furthermore, the implementation of these projects will have impact on the livelihood of people from different sectors. As it is inevitable that priority will have to be accorded to different items of work, deferred implementation of some of the projects may result. Without full understanding of the whole selection process, members of the public may become discontented and keep on putting pressure on the Government, resulting in administrative difficulties. Therefore, an open process of policy formulation that allows public participation is essential. In last year's policy debate I already pointed out that whilst we concurred with the importance attached to many infrastructural projects, in making a decision the Government should make known to the public what other items of work would be affected consequent to

the implementation of certain projects, and what consequences would result if certain projects were to be shelved so that the public could have an understanding of the whole situation, or better still could participate in the selection process. I therefore take the view that in formulating a practicable plan the Government should make the related discussions open.

What I have just said only concerns the capital expenditure of some mammoth projects. There are also the recurrent expenditures on the personal emoluments of the Civil Service which the Administration has to meet. Whether or not the Civil Service is properly managed directly affects the effectiveness and efficiency of policy implementation and the staff performance tells whether the Government gets good value for the money it spends. It follows that the recent civil servant disputes have aroused the concern of quite a large sector of the community. We should understand that both intrinsic and extrinsic factors come into play in problems relating to civil service disputes. Hong Kong people attach great importance to promotion prospects, but a large number of civil servants of various grades in the Civil Service have reached the maximum points of their respective salary scales and their chances of moving up one rung in their career ladder seem rather slim, thus cultivating a sentiment of discontent within the Civil Service.

Moreover, the job security offered by their careers in the Civil Service is not as strong as before. In recent years the Government has been actively implementing the privatization of public services in the belief that it will help reduce operation costs. However, in the course of these changes, the civil servants concerned may face the possibility of transfers or even having to leave the Civil Service. Prompted by the sense of insecurity, civil servants step up their demands in asking for more from the Government. Such course of action is understandable. Consequently, a measure which originally aimed at reducing operation costs triggers off an increase in costs. If the need and difficulties of making advanced payments of pensions to the civil servants are taken into account, we really cannot over-estimate the so-called effectiveness of privatization.

On the other hand, the morale of our society is rather low these days and people increasingly tend to focus on short-term objectives. Such sentiments undermine civil servants' confidence in and patience with the Government and affect their consideration in striving for benefits. Therefore, it is necessary to strengthen the communication between the staff side and the Administration. Although at present there are many consultation channels for dialogue between the Administration and the

staff side, these channels are not fully effective and they need to be developed. I also hope that both sides can come to grips with various knotty problems in a sincere and rational manner so that problems can be solved without prejudice to the interests of all, and the Administration will then be able to proceed with its work effectively.

Undoubtedly, government spending in future will be heavy. The community at large does not want to see the Government step up its expenditure without restraint and end up in having deficits. Since it is inevitable that future government spending will be on the increase, I take the view that whilst the Government is requested to be prudent in its spending, we need not stick to the budgetary guidelines of maintaining a balanced budget, or even a budget with surplus. Fiscal reserves are meant for catering for emergency needs. As fiscal reserves are derived from the community, it is justified to have them spent on the community provided that deficits will not recur year after year.

According to past experience, undue emphasis on a balanced budget will only impede social development. With revenue increases as a result of the booming economy in the past several year, surpluses rolled in, enabling the Government to lower direct tax rates which in turn led to a dwindling in revenues. In this fiscal year, the economy is slowing down and the revenue is expected to dip. However, the Government is required to face hefty public spending in the coming year. With the limited amount of fiscal reserves, the public finance is in a stringent position. Accordingly many members of the public take the view that if there had not been a number of taxation concessions over the past several years, our current financial position would not have been in such an embarrassing state. In view of the above, the Government is badly in need of a review on its financial strategy and should consider emphasizing on a long-term balance in the Budget rather than confining ourselves to an annual balance in revenue and expenditure so as to enhance flexibility in government financial policy.

In commenting on the Budget we cannot, of course, merely touch upon public expenditure and ignore the revenue. Just now when I was speaking on the principle of overall public finance I similarly could not ignore the taxation policy. Taxation policy is an essential element in public finance. In this year's Budget three paragraphs have been devoted to the discussion on revenue strategies, and one of these paragraphs focuses on discussing the ratio of revenue from direct tax and indirect tax. It is emphasized that the ratio should be lowered. Whilst I appreciate the Government's concern about changes in taxation structure, I really cannot concur with

the suggestion.

In formulating taxation system, we should consider not only its effectiveness and impact on the economy, but also the principle of equity. This is a common place view, but all along the Administration has overlooked the impact of the taxation system on the distribution of resources in society. Removing the working wife allowance in the combined taxation return of married couples is the case in point. It is plain to see that indirect tax is a kind of retrogressive taxation in that it will only result in the poor having to bear a greater burden of government expenditure increasingly, thus aggravating the present situation of unfair distribution of wealth. This is contrary to the principle of equity and is also one of the drawbacks of increasing revenue from indirect taxation.

Furthermore, to increase indirect tax will also adversely affect commodity prices. Since the publication of the 1990-91 Budget by the Financial Secretary last month, the increase in indirect tax has brought about a chain reaction of upsurge in prices. Increases that will produce the most serious effects are the increases in rates on property and the fuel tax. These tax increases will make their presence felt in the livelihood of the general public and the spiralling rise of prices will add extra burden on their living expenses. Incidentally, if the Government still keeps on raising the indirect tax, cost of living will be subject to inflationary pressure in the next few year.

The Government is of the view that the present tax base is too narrow and too vulnerable to economic fluctuations. Hence it is necessary to increase indirect taxation and to widen the targets of taxation to include more people into the tax net. But in the first instance, we have to realize that the so-called narrow tax base in fact implies that a vast amount of wealth is held in the hands of a small group of individuals and corporations. This shows uneven distribution of wealth. If this is the reason for increasing indirect taxation, it is nothing short of raising more revenue from the poor which will in turn aggravate the situation of uneven distribution of wealth. Furthermore, some scholars have pointed out that there is a close relationship between consumer spending and income earnings, and revenue from indirect tax is also easily affected by economic fluctuations. It is therefore doubtful whether to increase indirect taxation will really stabilize the tax base significantly. Even if the tax base may be slightly stabilized with increased revenue from indirect tax, the existing unfair taxation system will further produce the effect of ripping off the poor to subsidize the rich. In view of such possible

consequences, we can never agree that this policy is a wise one.

As a matter of fact, it is Government's ultimate aim to stabilize public finance, but to stabilize public finance does not necessarily require the stabilization of tax base; likewise, to stabilize the tax base does not necessarily require increased revenue from indirect tax. As I have mentioned earlier, if the Government adopts a strategy of long-term balance in its budgets, it will not be required to aim at formulating a balanced budget each year, or to worry about the stability of the tax base. Besides, we can stabilize the tax base by ensuring a steady revenue from direct tax. For instance, the fact that the existing tax band for salaries tax is too narrow does not only overload the middle income group with too high a tax rate in real terms, but also results in revenue from direct tax being highly susceptible to economic fluctuations. The Government should therefore broaden its tax bands to reduce fluctuations in revenue from direct tax and to scale down the actual tax rate of the middle income group. Moreover, the tax allowances should be adjusted according to inflation rate to ensure that the tax load of taxpayers will not be affected by inflation, and to a certain extent, the tax base may be stabilized.

In fact, there are numerous ways to improve the existing taxation system and to make it more adequate. However, the Government lacks the courage to forge ahead with a full review on the existing taxation system, but resorts only to patch-up measures in solving problems. In my opinion, in view of the necessity of adjusting public finance to suit the needs in the coming years, the Government should take this opportunity to set up a Tax Review Committee aiming at overhauling the taxation system of Hong Kong with a view to coming up with a tailor-made taxation system which is more compatible to the needs of Hong Kong. Of course, there should be sufficient representation from the grassroots level on this committee, otherwise such a review of taxation will only become cosmetic and a matter of formality. As for the issues to be reviewed, the following three points should be included:

(1) the desirability of broadening the tax bands and scaling up the marginal rates of the present salaries tax system and the detailed application of tax allowances and their adjustments;

(2) the effect of the present taxation system on the transformation in the industrial and commercial sectors;

(3) other possible sources of tax to raise additional revenue.

All in all, I have attempted a systematic analysis on the general problems of the present fiscal revenue and expenditure programmes of Hong Kong. It is a matter of paramount importance for the Government to manage its revenue and expenditure with vision and insight in the overall development. Only by so doing can our social policies be implemented more effectively. It is, however, regrettable that the Government still lacks such insight in its public administration. It is even more regrettable that the Government still lays emphasis on increasing indirect tax. On a number of occasions in the past I have raised my objections to increasing indirect tax, not only because of the number of disadvantages of the indirect tax mentioned earlier on, but also because of the complacency of the Government in taking stop-gap measures to patch up the existing taxation system. What the Government has done is merely an attempt to sidestep the obligation of overhauling the taxation system.

In view of the foregoing, I abstain from voting to show my regret.

MR. BARROW: Sir, in presenting this year's Budget, the Financial Secretary has faced even more of a dilemma than usual in balancing the short-term aspirations of many segments of our community with the need to ensure a solid foundation to the infrastructure plans which are so vital to the success of the Special Administrative Region (SAR) in the next century. Overall, I believe the direction and strategy laid out in the Budget are generally sound, and today I want to refer to three topics:

- (i) inflation and the labour shortage, which is the number one issue,
- (ii) infrastructure development, and
- (iii) tourism and the promotion of Hong Kong as an international city.

Today a number of concerns beset Hong Kong and it is only realistic to note that the circumstances of this Budget debate are rather different from those of last year. However, just as at the same time last year, the solutions to these issues largely depend on the continuing success of our economy -- which means the viability of the territory as perceived by investors, and most of all, by the people of Hong Kong themselves; Hong Kong's future and Hong Kong's economy can be thought of as almost synonymous.

Whilst there has been criticism of the increases in some of the indirect taxes, I acknowledge the problem confronting the Administration: revenue for the projects we all consider essential has to come from somewhere. I would suggest that the current direct/indirect taxation balance has, however, probably moved as far as it can and it is the right decision not to proceed with the wholesale tax, although I note that this is to be kept under review.

Inflation

As the Honourable Allen LEE said yesterday, inflation is public enemy number one; and I would therefore like to review the actions open to us.

First and foremost is our immigration policy which is the root of the problem and on which a significant change of policy is essential. Sir, it is the only real means open to us to tackle the problem of inflation. Shifting much of Hong Kong's low-end manufacturing into southern China has been expedient and an important reason for our continuing ability to compete on price in world markets while steadily improving the living standards of our people. But the down side has been the sheltering of our economy from a number of mechanisms to which it would otherwise have been exposed. Most important have been avoiding the requirement to maintain an adequate supply of labour and -- as a result -- the lack of self-correction in the rate at which wages increase. Hong Kong's industries should strive to remain competitive by every means possible including -- for those able to do so -- making good use of the production base in Guangdong. But such low-cost cushioning is not available to those operations that are confined to Hong Kong. In particular, the service industries are suffering as a result of the high wages and staff shortages.

Besides fuelling inflation this is having undesirable consequences for Hong Kong as a whole -- for example, by decreasing our attractiveness as a base for foreign multinational headquarters operations and by endangering our reputation for service in tourism and other sectors.

We should now be prepared to take urgent action where self-correction is failing to function. The heart of the solution is a replenishment to the labour supply, which would have a deflationary effect by lessening the wide gap that still exists between supply and demand. The workforce should continue to receive adequate wage increases in keeping with a social policy for a steadily improving standard of living; but the Administration must now allow the importation of both unskilled and semi-skilled

labour. It is interesting to note at this time that the Singapore authorities have recently extended their contract labour scheme to cover every sector, having previously been restricted to shipbuilding, hotels, construction, and domestic help. Even Japan, which has several thousand illegal foreign workers, and South Korea are looking at schemes for foreign labour.

This subject was a major topic in the debate last year and, indeed, it was also an issue two years ago. A year ago, a well-argued case was put forward by a group of trade and industrial organizations that a more flexible policy should be adopted. I would urge the Administration to re-examine these proposals. I would also like to reiterate that what the private sector has been proposing is a controlled scheme for imported labour. No one is suggesting mass importation to match every single vacancy.

It is however no use coming up with a complicated and bureaucratic scheme which will not tackle the problem head-on. I would urge the Government to ensure that any new schemes are simple and workable.

At the same time, there should be more initiatives to encourage productivity, such as special tax concessions for capital improvements aimed at greater automation. There must also be further opportunities in the public sector for cutting back staffing levels and increasing efficiency; the Administration has already been taking action, and must continue to lead by example. The Financial Secretary described himself in this Chamber recently as a notorious shaker of bureaucratic trees -- I hope he is fit enough to keep up the shaking with renewed vigour.

Infrastructure development

Turning to Hong Kong's infrastructure, I welcome the Port and Airport Development Strategy (PADS) initiatives for the projects' practical contribution to the future needs of the territory as well as for the self-confident spirit they demonstrate to the world at large, and for their contribution to the strengthening of Hong Kong as an international city. Incidentally, I was, Sir, on the West Coast of the United States last week and I noted very wide interest in the plans, although there are some who seem to view them as a public relations exercise. We must continue to get over the message that the projects are being undertaken for sound economic reasons: the economic disbenefits of inaction are enormous. I would also suggest that we avoid focussing on the gross cost of all the projects, some of which may not be initiated

until the next century and we should instead focus on the constituent elements, particularly those which are directly related to the airport.

We must, however, monitor the inflationary implications of the high level of planned public spending, of which the PADS projects will be a major part. It may be that some elements of the plans unrelated to the airport can proceed at a slower pace. There must be even greater efforts to involve the private sector in significant funding of every project in which it can feasibly participate. Finding ways of doing this should be another weapon against inflation, and it is one the Government must use with enthusiasm.

I fully agree with the comments made yesterday by many Members in support of more privatization. The Administration should urgently explore which other areas of existing infrastructure, or other sectors of the economy, could be considered for privatization. It would all help.

Tourism and promoting Hong Kong as an international city

Following the setbacks of 1989 we have begun to see an encouraging recovery in the numbers of visitors, with expenditure forecast at \$43 billion in 1990 compared with \$37 billion in 1989. This is most welcome, given the importance of tourism in our economy as a whole. Underscoring the recovery are the signs that more regional visitors are regarding Hong Kong as a destination in its own right, not merely as a convenient stopping-off point for onward trips to China. There is, however, no room for complacency as our long haul visitors from North America and Europe are not returning in the same way as our regional visitors.

The efforts to promote Hong Kong must continue. We must have the resources available to market Hong Kong vigorously as well as to make visitors feel more welcome. The decision to grant the industry a functional constituency is of course good news to everyone involved in tourism and travel.

We must take care in exercising proper controls over immigration. We must not allow bureaucracy to become unreasonably heavy-handed, and there remains a need to simplify procedures and ensure visitors feel welcome at Kai Tak. The recent case of the stranded visitors from Taiwan was regrettable and ought not to have occurred. There remain also question marks over our treatment of visa applicants from Eastern Europe and elsewhere and further actions are needed to put Hong Kong on the map for

legitimate visitors wishing to come here from anywhere in the world.

I have spoken before in this Chamber about the need to strengthen Hong Kong as an international centre. Some of the current problems I mentioned earlier -- inflation, high wages and scarce labour in particular -- are causing concerns amongst our trading partners and the multinationals based here or contemplating moving here. Their concerns are not helping Hong Kong's international image and Hong Kong's leaders must respond by emphasizing at every opportunity the many advantages Hong Kong has to offer as an international centre. Vigorous promotion through the Hong Kong overseas government offices should be stepped up, with professional help where appropriate.

Above all, Hong Kong must commit itself to a course of action aimed at maintaining the territory's status as an open, international city -- open to outside ideas, influences and opportunities, as well as to even stronger growth. Every one of us -- in the public and private sectors alike -- must be on the lookout for anachronistic, harmful restrictions, including the issue of over-regulation which has been receiving a healthy airing in the media of late. In this connection, I was delighted to learn this week that the Medical Council is now demonstrating flexibility regarding a role for non-Commonwealth doctors.

As another example, I must draw the Financial Secretary's attention to the threat to Hong Kong's role as a regional financial centre following from recent judicial decisions regarding the "sources" of profits for Hong Kong tax purposes. There appears to have been a change of policy in this area, with transactions not previously taxed now being subject to Hong Kong tax. Two things are required -- a legislative roll back of the court decisions and a change in policy by the Administration. The alternative may be an exodus to Singapore of regional headquarters.

Conclusion

Sir, I would describe the economic prospects for Hong Kong in 1990-91 and beyond as full of hope despite the concerns. Careful handling of the economy is needed now, perhaps as never before. The Administration must continue to create an environment in which our own people can have the confidence of succeeding within Hong Kong, as we develop our economic interdependence with southern China. It must be sensitive to the way others see us so that outsiders will want to trade with us, and to come here and work with us. This Budget is the product of an economic strategy which, in my view, needs urgent adjustment -- with regard to inflation -- if such aims are

to be realized.

Hong Kong is now much more political than it used to be -- and it is understandable that this should be so -- but we must not lose sight of what Hong Kong is best at -- keeping business strong, keeping the economy strong, for the benefit of all the people of Hong Kong.

In conclusion, Sir, in reinforcing my point on bureaucracy, perhaps I could quote from Lao Tzu's Dao De Ching,

"When the Government is too intrusive,
People lose their spirit.
Act for the people's benefit,
Trust them. Leave them alone."

With these words, Sir, I support the motion.

MR. PAUL CHENG: Sir, regardless of our differences of opinion, we must acknowledge with thanks the efforts put forward by the Financial Secretary, the Secretaries, the department heads and the unsung backroom staffers who surely sacrificed many nights and weekends in preparing the 1990-91 Budget. Putting together a complex, far-reaching programme, such as this, must have been a most challenging and difficult exercise -- particularly against a current background of declining economic growth.

Whilst I welcome the new organization for presenting the Budget estimates logically with convenient arrangement of Budget categories and the efforts made in providing Members with the Budget information earlier than the practice in the past, I must still question whether or not the budgeting process we currently follow should not be reviewed.

The process as it stands now certainly does not allow Members the opportunity to provide strategic inputs before the figures are put together. The special Budget meetings before this debate encourage Members to "nit-pick". The Budget process does not foster a careful, thoughtful measure comparing your October policy address, Sir, with overall financial planning. It does not test strategies for policy implementation against resource allocation. It can easily cause us to "miss the forest for the trees"; and it certainly does not test our vision.

Clearly, Hong Kong has had an impressive historical record of stability and prosperity with continuous economic growth. However, recent events coupled with increasing militant labour demands and territory-wide anxiety over an economic downturn are powerful indicators that prudent management alone may not be enough. We need to urgently develop a longer-range strategic plan. The Medium Range Forecast produced by the computer is simply too hypothetical. Human judgment and assessment of what Hong Kong needs and where we want to be in the future are crucial to ongoing social and economic prosperity.

Frankly, I have felt this pressing need each time I participate in the work of the Finance Committee. I feel it now as I think of the central theme throughout your October policy statement -- a charge to build confidence here and abroad in Hong Kong's future. It is only right that we ask the question, "Does this Budget lay the best foundation to achieve that?"

Certainly OMELCO's hard work on the nationality package and on developing a polished, public statement on "Strengthening Hong Kong as an International City" supports this important policy. I wish the Budget process had enabled me to arrive at a clearer picture on where our financial planning is leading us. Do our financial priorities support our priorities for building confidence in Hong Kong?

Although there was a profuse use of the word "strategy" throughout the Financial Secretary's speech, I found my own understanding of what strategy entails is a bit more definitive and visionary. Communication of strategy should result in the listeners' going away with an understanding of priorities. I believe this is left unclear with this Budget process. I would urge that we consider changing the process to allow us to devote the valuable time we spend in special Budget meetings to be spent on an exchange of strategic views -- rather than on the usual line-by-line "dickering".

The education programme area provides a good example of what can be problematic with the current review process. How do we assess resource allocation for education in addressing the brain drain? I think it is vitally important to support all efforts on improving and expanding tertiary education and on ensuring we have world-class universities in place. This is one long-term measure to confront the brain drain problem and to provide for an educated, informed populace who can contribute to self-government. But we need more.

Short-term and medium-term planning as a part of strategy in support of your broad policy to build confidence suggests that adult education is a priority as well. We need to support the people who are already working. We need to support them through adult education, training and retraining programmes, and programmes that bring educationalists and businessmen together to provide for an informed, productive community.

Unfortunately, these things are not a part of the education programme area under the Budget format; and we are faced with a Budget process that is unhelpful in giving us a reading on whether or not we are providing sufficient resources to successfully implement this policy. The process directs the attention of individual Members to meticulous and dedicated scrutiny of figures that are scattered as sub-headings under several different budgeted programme areas. This is why I ask that the Budget process enables Legislative Council Members to provide constructive input on strategy, rather than being limited to a line-by-line review at the tail end of the budgeting process.

Similarly, strategic input is important to building confidence within the business community as a crucial part of the overall confidence-building policy. Currently, Hong Kong enjoys worldwide business confidence; but it is "shaky", and it is being eroded as events in China and Eastern Europe unfold and as our Asian Pacific neighbours continue to grow at the fastest pace in the world. The proposed Budget misses the strategic implications of this erosion and provides inadequate funding for the Administration to take a co-ordinated view that will circumvent negative impact on Hong Kong.

Notwithstanding the important focus of improved social services, we must also appreciate that business is essential to social stability as well. For example, it is short-sighted to fall back on shallow perceptions that look at business as greedy and that ambitious plans for infrastructural development really benefit business far more than the masses of ordinary folks. We all need to be employed so that we can all prosper, and so business and business confidence is important to each one of us on a very personal level.

Moreover, the implications go beyond the need for increased expenditure in this area. They threaten to have a far-ranging effect on the revenue side. Should we lose our businesses, then our primary base of taxation goes; and if taxation goes, then so does our funding. Despite valid worries over inflation, which we all share and

which so many of my honourable colleagues have already addressed, I believe that a good step was taken in this year's Budget in bringing about a relative shift from direct to indirect taxation. While I am not a proponent of wholesale tax at this stage, I do support the commitment to look for more ways to widen the tax base.

Having said this, I call again -- as I did last year -- for a review on the whole issue of generating revenue. A tax review committee would go beyond examining the tenability of a wholesale tax. That would be just one of many options. We are looking to devise a revenue strategy here and that means setting guidelines for future tax policies. Once more, these policies should safeguard the positive aspects that make Hong Kong a desirable place in which to live, work, and invest.

As for inflation, the only way to solve inflation is to relax our policy on the importation of labour. We must not allow this issue to fall between Finance and Policy Branches. I realize this is not a simple issue to tackle but we must find a way.

I would like to go back to my point of expenditure in the area of trade and industry as a means of building confidence in Hong Kong's future. Over the past several months, I have communicated to the Administration my strong belief in the need for a professional, well-co-ordinated campaign that improves Hong Kong's image abroad. Hong Kong's image in the world, Sir, was another major policy area in your October address; and I quote:

"But images are often created by events beyond our control. When the name of Hong Kong is mentioned nowadays, far too many people probably think either of 1997 or of Vietnamese boat people. We must do what we can to project a more balanced and more positive image of this exciting city. We must emphasize the progress we have made, in every field from the economy to housing. We must draw attention to the attractions of Hong Kong today, for its own people and for those from overseas. And we must, above all, tell the world what we are doing ourselves to build for our future."

Sir, I know you will again be making a trip to New York next month to promote Hong Kong. We are fortunate in having you as our ambassador, but this is not enough. Nor is opening a few more overseas offices sufficient. We need to put some serious money behind a well-co-ordinated communications programme to remind investors that we have been promised 50 years of capitalism beyond 1997, that mortgages run well beyond 1997, that we are working on ambitious infrastructural plans to ensure our

leading position as an international business centre. We must vigorously defend our market share as the location of choice for investment in selected industries and as a regional headquarters location for international companies. Prevention is better than cure. The stakes are very high.

Along the same line, I have been pleased with efforts to define Hong Kong's participation as a separate economic entity in global trade. The recent establishment of a Hong Kong Committee for the Pacific Economic Co-operation Conference (HKPECC) is forward-looking and is but one of many objectives that the Trade Department and the Industry Department are undertaking to attain their strategic goal to ensure Hong Kong's continuing world economic competitiveness. We must also ensure that we are putting adequate resources in countering mounting pressure to take the Most Favoured Nation status away from China. Repercussions on Hong Kong could result in a debacle. We know that our image overseas has been tarnished. It is, therefore, a time to act -- and not a time to conduct more surveys.

Let me take a moment to elaborate further on the importance of the Budget in laying a sound foundation for Hong Kong's prosperity which is as much dependent on social stability as it is on economic prosperity. I suggest that nowhere is this more apparent than in the work of our civil servants. Another important area of strategic budgetary planning relates to the handling of the Civil Service and the resources necessary for administering it well:

(1) The 1989-90 strategy to tighten control of recurrent expenditure by reducing the base for future expenditure was a skilful management decision that calls for continuing careful scrutiny as we move ahead in the new Budget year.

(2) Concurrent with the normal expectation of expanding the Civil Service establishment when new services are implemented, we must make every effort to cut back on archaic adherence to regulations and bureaucracy that is no longer necessary so that efforts to contain growth remain in force.

(3) In view of continued industrial action from civil service sector, Government must examine the Master Pay Scale and alternatives to it. Grade relativities is one particular aspect of this that must be addressed.

(4) With the morale of our Civil Service in question, a fresh look at incentives for productivity must be taken. Equal opportunity for promotion to policy-making levels

is essential. Upgrading technological support will also signal our belief that these people deserve to be supported to the maximum in their work.

(5) Corrective measures must be found to address growing wastage and poor response to recruitment campaigns for certain posts.

(6) More emphasis on human resource management must be taken to include improved leadership and staff consultations.

Basically, all of these recommendations for the Civil Service are a way of investing in our people, Sir, another important policy area cited in your October address.

Recently, more attention has been given to our need for strong leadership. So far, as leaders, we have allowed the people of Hong Kong to focus on looking for lifelines outside of Hong Kong instead of fostering their confidence in our abilities to lead them in continuing prosperity. Good leaders have vision and are able to communicate that vision to others. Every good manager worthy of his salt recognizes the need to be successful at motivating his people to share the firm's vision and give their best efforts in contributing to attain it. We should achieve such a shared vision for the people of Hong Kong. We are in dire need of leadership by example.

Can we provide such leadership by starting with the Civil Service? Let me call on the Civil Service to demonstrate leadership by example through self-restraint. I call upon them to break the vicious circle that has begun on demands for major salary increases, inflationary pressure and industrial action. Both the public and private sectors must now team up to overcome our short-term problems in order to achieve our long-term vision.

We all need to pitch in not only to keep Hong Kong clean but to also keep us competitive in an increasingly competitive world market.

Sir, with these observations, I support the motion.

MR. TIEN: Sir, the Financial Secretary has offered us a welcome picture of an economy coping and in full control. He has simply made a virtue out of necessity. So, for example, it was both "good" and "bad" that our rate of economic growth had markedly

slowed down (14% in 1987, 2.5% in 1989). We were informed by the Financial Secretary that a period of consolidation was "not unwelcome".

The Budget was presented in a largely optimistic vein. Indeed, the figure of our per capita GDP is now past US\$12,000. A very creditable figure, and amongst the highest in the region. However, this proud figure, although able to satisfy the ego of our government on statistics, is, on the other hand, beginning to price our products and our services out of competition.

The Budget: problem areas

My reading of the Budget is concentrated on the high inflation rate of some 8.5%. Since Honourable Members here have expressed their concern and since inflation cannot be wished away, something has to be done about it.

Given the concern for inflation, it is all the more surprising that the Civil Service should enjoy the privilege of the excessive wage increases just recently announced. The increase of 15% plus one increment on the master pay scale of about 4% takes the pay increase figure all the way up to 19% for a lot of civil servants. Still, all the major civil service unions are not satisfied. They want 2% more, claiming it is a matter of fighting for the principle of adhering to the pay trend survey. Is this the real sentiment of the 190 000 strong civil servants or is this just the civil service union leaders jockeying for positions for the 1991 direct elections to this Council. Whatever the true reasons, to the ordinary citizen this increase is staggering. No automatic increment follows for private sector employees.

In the private sector, the forces of market supply and demand play an important role and there are no protected areas. Since civil servants are never affected by the swings of the market which can be victim of so many factors -- be it cyclical reverses or capricious reactions, there is no reason to further reinforce an iron bowl which is by definition unassailable.

I believe also that Hong Kong needs a leaner and more efficient Civil Service -- one that would take better advantage of modern technology to reduce head counts and thereby allow the flow-back of much-needed manpower into the private sector to ease the labour shortage and in turn help curb inflation.

Last year I pointed out that a proposed increase of 7 200 posts in the Civil Service would lead to a "considerable strain upon the supply of available labour". I am most encouraged to learn that the government has taken a healthy lead to reverse this trend by abolishing 9 000 unfilled vacancies.

If the Civil Service were to automate more the streamlined machinery of government, it will also be realizing a doctrine it has always peddled to the private sector whenever we have called for a solution to our labour shortage problem.

As there has been no notable increase in the population, a reduction in the Civil Service count to the 1987-88 level should not be considered unacceptable. This should help stem the vicious circle of an expanding Civil Service leading to further labour shortage in the private sector leading to further wage increases and hence resulting in inevitable inflation for the entire economy.

The labour shortage scenario has not changed since last year. We are still suffering from a labour famine. In fact it is more entrenched and consolidated. The government scheme for a limited amount of labour importation has been half-hearted and unsatisfactory. The allotted quota of 3 000 imported workers were not all taken up and less than 2 500 were accepted for processing. The actual number working in Hong Kong now is about 1 600. A much larger number than this is needed. The Government must be more sincere and dedicated in its attempt to tackle this very serious problem.

The Government does not realize that a stingy labour import program in fact hurts the same workers which it intends to protect. Manufacturers frustrated by the Government's inability to solve this problem have simply moved their factories out of Hong Kong. Once a manufacturer's first move meets success, the trend becomes irreversible. The manufacturer no longer feels the need to pay top dollars to keep his workers. He will merely continue to shift his production elsewhere. That is why the manufacturing sector's wage increase has fallen behind that of other sectors in recent years.

Perhaps we can look to our neighbour Singapore for inspiration. It has taken characteristically bold steps and this in the face of equally strong labour opposition. The Singapore Government has recently taken measures to counteract the unemployment rate of 2.2% by allowing a hefty 10% import labour quota per sector. In order that we may continue to maintain our competitiveness in industry against the other little

dragons, we should seriously consider implementing a similar scheme as that of Singapore, and I hope, with the same degree of urgency.

Sir, let me broaden the concept. Our problems are not merely those of a labour shortage in the straightforward sense. Indeed we have a shortage of human resources.

Other than workers, we are also short of trained personnel in the hotel industry, in public accounting, data processing and financial services -- to name but a selection. The human resources turn-over rate is some 45% in these areas.

This shortage is exacerbated by the plans of so many of these people to emigrate.

The serious point however is that in a recent survey of businessmen, two-thirds of those polled felt that their staffing levels were likely to be reduced. When asked, only one businessman out of four was more concerned about the political uncertainties than the nagging question of labour shortage.

The Financial Secretary is reported as feeling "more and more excited" about the new airport. I hope he can transfer his excitement to informing us from whence the labour is likely to emerge to build it.

Sir, the only way to curb inflation in Hong Kong is to curb excessive wage increases. The only way to curb excessive wage increases is to have more available manpower. The solution to inflation is a well planned import labour programme.

Sir, this brings me to the next question of public sector expenditure. The "welfare state" principle is in my view alien to the spirit and tradition of Hong Kong people until recently when politics in the form of preparing for direct elections come into the picture. Given our renowned spirit of self-reliance and free enterprise, we should beware of going down the path of subsidized welfare where the few are expected to subsidize the many.

Public sector expenditure is rising faster than our growth rate, with effects that can only be a matter for grave concern. There are two bigs which we should avoid -- big spending and big bureaucracy.

The Financial Secretary tells us that he is no friend to big spending and big bureaucracy. However, we have a pronounced tendency towards the former and, a

consequent danger of embracing the latter. This year's Budget or total Consolidated Account Expenditure is \$90 billion compared with \$73 billion in 1989, an increase of \$17 billion or 24%.

If this is not big spending and big bureaucracy, the public might well ask -
- what is?

Let us put all this in another perspective. In the 1960s welfare spending in the budgets of a number of western countries was not very much more than what we are spending proportionately on welfare today in Hong Kong. By the 1980s, these same countries were spending 45% of their budgets on welfare services. By 1990 this figure was 50% and rising, especially in Sweden and the European Economic Community countries.

Should Hong Kong maintain its present rate of increase in its social welfare expenditure, by the turn of the century, we will be as bogged down as Europe is today by its social welfare burden.

The Financial Secretary is committed to restraint. He is also on record as refusing to spend his "pot of gold" just because he has it -- to use his words from his speech last year.

If the choice however is between spending the "pot of gold" on physical, wealth-creating enterprises such as the new airport and port development or on welfare my vote goes to the former. Spending on the new airport and port development will bring in income for our next generation; whereas spending on welfare is spent.

Hong Kong is fast becoming a place where the appetite for public sector expenditure cannot be satisfied. And yet we are not satisfying anybody. More demands have led to greater discontent. We have public sector strikes, threats and a falling-off in standards. It almost seems as though pouring money into the public sector merely sets off new problems. We cannot find a single public sector activity where all is well. Complaints, dissatisfaction and strikes are the order of the day. Firemen, nurses, doctors, teachers are all discontented.

Sir, let me now turn to the question of who is to pay for our future welfare plans. Here, the Financial Secretary quite properly draws attention to our excessively narrow tax base. Direct tax accounts for an increasingly uncomfortable proportion

of our total revenue, up to almost two-thirds in the coming year.

Indirect taxation must be in effect increased in fair and due proportion. The 30% increase in fuel tax and the 25% increase in property rates is the first step in the right direction towards the widening of our narrow tax base. I hope that this will lead to the gradual introduction of a wholesale tax, and I emphasize the word gradual, which the Financial Secretary has been publicly agonizing over for several years.

In the meantime, those who bear the main burden of paying direct taxes are busy leaving town. They have little confidence over the 1997 issue, or over unreasonable wage demands. They are also frustrated by a lack of management to run businesses.

The lack of balance between direct and indirect rate of taxation is thoroughly disturbing. In Germany and the United Kingdom the ratio of direct to indirect tax is about 54:46. In Hong Kong the ratio is about 65:35. Furthermore, those who pay direct taxes here are those most likely to emigrate. I refer to managers, professionals and entrepreneurs. By 1997, if this ratio remain at 65:35, one wonders where the direct tax will be coming from.

I realize that the desire to soak the rich is popular with the democrats. Under direct election, the votes of the taxpaying businessmen will be negligible versus the non-taxpaying grassroots.

Surely it is time for Hong Kong to learn the lesson that you cannot kill the goose which lays the golden eggs and in Hong Kong there are only 75 000 golden geese.

Of the 980 000 taxpayers, only 75 000 pay tax at the top rate of 15% this year. These relatively few taxpayers contribute about \$6.7 billion or 57% of the total tax yield. Too many people in Hong Kong receive a great deal in welfare without paying very much towards such benefits.

Conclusion

Sir, this is a Budget for the future, which, I hope, will become increasingly green. I ask the Financial Secretary to support the effort of industry to clean up the environment. Here, however, I am not asking for money. Here, again, the problem is in large part a problem of manpower.

Government has requested assistance from the Hong Kong Productivity Council to help industry on environmental matters. Such help can only be forthcoming if adequate trained manpower can be found for the purpose. Pollution control requires not only equipment; it also requires manpower.

Entrepreneurs in the manufacturing sector such as in metal-plating electronics, dyeing and finishing are experts within their own fields but not in pollution control. Their willingness to invest in equipment in the fight against pollution is currently hampered by their inability to find qualified personnel to use them. While these equipment lie idle, their infractions are then still dealt with by fines which leaves the pollution problem unsolved.

In order to secure such manpower, we need what I might call green graduates. The tertiary education sector needs to increase its supply of persons who can effect the green revolution which industry so badly requires.

I would also suggest that the polytechnics should mount short diploma-granting courses on environmental science to allow us to retrain some of our existing staff to enable them to tackle the pollution problems in industry.

So far it has been a question of too little, too late. Again, as in the case of imported labour, a greater sense of urgency is required.

Sir, the industrial investment picture in Hong Kong is not as rosy as some honourable Members have indicated earlier -- that of the claimed low tax of 15.5%. Although some countries, such as Thailand, Malaya and Indonesia have a higher tax rate than ours, their governments offer incentives such as tax exemptions for the initial few years of operation.

For example, Singapore recently introduced a new scheme whereby international companies using Singapore as a regional headquarters pay only 10% tax on their profits derived from this region.

Sir, finally, I repeat this is a Budget for the future. It locks us into a commitment to build a huge public works project. I have no quarrel with this. I do however question the never ending compulsion to spend the taxpayers' money. The Financial Secretary should listen to his peers (Piers!). We urge caution and responsibility, and we hope that he will pay early attention to redressing the balance

between those who provide for, and those who benefit from, the many advantages of living in Hong Kong.

Sir, with these remarks, I support the motion.

DR. LEONG: Sir, allow me to thank you and Members of this Council for letting me jump the queue, as it were. I shall try not to be long with it.

The 1990-91 Budget, in my opinion Sir, falls far short of being jubilant. In fact, it could even be described as a disappointment. It is disappointing because it lacks foresight; it is disappointing that many suggestions made by honourable colleagues of this Chamber last year were not even considered, let alone implemented.

Allow me therefore to start by pondering over some general issues before concentrating on funding relating to medical and health matters.

As a start, Sir, the widening of the indirect tax net can well be construed as Government robbing the man on the street en masse in disguise.

Such measures would, in turn, lead to spiralling inflation. This is a stark departure from the conventional inflation-succumbing budgeting approach.

Government seemed to have pulled back the controversial sales tax for the time being, to avoid any likely scathing retorts which might turn into a political storm. One could not help but suspect that going after indirect tax is an intended bridging-over to an eventual introduction of sales tax some time in the future.

It is more than obvious that Government is putting infrastructural development on top of everything else. On paper, the airport-related projects are glamorous and seek to paint a rosy picture for the future of Hong Kong. No doubt, these engrossing and glossy projects would, to a certain extent, help boost the flagging confidence of Hong Kong after the incident of June 4.

But Government would be all in after huge resources are being dragged onto these king-size projects. This would result in a tightening control of public expenditure and emaciate any genuine improvements in other services such as education, social welfare, medical and health over the years to come.

And eventually, it is the common people that suffer. For any meaningful upgrading of public services would not be in sight in face of Government's tightening-the-purse-string policy. Their quality of life, instead of progressing forward, would be retrogressive.

Sir, what we need is a government that cares about the well-being of her people, a government that caters for the daily needs of every man in the street.

Sir, people are Hong Kong's only asset and I, like my honourable colleague Mr. James TIEN, am for the issue that a fair share of welfare is most essential for each and every one of them. I consider that a fair share should be given to all irrespective of whether they are golden or clay geese. If I could quote from MILTON, a famous English poet, from his poem On His Blindness, and I quote: "They also serve those who stand and wait."

An uninspired medical budget

I would like to turn to say something on what I call an uninspired medical budget. Once again, Sir, as in previous years, the Financial Secretary has uninspiredly set aside 8% of the total government expenditure for health care services.

This close-fisted policy has prevented any genuine improvement to the quality of health services in Hong Kong.

The question lies, regrettably, in the reluctance of Government to sincerely face up to the present health quandary and to assess the likely adverse consequences.

Government has adopted a half-hearted attitude of which the Provisional Hospital Authority (PHA) report is a vivid example. For years the staff and the public have been lured to the belief that the Hospital Authority (HA) will be the elixir for all.

One would have thought that the Administration would do her best to ensure that as many staff as possible will opt to change to HA to make it a success.

But instead, the response of the Administration to the PHA report gave no indication whatsoever of such an attitude. Almost next to zero was offered to staff as bridging-over terms for those who may opt to change over to the HA. This the

Administration achieved, as if by magic, by twisting around and retaining the Hospital Services Department.

Whilst such a move may free the Administration from providing abolition terms, it jeopardizes however the success of the future HA, as any new organisation will never succeed in its endeavour if its staff still belong to the old employer.

How can we justify to the public that the taxpayers' money spent from the days of engaging a consultant firm five years ago to produce the Scott's Report to the establishment of the PHA secretariat is not wasted? How can we not feel aggrieved for the time and energy contributed by PHA members when their efforts will dissipate into oblivion? How can we appease the public when their hope for a better hospital and medical service will be a dream that may never come true?

Such uncertainties, coupled with the continued exodus trend of medical practitioners, give us no reason to be optimistic about the provision of a desirable medical service.

Sir, this is a burning issue that needs to be addressed at once before it is too late.

Recommendations fell on deaf ears

In the last debate on the Appropriation Bill 1989 exactly one year ago, many Members of this Council including myself had mentioned the irony of unfair inclusion of medical expenses incurred by civil servants in the total public expenditure on the medical and health budget.

A rough estimate has it that some \$1,300 million was needed to provide medical services for civil servants and their dependants. This amounted to some 23% of the total public medical budget.

Similarly, sentiments were expressed concerning the need for proper dental care for all population in the territory other than civil servants and their dependants.

For this year, about 48% of the \$215 million on public dental expenditure is catered for civil servants and their dependants while there is only \$10 million, less than some 5% of the total dental expenditure, for emergency treatment for members of the public.

I must emphasize here that I am not disputing civil servants should enjoy medical benefits as such. What I am suggesting is that the expenditures should be recovered from the respective government departments under staff costs, and the money so recovered to be properly spent on the provision of services to the general public for which the Budget is so allotted. But alas, all these appear to have fallen on deaf ears!

I have been stressing, time and again, that the development of a sound health infrastructure is pivotal to the well-being of the community. For without health, stability and prosperity would be nothing but just bubbles.

A revamp for health funding policies

To achieve a sound health infrastructure, we have to revamp the present funding mechanism in health services and outright review medical economics for Hong Kong community.

A problematic area in the annual Budget appears to be the mechanism by which the resource allocation is decided or estimated.

As far as resource allocation is concerned, this appears to be purely done by stale and stereotyped projections. That is, adding to last year's Budget the inflation rate, stack up the money needed for new projects....And there you are, a Budget for the next year!

In this year's Budget, there is a slight cut in percentage terms for health care services. There is even a sizable increase in actual money terms.

The increase is obviously made to cater for new hospitals and other development projects in the coming year. There is even a forecast for continual increase in financial commitment for our health care services in the next few years. However, this is where our optimism ends!

For such a shoestring Budget for an ailing system could only be sufficient to keep our head above the water, leaving no extra dollar for any meaningful improvement.

In terms of the Gross Domestic Product (GDP), the percentage spent on public

medical services in the past 15 years had remained fairly stagnant -- fluctuating around 1.2% for the public sector -- while those of the industrialized countries had over the past decade soared by four to five folds.

By 1993-94, the public medical and health expenditure will go up to 10% of the public expenditure and 2% of the GDP.

But unfortunately after that, due to the restrictive approach in public spending, the percentage of medical and health expenditure is unlikely to have any significant increase, as Government is trying to contain the total public expenditure to within 17% of the GDP.

Perhaps it may be argued that since the percentage is pegged with the GDP, it is thus increasing in accordance with the annual inflation rate and the rising needs of the society.

Yet this increase is far from adequate in the field of health care. For medical costs increase in an exponential direction. The meagre percentage leap following the GDP annual hop would never be able to catch up with the costs!

Where are we now?

Hong Kong's medical system is very unique in that private and public sectors are funded in two totally different ways.

Some 90% of the secondary and tertiary care facilities is government-funded and only 10% privately funded. The facilities of the two sectors are governed by totally different objectives and are subjected to different cost control mechanism.

The public medical services, which are centrally funded by the central government, are hospital-oriented. Costing and resources allocations including staff costs are controlled by the central government. This centralized funding mechanism may lead to unnecessary bureaucratic red tape.

The private sector, on the other hand, is operating on a totally free market system. Private practitioners can set their own fees and patients choose their own hospitals and doctors.

For the patients, this has led to two extreme forms of payment -- either they pay a trivial sum for staying in a public hospital which is currently \$29 or they pay an extremely high price for staying in a private hospital at their own expenses.

To date, only a small number of our population are medically insured.

The way forward

What then should be the way forward. Three out of the four "Asian Small Dragons", namely South Korea, Singapore and Taiwan, are moving towards a nation-wide medical insurance scheme. Hong Kong is the only one lagging behind. Should we incorporate similar national health programmes in Hong Kong?

In view of the comparatively large private market, should we encourage more private insurance schemes?

Should we explore the possibility of a combined private/public insurance policy?

The concept of central provident fund has worked successfully in Singapore where a Medisave system was introduced in 1985. In view of Hong Kong's changing political climate which in turns affects its financial situation, should Hong Kong reconsider the practicability of such a scheme?

Medical fees are rocketing sky high to a point that is beyond public affordability. When will people be relieved of such out-dated funding strategies?

There is therefore a dire need for Government to find new approaches to fund our health care services. But there is one condition. It should not go against low tax system and that no one should be deprived of the best of medical care simply because he or she is poor!

Is Hospital Authority a panacea?

Government has always held the view that the promised HA is a panacea and has repeatedly thwarted proposals to improve the appalling hospital conditions and the welfare of the staff ever since the establishment of the PHA. This view is of course now open to doubt if staff are not motivated to accept the HA terms.

Yet, even if the HA is formed, it is but a managerial mechanism. It will no doubt cure most of the ills in public hospital management, but it is only part of the answer to significantly improving the services.

To complement, a compatible policy branch is also necessary. I hasten to add that I am in no way suggesting the current policy branch is incompatible.

But as recommended by the Scott's Report (in 1985) and the just published PHA report, it is essential to strengthen the Health and Welfare Branch.

In view of the many committees formed or to be formed to tackle the many forthcoming changes in the medical delivery system, extra manpower should be allowed to undertake long-term planning work.

The Finance Committee has been recently requested to endorse the creation of an additional Principal Assistant Secretary post to deal with the increasing workload of the branch. But one official would never be sufficient to cope with the insurmountable work.

The complexity of the many developments that have somehow come up in the field of medical and health calls not only for a stronger policy branch in respect of manpower, but in my mind also shows the need for medical professional input in high level decision making to ascertain a more effective and practical machinery.

To make the "think tank" tick

The Administration has always been proud of her advisory bodies for they propose and monitor policies at the highest level. Yet most of these bodies, and the Medical Development Advisory Committee (MDAC) in particular, are served only by an overworked and highly mobile secretariat. There is an indisputable need therefore for an independent secretariat to do researches and papers. This would ensure that these boards would get the maximum back-up in their work to make sure that their role as 'think tanks', with recruitment of local talents to examine the policy and its implementation, becomes realistic.

To end, I would like to put forward the following recommendations:

-- A policy review on the overall expenditure on medical and health services (both public and private) should be conducted as a matter of urgency;

-- Additional avenues must be sought to support the "user-pay" policy of the HA system and the future model of primary health care;

-- Nobody is devoid of the best of care simply because he or she is poor.

The above are endorsed by the medical profession.

With these remarks and reservations, Sir, I support the motion.

MRS. FAN: Sir, the Financial Secretary forecast 1990 to be a difficult year as compared with the previous few years and 1991 is unlikely to offer high economic growth. We are therefore facing a couple of belt-tightening years. It is during such times that the decision on priority is so crucial and critical. The priority for Hong Kong, Sir, without any doubt, is to strengthen, or at the very least to maintain, itself as an international trading and financial centre. On this, I wish to make two points. Firstly, the competitive edge of Hong Kong as a preferred place for doing business, and secondly, the image of Hong Kong to investors and tourists.

At present, our competitive edge is being gradually eroded by the combined force of high rental, spiralling wages, brain drain, and high staff turnover. Even with our simple and comparatively low tax system, our efficient infrastructure and the good communications network, some multinational corporations are still considering other Asian cities as alternatives for their headquarters and main operational base. The proposed 15% pay rise for the Civil Service, which is sure to be followed by the subvented sector, plus the probable upward salary adjustments in the review exercise of the civil service grades, will no doubt fuel considerable salary raises in the private sector. The Administration needs to monitor this trend very closely, be fully aware of any competitive measures taken by other neighbouring countries to attract investments, and ensure that we do not lose out due to internal over-heating and inflation.

No less important is the portrayal of Hong Kong to overseas visitors and investors. It is not enough to be seen simply as a successful trading centre. There is much more to this city of ours. It is vibrant, stimulating, dynamic and efficient. The people are not only industrious, pragmatic, but also caring and sympathetic. These are the real characteristics of our city and its people, and they should form an integral part of our image abroad. In my recent visit to the United States, I was given the

impression, on a number of occasions, that people overseas believe Hong Kong is doomed by our association to China. They have read various articles in newspapers and magazines which led them to these conclusions. While I have no doubt that the writers of these articles accurately reflect their own personal feelings, however, the fact is no one can possibly predict with any degree of accuracy what will happen in seven years' time. I believe some measures should be taken to counteract such negative and lop-sided perception of Hong Kong. As a first step, the Administration and the quasi-governmental organizations with overseas offices should make a co-ordinated and concerted effort in promoting Hong Kong. I understand a start has already been made, but more work need to be done on all sides. Secondly, I suggest that the Administration should consider seriously the possibility of a subtle compaign aimed at getting the message "Hong Kong is the place to be IN in Asia" across to an international audience. I believe an effective publicity exercise overseas is in need now because Hong Kong's image did suffer as an aftermath of Tiananmen Square incident.

Coming back to the local scene, the growth in General Revenue Account expenditure by HK\$13 billion is alarming and cannot be taken lightly. As the Financial Secretary specifically pointed out, staff costs represent some 60% of recurrent expenditure, and the prime target in control of overall growth in public expenditure must be the growth in number. However, the public looks for new services and improved quality of services. The easy way out is to offer more resources and add to expenditure level. The Financial Secretary repeatedly reaffirmed his intention to control public expenditure in his Budget speech, and the tools he intends to employ included achieving value for money, containing civil service growth, and increasing productivity. This is most welcome, but this is also easier said than done.

The Financial Secretary, with very firm intentions to achieve the objective, still has to accept a limit of 2.5% growth in the civil service establishment for next year. The creation of new posts, I agree, is unavoidable where there are clearly identifiable needs. However, I believe it is equally necessary, if not more so, to examine which of the existing services is no longer appropriate to our present requirements. Many of the services carried out by departments may have originated from policy decisions made some time ago. Time and circumstances have changed. Such services may no longer serve their original purposes. For example, the Education Department offers adult education courses as a result of the 1978 White Paper. In answer to Members' queries in a special Finance Committee meeting, the Director of Education stated that the cost-effectiveness of these courses was measured against

public demand, attendance and drop-out rates, course control and post-course evaluation. HK\$46 million is devoted to this activity which serves 22 000 people in formal courses and 18 000 students in non-formal courses. All seems well. However, some Members pointed out that non-formal courses are offered by other public bodies, such as the municipal councils, and voluntary agencies are active in providing adult education programmes. It is also noted that the Education Department offers grants of HK\$6.2 million to 62 agencies to subvent such adult education programmes and their estimated enrolment for 1990-91 is 17 000. It is clear that considerable developments in adult education have occurred since 1978. Under these circumstances, is the policy formulated in 1978 still applicable? Has the comparatively lower course fees charged by the Education Department attracted the public demand and to what an extent? Could the service be offered in another format, say, through voluntary agencies by giving them grants? Is there unnecessary overlap and duplication of services by continuing to offer non-formal courses while other public bodies are also doing the same thing? The answer to these questions may bring about redeployment of staff, it may achieve some savings in expenditure, or it may result in no change. None the less, the questions have to be asked and answered, if this has not already been done. I trust the heads of departments are in the best position to ask these questions and to assess the answers. Too often a bureaucracy generates work for a valid reason, and carries on with it simply out of tradition after the original reason had dissipated with new developments and changing circumstances. We cannot afford this luxury. If the head of a department is too involved in the work of his department to be sufficiently detached, then the branch Secretaries will have to initiate such review exercises.

Heads of departments should be encouraged to cut down on unnecessary services and work. It may be helpful for some incentive to be awarded to departments for better use of resources, for example, allowing the departments' requests for additional funds to have a higher priority rating. Again using the Education Department as an example, the HK\$10.1 million was allocated for the kindergarten fee remission scheme and it is inadequate for that purpose. A similar scheme for senior secondary and sixth form students is HK\$44.1 million for about the same number of students. If the department can achieve some savings in adult education, and bid for part or all of that saving to be allocated to the kindergarten fee remission scheme, it would certainly help to alleviate the burden of many low income families. Moreover, this can help to ensure that the package of measures to improve the quality of kindergarten education stands a better chance of success.

Sir, the coming few years are not going to be easy. We have to keep our ledger in balance, and at the same time, commence our major infrastructure programme. We have to shake off the listlessness that has descended upon some of us, and convince the rest of the world that Hong Kong is still "the" place in the Orient. We have to exercise restraint and self-control when it comes to how large a slice of the pie should go into the pay packages, and make every effort to better utilize existing resources. Once again, the time has come for this community to demonstrate our resilience, our determination, and our good sense. It has been Hong Kong's destiny to achieve the exceptional; there is no reason to deviate from this trend now.

Sir, I support the motion.

MR. CHENG HON-KWAN: Sir, the recent controversial issue of civil servants' pay rise has attracted much media coverage and has, I believe, become a common subject for discussion among people of different sectors. I myself am also extremely concerned about the issue as it has considerable bearing on the morale in the public sector. The Government, being the biggest employer in Hong Kong, should adopt some measures to boost the morale of its employees.

One of the means to achieve this will be by merging the two committees responsible for recommending civil servants' pay increase, namely, the Standing Committee on Directorate Salaries and Conditions of Service and the Standing Commission on Civil Service Salaries and Conditions of Service. The merger will ensure a unified adjustment and in turn, help project an image of fairness and impartiality. There is a general feeling among the less senior civil servants that their colleagues in the directorate grade are being overly well treated while they receive "unfair" treatment in terms of their pay rise. The merger of the two committees will help clear up this misconception by the lower-grade civil servants. What Hong Kong needs most to boost stability at this point in time is perhaps unity and I urge the Government to take the lead to introduce measures when awarding pay rise which will bring about a unified Civil Service.

Having said that, I must however point out that the private sectors are very concerned about the rate of salary increase set by the Government for the civil servants, which will certainly aggravate the rate of inflation. What is more important in my view is that we have to maintain high quality performance and productivity and ensure value for money. I agree with the Financial Secretary that

a tight control on the growth of our Civil Service is necessary.

Another issue which arouses my concern and which would adversely affect the public in the coming years is inflation. While the Financial Secretary has acknowledged the problem, he has not come up with specific proposals on how to curb it. Hefty increases in this year's Budget in taxation on consumer items such as cars, petrol, as well as rates on property, will do nothing to lower inflation. In fact, the revenue measures, in particular the swingeing 30% increase in taxes on petrol and diesel fuels, will hit the man in the street most as they would be the ones to shoulder the final burden. The Financial Secretary has repeatedly explained his concern regarding our over-reliance on direct taxation in improving revenue yield and has made known his intention to lower such reliance. I would caution that the Government should be cautious in increasing indirect taxation in order not to impose extra pressure on the public.

Sir, I would now turn to another area of importance, that is education which is crucial to the community, and in particular the younger generation. I should express my views on two fronts -- tertiary education and pre-primary education. While it is pleasing to note the Government's plan to expand in the area of tertiary education in the years ahead, much can be achieved at the present stage by expanding the existing resources of our tertiary institutions. The Government needs to adopt a flexible attitude in the allocation of degree courses and sub-degree courses. If any of the tertiary institutions have the ability and facilities to accommodate more students and to provide more degree courses cost-effectively, such allocation should be granted as requested. How to make good use of resources in the midst of higher education expansion is an issue which deserves considerable thought from the Government. The Government should, in the interest of Hong Kong people and with taxpayers' money, give favourable consideration to submissions by tertiary institutions which are capable of offering more degree courses to accommodate an increasing number of students without excessive burden on our taxpayers.

It is clear from statements already made by Government that the polytechnics will play a significant role in the expansion programme and that the Vocational Training Council (VTC) will take over a major portion of the work at higher diploma level. Indeed, this is a particularly attractive proposal and should prove to be very cost effective. It will almost certainly be cheaper to offer the higher diplomas in the technical colleges proposed by the VTC and the space made available in the polytechnics by the transfer of the higher diploma work will enable the number of

degree places to be expanded without the need to build additional expensive accommodation.

If this solution is adopted, it would be preferable for the majority, if not all, of the higher diploma work to be transferred to the VTC. This would enable the provision of courses at the higher diploma level to be properly planned and coordinated, something which could prove difficult if it were spread between the polytechnics and the technical colleges.

Sir, I urge those responsible for the detailed planning of the proposed expansion programme to critically examine the cost-effectiveness of the various options and to use this opportunity to take a fresh look at the whole provision of tertiary level education at both the degree and sub-degree level.

In addition to tertiary education, the Government should also attach more weight to pre-primary education. It is desirable for the Government to subsidize kindergartens in order to attract teachers with higher qualifications to teach our young children. I think no one would disagree that the present standard of kindergarten teachers should be upgraded to provide our children with a solid and sound foundation on which to build their future. Pre-primary education is a necessity not a luxury. I would therefore urge the Government to provide financial assistance to kindergartens through subsidy to maintain an acceptable standard of teaching by qualified teachers. The standards and qualifications of the teachers should also be monitored to ensure that the training they give to our children is decent and appropriate.

The Financial Secretary has in his Budget speech emphasized the importance of effective financial management. I cannot agree with him more, especially when we have so many massive capital works projects ahead of us. In view of the ambitious scale of these infrastructural projects, it is of vital importance that we should manage our resources "prudently and intelligently".

On the issue of wholesale tax, Sir, it is gratifying to see that the Financial Secretary does not take further the idea of introducing this tax in this year's Budget speech. I, like many others, do not approve of the Government's plans to broaden its revenue base through such a vehicle. I strongly believe that the imposition of a sales tax would inevitably lead to higher inflation and would hit people's livelihood. Besides, such a tax would also be detrimental to Hong Kong's flourishing

tourist industry -- one of the largest earners of foreign exchange as it would deter visitors and encourage them to go to other Asian countries with much more competitive prices.

Sir, I share the Financial Secretary's view that economic and political development both globally and within the region will continue to be the key factor influencing Hong Kong's economic prospects in 1990 and in the years to come. It is therefore all the more important that each and everyone of us should contribute his part and make a concerted effort in maintaining Hong Kong's stability, especially in the face of political uncertainties. It is now high time that, as we sail through these difficult times, we minimize our differences and steer towards the unanimous goal -- to keep Hong Kong stable and prosperous. For it is only to our benefit for Hong Kong to remain that way.

Sir, I support the Bill.

4.34 pm

HIS EXCELLENCY THE PRESIDENT: Members might like to take a short break at this point.

5.04 pm

HIS EXCELLENCY THE PRESIDENT: Council will now resume.

MR. SZETO (in Cantonese): Sir, I have voted against the Budget before in my plea for separate taxation for married couples. During last year's debate, out of a strong feeling of discontent with the Government's uncaring policy on pre-primary education, I warned the Administration that I would vote against the Budget again if no improvement was made in the Budget of the coming year.

So what is the situation this year?

The crisis of pre-primary education has been further intensified. According to the findings of a survey conducted by a newspaper last week, most kindergarten teachers are only receiving a monthly salary of about \$3,000, and that if their salaries are still below the level proposed by the Education Department in the coming

school year, 26% of the respondents have indicated that they would change to work in another school while 24% would switch to other jobs. In other words, half of the kindergarten teachers will leave their existing schools and one quarter will leave their jobs.

The Administration has proposed a standard salary scale for kindergarten teachers, but it has not made any financial commitment at all. Hence the proposal is just like treating someone to dinner without paying the bill. In this year's Budget, a provision of \$92 million has been allocated for pre-primary education, representing less than 1% of the total expenditure set aside for education services or 0.1% of the consolidated public sector expenditure. The provision for the fee remission scheme which is supposed to improve the salaries of the kindergarten teachers is only a meagre sum of \$11 million, representing slightly more than 0.1% of the total expenditure on education or 0.01% of the consolidated public sector expenditure. If we divide this \$11 million among all kindergarten pupils, averagely each will only receive \$50 in a year. However, the annual subsidy for secondary school education is more than \$11,000 for each student, that is 220 times the subsidy for kindergarten pupils. Why is the Government so mean to our children in the kindergartens?

The fee assistance scheme for the parents of the kindergarten pupils has been implemented for some years and it has come under severe criticism from the public. It has proved to be a failure. However the newly proposed fee remission scheme is still the same wine in a new bottle. According to the scheme, for a four-member family with a monthly income exceeding \$4,300, the school fees of their children will not be subsidized. How many such families do we have in Hong Kong? Are these families really able to meet the basic necessities of life? Do they dare to raise children and send them to the kindergartens?

It is the Government's responsibility to improve the salaries of kindergarten teachers as well as the quality of our pre-primary education. However, the Government has shifted this responsibility entirely onto the shoulders of the parents. In the coming school year, the annual fees charged by kindergartens in the territory are expected to be increased by \$800 to \$900 on the average. In other words, the Government will be levying an extra \$800 to \$900 of indirect tax on those parents who have children in kindergartens.

The Government is of the opinion that pre-primary education is not an essential service and therefore no subsidy has been granted. In reality, this is a crooked

argument and the Government has twisted the logic between cause and outcome. The genuine reason behind is that the Government is not going to subsidize pre-primary education and hence it takes the stance of denying its essentiality.

The Government's uncaring policy towards pre-primary education is in violation to promises already made. In the Llewellyn Report which was endorsed by this Council in 1982 as the basis of our education development, it was stated that, "in the longer term, kindergartens should become part of the aided sector with the Government having a role similar to that which it undertakes in respect of primary and secondary education." It has already been eight years since then. The time is long enough for action. Yet the Government has not taken the first step. Moreover, it was also pointed out in the Education Commission Report No. 2 that "because of this very high degree of participation, kindergarten education has almost become a requisite,..... kindergarten services are beneficial to the development of pre-primary children..... it is so widespread and so clearly perceived as beneficial that no child should be denied access to such education." Though kindergarten education has been clearly perceived as beneficial, the Government still takes the view that it is not essential. Does it mean that the Government is turning a blind eye to the benefit of our next generation?

The uncaring policy adopted by the Government towards pre-primary education is a total neglect of the reality and also an insult to all the parents. Today, almost all our young children go to kindergartens. If pre-primary education is not essential, are we saying that practically all these parents are doing something superfluous and creating troubles for themselves? Furthermore, the Government's uncaring policy towards pre-primary education is not in line with educational principles. Educationists have pointed out that the development of children from the age of three to six would have profound influence on them for the rest of their life. It is the most crucial stage of their intellectual development. But according to the logic of the Government, as pre-primary education is not essential, both the profound influence and the most important stage in intellectual development have thus become irrelevant.

The Government's uncaring policy towards pre-primary education is also in great contravention of social needs. As more and more parents need to go out to work together, and most families in the territory are living in crowded condition and they usually have very few children, all our young children need to go to the kindergartens where they can receive care and education, and learn to get along with other children.

It will be beneficial to their growth both physically and mentally. This is a social need and it is also the need of every parent. The parents have not made an unnecessary choice or done something superfluous. They have in fact shouldered the responsibility shirked by the Government.

Sir, to plead for the well-being of over 200 000 young children and their parents as well as over 7 000 kindergarten teachers, in expressing my protest against the Government's uncaring policy towards pre-primary education, and in keeping with my warning last year, I will not support the motion and will vote against this year's Budget!

DR. TSE (in Cantonese): Sir, as proposed by the Financial Secretary in the Budget this year there will be a 25% increase over the previous year in the expenditure of the General Revenue Amount. However, a substantial amount in the sum of \$8.3 billion will be earmarked for additional commitments to cover items of expenditure which cannot be foreseen and the costs of implementing new policies, such as the costs in setting up the Hospital Authority and the University of Science and Technology, the new pension arrangements for civil servants and the independence of the Radio Television Hong Kong. There are mild increases in other items of recurrent expenditure except in social welfare which gets a relatively big increase. In the Budget speech, the Financial Secretary has expressed concern over the problem of inflation. The Government has now come to a decision on the percentage of pay rise for the civil servants this year. It is a difficult decision, but it has won popular support from the general public as well as the industrial and commercial sectors. I share the view with other Members that a substantial increase in indirect taxes on certain items, like the fuel tax and rates on property, will aggravate the inflation problem under the present economic situation. However, I will be willing to support the Budget proposed by the Financial Secretary if he can fulfil his undertaking to contain the growth of the Civil Service within the limit of 2.5% to help fulfil the funding needs of the new projects.

In today's debate, I would like to point out a "small" problem in respect of the provision for education in the Budget. I describe it as a "small" problem because, on the one hand, it concerns a group of our youngest and thus smallest students, and on the other hand, the funding involved in the Budget for their service is so small that it is next to nothing. I, however, feel that if this "small" problem is not addressed squarely in time, the harm it does to our community will be enormous. The "small" problem I refer to is the Government's disregard for kindergarten education.

I have to make it clear that my observations on kindergarten education derive mainly from my personal experience rather than from theoretical analysis. I am aware of the remarks made by some foreign experts on kindergarten education. Their research findings indicate that, in their societies, receiving kindergarten education is just like sun bathing. The skin is tanned but will soon be in its normal colour as before. I do not suspect the validity of the observations made by these experts in overseas environment, but I beg to differ that these observations should be applied to Hong Kong as justification for the Government's decision to deny that subsidy for kindergarten education development is necessary.

Sir, four days ago, I attended a joint school variety show organized by a charity organization. There were a total of 17 programmes on that evening and the whole performance lasted for three hours. What made me stay till the end of the show and indeed impressed me most were the programmes performed by children from a number of kindergartens. Their enthusiastic participation in the performances of dance, percussion and drama and the joy and innocence on their faces not only revealed to me the most beautiful and healthiest aspect of childhood but also reminded me of my life in kindergarten 50 years ago. Just a month ago, I paid a visit to my kindergarten in Macau and met the teacher who taught me there before. She had problem with her eyes and could no longer see me. When I shook hands with her, I suddenly felt that the sunshine of kindergarten education which edified me 50 years ago has still left some healthy suntan on my skin. Not only should I be grateful to my teacher who is becoming blind, I should also pay respect to those kindergarten teachers who are enduring humiliation to accomplish the important mission of educating our next generation.

There is no exaggeration to say that they are enduring humiliation. The salaries of many kindergarten teachers are even less than those of the Filipino maids. Their status has been discriminated and their job has not been regarded as education but just "pre-school service". Somebody has tried to depict their plight with a poem after a variation of the Tune Huanxisha which reads as follows:

Enlightenment of the mind begins in kindergarten;
Yet in the Commission's Report there was no priority given.
Character of life is formed at the age of three,
Have mercy on us, O Heaven!

* * * * *

Woe to teachers with uneven standards of training.
Who would pity them living on shamefully little earning?
Is the education they provide a mere pre-school service?
How long would that prejudice go on lingering?

Sir, I fully agree that we need to greatly expand our tertiary education in the present circumstances. I also agree that it is time for us to attach greater importance to improving the quality of the primary and secondary education. Yet, I have to point out that given the present circumstances in Hong Kong, kindergarten education is not the kind of sunbathing that is optional or of short-term effect. I firmly believe that there is a pressing need to improve the quality of our kindergarten education and the remuneration of kindergarten teachers for the long-term development of our community and the upbringing of our citizens. Perhaps the Government may not fully subsidize kindergarten education immediately, but it may cut down some education services that are likely to be over-provided -- the feasibility of which has been described in detail by Mrs. FAN a few moments ago and which I am not going to repeat -- or save 1% from the \$8.3 billion additional commitment to improve the salaries and working conditions of the kindergarten teachers, so that our next generation will be able to receive suitable education in their primitive years when they are most receptive in their learning process. This is a long-term investment, not a waste with no returns.

Sir, with these remarks, I support the motion.

MR. DAVID CHEUNG: Sir, I must confess that in the last Budget debate, which was my first, I had not fully grasped the rules of the exercise. Now, with the benefit of participating for the second time in the examination of the Budget, I have come to realize that after the Financial Secretary has delivered his Budget speech, in practice, the amounts of allocations for individual heads of expenditure cannot easily be altered. With this realization, I wonder whether the detailed question and answer sessions of the special Finance Committee meetings serve any real significant purpose except for getting clarification from government officials. In crude terms, it is the Financial Secretary who really controls the purse strings and when he has made up his mind, that is almost the end of the story.

To prepare a Budget is no easy task; but neither is it to examine it in detail. However, the scrutiny of the Budget is meaningful only if the budgetary provisions

can be adjusted as seen fit by this Council. Under the present arrangements, the noises we make, however loud, have no effect; even if they do, changes will not take any effect until 12 months afterwards.

Sir, would it not be better if, before the controlling officers make their final submissions to the Financial Secretary, their preliminary budgets are subjected to scrutiny by legislators so that at least some readjustments and reallocations of resources can be recommended. Then and only then will the scrutiny of the Budget be useful.

Secondly, it is generally true to say that every year before the Budget is announced, the community is overshadowed by an atmosphere of anxiety and uncertainty, with all sorts of conjectures, predictions, and speculations. This is especially true among lower income people because they are the ones most affected by the fiscal measures proposed. And some of these fiscal measures take immediate effect, and affect the prices of our daily necessities. But there is literally nothing that this Council can do under existing arrangements.

While I agree that in the Hong Kong setting, the tax base must be broadened especially when political uncertainty looms ahead, which in turn greatly affects the economy, I cannot agree with some of the measures adopted by the Financial Secretary. I do not envy his job, but I do think that before he decides on these measures, he should examine all possible options to minimize the adverse effects these would have on the livelihood of the less well-off in our community. If he honestly thinks he has done so in preparing this Budget, maybe we have different philosophies.

I find the 30% increase in the duty rate on petrol and diesel oil unacceptable. The increase may not affect the rich and those who can charge such expenses to the company accounts; but such a hefty increase is bound to affect the cost of transportation for all sectors of the community. The outcries of the motoring trades against the increase are understandable. People have to travel for various purposes, and travelling by maxicabs and taxis are no longer luxuries today. With bus fares increasing from time to time seemingly with Government's blessings, the ordinary people have no choice but to dig deeper into their pockets. If such an increase at the proposed rate is thought to be a measure to discourage car ownership, it will obviously not achieve its aim. If it is a simply revenue-yielding measure, then for sure the increases will continue to go up again and again simply for the sake of convenience.

The increase in rates on property is another measure which I find unacceptable. It is a sure win as far as revenue-yielding is concerned. However, it is a further squeeze on the ordinary people who work hard painstakingly to own their own small flats. People have to live somewhere. For people who do not qualify for public housing, their own homes, however small, are their safe nests. Why squeeze them further especially in time of the confidence crisis? Most people cannot vote with their feet, they have to stay and to pay. In what way can Government show the small men in the street that Government cares?

For estate duty, if the duty exemption limit is further raised to \$4 million, it cannot help giving the impression that our fiscal policy favours the better-off.

In my humble opinion, in broadening the tax base, there should be a firm line drawn between items that are the essentials and those that are not. For it is the essentials which will affect the day-to-day living of the population as a whole, unless it is absolutely necessary they should be left untouched. For the non-essentials, increased levies will not affect livelihood and it is here that the Financial Secretary should look for additional revenue resources. Going out to eat, for example, is not an essential item; a 1% or 2% levy on restaurants bills will not affect the people so much and yet it could be a sure win for revenue. The same should also be applied to lavish feasts which are held daily in the extravagant restaurants and hotel banquet rooms. Why not tax these? There may be administrative costs but that should not be an excuse. There are plenty of other luxurious non-essential items which, in my view, could be considered. My basic approach is that in broadening the tax base, more consideration should be given to non-essential, luxurious items.

I would like to say a few words on the budgetary provision for education. First, the controversy on financial provisions for pre-primary education remains pretty much unresolved. If it is not Government's intention to provide full subsidy to kindergartens-- a policy which we now require reappraisal -- the anticipated substantial increase in fees by kindergartens must be met by corresponding increases in the aids to needy families. The proposed provision of \$10 million is far from adequate. Maybe this is the reason why the eligibility criteria for assistance is so scaled as to ensure that not too many will qualify. I hope I am not too sarcastic when I say: then, come next year, the Government might say we need to provide less because there are even surpluses from the \$10 million. Members of the OMELCO Education Panel are not happy with the provision and the scaled eligibility criteria

for assistance. But what can we do now? This serves as another example to illustrate the point I made earlier on about the futility of the Legislative Council scrutiny of the Budget.

The long-awaited photocopiers for schools are finally on their way. Sir, in words, it appears grand; in reality, we have been told that only 14 schools will benefit because most schools already have photocopiers. When we asked for the provision of computers to ease the burden and to increase efficiency, the answer has been and still is "No". Many schools have already purchased their own computers from their own funds. I would not be surprised to hear that soon computers will be provided but no school will benefit because all the schools already have computers.

On the revival of unisessional primary schools, despite the hard fight by Members of this Council, and the Governor in Council having actually approved the policy of making primary 5 and 6 unisessional, I am utterly dismayed to see that there will be no financial provision towards this aim until 1992-93. This is a matter of such urgency and priority that something must be done about it more quickly. Again, if the preliminary Budget could have been scrutinized by Members of this Council beforehand, adjustments might have been made.

In this day and age, Government should look ahead and introduce long-term money-saving and labour-saving measures as soon as possible. It is definitely not sound policy to hold back and hold tight until such time when there seems to be no viable alternative. Neither is it advisable to perpetuate the firmly set status quo of bureaucracy.

I would like to relate a story published in a famous magazine not too long ago. One person asked the other -- "How many bureaucrats does it take to change a light bulb?" The answer is three: one to make sure that there is no other alternative, another one to call for and finally select the lowest tender, and one to change the bulb when it finally arrives. The moral of the story is that bureaucracy is the art of making the possible impossible.

Unless conscientious decisions are taken to completely overhaul and simplify working procedures to break the steel walls of government bureaucracy, I am afraid the Financial Secretary's efforts to control the growth of the Civil Service will be vain. I urge that things should now be done without further delay. I also caution against another proposal to increase the salaries of senior civil servants in the

course of the year, as in last year. I urge that our civil servants take more pride in their service to the community, and place less emphasis on monetary remunerations which, after all, are not the only yardstick for measuring success. The spirit of service is much more vital.

May I conclude with this quotation, "Life is like a game of tennis. Those who serve well seldom lose".

With these remarks, Sir, I reluctantly support the motion.

MRS. LAM (in Cantonese): Sir, the Budget delivered by the Financial Secretary on 7 March 1990 does not introduce a sales tax. It states that we will not saddle ourselves with a tax structure that might be difficult to implement or inappropriate to our needs. I am most happy to learn that the Financial Secretary is receptive to public views over the sales tax issue.

The Financial Secretary also pointed out that for this financial year, the Consolidated Account expenditure including the various funds amount to \$91 billion, an increase of 24% on this year's total expenditure, and the revenue from the general revenue account and the various funds is only \$88.6 billion. In other words, there will be a deficit of \$2.4 billion. Although deficit budgets are quite common in many countries, Hong Kong has been accustomed to surplus budgeting. Although the Financial Secretary has said that the economic growth this year will be quite slow and inflation tends to be high, he does not intend to devise alternative strategies to tap fresh resources and cut down expenditure. Instead, he proposes to drastically increase rates charges by 25%, and the fuel tax by 30%. These two items alone will affect every Hong Kong citizen because the increase in rates will directly add to the burden of not only property owners but also tenants who will have to absorb the rates charges passed on to them by the landlords. The increase in fuel tax will affect everybody, including motorists and users of public transport, such as taxis, buses and so on. The fuel tax will ultimately be passed on to the commuters. Moreover, the chain effects of price hikes will inevitably lead to the indirect acceleration of inflation. It seems that the Financial Secretary does not have a good strategy to curb inflation. Indirect tax will directly add to the heavy burden of Hong Kong residents. No wonder recently people are clamouring against price increases and complaints are heard everywhere. I therefore hope that the Financial Secretary will seriously consider a hefty increase of taxes for luxuries and reduction of the levy

on rates and fuel. When rateable values are reassessed this year, the general public's affordability should in particular be taken into consideration.

Sir, I am delighted to know that the Financial Secretary will consider introducing a different rate of duty for unleaded petrol. I hope that it will be a low rate. As one of the sources for air pollution is the exhaust gas emitted by diesel engine vehicles, I hope the Financial Secretary will consider levying a higher duty on diesel oil as compared to that on petrol. Such a measure will discourage people from using diesel vehicles and is conducive to environmental protection.

Sir, I now turn to the area of pre-primary education. Last year I mentioned that pre-primary education had not won the Government's due recognition. The Education Commission thinks that kindergarten education is useful but not essential. Therefore, the Government does not consider including kindergartens in the direct subsidy scheme after stalling for a long time. Sir, although the Government thinks that kindergarten education is not essential, parents do regard it as basic and vital. Otherwise, Hong Kong will not have more than 200 000 kindergarten pupils. Education Commission Report No.2 proposes to improve the fee assistance scheme and estimates that in 1990 Government's provision at 1985 prices will amount to \$59.4 million. This figure is still some way from the amount needed to fully cover kindergarten education. However, this year's provision for parents only amounts to \$10.1 million, which is only 0.012% of the total government expenditure. Moreover, the income eligibility requirements of the free remission scheme is quite harsh -- only those with a monthly family income below \$2,100 can apply for full remission. Those with a monthly income exceeding \$4,300 will have no remission at all. The Financial Secretary has said that the yearly average income for Hong Kong people is US\$12,000 or US\$1,000 per month which is about HK\$7,800. May I ask how many Hong Kong families have a income lower than \$2,100? By inference, perhaps the \$10.1 million provision will not be exhausted. Therefore, I really hope that the Government can review the points system for the fee remission scheme to make it more reasonable. Besides, it is hoped that the increase in fees would, under government supervision, contribute to raising the salaries of kindergarten teachers to ensure that trained teachers are there to provide the future masters of our society with education of the best quality.

Sir, with these remarks, I support the motion.

MRS. LAU: Sir, in his Budget speech, the Financial Secretary emphasized the importance

of financial management. Indeed, from the point of view of financial management simpliciter, the Budget is a pragmatic and well-managed one. But underneath the ostensible budgetary equilibrium and complacency lies a number of worrying undertones which must in the long term be addressed.

Firstly, it is clear that by reason of resource constraints, little improvement will be made to services essential to the community. This is likely to cause frustration and discontent among the people. Secondly, in the Financial Secretary's anxiety to shift revenue raising efforts from direct taxation to indirect taxation, he seemed to have grossly underestimated the inflationary effects which his tax proposals will have on our society. Thirdly, the Financial Secretary frankly admitted that he has breached certain budgetary guidelines and he makes no hiding of the fact that such breaches will be perpetuated for yet another couple of years. It is on each of these areas that I wish to express my concern.

The Financial Secretary has in his Budget speech made references several times to the need to improve public services. In this connection, I simply wish to comment on education and social welfare.

Sir, in your policy address last year, you acknowledged the demand and need for better education in this society and you intimated that more resources will be allocated towards this end, perhaps even at the expense of other sectors. But the allocation of funds for education does not seem to follow this policy objective. The Budget allocation of \$9 billion for education constitutes only 13.8% of total recurrent public expenditure compared with 15.1% last year. Furthermore, the amount allocated represents an increase of only \$371 million or 4.3% over the revised estimate for last year.

Sir, we have for many years been talking about the desirability of whole-day school for all primary classes and you have acknowledged the importance of this in your policy address. In 1988, we had 119 whole-day primary schools. In 1989, this was increased to 120. During the course of that year, expenditure on primary education increased by more than 15% over that of the preceding year. For 1990, I note that the target is to increase the number of whole-day schools to 179; however, the resource allocation for primary education will only be increased by 3%. If we have only been able to achieve an addition of one whole-day school last year despite a good 15% increase in expenditure, I am indeed skeptical that with a mere 3% increase in expenditure this year, the target of 179 whole-day schools can be met. I note

on page 105 of Volume 1 of the Estimates that the target is to encourage more primary schools in the public sector to adopt whole-day operation through the provision of additional resources. This is fine, but do we have the additional resources? Even if we are able to attain the target of 179 whole-day schools for 1990, it is my view that we are progressing at a rate which is far too slow. Sir, I support your policy objective to improve and expand our tertiary education over the course of the next few years. But I must urge that fulfilment of this policy objective must not be at the expense of other areas of education. There is already concern that rapid increase in tertiary places may result in lowering of standards. Therefore, all the more important is it now to improve on the qualities of our schools so as to provide a more sound and solid foundation for the educational development of our future graduates.

In the areas of pre-primary education, this has already been the subject of much debate for a long time. Sir, I am a firm believer of early childhood education. I speak not as an educationist but as a concerned parent. The fact the 87% of children in the relevant age group of three to five years are placed in kindergarten clearly shows that parents do not consider pre-primary education as simply desirable; they consider it as really essential. Indeed, if one cares to look at the curriculum for primary one level, it is crystal clear that any child who has not had the benefit of pre-primary education would actually have great difficulty of catching up with his studies. If the education system of Hong Kong is such, then I feel that Government has the responsibility to prepare the children to meet the high standards of primary education. Even if kindergartens cannot for the time being be subsumed into the aided sector, although it is my view that it should, at least the assistance given by Government must be realistic in order to ensure that no child will be denied access to pre-primary education for financial reasons. I say realistic because I do not believe that the current fee remission scheme is one that can be so described. As many have rightly criticized, this scheme is probably worse than the previous controversial fee assistance scheme. I note that \$10 million has been allocated towards the fee remission scheme. Last year, \$6.5 million was allocated towards the fee assistance scheme but because of its unpopularity, the allocation has not even been used up. I hope that history will not repeat itself but unless the criteria for eligibility under the current fee remission scheme is revised substantially to a more realistic and equitable level, the scheme would not in my view do justice to the purpose for which it was designed. Of course, any alteration to the eligibility criteria and relevant points system would have implications on the resource allocation. However, the \$10 million now allocated is still far from the \$59 million

which the Education Commission in its Report No.2 estimated to be the sum that Government should realistically spend on such assistance scheme for 1990.

In the area of social welfare, I have in my last Budget speech urged Government to look at public assistance and other social security schemes more realistically and not simply to make upward adjustments in line with inflation. If I got nowhere at a time when we were enjoying huge surpluses and the general political and economic outlook was still bright, I do not think that I would get anywhere on this occasion when Hong Kong is up for more difficult times. But it is exactly because present and future circumstances are more difficult that I must reiterate my plea since poor people feel the pinch of difficult times more quickly and more acutely than rich people. If for policy or fiscal reasons, it is not possible to make any adjustment to public assistance rates at the present time, I urge that consideration should at least be given to relaxing the disregarded earnings provision so as to encourage more public assistance recipients to work whenever they can to supplement their overall family income. To some extent, this may even help to ease the tight labour market, which is one of the principal causes of our high inflation.

Sir, I agree with the Financial Secretary's view that there is a need to broaden our tax base so that we will be less reliant on direct taxation and therefore less susceptible to changes in our economic condition. I believe that the Financial Secretary's pet proposition of a wholesale tax is a tax option which merits consideration but such a tax should only be implemented after full consultation, not only with the professionals, but with the members of the public on whom the burden will eventually fall. At the moment, the consultation is far from being complete and I am pleased that the Financial Secretary is not pressing ahead with his pet proposition regardless.

If broadening of our tax base is desirable in the interest of our society as a whole, I would have preferred that the Financial Secretary came forward with a solid and comprehensive indirect tax proposal. This would be far more acceptable than his present piece meal resource digging effort which really boils down to scraping the barrel here and there. This is particularly so when the pernicious effect of his proposals on the community far outweighs the benefits immediately obtainable. I believe that the principle of good taxation must be that it should be just and equitable, and that it must not upset the basic livelihood of people. Unfortunately the Financial Secretary does not seem to give sufficient regard to this principle. Of the Financial Secretary's many tax raising proposals, I agree with many of my

honourable colleagues who spoke before me that the ones most objectionable are the 30% increase in duty rate on hydrocarbon oils and the increase in rates by 1.5 percentage points. Transport and housing are basic necessities in life, required by everyone whether rich or poor. Already we know that we are in for a substantial increase in taxi fares and I am sure that applications for fare increases by other modes of public transport will soon follow suit. The vicious cycle of inflation begins.

Rates are leviable on all tenements, whether business or domestic, whether self-owned or rented and whether occupied or vacant (except that there is some relief for unoccupied non-domestic premises). The number of assessments on the Rating and Valuation Department's Valuation Lists exceed 1 million which means that over a million ratepayers will be affected by the proposal to increase rates. The additional levy of 1.5 percentage points actually represents an increase of 25% over the previous rates payable. And the Financial Secretary did not forget to remind us that rateable values will be revised with effect from 1991-92. The last general revaluation exercise took place in 1987-88 based on rental values in 1986 and that resulted in an overall increase in rateable values of 16.6%. In 1986, rental values were still low, as the property market had not quite recovered from the slump in the years 1982-84. As such, we can almost be certain that the revaluation exercise now conducted which is based on present day rental values, will result in rateable values increasing by much more than 16.6%. According to the Rating and Valuation Department, the average rental for residential properties has escalated by 70% since 1986. The rental for commercial/industrial properties may well be higher. Since rates are rental based, we can expect a similar increase in rateable values when the adjustments come around in 1991. On this basis, a ratepayer may well in 1991 have to pay more than double the amount of rates that he was paying before 1 April this year.

Sir, in any society, particularly an advancing one, I am sure that the people will accept that there must from time to time be increases in general living expenses but there is only so much of a particular increase that people can bear at any one time or over a short period of time. The Financial Secretary has predicted that inflation will come down to 8.5% in 1990. He is however making proposals for tax and duties increases in percentages far exceeding that prediction. This is bound to produce significant inflationary effects and cause repercussions in society. It is therefore my view that unless the Financial Secretary should quickly come up with some other measures to offset those inflationary effects, his prediction of 8.5% inflation may be but wishful thinking. As far as rates are concerned, bearing in

mind the already very substantial increase this year, the Financial Secretary should consider reducing the percentage charges of rates when the rateable values are revised, to the effect that the ratepayer would not be required to pay more than what he is now required to pay. The alternative would be to postpone the revision of rateable values for another year or two. One other option would be to grant relief, at least partially, to small tenements so that for small property owners, the effect of hefty rates increase can be ameliorated.

In regard to the breaches of budgetary guidelines, the Financial Secretary has predicted that consolidated public expenditure for 1990 will grow in real terms by 9.4% compared with a mere 3% growth in GDP. Consequential on such growth, the public sector expenditure will represent around 18.8% of the GDP. Both run contrary to conventional budgetary guidelines which provide that public sector expenditure should not exceed growth of the economy and the former shall be kept at approximately 16% of the GDP. These guidelines have served us well in the past and have helped us through difficult times. Unless absolutely need be, they should not be deviated from. The Financial Secretary has said that the current breaches of the budgetary guidelines (which is likely to continue for some time) are unavoidable but in my view, this is so only because of Government's apparent inability to effectively control the size of public expenditure. The breaches can perhaps be tolerated for a while but in the long run, this state of affairs will not be a healthy one. Since the cost of maintaining the Civil Service alone constitutes some 60% of recurrent expenditure, it is natural to look to this area for savings. I therefore welcome the special exercise mentioned by the Financial Secretary to review staff establishments and to control the growth in size of the Civil Service and I urge Government to carry out that exercise without delay. The Financial Secretary has asked the private sector to assist in curbing inflation by improving productivity. This exercise is equally applicable to the public sector. Better management, stricter discipline, greater job intensification and higher efficiency are all called for now if Government is serious about containing or perhaps even trimming the size of the Civil Service and slimming on public expenditure. In the private sector, because of the shortage of labour, staff members are frequently required to undertake more work. If the private sector can do this, there is no reason why the public sector cannot. All the more important is it now to streamline and simplify procedures in the Government sector, promote and effectuate better co-ordination and co-operation between the departments and where applicable, greater use should be made of computers and technological assistance so as to reduce the requirement of manpower.

Before I close, Sir, I wish to touch on the recent demands within the Civil Service for pay rises and improved benefits and the industrial actions or threatened industrial actions related thereto. The "leap-frog" effect of such demands is worrying. Instead of enhancing morale, it would seem that every concession granted to one sector of the Civil Service quickly demoralizes another. And the resulting pay rises or benefits are of course paid out of the public coffers. Comparing the revised estimates for 1989-90 against the approved estimates for that year, it can be seen that revised salaries and allowances for the Civil Service have exceeded the original estimate by almost \$2 billion despite the fact that the Civil Service is almost at zero growth rate. The size of the additional provision called for is alarming particularly when the present proposal for increase of rates, which affect the whole community and which have caused so much disquiet, will only add an aggregate of \$1.3 billion to the revenue. Whilst I can understand and perhaps even sympathize with the demand for pay rises and better conditions of service, which I believe stem from a lack of confidence in the territory, I believe that in the interest of Hong Kong as a whole, measures must be taken now to stop this trend. I recognize the importance of maintaining a dedicated and efficient Civil Service, particularly during these sensitive years of transition. And I also believe in remunerating the Civil Service fairly and adequately. But I do not believe in having to buy dedication with money and civil servants are supposed to be efficient anyway otherwise they would not have been engaged in the first place. Sir, Hong Kong people have built Hong Kong by their diligence, hard work and perseverance, not by industrial actions and sit-ins. This has been so both in the private sector and the public sector. If a problem now exists within the Civil Service, and it would seem that we have a real one here, a solution must be found and found quickly to it lest the problem spreads to the private sector.

Sir, with these remarks, I support the motion.

DR. IP: Sir, some say that when speeches are too long, important points are buried and therefore ignored and some also say that when one asks for too much, one ends up getting nothing. I am therefore not going to give the Financial Secretary this excuse. I have today one very short speech and only one request. Perhaps I would have a better chance this way.

Sir, in recent years, Hong Kong has been spending more and more on medical service so as to meet increasing public expectation. This is welcomed by all, particularly by medical staff who strive to improve the standard of medical service. However with

escalating cost of medical care, we must realize that we can scarcely afford to provide everything for everyone free of charge!

The Secretary for Health and Welfare has recently indicated that the future Hospital Authority intends to charge around 20% of the cost for third class hospital admissions. Her speech made note that such will be phased in over three years and that those who cannot afford it can apply for it to be waived.

In order to allow this policy to work in raising some funds to be ploughed back to improving medical services further, we must ensure that more can afford to pay for their own hospital stay.

In the last few Budget debates, I have consistently urged Government to introduce tax incentives to encourage medical insurance. I feel now is even more pressing and a decision should be made.

If Government offers tax exemption to the purchase of hospital insurance up to a certain limit, say of \$1,000 per annum per person, many more who take up such an option can pay through their insurance company. Since Government now allows tax exemption to anyone who donates to a recognized charity, up to a maximum of 10% of one's annual income, I cannot see any technical difficulties.

If Government is hesitant because such tax exemption may set precedence to the same request for home purchase, I would like Government to take note that such loss in tax revenue is a real loss. Whereas in the case of hospital insurance, in return for the small amount Government loses in tax, it gains far more in hospital revenue. It will also create a spiralling effect to encourage private medical insurance. More can then afford to opt for private medical service. In essence for every one person housed in a private hospital, there will be one less in a public one. I therefore hope that Government will in the coming year look seriously into the pros and cons of tax exemption for medical insurance and for its introduction in the next Budget.

With these words, Sir, I support the motion before Council.

6.00 pm

HIS EXCELLENCY THE PRESIDENT: With such a short speech, it is now exactly six o'clock and under Standing Order 8(2) Council should now adjourn.

CHIEF SECRETARY: Sir, with your consent I move that Standing Order 8(2) should be suspended so as to allow the Council's business this afternoon to be concluded.

Question proposed, put and agreed to.

MR. TAI: Sir, for the past 12 months Hong Kong has undergone a relatively difficult period, both in economic and political terms. Politically and economically China is vital to Hong Kong, and it is important in Hong Kong's interest to maintain and improve mutual understanding in our relationship. Political factors have contributed significantly to the downturn of our economic performance.

Understandably, the Financial Secretary of Hong Kong would have a difficult time in maintaining a balanced Budget and, at the same time, in keeping abreast with the progress of our infrastructural projects which will benefit all sectors of our community. Nevertheless, I do not think this Budget is one upon which the Financial Secretary can be congratulated, for the following reasons.

(a) As for a number of years, and on too many occasions, in the Financial Secretary's speeches he has mentioned the need to control public expenditure and, in particular, civil service growth. The Hong Kong Government is the largest employer in Hong Kong and over 60% of the consolidated expenditure goes to civil service pay.

Despite the fact that we have been able to achieve nil growth in our Civil Service, the current pay increase of 15% and over, in my opinion, is fueling inflation. Over the years we have spent a tremendous amount on automation, like computerization; this should mean improved efficiency and a cut in manpower. May I ask, would Hong Kong's efficiency be greatly enhanced and increased by a substantial increase in pay?

Maybe it is a misnomer that Hong Kong's Civil Service, being the size that it is, has been criticized for lack of incentive and being less competitive than its counterparts in the private sector. If financial management of a high order is required for our public expenditure, of which 60% goes to civil service pay, then efficiency and productivity within the service has to be dealt with.

Recently there has been this greatly increased dissatisfaction about pay and conditions of service in the health, disciplinary service and other sectors; thus, would an increase in pay be the only device needed by Government to keep its Civil Service happy, or do we have to look at the other aspects of their working environment and job satisfaction and incentive as well?

(b) Although I agree to a move towards indirect taxation for the reasons as outlined by the Financial Secretary, however, the measures being taken are too drastic and also inflationary. A substantial increase in tax over hydrocarbon oil and the excessive levy on the general rates, I feel, will be inflationary, bearing in mind that rates will be revised in the year 1991-92. The additional revenue deriving from hydrocarbon oil and the increase in rates will be in the region of HK\$580 million and HK\$1.3 billion respectively.

May I ask, is there any other alternative to raise revenue from other sources, such as an increased levy in the airport departure tax when Hong Kong accounts for about 8.5 million passengers per year, which would help to relieve the heavy tax burden on these two items? After all, we have spent a tremendous amount of money improving the facilities provided in our existing airport and are going ahead to build a better one.

(c) Regarding our vital airport and port programme, where it has been decided to press full steam ahead so that it will be firmly established by the year 1997, I foresee a need for a large amount of infrastructural support which could be seriously handicapped by a lack of manpower and aggravated by economic uncertainties in the years ahead. I remain unclear as to the rationale why our ports and airfield have to be built by the year of 1997?

We appear to have glossed over the various complexity and delay that would arise. In this context it should be remembered that a general hospital will take about 10 years to commission, from planning to completion. What we are trying to do is to build an airport and port facilities, together with all the necessary infrastructural support, within a period of about seven years. Do other sectors of our services deserve and require a balanced development in the years ahead?

(d) The budgetary allocation for the purpose of health and hospital services as usual takes up about 8% of the total allocation in the sum of HK\$7 billion. Despite repeated requests from Members to improve the standard of service being offered, very little significant progress has been made. This is mainly due to a lack of resources.

I do not agree to the present policy of a non-contributory system for those who using the service, simply because hospital services are so expensive to provide. At the moment we only charge in-patients for their catering expenses.

Rumours have been circulating that Government will require the future Hospital Authority to recover 20% of the medical costs incurred. Would that, in such an event, be too drastic when the service has just changed hands from the Administration to the futher Hospital Authority? Charges should be revised gradually taking into account the economic condition in Hong Kong, and that a safety net has to be assured that no one should be deprived of essential medical service because of his means. If we are going to make our Class B beds, as suggested in the Scott Consultancy Report, a success, we should again think of medical insurance, and Government should take a lead and formulate firm policy to support it.

Since Hong Kong has an over-supply of dentists, and civil servants and their dependants are entitled to free dental services, could dental care services be available to the public not be improved and extended gradually? As I see, the taxpayer has to bear the costs of dental care and services for civil servants and their dependants, whilst the general public of Hong Kong (of whom about half of them are elderly) are unable to benefit from these services for mainly economic reasons.

In view of the fact that the Hospital Authority will be taking over the responsibility of the hospital services in the running of all public hospitals in the years to come from 1990-91, I will not make any comment on hospital service any further, but will just hope that the flexibility and autonomy of the Hospital Authority will be able to work upon the inherent drawbacks of the Hospital Services Department.

However, I would like to take this opportunity to say a few words about the closure of the hospital on Lantau Island. Sir, the population of our islands is slowly increasing. The Lantau hospital has been providing basic minimum essential medical services to the residents for over 30 years.

Usage rate has been low. It is because of a lack of investment over the past years; hence a lot of new techniques and equipment have not been made available to Lantau hospital and this has affected the quality of service offered to residents there. This dilemma has been faced by the subvented hospitals over the years but

their situation has not been as bad as the hospital on Lantau.

In view of the distance and communication difficulties of these remote islands from Hong Kong, I would request the Administration to reconsider and delay the closure of this hospital until Lantau Island is developed with the opening of the new airport.

This, Sir, once again, demonstrates the unfairness of the cardinal principle of budgetary allocation in terms of population density, with public investment in the rural and less populated areas falling far far behind the investment allocation given to urban area and new towns.

(e) The cost of transportation and the rate of fare increases has recently aroused much public concern, and this, coupled with the increase in fuel tax, will seriously undermine the ability of Hong Kong as a whole to tackle inflation.

Some quarters in the private sector look upon the Government's wages increase as an indicator of their staff pay. It is not enough for the Government alone to ask the Hong Kong general public to tackle inflation by increasing productivity whilst we are facing a shortage of manpower, and the Government is taking the lead in giving great pay rise to the Civil Service against the background of the present inflationary rate of about 10%.

The cost of transportation is an essential item to the cost of living for the general public, whilst from the profit control scheme under which our major transportation companies operate there is very little incentive for them to be competitive and efficient because they have a guaranteed profit from fare increase and they cannot lose out even if they are badly run.

This sort of scheme has been with us for a long time. In view of the pace of development in terms of transport could we not re-examine the effectiveness of the scheme and tackle the inherent drawbacks associated with such a scheme?

Because of the autonomy power of the two rail companies and the profit control scheme to which our bus and ferry companies are subject, as I see it, there is very little we can do with regard to fare increment in the years to come, which I anticipate will be in the region of well over 15% unless we can get to the root of the problem.

(f) The Department of Agriculture and Fisheries has in recent years changed from

its main duty from promotion and upkeeping of our primary industry to management and the running of our country parks, maybe other associated objectives as well. The prime objective of development of agricultural and fishery production is falling behind.

With the implementation of the Rural Planning and Improvement Strategy (RPIS), in the years to come I hope more usable and fallow land can be developed so that our primary industry can be further expanded. After all, with the amount of population in Hong Kong we will always have a market for our home grown products. Moreover, it may also have a dampening effect should there be a fluctuation in our external supply.

(g) During your recent address to this Council, and following the consultation of the RPIS, the Administration did, on numerous occasions, undertake an investment of about HK\$4 billion over a period of 10 years to improve the environment and living conditions in rural, urban fringe, and less densely populated areas to redress the disparity of investment in these areas over the past years.

In recent years there has been a drastic increase of population in the New Territories, recycled from the main urban areas; this applies to our so-called rural areas. As our people get more affluent they want more living space and better living environment. There has been in recent years more residents moving into the rural and urban fringe areas, hence the need for investment in the basic infrastructure to improve the surrounding environment has become more pressing.

Our new towns in the years to come will have to expand their geographic size and it is into the rural area and urban fringe area they will have to go. Surprising to note, of the HK\$4 billion to be invested in these area, only HK\$390 million is budgeted or planned to be allocated for the next five years, leaving the balance of HK\$3.6 billion undecided. Taking this opportunity, may I ask the Administration: as a firm decision has been made regarding the total amount of allocation under the RPIS, why is it only planning for the next five years and not beyond?

Bearing in mind that port and airport development will reach its peak in the years from 1993 to 1995, if Government is going to spend the rest of the 90% of the allocation under the RPIS from 1994 onwards, would it, in such circumstances, enter into an area of excessively heavy commitment in basic infrastructural projects, thus in turn, driving up project costs?

Sir, the Budget presented by the Financial Secretary is, in my opinion, a Budget not fair to the middle and lower income groups. It is inflationary. To the business sector, and in particular to small and medium sized firms, it is particularly harsh. Although we do not have a substantial increase in Civil Service establishment, the wage bill will increase by at least 15%, and it is difficult to see how inflation will drop to a single digit. The Budget, I think, will only be acceptable to healthy or middle-high rank civil servants who do not smoke or drink.

With these remarks, Sir, I shall abstain from voting.

MR. CHOW (in Cantonese): Sir, some 2 000 years ago, LIU Bang, the Chinese Emperor of the Han Dynasty, adopted HAN Xin's military strategy. Before attacking the central Shanxi plain, he created a smoke-screen by sending troops to repair a plank road which had been set on fire and damaged by himself. While the enemy concentrated its entire force on the plank road, Han Xin made a detour and launched a surprise attack at Chen Cang. The enemy suffered a crushing defeat. With this historical story in mind, it is perhaps most appropriate to use the saying: "Doing one thing under the cover of another" to describe the Financial secretary's handling of the sales tax issue in this year's Budget.

The sales tax proposal which met widespread opposition since it was first mooted is again mentioned in this year's Budget. Is it the Financial Secretary's intention that we must not forget the sales tax concept, that it must be referred to every day, month and year? It was thought at first that the shelving of the sales tax proposal this year would give the public a chance to take a break, but the Financial Secretary achieves the effect of imposing a sales tax by introducing hefty increases in indirect taxes. He seems to favour the broadening of the tax base by increasing indirect taxation. In the final analysis, too much emphasis has been laid on the Government's financial stability while a bold vision of narrowing the gap between the rich and the poor in Hong Kong is lacking.

The Copenhagen school in quantum mechanics has established the particle wave duality of electrons. They discovered that when experiments testing microcosmic particles were set up on the basis of particles, they showed the properties of particles, while wave based experiments showed the properties of waves. I do not intend to discuss science or philosophy and how the observer involves himself in his

observation object, but I would like to illustrate by this example that observations of the same object from different angles lead to completely different conclusions. At present, direct tax revenue accounts for 63% of the total tax revenue, 60% of salaries tax revenue comes from 60 000 taxpayers, 30% of profits tax revenue originates from 20 corporations. From the point of view of revenue stability, the Financial Secretary will reach the obvious conclusion that the tax base was far too narrow, that economic fluctuations could easily destabilize government revenue. From this point of view, it was obviously necessary to adjust the proportion of direct tax and to bring more people into the tax net, using the method of universal taxation to offset instability arising from economic fluctuations.

However, if we adopt the approach of narrowing the gap between the haves and the have-nots, we have to ask why a minority of individuals and corporations are allowed to get away with the majority of wealth created in our community, so that their share of taxes makes up the greatest part of the total tax yield. Would reducing their tax yield further widen the gap? From this point of view, the question itself suggests the answer -- the gap between the rich and the poor should be closed. A society's wealth is controlled either by the Government or by the private sector. When total production fluctuates due to economic fluctuation, if the Government imposes universal indirect taxation in order to guarantee relative stability in the Government's portion of wealth, the portion controlled by the private sector will be even more unstable. All the risks of economic fluctuations will then be borne by the public, but the risk bearing capacity of the general public is definitely lower than that of the Government. Thus, when one takes the approach of closing the wealth gap and paying due regard to the general public's ability to absorb economic fluctuations, one cannot help but reach a conclusion contrary to that of the Financial Secretary.

The question is whether the wide disparity in wealth is a reasonable phenomenon in a free market under capitalism? Is such a problem serious in Hong Kong? Is the government tackling it conscientiously? John Stuart MILL, a typical advocate of liberalism, once said that had he believed that economic catastrophe and economic exploitation were an intrinsic part of capitalism, he would have been termed a communist. James E. MEADE, the Nobel prize-winning British economist, introduced the so-called "Intelligent Radical" economic approach in an attempt to establish a competitive market mechanism characterized by liberalism and efficiency and to bring about a reasonable redistribution of income and wealth. To describe equality and efficiency as absolutely and mutually exclusive does not accord with the fact. For

example, by practising functional socialism, Sweden has achieved a state of economic development coupled with relative social equality. Of course, every community has its own uniqueness. Some people always maintain that so long as the economy keeps on growing and more wealth is made, the question of how to cut the cake will not arise. However, history tells us this is not always the case. Experiences of the developing countries and even Hong Kong show that simply indulging in economic development often intensifies the disparity between the haves and the have-nots. In the early 1970s, the 10% of households with the highest income in Hong Kong received 27% the total income generated by the whole society, while the highest paid families in the United Kingdom received 27% of the total income, and it was 30% in Germany and 29% in Italy. The gini coefficient in Hong Kong then was 0.41, which rose to 0.45 in 1981. Gini coefficient is an indicator of the income distribution between the rich and the poor; the higher the coefficient, the greater the inequality in income distribution. In other words, the situation of uneven distribution of income in Hong Kong far exceeded the pre-tax condition prevailing in major capitalist societies of the west. During the past 20 years, the situation of such uneven distribution of income has been deteriorating, not to mention the distribution of wealth.

In the past decades, there was indeed phenomenal growth in the local economy, but the man in the street did not enjoy his fair share of fruits brought about by such economic development. The Administration has never been seen setting specific targets to achieve a more reasonable distribution of income and wealth. Basically, the taxation system can be an important tool in narrowing the wealth gap. However, the word "redistribution" does not appear in the Financial Secretary's dictionary; thus the practice of reducing income disparity by progressive direct taxation is regarded as a source of financial instability for the Government. In fact, according to a research carried out by an academic of the Chinese University last year, the ratio of direct and indirect taxes in Hong Kong is no more unbalanced than those of other countries. In recent years, the adjustment of tax allowance for personal salaries failed to keep up with economic growth, resulting in 980 000 people falling into the tax net this year. Although the Administration will zero-rate the clawback on allowance, thereby increasing personal allowances to \$39,000, yet it still falls far short of the \$48,000 projected by some organizations on the basis of inflation rates and economic growth over the years. On the other hand, the Financial Secretary makes concession on the estate duty. Such a measure prompted by the worry of excessive direct tax goes against the principle of closing the wealth gap. Inheritance of estates has always been one of the sources of more uneven distribution of wealth in society. Some economist in western countries even suggested that

progressive estate duty should be imposed, with rates set in proportion to the age differences between the benefactors and the beneficiaries. Recently, there is a call by the community for a policy of mandatory kidney donation. Since it is considered that even "parts of a person's body" can be donated after death, why make such a fuss about the imposition of higher duty rates on "estates which the deceased can no longer possess"? The Financial Secretary's handling of the bets tax gives further evidence of his lack of a broad mind to reduce the wealth gap. In the coming year, the Financial Secretary will increase the bets tax by 1%, which is to be borne entirely by the Jockey Club instead of paying out of the prize money pool. It is hard to believe that the decrease by 1.2% of the size of the prize money pool will dampen the enthusiasm of punters. I even wonder if the punters know that the prize money pool constitutes only 83% of the total sum of stake. As far as the Administration is concerned, it makes no difference at all whether the extra 1% increase in bets tax comes from the Jockey Club or the prize money pool. However, there is a great difference where the community is concerned. The increase by 1% of the bets tax will reduce the Jockey Club's commission from the original 7.5% to 6.5%, and thus reduce by 13% the total revenue of the Club. At present, more than 70% of the Club's income is used for essential expenditure and 20% for charity purposes. If the essential expenditure cannot be cut down, the amount for charity purposes will have to be slashed by half due to the 13% drop in total revenue. In the circumstances, social welfare projects will certainly suffer. What else can we say about the act of the Financial Secretary than to describe it as "causing harm to others without benefiting oneself"?

Following the discussion on the overall problem of the disparity between the rich and the poor, it is appropriate in this connection to turn to the Government's allocation of funds on medical services. This is mainly because the charge for third class hospital beds will see a hefty increase after the establishment of the future Hospital Authority. First of all, I wish to comment on certain aspects of medical expenditure for the new financial year. As we all know, our medical service is beset with many ills and crisis-ridden. Under the impact of the establishment of the Hospital Authority and the 1997 issue, a large scale "exodus" of medical staff in the next few years is highly likely. If officers-in-charge do not want such an "exodus", they ought to take concrete actions demonstrating their sincerity to solve the problem. However, judging by the allocation of funds for medical services in the Budget, the prospect of defusing the crisis is not optimistic. There have always been comments that our medical services lack the necessary tools to do a good job. This year's allocation cannot be called a meagre sum. The Hospital Services Department and the Department of Health together get \$6.9 billion, 13% more than the

revised estimate of the appropriation of \$6.1 billion last year. If relevant items in the Capital Works Reserve Fund are included, this year's medical expenditures amount to \$8.6 billion, 20% more than last year's \$7.1 billion. But the question is whether the internal distribution in respect of the medical expenditures is appropriate.

Several years ago before the Government had decided on establishing the Hospital Authority, we repeatedly made appeals in the hope that the Government would not lay undue emphasis on hospital services at the expense of primary health care service. Unfortunately, bureaucracy often tends to ignore public opinion. Today, the Department of Health's expenditure only accounts for 12.9% of the total medical expenditures, even less than last year's 13.2%. In fact, it is inaccurate to equate the Department of Health's expenditure with the expenditure on the primary health care service. But there is little choice, because the Government has still not accepted the concept of primary health care service, and there is no item of allocation made on it. However, we can say for sure that, based on a broad perspective of the proportion between the primary health care service and hospital services in this year's budget allocation, there is still too much stress on hospital services when it comes to the internal distribution of medical expenditure.

Another case of imbalance of internal distribution can be found on departmental expenditure and infrastructural expenditure. The reason for the 20% rise in the total medical expenditure is that the medical items in the Capital Works Reserve Fund have expanded by 57%, whereas the two departments' expenditure has risen by 14% only. Is it true that the Government's preference for infrastructural projects and hardwares have caught on in the medical services sector?

Furthermore, the crux of the imbalance problem lies in the fact that although there are 13% and 14% rises respectively for the two departments' expenditures, expenditure for staff emolument has risen by only 9% and 10%, and the rest of the increase is mainly due to the expenditure on equipment, projects and other areas. Coupled with the above imbalance, we can say that the 20% rise in the total medical expenditure is mainly hardware-oriented, covering items such as projects and equipment, while expenditure on improved staff emolument and establishment only rises by 9% to 10%. Such uneven distributions cause a severe structural imbalance. As I have pointed out, the future crisis is mainly due to medical staff's long-standing dissatisfaction with the under-strength establishment, wastage of staff, poor pay and conditions of service, slim promotion prospect, lack of chances of further studies

and the "exodus" caused by political factors. The Government is unable to work out reasonable measures to retain the staff. Pay increases can barely cover inflation. Under the circumstances, what is the use of merely having more hospital beds? Do we intend to provide self-service hospital bed facilities?

Speaking about the allocation of funds for medical services, I cannot leave out the setting up of the Hospital Authority. In this regard, the public is hardest hit by the proposed hefty increase in the third class hospital bed charges. Social welfare benefits now enjoyed by the public are miserably inadequate. The relatively cheap medical service provided by the Government are the only welfare enjoyed by the lower class. Such services do have a positive effect on narrowing the gap between the rich and the poor. However, the Government accepted the Provisional Hospital Authority's proposal of an increase in hospital charges based on incomplete and inaccurate survey results. Its hitherto consistent policy on hospital charges will be changed to link admission charges with hospital bed expenditure, with the intention to recover 15% to 20% of the cost within five years. Consequently, within the next five years admission charges will go up by seven to nine times without even taking into account inflation and the rising medical cost which escalates faster than inflation. As to whether the general public can bear such a burden, has the Government given it careful consideration?

I have tried to get statistical information from the relevant departments on hospital charge paid by patients of third class beds in the past few years, intending to get figures such as averages, means and modes. Ludicrously, the replies I got were that the Government did not keep such figures. Just imagine, if Government does not even have statistics of actual hospital fees paid, how can it possibly have an idea of patients' income distribution and their affordability? Before making recommendations on the proposed increase of charges, the Provisional Hospital Authority commissioned a consultancy firm to conduct a telephone survey to seek justifications for raising charges. However, I doubt every much the accuracy of that survey. Of the 7 000-odd households surveyed, 17% to 45% have had at least one member of their families hospitalized in the previous year and on average the patients have been hospitalized 1.19 times. Based on these figures obtained by the sampling survey, the projection made on 1.5 million households all over Hong Kong shows that there should have been 310 000 cases of hospitalization last year. However, the annual report of the Hospital Services Department states that last year's actual number of hospitalization cases was 870 000; thus there is a great discrepancy between these two sets of statistics. Perhaps the households under survey were among the group

that had had fewer cases of hospitalization and could afford higher charges. In other words, the samples in the Provisional Hospital Authority's survey gave a distorted picture of the situation and the credibility of such sampling survey is indeed very low. I have also compared the household income distributions in the results of the survey and have found that they are not quite in line with the results of the territory-wide census conducted in 1986. These basic flaws in the samples of the survey have given rise to doubts on the other findings of the survey.

What is even more ludicrous is that the Provisional Hospital Authority's recommendations further deviate from the already unreliable survey findings. The questionnaire design was also misleading in that there was not any choice of zero increase in hospital fees. 75% of those surveyed felt that to raise hospital charges to \$65 per day was reasonable; as regards \$130, 56% considered it unreasonable, while 69% considered \$195 to be unreasonable and 75% could not accept \$260. What the Provisional Hospital Authority recommended was within the bracket of \$195 to \$260. In other words, the public is generally in favour of a slight increase, but that has been used as an excuse by the Provisional Hospital Authority and the Government to charge a fee that the majority of the public consider to be unreasonable. The questionnaire design was misleading and the samples were also unrepresentative in that the affordability of respondents was stronger than that of the general public. The findings of the survey were further distorted by decision makers as an excuse for raising charges. Is that rather dramatic?

As I said earlier, any proposal for the distribution of resources must not depart from the principle of current wealth-cum-income distribution. We believe and understand the fact that the Financial Secretary needs to face the short-term economic problem in Hong Kong. But to use this problem as an excuse in ignoring the medium-and the long-term need for narrowing the gap between the rich and the poor, or the lack of such a vision altogether will lead to economic development that is lame in one leg. Is that in the interest of all people of Hong Kong?

Sir, with these remarks, I support the motion.

MR. HUI (in Cantonese): Sir, the future welfare policy which commands the greatest attention of social workers and the community will certainly be spelled out in the White Paper on "Social Welfare into the 1990s and Beyond", a review associated with which is now in full swing. As many people have commented on the importance and

implications of this White Paper in relation to the future development of welfare services in Hong Kong, I do not intend to harp on them. But given the community's high expectations of the White Paper, the Administration must not take the matter lightly. Based on my observations of the formulation and implementation of various White Papers by the Administration over the past years, I think it is most important that the Government should make a long-term financial commitment to implement the recommendations of the White Papers. Take for example the White Paper on "Social Welfare into the 1980s" published in 1979. The Government had initially promised to meet the demand for various services year by year, but subsequently it had to cut its spending on welfare services when the economy suffered a downturn. As a result, many services are still falling far short of demand today.

Owing to the above reasons, and in order to cope with major social changes which would inevitably take place, I had, during the policy debate in 1987, made an appeal for the early formulation of a White Paper on social welfare development in the 1990s. It was my hope that the Administration would, under the then favourable economic conditions, commit itself financially to future welfare developments.

Regrettably, the Administration remained irresponsible to my repeated appeals and has not reviewed the situation until today. But it seems to be somewhat too late now because the Government has already decided to invest over \$120 billion on infrastructural projects such as the new airport, port development and road networks. Although the Government has declared time and again that it does not have to take up the full costs for these infrastructural projects, it is undeniable that enormous social resources must be injected into these projects in order to make the "rose garden" dream come true. Under these circumstances, I wonder whether welfare services which are badly in need of additional funds for improving their quality will be accorded priority by the Government.

I earnestly hope that the Government will put forth concrete actions and plans to allay the worries of the welfare sector and demonstrate its commitment to shouldering the costs for implementing the White Paper's proposals.

To ensure a smooth implementation of the policies laid down in the White Paper, there has to be an adequate supply of professional staff. Unfortunately, the social work sector is currently facing a manpower shortage which has seriously affected the quality and development of welfare services. The problem is particularly serious with subvented organizations where the staff wastage rate is higher than that of the

Social Welfare Department, the reason being -- the staff of the former have all along been unable to enjoy pay packages comparable to those of their counterparts in the Civil Service.

There is a saying "the tree falls not at the first stroke", and this statement is especially true when applied to the social work sector. In this financial year, it is estimated that there will be 258 and 335 vacancies in the Assistant Social Work Officer and Social Work Assistant grades respectively. The large number of vacancies mainly results from the Administration's long-standing neglect of the grievances of social workers caused by poor salaries, unpleasant working environment, heavy workload, immense work pressure and slim promotion prospects. As a result, our experienced social workers will leave the profession or even the territory once they are exposed to outside attractions. Under the circumstances, how can we blame the social work graduates from tertiary institutions for not devoting themselves to the profession? The Administration envisaged that about 10% and 20% of this year's graduates from social work degree and diploma courses respectively will refrain from entering the social work field.

Sir, I must thank the Standing Commission on Civil Service Salaries and Conditions of Service for its concern over the high wastage rate and recruitment difficulties of social workers. Regrettably, the Standing Commission has only seen the tip of the iceberg but failed to propose comprehensive improvement measures to tackle the crux of the problem. It is true that raising the entry salary by one or two points may make the post more attractive to job seekers. However, if there are no improvements in other areas, coupled with the fact that the morale of the social work sector has been dampened by the nationality package, the Standing Commission's proposal may be unable to achieve the desired effect.

In face of the present situation which is unfavourable to the social work sector and the development of welfare services, it is my view that the Government should take the following actions promptly:

- 1 Recognize the professional status of social workers. One possible way is by providing adequate resources to facilitate the setting up of a professional registration scheme for social workers. This will include the establishment of a statutory body to ensure professional standards and ethics, and offer adequate training opportunities for dedicated social welfare workers, so that they may eventually meet the standards for professional registration; and

2 Overhaul the present pay structure and conditions of service of social workers with a view to improving their promotion prospects and the quality of service. The Government should also provide employees of subvented organizations with fringe benefits comparable to those offered to Hospital Authority staff transferred from subvented hospitals. The Administration should be well aware that at present, two-thirds of the welfare services in our community are provided by voluntary agencies. The working attitude and morale of the staff of these agencies will certainly have an important bearing on the quality of the overall service provided.

Sir, apart from providing additional funds, another way to raise the quality of our welfare services is to improve the working relationship between the Government and subvented institutions so as to draw greater support from the zealous voluntary agencies to provide more cost-effective welfare services for the community.

Given its unwieldy, complicated and rigid structure, we can hardly expect the Government to react with the same degree of flexibility, versatility and efficiency as subvented institutions in coping with the ever-changing needs of our society in the 1990s as well as the specific needs of each and every district throughout the territory. Therefore, when the Government considers the decentralizing of certain public services, why should it not consider handing over more welfare services to the subvented sector?

Naturally, if the Government wants to encourage more subvented institutions to take up this job, the control imposed on subvented institutions through financial scrutiny must be relaxed. In fact, the Government only needs to adopt the modern management approach in maintaining close contacts with these agencies, it may then unreservedly allow those conscientious voluntary agencies to have greater autonomy in the use of financial resources. This will, on the one hand, minimize the waste of resources on compiling tedious reports as required by the Government, and on the other hand, help boost the morale of the staff of subvented organizations and enhance their efficiency.

Some Members may think that what I have just said are all about the persistent shortage of resources for welfare services. I would like to point out that if we compare our actual gross domestic product (GDP), the total public sector expenditure and the social welfare expenditure of 1985-86 with the revised estimates of 1989-90, then we can get the true picture. Within these five years, the local GDP has increased by 85.1%, the total public sector expenditure has also risen by 92.4%, whereas social

welfare expenditure has recorded a growth rate of only 69.4%. In other words, during this period the lower income group actually have not been given a fair share of the fruits of our economic success.

Although I admit that social welfare expenditures in the last two Budgets have increased considerably as compared with the previous years, the cumulative increase can only slightly ease the strong demand for such services, but there has not been any improvement in the quality of the service provided. If we take a look at the social welfare expenditure for the next four years as proposed by the Financial Secretary, we can see that on the average it represents only about 6.4% of the total consolidated public sector expenditure, and is only half a percentage point higher than the average value of the preceding four years. Thus, it is foreseeable that in the coming four years welfare services will virtually make no headway and there will not be any great improvement as compared with the previous four years.

However, we should not forget that in the 1990s a lot of new social problems will emerge in Hong Kong, such as disorientation and hedonism of young people; parental neglect of children because of a strong desire to earn money; feeling worried and helpless about the future on the part of adults; and lack of care for the elderly and the disabled because of emigration of family members. Besides, as civic consciousness and civic rights are on the rise, if future social welfare services become stagnant, surely they will not be able to serve as a stabilizing and cohesive force to ensure that Hong Kong will make steady progress. Thus, it is hoped that the Financial Secretary will give consideration to raising the proportion of social welfare expenditure in the total public expenditure.

Sir, before summing up, I have to say a few words about certain measures recently introduced by the Government which affect the livelihood of Hong Kong people. My remarks are prompted by a number of civic organizations which recently petitioned the OMELCO, calling on the Government to curb the price hikes in appreciation of the difficulties which Hong Kong people are facing. As a matter of fact, the worries of the grassroots about their future financial burden are not totally unfounded.

Firstly, at the very beginning of this financial year, the Government has drastically raised water charges and fuel tax, indirectly leading to the fare increases subsequently announced by various modes of public transport. Undoubtedly, the Government is the "instigator" who takes the lead in stirring up the price hikes. Secondly, the Government has increased property rates by 25% at one go, and as there

will be a comprehensive adjustment in rateable value in 1991-92, the actual increase is estimated to be even greater. This will inevitably boost the rentals of all types of premises in the territory which have already reached a high level. Thirdly, the Government's aim to progressively privatize social services has made more and more people believe that the Government intends to shift the responsibility to the people and this is also the prelude to hefty price increases. The third class bed charge proposed by the Provisional Hospital Authority report is a case in point. Fourthly, the Financial Secretary has not really dispelled the worries of Hong Kong people about the introduction of a sales tax, reflecting that the Government has not yet given up the idea of increasing indirect taxes in a bid to meet the huge expenditure in future.

The above four points I have mentioned will no doubt further push up the already high inflation rate. On the other hand, following the slow-down in our economic development, the income of workers in real terms is also likely to fall. Under the circumstances, the plight of the grassroots is all too obvious. Their worries about the future, anxiety and dissatisfaction will seriously disrupt social stability and harmony. Thus, I hope that the senior officials in charge of the Finance Branch, the Financial Secretary in particular, will understand the actual situation and adopt a considered and prudent approach in dealing with any measure which may affect the livelihood of the people.

Sir, with these remarks, I support the motion with reservations.

MRS. TAM: Sir, the Financial Secretary has said that his Budget for 1990-91 looks not at one year alone, but also sets long-term objectives for the years to come. It is important to keep this in mind and see this Budget in the context of a long-term financial strategy for Hong Kong. It also has to be looked at in the light of the particular stage our economy has reached. We are moving through a transitional period, currently marked by a slowing down of growth and the unwelcome appearance of the problem of inflation. We have been given a Budget which is prudent, and well-balanced, which stresses the need to use resources carefully, so as not to prejudice our ability to fulfil future obligations, in particular the vital programme of infrastructure projects to which we are committed.

The Financial Secretary has warned us about inflation. I note especially his reference to the fact that inflation is partly generated by wage increases. It is

most important that Government takes a lead in preventing the spiral of wage-led inflation, and I applaud his scrutiny of the civil service establishment with a view to achieving the greatest possible economy consistent with efficiency.

Both the public and the private sectors have a duty here. Again a balance has to be achieved. Unfortunately, Hong Kong is suffering from what could be termed the 1997 syndrome which makes for short-sighted decisions. At a time when people see the future as uncertain, money in their pocket now has great attraction. But I hope employers will resist the temptation to attract and retain their labour force simply by giving more and bigger salary increases, which are in any case of little benefit as they simply increase the inflation spiral. In the long run, what will count just as much as wage increases will be improvements to the whole range of employment conditions, such as training and promotion prospects, provident fund and pension schemes. The Financial Secretary has mentioned that the private sector can contribute, in the struggle against inflation, by increasing productivity both through training and investment. I urge Government, too, to play a crucial role in this campaign. It must invest in the sort of long-term social framework within which the population can find security and satisfaction. Side by side with the physical infrastructure for Hong Kong we must be able to see the development of a social infrastructure for ensuring the health of our economy.

There is more than one way of achieving the desired framework, and I suggest that the Hong Kong ways be steered by a careful balance between public and private enterprises. Government must create a climate, by legislation if necessary, in which private employers, enjoying as they do the benefit of relatively low taxation, should provide more for the welfare of their staff. And there are still areas of social responsibilities that Government has to take upon itself. I realize that what Government can do lies within the limits of the money at its disposal, and I shall say a little more on the subject of taxation and other sources of raising revenue later in this speech.

I have spoken so far of the employed section of the community and the responsibilities of employers -- be they government or private enterprises. But there will always be some sections of society which it is the responsibility of Government to provide for -- those whose circumstances prevent them from providing for their own welfare, by reasons of sickness, disability or disadvantage. In all age groups, from infants to the elderly, there are those in need of care and services from the state. Over the last decade, Government has shouldered an increasing

responsibility for these sections of the community.

But the Financial Secretary himself says, "People rightly expect better quality services ... and if we are to meet these expectations ... we have to spend more". He has indeed provided additional funding for a number of items, and he speaks of spending \$16 billion on social services. He says, "Expenditure on social services and education will together account for 30% of the total" -- that is, of total government expenditure this year. These statistics present the picture of a benevolent Government and certainly put the most generous interpretation on the facts of this year's allocation. But if we examine what lies behind these figures and separate social services from education, we find then that social services account for some 15.5% of the total, and of that sum, expenditure on health services will make up more than a half. If we look at the budget for social welfare alone, we see that it is approximately 6.1% of the total.

It would be disingenuous of me not to admit that I wish it were more. But half a loaf is always better than no bread. The most urgent and important task now is to ensure that the money we can spend on social welfare is well spent. That is one reason why I welcome the White Paper on social welfare. It is time to focus attention on the future development of welfare provisions in Hong Kong and to reassess the real needs for the 1990s. This approach, as opposed to a fossilized perception of those needs, will ensure that services are cost-effective. It is always possible to spend more on social services: as society develops, standards rise and expectations increase. But a rationalization of expenditure need not necessarily lead to vast increases in expenditure. I trust the Financial Secretary will keep an open mind on this subject and that when needs are identified, he will be prepared to reallocate funding in a flexible way.

If Government is committed to helping those in need of special care, there is one very strong claim on its attention. I refer to the children of families in receipt of public assistance. In particular, I want to draw attention to the plight of single-parent families, of which there are estimated to be some 36 500 in Hong Kong. Relatively, the numbers may be small: only 2.5% of all domestic households. But they involve over 61 000 dependent children, and their particular financial, personal and social needs make these children particularly vulnerable. In addition, there is a considerable number of families where care is for a long period in the hands of only one parent because the other is away from home due to hospitalization, imprisonment, distant employment, or marital conflict.

Any family facing financial hardship can be helped through the Public Assistance Scheme; but where a widowed, divorced or separated parent experiences strain and fatigue in taking up the responsibility of bringing up children single-handedly, even if circumstances allow that parent to act as a breadwinner, I suggest that special help is needed. Children of such households too often suffer from reduced material provision, social deprivation and emotional disturbance.

In addition to the welfare services already in place, there is need for an additional benefit, through the payment of a supplementary allowance for all children of families in receipt of public assistance. This children's allowance would benefit the poorest of our children and provide a particularly welcome safety net for the children of one-parent families.

I now turn to the topic of generating the revenue needed to carry out a programme of public works, including public welfare. I welcome the fact that Hong Kong has made a move towards broadening the tax base, and that tax reliefs in this Budget are designed to help the least well-off and the middle-income group. I hope the trend in this direction will continue. However, I believe that the particular indirect taxes that have been introduced or increased this time, especially on fuel oils, may well erode the benefit that the "sandwich class" gains from lower salaries tax. And these indirect taxes will work through the whole economy and put some burden even on the poorest members of society who do not have to pay personal tax at all. In order not to penalize the poor and the "sandwich class", I urge the Financial Secretary -- as I have done on previous occasions -- to ensure that any indirect taxes he proposes to levy in future shall fall most heavily on luxury goods and thus on those best able to afford them.

But taxation is not the only source of revenue. The Financial Secretary speaks of government fees and charges, and how these should be based on the principle of covering costs.

In the area of social services, and in the context of Hong Kong society today, there are provisions badly needed by those who are not necessarily too poor to afford them. We all agree that we have to help those who are in need of care and cannot afford to provide for themselves. But a community like ours -- affluent by world standards -- relies very much on a large middle-income group which is by no means rich, though fortunately distant from poverty. We need to extend the concept of

social responsibility to include services for these people, who are able and willing to pay for them. I am thinking of such provisions as child-care facilities and homes and services for the elderly. Sufficient of these just do not exist. I feel it is Government's duty to provide capital for the framework of social facilities, though the subsequent recurrent expenditure should be met by the users paying for them according to their means. I readily acknowledge that Government expenditure must be kept within limits, but we have been told that exceptional capital expenditure can be justified on occasions. It is recurrent expenditure, above all, that must be most carefully controlled.

In the future, more than ever, Hong Kong will rely on the stability, the hard work and the loyalty of its middle class citizens. I suggest that Government policy, not least its financial policy, should take full account of this, and make sure that it encourages them and their contribution to Hong Kong's well-being.

One last point: we are fortunate in this community to have many charitable people. The generosity of our wealthiest citizens is legendary, but others, too, give to charity on a generous scale. Before the next Budget, I should like to think that the Financial Secretary may consider enlarging the tax concessions he makes for personal and corporate charitable donations. It is more blessed to give than to receive, but it is especially nice if there is a tax advantage involved as well.

With these remarks, Sir, I support the motion.

MR. CHAN (in Cantonese): Sir, this year's Budget has aroused rather strong public reactions. After the Government drastically increased fuel tax, rates and water charges, many public transport operators have either raised fares or submitted applications for fare increase, and commodity prices in general have also been adjusted accordingly. The public hope that the legislators will stop the Government from taking the lead in raising charges again next year. In particular, they fear that after the rateable value of property is reassessed in the near future, rates will soar significantly. The above view has repeatedly been conveyed to the Financial Secretary in these two days, and I believe that this consensus view is more effective than casting a few votes against the Budget.

As a matter of fact, inflation is the common enemy of Hong Kong people and the Government. I am of the opinion that the Government should never take the lead in starting off the price hikes. It is true that whatever item is selected for raising

revenue, there is bound to be some objections. But if the matter is handled properly, the voice of objections will certainly be very weak and will not pose a real problem. I do not understand why the Financial Secretary has not raised the duty rate on cosmetics. He has not even made a slight adjustment so as to offset erosion by inflation. Is it because the Financial Secretary fears that such a measure may arouse opposition from all lady Councillors? I hold that there is nothing wrong to increase indirect taxes, but priority should be given to imposing more taxes on luxury goods so that the rich will have to bear a heavier burden. I am sure they will not lodge any complaint with district board members, for after all, in their eyes such tax payments are insignificant.

I hold that the ambitious infrastructural projects undertaken by the Government may also fuel inflation, and as a result, the expenditure of these projects may far exceed estimates. I am worried that some of the debts incurred may be shifted to the public at large and that the Government may resort to the same old tactic which it employed in suspending the construction of the Island Eastern Corridor some years ago. In view of the serious consequences involved in both cases, expenditure should therefore be put under stringent control. I recall that at a meeting of the Public Works Sub-Committee, the Financial Secretary said that the Government would try its best to answer the questions raised by the Councillors and would not like to see them worrying about anything. This has left a deep impression on me. However, I still have some worries which must be spelled out. Since the expenses of various projects are very huge and there are numerous items of expenditure, the Councillors will find it difficult to perform the monitory duty. Furthermore, as the projects will extend through three successive terms of the legislature, the problem becomes all the more complicated. I therefore request that the Government should report to the Legislative Council regularly on the progress and the financial situation of the projects so that we can lay our heads together to prevent the problem from getting out of control as mentioned above. Besides, I think that at the present stage the Government should first of all identify those items which should be given top priority and then concentrate all efforts to study them so as to save time and resources. The Government should not spend millions of dollars studying those projects which are not urgent, for even if we can produce a consultant report now, it will certainly become out of date when it is taken out to be used 10 years afterwards. In that case, is it not true to say that the taxpayers' money has been unnecessarily wasted?

In view of the Government's financial constraints, I will not put forward any proposal which calls for an increased expenditure unless there are compelling reasons.

However, the wastage of teachers and the housing problem of the sandwiched class are the issues that I must bring up for discussion here.

As a matter of fact, the teacher's influence over the students is of immense importance. At present, the wastage of kindergarten teachers as well as that of secondary teachers are both very high. The problem is particularly serious with graduate teachers. Many teachers resign within the first few months of employment to take up better paid job in other fields. As a result, a lot of schools are faced with a shortage of teaching staff and have to resort to employing substitute teachers on a long-term basis. As students have to adapt themselves to different teaching methods, the effectiveness of teaching is greatly affected. This will do much harm to the younger generation. Thus I think that this is a more pressing issue among all education problems. I am most reluctant to plead for a pay rise for any profession, but like the wastage of doctors and medical staff, the wastage of teachers is a problem that needs to be addressed promptly. In this regard, the Finance Branch should co-operate by providing the necessary resources.

As regards the housing problem of the sandwiched class, many of our colleagues have made repeated appeals to the Government for the introduction of home purchase tax exemption for the middle income group. Unfortunately, this request was rejected by the Administration. Given the present high property price, we should look for other solutions instead of letting the matter drag on. As an alternative to tax exemption, the Government may consider offering home purchase loans which will not lead to a reduction in public revenue as such loans are recoverable. As for the middle-income group themselves, they would prefer the Housing Authority to offer more Home Ownership Scheme flats and raise the income limit. Whatever method is adopted, it is imperative that the Government should make a decision and implement its plan as early as possible so as to help relieve the heavy burden of high accommodation cost shouldered by the middle-income group.

Sir, with these remarks, I support the motion.

MR. POON CHI-FAI (in Cantonese): Sir, in your policy address last year you put forward a large-scale infrastructural project costing some hundreds of billions of dollars. In the Budget for this fiscal year the Financial Secretary has indicated that the current Budget is to set the scene for the ultimate achievement of such infrastructural projects. At a time when the confidence of Hong Kong people has not

yet been fully restored and in the transition period of the countdown to 1997, a huge infrastructural project that provides favourable conditions for the continual development of Hong Kong beyond 1997 will have the effect of stabilizing confidence in the territory to a certain extent. However, if the infrastructural project is improperly implemented, it will be a strain on public finance, resulting in the Administration having no spare resources to cope with unexpected economic upheavals and predicament during the transition period. In fact, after the announcement of the Financial Secretary's Budget, many members of the public worry whether the scale of infrastructural programme is too extensive; whether these infrastructural facilities may be under-utilized just as the Tuen Mun Light Rail Transit system and the Eastern Harbour Crossing, the initial patronage of which has been inaccurately estimated; whether the implementation of the infrastructural project is moving at too hasty a pace; whether the Government and the public can afford to make such a commitment and whether the Government will resort to raising tax and fees indiscriminately for funding the infrastructural project, resulting in the general public's livelihood being in predicament. Many members of the public are also worried that in the present situation of wavering confidence in Hong Kong, any substantial increase in taxes and other fees will easily trigger off sentiments of discontent and dissatisfaction in the community and will indeed also touch off increasing waves of migration, causing social instability. We can draw on the regrettable example of Britain's introduction of poll tax which has resulted in the confrontation between the Administration and the public, causing social unrest.

Sir, though the Government has emphasized that it is within Hong Kong's means to carry out the infrastructural project by having part of the expenditure met by loans and part of the project financed by private sector's involvement, yet a substantial proportion of the expenditure will have to be met by revenue yield from tax payments of the general public. As a matter of fact, since the publication of the Budget by the Financial Secretary a series of measures to raise taxes and other charges have directly or indirectly affected the cost of living of the public, and the middle and the low income groups in Hong Kong suffer most as they have to shoulder greater financial burden in their everyday life. The combined effects of increases in rates on property, fuel tax, water charges and so on have exerted too much pressure on them, and have also caused a spiral rise of rents of residential, industrial and commercial premises, transport fees, production costs and commodity prices. The soaring prices do not only affect the livelihood of the general public, but also undermine the competitiveness of Hong Kong's exports, thus dealing a blow to the economic development of the territory. It is understandable that faced with

escalating charges of medical services and kindergarten fees in the years to come and the resultant rise of prices stemming from the vicious circle of the foregoing tax increases, members of the public have their worries. Many of them hope that the Government will handle the matter of tax increases and charges increases in a more prudent and mild manner.

Sir, I am not opposed to the massive infrastructural programme. Whilst we admit that it is a matter of paramount importance to carry out suitable infrastructure and development programmes for Hong Kong's continual development and prosperity, we must keep expenditures within the limits of revenue and must not be eager for quick success and instant benefit without taking into account the affordability of the Hong Kong taxpayers. At the same time we must exercise caution, make careful studies, weigh the importance and urgency of every task, make rational arrangement for setting priorities and financing the projects, make good use of resources without affecting Hong Kong's stability and prosperity, nor inflicting heavy burden on Hong Kong, nor bringing undesirable disasters. Sir, the continual prosperity of Hong Kong depends on the ability of the Hong Kong Government to cope with the rapid expansion of public expenditure within the limits of its revenue yield after the commencement of the infrastructure project. The Hong Kong Government should not overlook the implications in this respect.

Sir, in the Budget the Financial Secretary has time and again mentioned the need for restraining the growth in the establishment of the Civil Service. However, I wonder whether consideration has been given to the fact that over-reliance on consultancy firms in the studies on public administration or public works as a result of staff shortage does not only render the policy of establishment control meaningless, but also increases the cost of carrying out the study or public works on the part of the Government. Sir, judging by experience, we know that to commission consultancy firms to undertake these tasks cannot make up for the deficiency in expertise due to manpower shortage in the Civil Service. In fact, the drawing up of contracts for commissioning consultancy firms, to furnish these firms with the necessary information, to monitor the progress of work, and to check on expenditure accounts are time-consuming jobs. At a time when the Civil Service is under strength, to commission consultancy firms will increase the pressure of work in the Civil Service, resulting in acute manpower shortage. As the Civil Service is under strength, the Government may not be able to exercise effective monitoring of the work of the consultancy firms. This will easily lead to the cost of consultancy getting out of hand and the public funds being squandered. Sir, at a time when the Civil

Service is short of staff and large number of consultancy firms will be commissioned to undertake studies on the mammoth infrastructural project, I hope the authorities concerned will pay special attention to effectively monitoring the work of the consultants. It is also necessary to tighten controls on the expenditures incurred in consultancy studies with a view to observing the principle of getting good value for the money spent and ensuring that the revenue from the tax paid by the general public is put to effective and economical use.

Sir, at a time when there is uncertainty in Hong Kong's economic prospect and the inflation problem is looming and at a time when members of the public find it difficult, if not impossible, to bear extra burdens of tax increases and higher charges, it is inevitable that we should exercise restraint and trim our expenditures. In this regard, we are aggrieved that billions of dollars have been unreasonably spent annually on the Vietnamese refugees/boat people; this spending should be cut down immediately. As far as the handling of the issue of Vietnamese refugees/boat people is concerned, all along our views have not been seriously considered and we have had no say in this matter, but such enormous expenditure has to be met by us; indeed this is gross injustice. Furthermore, we may never be able to recover the arrears of payment amounting to hundreds of millions of dollars incurred by the office of the United Nations High Commissioner for Refugees and have to shoulder this financial burden eventually. Sir, at a time of economic downturn and limited means, we find it difficult to continuously tolerate the endless burden of the Vietnamese boat people issue which has been imposed on us high-handedly. Sir, allow me to put it bluntly. We are disappointed that in handling the issue of the Vietnamese refugees/boat people the British Government has not tried its best to safeguard the interests of people in Hong Kong.

Sir, with regard to pre-primary education for young children, I have pointed out in the debate on the motion of thanks in 1985 that with the rising standard of living in Hong Kong, kindergarten education has already been widely considered as essential for children nowadays. In some countries, consideration has also been given to making kindergarten education an integral part of the national education system, just as education in primary and secondary schools. In 1985 I urged the authorities concerned to make kindergarten education a segment of the basic education programme in Hong Kong and to actively subsidize the development of kindergarten education and the training of kindergarten teachers. Lately, my aforesaid requests have won the approval and support of many organizations, individuals and indeed Members of this Council. In my speech during last year's Budget debate, I again urged the Government

to expedite actions on improving kindergarten education, and I mentioned that the meagre salary of child care workers was so humiliating that many dedicated teaching staff in this field had to change their occupations in order to earn a better living. The authorities concerned have recently approved an increase of school fees for kindergartens to improve the salary level of kindergarten teachers, and this can be regarded as a step forward in this direction. However, such a step to improve the salary level of kindergarten teachers by way of increasing school fees will ultimately exacerbate the financial burden of parents. Under the recently announced fee remission scheme for kindergartens, the eligibility criteria for applying for remission of fees are not geared to the income level of ordinary families, resulting in most of the parents being unable to be benefited by this scheme. It is most regrettable that this subsidizing scheme should be nothing more than a nominal one. I hope that the authorities concerned will rectify this scheme and raise the level of subsidy as soon as possible.

Sir, in conclusion, with the public concern over the implementation of the massive infrastructural programme, a task force should be set up as soon as possible by the Administration to carefully map out the scope of the infrastructural programme, to assess the general public's affordability, to decide on the priorities of the programme and to arrange for funding. As for the increase of taxes, the Government should be prudent enough to avoid introducing any additional levies and fees which may adversely affect the livelihood of the general public. In view of the fact that public confidence has not yet been fully restored, any unnecessary and unjustifiable expenditure ought to be cut down. We should avoid the imposition of any drastic increase of taxes levies, lest it should trigger off resentment and agitation which may in turn intensify the problems of brain drain and social instability.

Sir, I have reservations for the drastic increase of rates, fuel tax and water tariffs. With these reservations, I support the motion.

MR. PETER WONG: Sir, the Financial Secretary's Budget this year is consistent with his previous messages of stability and prudence. However, it offers little by way of tangible solutions to our high rate of inflation and long-term financial planning -- it merely follows the formula of keeping back less in reserves in difficult times and reducing tax rates in good times. There are no real answers as to how to meet any unforeseen shortfalls in revenue or run-away expansion of the public sector. I shall illustrate this lack of effective financial planning in public expenditure

growth, the unresolved question of civil service pensions and the financing of public services.

The Budget for 1990-91 has been balanced by tinkering with various revenue measures designed to raise money with the minimum of hue and cry. We have been lucky in that the Inland Revenue Department has been computerized in time and revenue yields have been improved following the past economic boom. We cannot depend on such good fortunes again.

I would echo the warning of the Honourable Martin BARROW against over-zealous collectors of revenue in their exploration of novel sources of revenue. It is my perception that the Inland Revenue Department in the past few years has sought to upset established conventions in order to improve yields. I need not quote the recent cases since the Financial Secretary is well aware of them. In the current political climate and in view of our many overseas competitors who would clearly wish to take over our existing businesses, we will do well to monitor closely the result of these policies by the Inland Revenue Department. A short-term improvement in yields may result in the permanent loss of those taxpayers to more welcoming shores.

Article 107 of the Basic Law states that the Budget of the Hong Kong Special Administrative Region shall be kept commensurate with the growth rate of its gross domestic product. Neither the Budget for the current financial year nor the medium-term forecasts up to 1994 follow this principle. Real growth in GDP is expected to average 5.5% per year, whilst real growth in consolidated public sector expenditure is set to average 6.6%. Over the next four years, consolidated public sector expenditure as a proportion of GDP is set to rise from last year's 17% to 19%.

While I accept that education, health, environmental protection and infrastructure are all vital services that need substantial increases in the allocated amount of resources, it is not acceptable for the Government to use an increasing slice of its income to grant civil service wage increases over and above natural increments. This is because higher levels of government consumption run the risk of slowing further an already declining expansion rate of our economy. Furthermore, if increases in government consumption demand continue to outstrip increases in the economy's capacity to supply, then inflationary pressures within the economy can only magnify.

The fact that inflation last year averaged 10.1%, while retained import prices

grew only by 1% indicates that most of our inflation has been domestically generated, encouraged to a large extent by the strong upward pressure on wages resulting from a tight labour market. By accepting the Civil Service's wage demands, the Government is merely fuelling further a damaging inflationary wage spiral. These wage increases are hardly acceptable especially when they are far above the rate of inflation and are not warranted on the grounds of increased productivity.

There is an ever increasing need to ensure that the public get value for money from the Civil Service. After a few years of plenty, there will be fat in the Civil Service. We now need to shake and squeeze out that excess fat so that we can be trim and fit. This does not always mean cut in expenditure. Sometimes you have to spend money to make money. Resources should be allocated to those projects that will achieve enhancement in service or reduction in cost such as computerization. As we are all members of the Finance Committee, I will give notice that I for one will be very critical of any requests for additional posts and will be on the constant lookout for means of extracting greater efficiency from the Civil Service. I am sure that my colleagues will join me in this effort. Inevitably, there will be squeals, but the service will then become healthy. It is now also time that Government do something about the civil service salary levels methodology in order to minimize the see-saw effect of pay trends between the public and private sectors.

The Financial Secretary apparently wishes to stabilize revenue yield so that the public sector can be immune to the fortunes of Hong Kong's economy and thus preserve the iron rice bowl for the civil servants. Civil service remuneration has gone up from 59.7% of overall government expenditure in 1985 to 61.4% last year. This is expected to rise to 62.8% in 1990-91. My primary concern is the exceedingly generous fringe benefits which are not clearly visible in the Budget as remuneration. We should cost in an actuarially adjusted portion of the pension costs in calculating just how much it really costs to employ our civil servants.

Under the present cash accounting convention adopted by the Government, deferred pension benefits hide the true cost of the pension scheme until a later date. Civil servants are working and earning their pensions right now. When they retire, the past generosity shown in pay increases has to be paid for all in the years of retirement. And this, Sir, is really "passing the buck".

It is estimated that the pension payments can add something like one third to the straight salary bill. The sum to be paid out for civil servants' pensions this

year is to surge by almost 50% to \$2.88 billion over the 1989-90 figure. Political uncertainties aside, the amount of vested benefits to be handed over in 1997 estimated at some \$120 billion offers strong argument for the funding of civil service pensions, and the Administration should at least admit that there is a problem.

Here I would advocate that the Government bite the bullet of past inaction and adopt a plan to fund the civil service pensions over say 10 years and practise what it is attempting to preach to the private sector. Not only must we stop paying lip service to such an obligation, we must also recognize it in our accounts and make tangible provision for it. The new airport would only get built when we fully recognize and honour all our obligations.

Coming from the accountancy profession, I am naturally concerned about balancing the public accounts. With the steadily increasing demand in public services, the growth in public spending is inevitable. Medical spending is slated to increase to 10% of overall government expenditure by 1993-94.

On top of this, there are the multi-billion dollar infrastructure projects which in principle should not be directly financed by the taxpayers. My honourable colleagues have spoken at length on the conflict between economic development and people's livelihood, elaborating on the negative effects of increases in indirect taxation. However, I wish to raise the fundamental question of how we can achieve constant increases in services without corresponding increase in taxation.

I believe that collectively, the users of public service have to pay for the cost of these services in the form of taxes. It is only reasonable that improved service quality should result in recovering more from consumers who get better value for money by having to pay a reasonable fee. In the light of the new Hospital Authority, the fee-charging policy, which is vital for financing the much needed services, must ensure that people can pay what they can afford. Bearing in mind that those who cannot afford to pay in full are relying on the earning power of those who can afford to do so, it is necessary to work out the reasonable level of fees that will ensure quality service as well as fairness for all. What we need is a long-term health policy that delivers good health care for the entire community as well as makes good economic sense.

As for the financing of the infrastructure project, the magnitude of the scheme alone makes participation by the private sector compelling. I believe that the

private sector can carry out the infrastructure projects at a more cost effective manner than the public sector. However, foreign investments and international financing for the projects depend to a large extent on the political climate which is largely beyond our control. All this Government can do is to work hard to increase Hong Kong's attraction to foreign investors who will be lured to take part in the construction of the future Hong Kong. Not only must the Hong Kong Government do its utmost to make Hong Kong attractive to foreign investors, it must also not ignore the sensitivities of China. There has to be an improvement in communications between the two so as to avoid misunderstanding. If investors fail to see any profit potential in the proposed developments, the Government will be forced to finance a high proportion of what must then be a lame project.

Sir, political convergence has played such a prominent role in the debate over the constitutional aspects of the Basic Law that the need for economic convergence must not be forgotten. Now that we have the full version of the Basic Law, we should be looking into the detailed economic aspect of the document. We should address the issues of raising public sector revenue in the most cost efficient ways possible, and devising a tax base which will encourage both stability and prosperity. Furthermore, the Government would do well to undertake a timely review of our whole taxation system, aimed at striking a balance between direct and indirect taxation to maximize the revenue yield, and taking the long-term view of our relationship with China and the world. We also have to recognize our emerging role as a service centre for southern China, whilst giving no less prominence to our own manufacturing base.

What we need now is a solid economic plan against which we can measure our progress. Only by planning ahead will we be able to demonstrate our future prosperity upon which people's confidence is based. The realization that there will be a prosperous future for Hong Kong will enable people to accept more readily the changes laid down by the Basic Law, thus restoring stability to the territory.

Sir, before closing, it is necessary for me to bring up here once more the problem of acute shortage of accountants. Demand for accountants with their broad commercial training and quality financial management experience has been growing with economic expansion in Hong Kong and China. This was further aggravated by the brain drain of some of our most promising members through emigration.

Unless something is done to improve the accountancy manpower situation, Hong Kong's international reputation as a world financial centre will be in jeopardy. A

steady supply of good local accountancy graduates will ease pressures on a wide cross section of our commercial organizations. I hereby urge that higher priority be given by our tertiary and vocational training institutes to the allocation of resources for accountancy training as a matter of urgency.

With these remarks, Sir, I support the motion.

ATTORNEY GENERAL: Sir, I move that the debate on this motion be adjourned.

Question on the adjournment proposed, put and agreed to.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday, 2 May 1990.

Adjourned accordingly at twenty-three minutes to Eight o' clock.