

1 HONG KONG LEGISLATIVE COUNCIL -- 25 March 1992

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OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 25 March 1992

The Council met at half-past Two o'clock

PRESENT

THE DEPUTY PRESIDENT

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

THE CHIEF SECRETARY

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

THE FINANCIAL SECRETARY

THE HONOURABLE NATHANIEL WILLIAM HAMISH MACLEOD, C.B.E., J.P.

THE ATTORNEY GENERAL

THE HONOURABLE JEREMY FELL MATHEWS, C.M.G., 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 MRS SELINA CHOW LIANG SHUK-YEE, O.B.E., J.P.

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

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

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

THE HONOURABLE DAVID LI KWOK-PO, O.B.E., J.P.

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

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

THE HONOURABLE SZETO WAH

THE HONOURABLE TAM YIU-CHUNG

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

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

THE HONOURABLE EDWARD HO SING-TIN, O.B.E., J.P.

THE HONOURABLE RONALD JOSEPH ARCULLI, J.P.

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

THE HONOURABLE MRS MIRIAM LAU KIN-YEE, J.P.

THE HONOURABLE LAU WAH-SUM, O.B.E., J.P.

DR THE HONOURABLE LEONG CHE-HUNG

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

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

PROF THE HONOURABLE EDWARD CHEN KWAN-YIU

THE HONOURABLE VINCENT CHENG HOI-CHUEN

THE HONOURABLE MOSES CHENG MO-CHI

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

REV THE HONOURABLE FUNG CHI-WOOD

THE HONOURABLE TIMOTHY HA WING-HO, M.B.E., J.P.

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA

THE HONOURABLE SIMON IP SIK-ON, J.P.

DR THE HONOURABLE LAM KUI-CHUN

DR THE HONOURABLE CONRAD LAM KUI-SHING

THE HONOURABLE LAU CHIN-SHEK

THE HONOURABLE MISS EMILY LAU WAI-HING

THE HONOURABLE LEE WING-TAT

THE HONOURABLE GILBERT LEUNG KAM-HO

THE HONOURABLE ERIC LI KA-CHEUNG, J.P.

THE HONOURABLE FRED LI WAH-MING

PROF THE HONOURABLE FELICE LIEH MAK, O.B.E., J.P.

THE HONOURABLE MAN SAI-CHEONG

THE HONOURABLE STEVEN POON KWOK-LIM

THE HONOURABLE HENRY TANG YING-YEN, J.P.

THE HONOURABLE TIK CHI-YUEN

THE HONOURABLE JAMES TO KUN-SUN

DR THE HONOURABLE SAMUEL WONG PING-WAI, M.B.E., J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE HOWARD YOUNG

THE HONOURABLE ZACHARY WONG WAI-YIN

ABSENT

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

THE HONOURABLE MARVIN CHEUNG KIN-TUNG, J.P.

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE NG MING-YUM

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR LAW KAM-SANG

Papers

The following papers were laid on the table pursuant to Standing Order 14(2):

Subject

Subsidiary Legislation L.N. No.

Smoking (Public Health) (Amendment) Regulation	
1992.....	61/92
Revised Edition of the Laws (Correction of Errors) Order 1992.....	
63/92	
Labour Tribunal (Suitors' Funds) (Amendment) Rules	
1992.....	64/92
Hawker (Regional Council) (Amendment) Bylaw	
1992.....	65/92
Public Health and Municipal Services (Civic Centres) (Amendment of Thirteenth Schedule) Order	
1992.....	66/92
Solicitors' Practice (Amendment) (No. 2) Rules	
1992.....	67/92

Commercial Bathhouses (Urban Council)
(Amendment) Bylaw 1992.....
68/92

Food Business (Urban Council) (Amendment)
Bylaw
1992..... 69/92

Frozen Confections (Urban Council) (Amendment)
Bylaw
1992..... 70/92

Funeral Parlour (Urban Council) (Amendment)
Bylaw
1992..... 71/92

Milk (Urban Council) (Amendment) Bylaw 1992..... 72/92

Offensive Trades (Urban Council) (Amendment)
Bylaw
1992..... 73/92

Places of Amusement (Urban Council) (Amendment)
Bylaw
1992..... 74/92

Swimming Pools (Urban Council) (Amendment)
Bylaw
1992..... 75/92

Undertakers of Burials (Urban Council)
(Amendment) Bylaw 1992.....
76/92

Dutiable Commodities (Liquor Licences)
(Specification of Fees) (Urban Council Area)

Notice.....
... 77/92

Places of Public Entertainment (Licences)
(Specification of Fees) (Urban Council Area)

Notice.....
... 78/92

Sessional Papers 1991-92

No. 62 -- Secretary for Home Affairs Incorporated
Statement of Accounts for the year ended 31 March 1991

No. 63 -- Report of the Brewin Trust Fund Committee
on the Administration of the Fund for
the year ended 30 June 1991

Written answers to questions

Rates of public housing estates

1. MR JAMES TO asked: Will the Government inform this Council:

(a) what criteria have been followed in assessing the rates of public housing estates;

(b) whether the Housing Authority will commission independent professionals to assess the rateable value of the public housing estates; if not, what the reasons are; and whether consideration will be given to commissioning such assessment;

(c) whether the Housing Authority has received any complaints about exorbitant rates from public housing tenants; and if so, what action the Housing Authority has taken in dealing with such complaints; and, whether it has, for instance, lodged appeals on behalf of the tenants in its capacity as a landlord?

SECRETARY FOR THE TREASURY: Mr Deputy President, in assessing the rates of public housing estates, the Commissioner of Rating and Valuation follows the same principles and criteria as in assessing properties in the private sector. Under the Rating Ordinance, the rateable value of a property is an estimate of its open market rental value. This remains the same regardless of whether the property is actually owner-occupied, rented at full market rent or at concessionary rent, or subject to statutory control. In arriving at an assessment, the Commissioner takes into account factors which affect the rental value of the property, including its location, facilities, environment and management.

The Housing Department has estate surveyors who appraise the Government's valuation before the rates assessment for public housing estates is finalized. Where necessary, they would seek clarification and supporting evidence from the Rating and Valuation Department, and adjustments in respect of cases that are justified are made as a result of this consultation process. Experience has shown that liaison between the two departments has been effective. The system has worked well and there is, therefore, no need for the Housing Authority to commission an independent surveyor to undertake the appraisal work.

Until recently, neither the Housing Authority nor the Rating and Valuation Department has received any objections or appeals against rates from public housing tenants. The recent announcement of the rent increase for 69 post-1973 estates has generated some concern over the rates issue. It has therefore been decided that the rates notice and explanatory notes will be displayed within each housing block from March 1992 onwards, so as to give tenants sufficient notice and to enable them to lodge an objection, irrespective of whether it would bring about any direct gain to them in relation to their inclusive rent. If individual public housing tenants feel aggrieved, they may take their objection to the Commissioner of Rating and Valuation in April and May each year. It would not be appropriate for the Housing Authority, in its capacity of a landlord, to lodge an appeal against the Government's final assessment since its views have already been taken into account.

Fringe foreign exchange companies

2. MR JAMES TO asked: Will the Government inform this Council:

(a) how many fringe operators of foreign exchange are operating in Hong Kong;

(b) what measures are being employed in monitoring these operators;

(c) how many complaint cases regarding fringe operators of foreign exchange have been received over the past two years;

(d) what major grievances were involved in these complaints lodged by members of the public; and

(e) whether measures will be taken to safeguard the interests of the public; if so, what measures will be taken and when they will be implemented?

SECRETARY FOR MONETARY AFFAIRS: Mr Deputy President, the answers in the same order, are as follows:

(a) We have no statistics on the number of fringe foreign exchange companies in Hong Kong because they are currently not subject to licensing or registration. A very rough guesstimate is of the order of 300 to 400.

(b) The fringe foreign exchange companies presently fall outside existing fields of supervision and regulation. There are therefore no specific measures to monitor their activities. On receipt of complaints from the public, the police will take appropriate investigation actions.

(c) According to the records of the Commercial Crime Bureau of the police, a total of 80 complaints have been received in the past two years against the fringe foreign exchange companies.

(d) The reported grievances cover a wide range of malpractices. These include churning, under which a company makes many more transactions than commercial prudence would dictate, in order to boost their profits from commission; in-house trading without carrying out actual foreign exchange transactions; dishonoured cheques; outright fraud such as fly-by-night companies; collapse of companies due to financial difficulties; inability of clients to contact their account executives; and companies ignoring the clients' buying or selling instructions, thereby preventing the clients from realizing profits or cutting losses, as the case may be.

(e) An inter-departmental working group is working on a legislative framework to regulate this trade through the licensing of such companies, and consideration is being given to the level at which the licensing criteria would be pitched. This approach is, however, expected to require considerable financial resources for the licensing, supervision and enforcement work, which will have to be assessed as usual through the Government's resource allocation system. Separately, the Hong Kong Futures Exchange is working on an alternative approach which would involve establishing under its auspices a retail currency market aimed at providing a more prudent alternative to investors than the existing fringe market. The Futures Exchange is drawing up the details of its proposal and expects to complete this work within the next few months, when it will consult the Government and the Securities and Futures Commission.

Meanwhile, the Government will continue to issue health warnings from time to time through the media to investors about the risks in investing through fringe foreign exchange operators and advising them at the same time to use authorized institutions under the Banking Ordinance. Members of the public are reminded to exercise utmost care and prudence when entering into any investment arrangement in order to safeguard their own interests.

Rights of female indigenous New Territories villagers

3. MR NG MING-YUM asked: Will the Government inform this Council:

(s) whether the Government has reviewed if the current arrangements for female indigenous New Territories villagers in matters concerning the right of succession conform with the relevant policies and legislation which deal with such right of the other female residents in Hong Hong;

(b) If they are not, in what ways the female indigenous villagers in the New Territories are different from the other female Hong Kong residents in their entitlements and obligations with regard to the right of succession; and

(c) whether the Government has reviewed if the present arrangements for female indigenous New Territories villagers in matters pertaining the rights of succession are in conflict with Article 22 of the Hong Kong Bill of Rights Ordinance 1991; if yes, what are the findings; if not, whether Government would initiate such a review

in the near future and release its findings to the public?

SECRETARY FOR HOME AFFAIRS: Mr Deputy President, matters concerning succession are generally governed by the Wills Ordinance (Cap. 30), the Intestates' Estates Ordinance (Cap. 73) and the Deceased's Family Maintenance Ordinance (Cap. 129). These laws apply to all Hong Kong residents irrespective of their gender and social origin. However, in relation to inheritance of land, there are certain customs and traditions observed by the indigenous population in the New Territories which lay down rules for the inheritance of ancestral land along the male line. These rules are given recognition in the New Territories Ordinance (Cap. 97) which provides that succession to ancestral land in the New Territories will generally be in accordance with customary law.

The New Territories Ordinance is currently under review. There are provisions in the Ordinance which enable those holding an interest in land in the New Territories to circumvent the effect of customary law, for example, by seeking an exemption to the land in question from the application of Part II of the Ordinance. Ways and means to improve the Ordinance with a view to making it more relevant to the present-day needs of Hong Kong will be included in this review.

The Administration had indeed studied the implications of the Bill of Rights Ordinance on such customary law prior to the enactment of the Ordinance. As the Council was informed during the Second Reading of the Bill of Rights Bill 1990 on 25 July 1990, the fact that customary law in the New Territories treats women in a way different to men does not mean that the law is necessarily discriminatory under the Bill of Rights. The United Nations Human Rights Committee have observed that it is not merely differentiation of treatment that constitutes discrimination. If the reasons for the differentiation in treatment are reasonable and objective and the purpose is one which does not contravene the International Covenant on Civil and Political Rights then such treatment will not be discriminatory.

Lower income group

4. DR LAM KUI-CHUN asked: In view of the concern over an increasing Gini Coefficient in Hong Kong, will the Administration show to this Council the Lorenz Curve in respect of Hong Kong for 1991-92 and inform this Council:

(a) whether the size of the lower income group is increasing; and

(b) whether the income of this group has been increasing faster or slower than inflation in the last three years?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, the Lorenz Curve based on data obtained from the 1991 Population Census is shown on the attached chart.

There is no generally agreed definition of "lower income group" in Hong Kong. For the purpose of this reply, the "lower income group" refers to the bottom 60% of households in the income distribution.

On this basis, the size of the "lower income group" would increase directly in proportion to the increase in the total number of households in Hong Kong. In line with the increase of 1.5% per year in the total number of households in the last three years, the size of the group also increased at the same rate.

The income of this group has been increasing faster than inflation as measured by the Consumer Price Index (A) in the last three years. Between 1988 and 1991, the median monthly household income of this group increased by 48%, based on data obtained from the General Household Survey, while the Consumer Price Index (A) increased by 35%.

Lorenz Curve 1991

Domestic Households (%)

Source: 1991 Population Census

Hong Kong residents being detained or serving sentences overseas

5. MR LAU CHIN-SHEK asked: Will the Government inform this Council of the following:

(a) according to Government data, how many Hong Kong residents are at present being detained by overseas governments or serving sentences outside Hong Kong; and whether Government would consider providing a specific name list of these people and

information about their present situation;

(b) what action the Government has taken to facilitate the release of these people at an early date; and

(c) whether any government department is specifically responsible for contacting and assisting families of the detainees?

SECRETARY FOR SECURITY: Mr Deputy President,

(a) As at 18 March 1992, we are aware of 394 Hong Kong residents being detained or serving sentences of imprisonment outside Hong Kong. A breakdown according to countries is at Annex.

The Hong Kong Immigration Department has a list of names of these persons but we do not intend to make it public.

(b) The Hong Kong Government has no power to facilitate early release of persons sentenced to imprisonment overseas. However, in liaison with British Consular posts in the countries concerned, we provide administrative assistance to prisoners in relation to petitions for pardon or early release.

(c) The Hong Kong Immigration Department is informed in each case and, if the detainee asks that his next-of-kin be informed, this is done by the Immigration Department. Assistance is also given by the Department to facilitate visits to the detainees by their next-of-kin.

Annex

Hong Kong Residents being detained or
serving sentences overseas

	No. of residents Country being detained	No. of residents serving sentences	Total No.
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1. Australia	1	9	10	
2. Austria	4	9	13	
3. Belgium	4	9	13	
4. Canada	2	0	2	
5. China	0	34	34	
6. Denmark	1	0	1	
7. France	8	3	11	
8. Germany	2	7	9	
9. Greece	2	1	3	
10. Indonesia	0	1	1	
11. Italy	0	4	4	
12. Japan	10	35	45	
13. Korea	6	5	11	
14. Malaysia	0	1	1	
15. Mexico	0	2	2	
16. Netherlands	2	3	5	
17. Philippines	17	4	21	
18. Singapore	8	14	22	
19. South Africa		5	0	5
20. Spain	7	0	7	
21. Sweden	3	1	4	
22. Switzerland	6	3	9	
23. Taiwan	5	5	10	
24. Thailand	18	109	127	
25. USA	7	14	21	
26. USSR	0	1	1	
27. Vanuatu	0	1	1	
28. Vietnam	0	1	1	

Total 118 276 394

Employment of disabled persons in the Civil Service

6. MR ERIC LI asked: Will the Government inform this Council whether there are any measures to ensure that its present policy on employment of disabled persons in the Civil Service will continue in the new organizations following corporatization, privatization or contracting out; if so, what are the measures?

SECRETARY FOR THE CIVIL SERVICE: Mr Deputy President, the Government's policy on the employment of disabled persons in the Civil Service is to place the disabled in appropriate jobs within the Civil Service wherever possible. As with able-bodied persons, disabled persons applying for appointment in the Civil Service have to comply with any stipulated entry requirements. If they are found suitable for appointment, they should be given an appropriate degree of preference for appointment over other candidates. A disabled person found suitable to carry out the duties of a particular post may be recommended for appointment even though he may not be able, on account of his disability, to perform the duties of every post in the same rank.

As the largest employer of disabled persons in Hong Kong, the Government has taken and will continue to take the lead in placing disabled persons in appropriate jobs in the Civil Service. Free services are provided by the Selective Placement Division of the Labour Department to disabled persons seeking open employment in both the private sector and in the Civil Service. In 1991, more than 1 000 disabled persons were successfully placed by this Division. As with other private sector employers, organizations taking on responsibility for former government activities are encouraged to follow the Government's lead in employing disabled persons. Indeed, the Hospital Authority and the Vocational Training Council have adopted a similar policy to that of the Government on the employment of disabled persons.

In the Green Paper on Rehabilitation entitled "Equal Opportunities and Full Participation: A Better Tomorrow for All", it is recommended, inter alia, that options should be explored to facilitate open employment for disabled persons and that organizations in receipt of public funds, public utility companies and big commercial firms should be urged to adopt a more positive policy towards the employment of disabled persons and should take the initiative in making a statement in their annual reports of their employment policy for disabled persons. The public are being consulted on these and other recommendations in the Green Paper.

Award of contract for new airport terminal

7. DR SAMUEL WONG asked: It was reported that the Chek Lap Kok airport terminal design had been awarded to the highest bidder on the short-list comprising heavy British interests and that the successful bid was believed to be \$70 million higher than the two losing contenders. Will the Administration inform this Council whether it is aware of the rationale as to why the highest bid was chosen and why bids of much heavier local interest, at a lower price, are not selected?

SECRETARY FOR WORKS: Mr Deputy President, in replying to this question, I should take the opportunity to correct a current misunderstanding. Only one of the three finalists was significantly lower in fee; two of the finalists, including the consultant awarded the bid, were extremely close in terms of final fee. The overall method of selection was in fact very similar to that now used by the Government for all engineering and associated consultancies.

Technical merit of the eight proposals received was a predominant factor in determining which consultant was selected. This included such factors as: understanding of objectives, identification of key issues, appreciation of project constraints and requirements, approach to cost effectiveness, technical approach, work programme, quality of management and professionals, cohesion of proposal, and innovation in design. Points were awarded for each factor and totaled to give a technical merit score, on this basis the three finalists were clearly superior to the other proposals received.

Value for money in terms of consultancy fee was dealt with in a manner also consistent with that used for government consultancy awards. The eight fee proposals received were individually evaluated in terms of their make-up and content, to ensure that they covered the consultancy brief. The Provisional Airport Authority (PAA) Board of Directors approved a weighting, to be applied for combining technical merit scores with fee proposals.

The rationale for this weighting, which mirrors the Government's approach, is that an element of fee competition is important, but should not be dominant. The over-riding concern is to select a consultant most able to design a cost effective solution. In the case of the terminal, this had to be the design that best satisfied

all the requirements and future needs of a technically demanding project, whilst at the same time ensuring that the design could be built within budget and on time.

Of the three finalists, based upon technical appraisal including a review by the PAA full Board of Directors, the chosen consultant technically was clearly ahead of the next consultant, whose fee was similar. The remaining finalist, whose fee proposal was the lowest of any received, was third both in terms of technical merit and also when combined with fees.

All bidding consultants were in fact consortia of several firms, and each of the eight bidding consortia had involvement of overseas firms because of the need for specialist experience and expertise not available locally. Conversely Hong Kong experience and knowledge were considered important, and were taken account of in assessment submissions. All consortia including the appointed consultant had involvement of Hong Kong based firms.

Imported workers

8. MR HENRY TANG asked: In relation to the labour importation scheme, will the Government inform this Council whether consideration will be given to allowing wage deductions for the purpose of paying fees charged on an employee by authorities in his country of origin if such deductions have been agreed by the employer and the employee before the latter comes to Hong Kong?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, imported workers are entitled to the same protection under Hong Kong law as local workers, including payment of wages in accordance with the amount stipulated in their contracts of employment. Allowable wage deductions are spelt out in the relevant section of the Employment Ordinance and do not include fees charged on an employee by authorities in his country of origin. There is no plan to increase the ambit of the current provision.

British Nationality Selection Scheme

9. MISS EMILY LAU asked: Will the Government inform this Council of the following

regarding the British Nationality Selection Scheme:

(a) the number of applications that have been rejected and the reasons why;

(b) the latest figures showing the breakdown of successful applicants in each category; and

(c) since the category of business administrators and managers was undersubscribed while some of the other categories for professionals were grossly oversubscribed, whether consideration will be given to readjusting the quota for some of the categories to ensure applicants who are qualified will not be rejected because of the lack of places in their categories?

SECRETARY FOR SECURITY: Mr Deputy President, as at 21 March 1992, 3 141 applications under the British Nationality Selection Scheme had been rejected. All were rejected because the applicants did not score sufficient points to bring them within the quota of their selected occupational group.

Also as at 21 March 1992, 12 078 persons had been registered as British citizens under the scheme. This includes 4 087 principal applicants and their 7 991 dependants. A breakdown of the principal beneficiaries by class and by occupational group is as follows:

No. of principal beneficiaries

General occupation class 1 375

Managers and administrators 50

Information science professionals 24

News editors and journalists 93

Medical doctors 331

Physical and life science professionals 25

Nurses and midwives 417

Legal professionals 113

Teaching professionals (post-secondary) 138
 Educational administrators 97
 Social work professionals 29
 Statistical assistants 34
 Translators/Interpreters 24

Disciplined services class 1 145

Correctional Services Department 205
 Customs and Excise Department 260
 Fire Services Department 537
 Operations Department of the Independent Commission Against Corruption 57
 Royal Hong Kong Auxiliary Air Force 3
 Garrison 83

Sensitive service class 1 511

Entrepreneurs class 56

 Total 4 087
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The quotas for the various classes and occupational groups have been set by the British Nationality (Hong Kong) (Selection Scheme) Order 1990. There is no provision in the Order for the unused quota in one occupational group to be reallocated to another. Any unused places will be carried forward to the second phase of the scheme. We will review the quotas for the various classes and occupational groups before applications are invited for the second phase.

Illegal rooftop structures

10. DR CONRAD LAM asked: Will the Government inform this Council:

(a) of the population size of rooftop squatters and the number of illegal rooftop structures in the territory, and their effect on the local environment;

(b) whether the Government has any specific plan to deal with all these rooftop illegal structures; and

(c) in the case of a clearance exercise, whether the affected rooftop squatters would be resettled and compensated and if not, why not?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, according to the 1991 Population Census, on 15 March 1991 (the Census reference date), 3 086 rooftop structures built with non-permanent material on a permanent building were occupied. There was however no distinction of the legal status of these structures. 9 985 people were enumerated in these structures on the same date.

Illegal rooftop structures are generally used for residential purposes, though in some cases they may be used as drying areas, and for gardens and light industry. Illegal use of rooftop areas for residential purposes increase the population density of the parent buildings beyond what the building services are designed to cope with. It also affects the normal maintenance of the drainage and water proofing of the rooftop areas resulting in environmental nuisance. Illegal structures may also overload the roof of the parent buildings and lead to structural instability.

There are no immediate plans for large scale clearances of existing illegal rooftop structures because such action would dispossess a substantial number of people. However illegal structures which constitute a danger or pose serious sanitary and environmental nuisance are being and will continue to be removed. In addition, any person found erecting a new illegal rooftop structure will be prosecuted for carrying out building works without the approval and consent of the Building Authority.

Persons who are made homeless as a result of the clearance of illegal rooftop structures are rehoused according to their eligibilities by the Housing Department.

Bank of Credit and Commerce Hong Kong

11. MISS EMILY LAU asked: Will the Government inform this Council of the questions raised by the Attorney General's Chambers on the Commissioner for Administrative Complaints' jurisdiction to investigate the complaints concerning the closure of the Bank of Credit and Commerce Hong Kong and the reasons for raising these questions?

ATTORNEY GENERAL: Mr Deputy President, the Attorney General's Chambers was requested to advise the Secretary for Monetary Affairs on a memorandum dated 4 October 1991 from the Commissioner for Administrative Complaints. As a result two queries were raised with the Commissioner. The first concerned jurisdiction and related to section 10 of the Commissioner for Administrative Complaints Ordinance and the second concerned section 12(6) of that Ordinance.

On the question of jurisdiction, section 10 of the Ordinance provides that the Commissioner shall not undertake or continue an investigation if the complaint relates to action in respect of which the complainant has a remedy by proceedings in court unless the Commissioner is satisfied that in the particular circumstances it is not reasonable to expect the complainant to resort to that remedy.

The reason why this section was brought to the attention of the Commissioner was because shortly after the complaints were made to the Commissioner, a Bank of Credit and Commerce depositor issued court proceedings against the Commissioner of Banking seeking damages for his loss. In his draft report, the Commissioner for Administrative Complaints recommended that if the complainant wished to pursue a claim for compensation, he might take the matter to court. On 4 November 1991, the Commissioner wrote stating that he was satisfied that he had jurisdiction to undertake an investigation into the complaint.

The second question related to section 12(6) of the Ordinance which provides that if during the course of an investigation, it appears to the Commissioner that there may be sufficient grounds for him to make any report that may criticize or adversely affect any officer, he shall give the officer an opportunity to be heard. Although the Commissioner had said on 4 October that he had completed his investigation, he had not at that stage interviewed the Commissioner of Banking or indeed had any direct communication with him. On 31 October 1991 the Crown Solicitor accordingly drew the attention of the Commissioner to the requirement in section 12(6).

Following this letter both the Commissioner of Banking and the Secretary for Monetary Affairs appeared before the Commissioner for Administrative Complaints and had the opportunity of making representations.

Door-to-door mail delivery service

12. MR GILBERT LEUNG asked: Will the Government inform this Council:

(a) which areas in the territory are still not provided with door-to-door mail delivery service? What plans are in hand to improve the mail deliveries in these areas;

(b) how many villages were allocated with door numbers under the official house numbering scheme over the past three years; what arrangement will be made under the scheme in the next three years; and

(c) whether the Administration will review the present standard of postal services in the New Territories and consider improvement measures such as increasing the frequency of mail collection from once to twice daily and installing more postboxes in the new towns in the light of the sharp increase of population in the New Territories in recent years?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President,

(a) Door-to-door delivery of letter mail is provided throughout the territory, with the exception of unnumbered buildings and remote areas where a postman carrying a mail pouch would have difficulty gaining access. In these cases the Post Office makes arrangements with the residents concerned so that they can receive mail either from nest letter boxes (a group of letter boxes, each serving a household), a communal box or accommodation addresses.

(b) The Commissioner of Rating and Valuation took over responsibility for

building numbering in the New Territories on 14 December 1990. Since then 479 buildings have been numbered in 78 villages; a large number as a result of requests from individual occupiers or owners.

There are approximately 950 villages in the New Territories for which building numbers are required. Of these about 700 are already numbered and 250 remain unnumbered. A programme is now being devised to review building numbering in all New Territories villages, including those where a numbering scheme has already been established as some updating is required to include new houses. Priority will however be given to those identified as being most in need of numbering due to outstanding requests for direct mail delivery.

(c) The Administration attaches considerable importance to providing postal services to the New Territories. At present, mail is collected at least once a day from all postboxes. Our assessment is that this level of service is generally regarded as acceptable by the majority of New Territories residents, but we will continue to monitor the situation closely to ascertain if and when improvements are necessary.

All postboxes are strategically located to serve the maximum number of people. The planning standard applied in built up areas, including those in the New Territories, is that nobody should live further than 0.4 km from the nearest postbox. In rural areas, the standard is 0.8 km. We are satisfied that this provides an adequate level of coverage.

Consultancy works for Airport Core Programme projects

13. MR EDWARD HO asked: Will the Government provide this Council with a list of consultancy works for the Airport Core Programme projects for which contracts have been awarded, together with the contract fees and the names and countries of origin of firms forming the selected consortia?

SECRETARY FOR WORKS: Mr Deputy President, attached herewith is a list of consultancies which have been awarded for the Airport Core Programme projects, co-ordinated by myself.

Feasibility Study/ Investigation, Design and Construction Agreements Fees (\$M)	Estimated	Nationality Main Consultant	(Origin) of Consultant
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Utility and Government Service:

- | | | | |
|---|----|-----------------------------------|-------------|
| (a) Fill Management Study -- Phase II
Information Management System | 8 | Au Posford Consultants
Limited | UK |
| (b) Fill Management Study -- Phase II
Dredging Studies related to
marine borrow area | 3 | DEMAS | Netherlands |
| (c) Geological Survey
(Extension 7: Fill Management Study
-- Phase II Specialist
Geophysical Interpretation) | 1 | British Geological Survey | UK |
| (d) Fill Management Study -- Phase II
Investigation and Development of
Marine borrow area | 22 | Binnie Consultants
Limited | HK(UK) |

Feasibility Study/ Investigation, Design and Construction Agreements Fees (\$M)	Estimated	Nationality Main Consultant	(Origin) of Consultant
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- | | | | |
|---|----|---------------------------------------|-----|
| (e) Replacement Airport at
Chek Lap Kok: Investigation --
Structural geology study for PADS --
a study on the seismotectonics and
crustal structures pertinent to Hong Kong | 1 | British Geological Survey | UK |
| (f) New Airport and Related
Projects Overall Works | 90 | International Bechtel
Incorporated | USA |

Management -- Phase I

- (g) New Airport and Related Projects overall Works Management -- Phase II 237 International Bechtel USA Incorporated
- (h) Tai Lam Chung/Siu Ho Wan land and submarine mains 13 Mott MacDonald HK(UK) Hong Kong Limited
- (i) Water Supply to North Lantau and raw water transfer to Silvermine Bay Treatment Works 29 PHH/SWK Water Consultant HK(UK)
- (j) Consultancy for Owner Controlled Insurance Programme for ACP projects 21 Gilman Swire Willis Limited -- Joint Venture of Gilman Insurance/ Swire/ Willis HK/ UK
- (k) Study of Industrial and Commercial Enterprises that need Relocation with the Airport 5 Shankland Cox Limited/ Arthur D. Little (Asia Pacific) Inc. HK(UK)/ HK(USA)

Tung Chung Development

- (a) Consultancy for design and contract stages, construction support facilities 75 Mott MacDonald HK(UK) Hong Kong Limited
- (b) Development Study of North Lantau and Phase I design

North Lantau Expressway

- (a) Detailed design and construction supervision of highway, railway and utility reserve formations 131 Mott MacDonald Hong Kong Limited HK(UK)
- (b) Detailed design and construction supervision of watermains in utility reserve 3 Mott MacDonald Hong Kong Limited HK(UK)

Feasibility Study/ Investigation, Design and Construction Agreements Fees (\$M)	Estimated	Nationality Main Consultant	(Origin) of Consultant
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Lantau Fixed Crossing Consultancy Agreements

- (a) Design and Construction of Lantau Fixed Crossing including tender documentation for Contracts 1 and 2, and BIA 68 Mott MacDonald Hong Kong Limited HK(UK)
- (b) Detailed Structural Design of Tsing Ma Bridge and Outline Design of Kap Shui Mun Bridge 18 Mott MacDonald Hong Kong Limited HK(UK)
- (c) Independent Design Check of Tsing Ma Bridge 10 Flint and Neill Partnership UK
- (d) Railway Movement Joint Feasibility Study 5 Bridge and Offshore Japan Engineering Association
- (e) Secondment of Contracts Specialist Limited 1 EHC Project HK Management Company
- (f) Detailed Design, Construction and Completion of 35 Scott Wilson Kirkpatrick and Partners/ HK(UK)/

Route 3 Interchange and Advance Earthworks at Northwest Tsing Yi
 Parsons Brinckerhoff (Asia) Limited/ HK(USA)/
 Charles Haswell & Partners/ HK(UK)/
 Wilbur Smith Associates HK(USA)

(g) Secondment of Systems Engineer 2 HPT System Limited HK

(h) EIA 2 Scott Wilson Kirkpatrick and Partners/ HK(UK)/
 Parsons Brinckerhoff (Asia) Limited/ HK(USA)/
 Charles Haswell and Partners/ HK(UK)/
 Wilbur Smith Associates HK(USA)

Route 3

(a) Detailed design, construction and completion of Tsing Yi and Kwai Chung Section of Route 3 alignment CRA1
 186 Scott Wilson Kirkpatrick and Partners/ HK(UK)/
 Parsons Brinckerhoff (Asia) Limited/ HK(USA)/
 Charles Haswell and Partners/ HK(UK)/
 Wilbur Smith Associates HK(USA)

Feasibility Study/ Investigation, Design and Construction Agreements Fees (\$M) Nationality Estimated Main Consultant (Origin) of Consultant

(b) Design Stage 1 Preliminary design for alignment 116 Scott Wilson Kirkpatrick and Partners/ HK(UK)/

CRA1 and detailed design for Parsons Brinckerhoff
Kwai Chung advance work (Asia) Limited/ HK(USA)/
Charles Haswell and
Partners/ HK(UK)/
Wilbur Smith Associates HK(USA)

West Kowloon Expressway

Investigation, design 108 Freeman Fox Maunsell
and construction -- Joint Venture of
supervision Acer Consultants (Far East)
Limited/ HK(UK)/
Maunsell Consultants Asia
Limited HK(UK)

West Kowloon Reclamation

- (a) Investigation, design, 126 Mott MacDonald HK(UK)
construction and supervision of Hong Kong Limited
reclamation and infrastructure to
provide land for PADS transport
reserves and urban development
- (b) West Kowloon 4 Balfours International (Asia) HK
Reclamation Reprovisioning -- Consulting Engineers Limited
Construction of Cheung Sha Wan
Wholesale Market Phase 1

Central and Wan Chai Reclamation

- (a) Investigation design and 50 Maunsell Consultants HK(UK)
construction supervision of Asia Limited
reclamation with the first phase to
form land for the airport railway

(b) Development Specific Investigation 25 Maunsell Consultants HK(UK)
Asia Limited

Airport Railway

(a) Airport Railway Feasibility 20 Freeman Fox Maunsell
Study -- Investigation of -- Joint Venture of
alignment, station locations Acer Consultants (Far East)
and operation of airport Limited/ HK(UK)/
railway and traffic forecast Maunsell Consultants HK(UK)
Asia Limited

(b) Airport Railway Interface Study 1 Greiner Incorporated USA

Feasibility Study/ Investigation, Design and Construction Agreements Fees (\$M)	Nationality Estimated Main Consultant	(Origin) of Consultant
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Western Harbour Crossing

Western Harbour Crossing Feasibility Study -- traffic forecast and investigation alignment and layout of crossing in West Kowloon and Western District (Plus extension to include additional Works)	25 Western Harbour Crossing Consultants -- Joint Venture of Acer Consultants (Far East) Limited/ HK(UK)/ Maunsell Consultants Asia Limited/ HK(UK)/ Parsons Brinckerhoff (Asia) Limited/ HK(USA)/ Pypun-Howard Humphreys Limited/ HK(UK)/ The MVA Consultancy HK(UK)	
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Mains water supply to village households

14. MR WONG WAI-YIN asked: Will the Government inform this Council:

(a) up to the present, how many village households in the New Territories have tap water supply and how many have not;

(b) which villages in the New Territories have been provided with tap water supply systems in the past five years;

(c) which villages by districts in the New Territories are still not included in Government's tap water supply plan, and what the reasons are;

(d) what interim solutions are being formulated by the Administration for villages without tap water supply; and how it will ensure that the fresh water presently supplied to the villagers is unpolluted;

(e) whether the Government has any overall improvement plan for those villages in the New Territories West (Tuen Mun and Yuen Long) which are not yet provided with tap water and when the improvement programme is expected to be completed?

SECRETARY FOR WORKS: Mr Deputy President, I will reply to the question in the five parts.

(a) Of the 769 villages in the New Territories (figures compiled in collaboration with City and New Territories Administration), 598 villages have mains water supply systems, and metered supply can be provided upon application.

(b) A total of 102 villages have been provided with mains water supply systems in the five-year period from October 1986 to September 1991. The names of these villages are being compiled and will be made available in 10 days' time. (Annex I)

(c) Of the 171 villages without mains water supply system, it is planned that 67 villages will be provided with mains water supply. 35 of these villages will be provided with supply upon completion of the construction works of the water supply schemes under PWP items 146 WF and 156 WF. These are scheduled for completion in two years. The remaining 32 villages are covered under PWP 118 WF.

Of the balance of 104 villages 12 villages are to be cleared in the near future. At present, no water supply system will be planned for the remaining 92 villages due

to the very high capita cost. Provision of mains water supply to these villages will nevertheless be kept under constant review.

The names of these villages by districts will be made available in 10 days' time.

(d) For remote villages without mains water supply, the villagers use well or stream water which is regularly monitored by the Regional Services Department to ensure that the water quality is acceptable.

(e) There are five villages in the New Territories West not yet provided with mains water supply. They are:

Sha Kong Miu (Yuen Long)

Sheung Pak Nai (Yuen Long)

Ha Pak Nai (Yuen Long)

Nim Wan (Tuen Mun)

Tin Fu Chai (Tuen Mun)

Water supply to Sha Kong Miu depends on completion of the water supply system to Tin Shui Wai which is scheduled for 1994. Sheung Pak Nai and Ha Pak Nai have been included in the water supply schemes under PWP Item 119 WF. Nim Wan falls within the proposed NWNT Landfill Site and will therefore not be considered for mains water supply. Tin Fu Chai is one of the remaining 92 villages which have a very high per capita cost and is not scheduled for mains water supply at present.

Second Reading of Bill

APPROPRIATION BILL 1992

Resumption of debate on Second Reading which was moved on 4 March 1992

DEPUTY PRESIDENT: In accordance with Standing Order 54(2) we will now resume the debate on the Appropriation Bill 1992. The motion before the Council is that the

Bill be read the Second time.

Question on Second Reading proposed.

MR ALLEN LEE (in Cantonese): Mr Deputy President, in five years Hong Kong will become a Special Administrative Region of China. I believe that during this transition period the maintenance of social stability, economic prosperity and the general well-being of the community in order to ensure a smooth transfer of sovereignty in 1997 should be a common goal for all those who are concerned with Hong Kong's future to strive after.

Hong Kong's success has been due on the one hand to the perseverance, hard work and agile mind of its people, and on the other hand to the positive policies adopted by the Hong Kong Government which have enabled enterprising people to give their talents full play in their endeavour to create wealth. It is precisely because of this happy combination of policies and people that numerous overseas investors have been attracted to this territory. It is fair competition tempered with the adjusting mechanism of market forces that has brought about a steady rise in the quality of life for the people of Hong Kong. In Asia, the standard of living in Hong Kong is currently second only to Japan. Our import and export volumes have placed Hong Kong among the world's foremost ten major markets. Such success indeed is no small achievement given the objective factors of scarcity of natural resources and a large population.

During the transition period, political reform is an inevitable reality. Before the policy of Hong Kong people governing Hong Kong is given effect to, the maintenance of a stable and dynamic economic system is an important mission for Members of the Legislative Council to discharge. Such being the major premise, 20 Members of this Council who firmly believe in the spirit of free enterprise and espouse the principle of positive endeavour to create social wealth have formed a Co-operative Resources Centre (CRC). We, members of the CRC, believe that to ensure the continued development of the economy, the following must be done:

(i) ensuring that Hong Kong becomes a major financial industrial and business centre;

(ii) building the infrastructure conducive to Hong Kong's economic

development;

- (iii) implementing sound policies on the management of the economy;
- (iv) promoting and maintaining an advantageous investment environment;
- (v) endeavouring to promote the international status of Hong Kong.

We also hold the steadfast belief that concurrent with the development of the economy, the Government and entrepreneurs should care for the well-being of the people. In this regard, we are of the view that the following should be done:

- (i) upgrading further the quality of life of the people;
- (ii) upholding strictly the rule of law and safeguarding the human rights and freedoms of the people;
- (iii) maintaining law and order;
- (iv) ensuring that there are adequate resources to meet social welfare needs.

Members of the CRC believe that the most important factors that go into making Hong Kong the envy of the world are adequate care taken of Hong Kong people's interests and constant upgrading of their quality of life. To achieve this objective, Hong Kong people must make a concerted effort to strive for greater economic success. It is only when there is a bigger economic pie that people can have a greater share of economic benefits. The placing of private or sectoral interest above that of others or at others' expense would only result in a free-for-all with its attendant bickerings and struggles; this would be a futile and non-constructive way of doing things.

In scrutinizing the Budget presented by the Financial Secretary, we, members of the CRC, have invariably taken the above criteria as the starting point. During this two-day debate colleagues from the CRC will present their views and make positive suggestions on the various aspects of the Budget.

There is much about the present Budget that deserves praise. The cautious budgeting strategy adopted by the Financial Secretary is consistent with the spirit

cherished by we Chinese of "saving for a rainy day". As at the end of the current financial year, our reserves have reached \$92 billion; the Financial Secretary is forecasting a surplus of \$5.1 billion for the next fiscal year. The build-up of a huge reserve is likely to engender misgivings and provoke arguments against it. Some people are worried lest the Government should be making early preparations for massive cost overruns of the new airport project. I hope that the Financial Secretary will give a direct response to this in order to do away with people's worries.

After analyzing the present Budget, we are firmly of the view that middle income families, the so-called "sandwich class", are people within our society most in need of relief. These families are neither eligible for public rental housing nor Home Ownership Scheme housing; their monthly household income ranges from \$20,000 to \$30,000. They are not eligible for any sort of direct government help. At a time of high inflation, any increase in clothing, food, housing and transport costs would hit the "sandwich class" the hardest. They are working hard for a living day and night, they have had few channels to express their grievances and they are a silent and forgotten group. They are mostly young couples and professionals who are the mainstay and backbone of our economic system. In view of the fiscal surplus of \$14.1 billion, we are of the view that the Financial Secretary need not adopt an overly conservative budgetary strategy. If the "sandwich class" continue to be neglected, their morale will plummet and their sense of belonging to Hong Kong will reduce. The worst to happen would be that these "backbones" of society emigrate; in such event, Hong Kong's future development would suffer an irreversible set-back. I hope the Financial Secretary will give more consideration to this.

Due to various objective factors Hong Kong's economy has, for all these years, been progressing towards a service-oriented economy. The territory has successfully developed into one of the world's largest financial centres. But with the rapid economic development of the Pearl River delta in recent years and the gradual relocation of local industrial production northward to the Mainland, it has become apparent that we need to actively explore new development strategies in order to cope with the latest development. As a matter of fact, having regard to the long-term development of our economy, the present strategy where overall economic development depends heavily on service industries needs to be reviewed. This is because service industries will certainly bear the brunt and be seriously affected should there be a drastic downturn of the world economy.

As a matter of fact the Administration has, for many years, failed to contribute

to high-tech industrial development, resulting in the lack of a solid foundation for our industry today. The present change has been brought about by China's open policy. The investment in the Mainland by Hong Kong investors has brought great economic advantages to both parties, Hong Kong and the Mainland. Had China not adopted the open policy in 1979, I can say with confidence that Hong Kong's economy would never have performed so well as it has today. Given the available resources, we should make long-term investments and that is why I fully support the massive infrastructural programme. But according to the Financial Secretary's Budget, only \$0.2 billion will be set aside as research funds for the development of high-tech industry. This amount, in our view, falls far short of the actual need and is much less than what the other three Little Dragons have been spending. Having regard to the interest of our long-term economic development, I would suggest that more funds should be allocated for research in the development of high-tech industry in Hong Kong. Only through high-tech development will we be able to compete with other regions and the other Little Dragons of Asia. We may start off a bit late; but provided that the Government is determined to make available sufficient resources to support the necessary research and development, I believe Hong Kong industries will surely be capable of catching up. Only when a good foundation for industrial development has been laid can we be guaranteed the steady growth of our economy in the future. This is the key to the long-term economic development of the territory and hence the further enhancement of the living standard of the people of Hong Kong.

Finally, I hope the Administration and Members of this Council will carefully consider the present Budget. After the Financial Secretary had presented his Budget, many views were expressed by Members. The Financial Secretary also spared no effort in meeting and explaining to us the Administration's stand. Because of the diverse range of views expressed, the press kept up a continual coverage of them as and when they emerged. I have the feeling that since some of my colleagues are opposed to the whole Budget package a political storm seems to be brewing. If the whole Budget is overturned, the operation of the Hong Kong Government will come to a standstill; this will be a serious matter. The Financial Secretary has, however, indicated that some of the suggestions from Members could be accepted subject to certain adjustments to the implementation schedule. I hope the Financial Secretary will reconsider his Budget to facilitate its passage. In his policy address on 9 October the Governor mentioned the important point of co-operative partnership between the Administration and this Council, a point which I said I wholly supported in the policy debate that followed. A co-operative partnership is a bilateral relationship. To run Hong Kong well, the Administration and this Council must reach consensus on major matters.

Here I would call upon Members of this Council to support the expenditure proposals of the Budget on 1 April and the Financial Secretary to consider in full measure the views expressed by Members in order to avoid confrontation between the Administration and Members of this Council. I am of the view that we have a common goal and none would want to see an embarrassing situation emerge. Neither would members of the public want to see it. There is still time for Members of this Council and the Administration to consider the matter. I hope this incident can be satisfactorily settled.

Mr Deputy President, with these remarks, I support the motion.

MR STEPHEN CHEONG (in Cantonese): Mr Deputy President, the Budget before us has been generally described as "prudent and conservative". The Financial Secretary Mr MacLEOD told us that the economic prospects of Hong Kong is still promising, albeit inflation will remain high. The Hong Kong Government has abundant surpluses and reserves, although instant provision of the fruits of such abundance is not available to the public. Nevertheless, the most important message that the Budget of the Financial Secretary has sent to us is that we must be forward-looking. We should have in mind the possible economic developments ahead, not just for one year, but throughout the second phase of the transitional period and up till 1997. If this can be seen as an indicator, I think it absolutely deserves our support.

Here, I would like to bring our discussion on this "forward-looking" attitude to another level. I believe that the "forward-looking" concept does not confine to paying attention to the economic situation of Hong Kong or the fiscal strategy of the Government, it should also mean taking into account the ways to uphold the elements which sustain the economic developments of Hong Kong. I have for years emphasized that the success of Hong Kong is attributable to our industrious and creative labour force which has served as an impetus to this territory with no natural resources. Although the Financial Secretary, when talking about the fiscal strategy of the Government, has not explicitly mentioned that the possible effects of the strategy itself on the local labour force should be an essential consideration, I believe that both the Administration and colleagues of this Council are well aware of its significance.

Solving the housing problems of the sandwich class

The suggestion that Hong Kong has a "silent majority" has been known to us for

many years. Although this view has been under criticisms, it is indeed true that we have a group of silent people in Hong Kong, that is, the middle class. Today I would like to say a few words for them.

According to the findings of the census conducted last year, the number of households earning \$20,000 to \$40,000 per month is 216 669. If people in this income band have never owned any property and wish to purchase their own flats, it would simply be impossible for them to do so under the present situation. Even if they have a home purchase plan, say, to buy a \$2,000,000 flat, they must be able to pay a down payment equal to at least 30% of the price of the property and the subsequent mortgage payments in the order of \$15,000 per month at least, excluding rates payment and so on. Such monthly payments represent 50% or more of the household income, and with the balance of their income to meet all other expenses, they would certainly have to tighten their belts.

Let us look at another example: a man and a woman of the middle class each earning \$20,000 per month have come of marriage age and wish to build their own home. Yet they find it difficult to acquire their own accommodation because of their ineligibility for both public housing and the Home Ownership Scheme (HOS). Again, according to the findings of last year's census, there are about 131 027 people making \$15,000 to \$25,000 per month, and most of them have to pay salaries tax at the standard rate. Given the current market price of properties and the tax burden of these people, it seems very likely that they have to rent their accommodations for a long period of time.

Mr Deputy President, Hong Kong and China have developed much closer economic relations under the Chinese economic reform and open door policy, as well as because of the rapid economic development of Southeast Asia. As a result, capitals flow into Hong Kong from other parts of the world. This has helped bring about the property boom and also a byproduct of economic prosperity -- the soaring property prices. In terms of home purchasing ability, those of the middle class who cannot afford to buy private properties and yet who are at the same time not eligible for public housing have silently fallen victims to the economic developments of Hong Kong, China and Southeast Asian. If their grievance cannot be relieved, resolved or placated they may become a potential threat to the stability of Hong Kong. If the Government wishes that the public would look ahead optimistically, appropriate measures should be taken to handle this problem.

I suggest that the Government should devise a concessionary housing scheme for the sandwich class through which land can be granted to build accommodations for sale to first-time property purchasers subject to an income ceiling of \$40,000 per month. A plausible way is to set prices at a level covering the full costs of site formation, construction and administration but at a discount of the prices of comparable premises in the vicinity. As the scheme may involve a screening process in respect of, say, the applicant's income and whether the applicant is a first-time purchaser, the administrative costs arising from this should also be included in the prices. Taking the current cost of site formation at \$3,330 per sq m and construction cost at \$3,764 per sq m under the HOS, and adding a 30% administrative costs and another 30% as contingencies, plus an appropriate discount on basis of prevailing prices of neighbouring similar sites, I believe that the price level of completed premises under the concessionary scheme would still be more than 30% lower than market price after making an appropriate discount adjustment.

Current statistics on the Private Sector Participation Scheme (PSPS) show that 802 residential units can be built on a hectare of land. On the basis that we have 100 000 households in the middle class, 124 hectares of land will be required to meet their needs. We cannot possibly achieve this level of land allocation with a year or two. It may take five years, or even 10 years. But at least we can let the middle class know that the Government is putting this question into proper perspective. This will be a good beginning. I hope the Government will give careful thought to this and take effective measures as soon as possible to solve the housing problem of the middle class so that home purchase will no longer be beyond their reach.

Tax allowance and tax band

I would also like to talk about tax allowance and tax band. While our economy is stable and the Government has abundant public funds and a windfall surplus of \$13 billion last year, I find it hard to understand why the Financial Secretary cannot pay heed to and accept the wholesome advice of the public by raising the personal allowance to \$50,000 and widening the tax band from \$20,000 to \$30,000 at this very time of persistently high inflation. The proposal will relieve the general public of the pressure under which they can barely make both ends meet. It allows them to enjoy the positive effect of an economic boom and induces them to develop their potential for the benefit of Hong Kong. If this Council believes that relevant adjustments to be made by the Government are advantageous to the well-being of the people and have no adverse impact on local economy and the Government's financial

situation, then the Government has to make a resolute decision.

The statement made by the Financial Secretary last week, well meant as it may be, gives us an impression of "false promise". People cannot put their mind at rest for the time being. Therefore, even if he is not going to make the relevant adjustments for reasons unknown to us this year, the Financial Secretary should, in his reply to this Council next week, clearly and decisively indicate that he will widen the tax band from \$20,000 to \$30,000 and raise the personal allowance to \$50,000 next year. As to what financial implications this kind of commitment will have on the Government, I do not want to waste your time. But if the Finance Branch wishes to set the accounts straight with us, I do hope we can have the opportunity. According to my preliminary calculations, it will have little effect on the government financial situation this year.

When we talk about taking root in Hong Kong, we mean that Hong Kong people have a sense of belonging to this place and that they can live in peace and work in contentment. If the Government can let our people live in peace by implementing a "HOS for the sandwich class" and let them work in contentment by undertaking to adjust the personal allowance and the tax band, then the public can look forward to the future more optimistically.

Monitoring the funding of the new airport project

Mr Deputy President, the Financial Secretary pointed out in his Budget speech that the substantial amount of surplus and reserve are required to meet contingencies in the latter half of the transitional period. I believe this has much to do with our new airport project. According to newspaper reports, the estimated construction cost of the new airport railway has increased from \$12 billion to \$22 billion. May I call upon the Government and the Finance Committee to closely monitor the trend of estimated cost overrun in this huge project. We have to examine in detail each item of funding in relation to the new airport project carefully to see whether it will have any adverse effect on the Government's financial situation. For instance, if the construction cost of the new airport railway far exceeds the estimated figure, we probably will have to make a resolute decision.

Farsighted industrial policy

Lastly, I would like to express my views on industry. In the past few years,

Hong Kong economy has gone through a structural transformation. There has been structural changes from a labour-intensive economy to one that is service-oriented. However, we must bear in mind that our service sector is still led by the export-oriented manufacturing sectors in Hong Kong, Southern China and Southeast Asia. Hence, this is an important area which the Government should definitely not neglect in its overall economic strategy. Also, as far as Hong Kong is concerned, the manufacturing sector provides about 25% of the job opportunities in the local labour market, and having regard to the fact that not all workers are suitable for the service industries, the Government should be farsighted in formulating its industrial policies so as to ensure that the local manufacturing sector can continue to provide at least 15% of the job opportunities and that elements essential to the prosperity and stability of Hong Kong can be preserved. I would like to take the opportunity to welcome the Government's establishment of the Industrial and Technology Development Council, and hope the Council will bear in mind such farsightedness when going about its development in future.

Mr Deputy President, these are my remarks.

MRS SELINA CHOW: Mr Deputy President, of the 10 years or so that I have been a Member of this Council, there is no doubt in my mind that this year's Budget has been the most argued and talked about, well before it is formally debated on in this Council today. Perhaps the fact that it is Mr MacLEOD's maiden Budget has attracted a higher than normal level of interest. Perhaps the new composition of this Council has stimulated closer scrutiny of the estimates, as well as more ideas of how Hong Kong's money can be better saved and spent. Perhaps also the intense media attention on how the various groupings might react to the different aspects of the Budget, and the dramatic reporting of developments, has catapulted the entire discussion on to a much more visible and audible focus of prominence. Be that as it may, there remain many aspects of this Budget which render itself commendable and worthy of support.

Like many people, I agree with the broad strategy to ensure that public spending is in line with economic growth. I am therefore appreciative of the efforts made to ensure that public spending is cost-efficient and fat-free. In the light of commitments already made in all the major policy areas, as well as our investment in our infrastructure, not the least of which is the new airport, it is only sensible to ascertain that every dollar spent in the public sector represents value for money.

Another basic principle adopted by the Financial Secretary appears also to enjoy wide support. Hong Kong is a cautious community and to provide for a comfortable cushion when we can afford it is considered the right approach. Furthermore, this is a community that does not take well to shocks, as was fully illustrated by the reaction to last year's tobacco tax. So the Financial Secretary's "No New Taxes" approach, together with his deflationary measures, are generally received without too much fuss.

The examination of the estimates in its new format this year has been successful, and there are many in the Administration who deserve acknowledgement and thanks for the conscientious and thorough answers to the voluminous questions raised by Members of this Council. The revised formats of the sittings last week in this very Chamber have no doubt been helpful, not only to Legislative Council Members but also to interested members of the public and the media. What comes across is a professionally managed Civil Service determined to run along strict lines of efficiency and accountability. It is perhaps worthwhile to ask for an estimate of the resources which have been used to answer all the queries raised by Members. I suspect it is a stiff price that we have paid, and Members should, for the sake of economy, reflect how we ourselves can streamline questions in the future to ensure our quest for accountability is not overzealous and wasteful.

In the Government's rigorous effort to implement its strategy on public spending, some areas have emerged as ones that may require another look in view of strong feelings expressed. Education is one. So much has been said recently on the cancellation of the repeater allowance in our schools that we are in danger of losing sight of some of the other equally important measures that our school education desperately needs to upgrade its qualities with. Members of the education community, the advisory bodies of the Government, in particular the Education Commission which has spared no effort in coming up with its much deliberated and debated recommendations in its report and members of the OMELCO Education Panel have untiringly impressed on the Administration what is needed urgently. This morning at a meeting of the OMELCO Panel, members were informed of the Administration's latest efforts to respond to calls from the community, both in terms of addressing some of the real concerns by making some changes to the original plan regarding repeater allowance cancellation, as well as facilitating earlier implementation of recommendations in Education Commission Report No. 4. Such responsiveness is laudable, and I hope this signals the recognition of genuine concerns and required adjustments as seen by the community, and points to continued willingness in the

Government to uphold initiatives to enhance the quality of education in our schools.

One of the main difficulties of economizing on public spending is the large proportion of the expenditure that goes into salaries. It follows that the most effective way to save is to cut the size of the establishment. With widening demands which characterize any increasingly affluent society on all fronts, some imaginative ways have to be found to contain our Civil Service and the payroll. Every opportunity should be taken to ensure the quality of service is maintained while the number of permanent staff is kept as low as possible. Whenever dedicated volunteers can be found, they should be recruited to take on tasks which they can assume, and have assumed, well. For instance, the deployment of more auxiliary policemen to take up foot patrol is a cost-effective way to boost the much needed strength of the force, while adding to the reassuring uniform presence that the public sees as a useful deterrent to crime.

On the community building front, with the initiative and organizational assistance from the Government, committed and able volunteers can be identified to lead efforts to take on some of the very labour intensive tasks in the districts. The vote controllers and heads of departments can no doubt be best placed to identify areas where such lay substitutes can be most effective. In any organization of the size of our Civil Service there is bound to be a spareable head count. It just requires very skilful juggling on the part of the management so that the standard and efficiency of frontline services are not in any way jeopardized.

One of the main causes for the public outcry of discontent this year is, in my view, the size of the surplus. Although speculation had been rife in the business community that the Government was likely to be awash with cash to the tune of \$10 billion, everyone was taken by surprise when the final figure of \$14.1 billion was announced. Even those who are convinced of a need for a cushion against uncertainty cannot but be sympathetic to advocates for some fine-tuning in spending where the need is proven to be genuine and acute in the light of this huge saving.

In addition, a surplus of another \$5.1 billion is budgeted for 1993. At the end of the day, if we are on target, we are looking at an estimated \$71.6 billion in the way of reserves at today's prices, which will be well over the \$100 billion mark in money terms by 1997. Much as we would like to have a comfortable cushion, is this not too big a cushion to aim at, especially when the Government is only required by the Memorandum of Understanding to ensure a cushion of \$25 billion? I hope that the

Financial Secretary is open minded about views that the community might have in this regard.

Yesterday, I was chased by a reporter who asked me whether I support the Budget, and if I do, then how I can reconcile this support with the signature that I decided to put to Mr LAU Chin-shek's and Mr Henry TANG's letter, requesting the Financial Secretary to consider the plight of the sandwich class and the possibility of widening the tax band to help this long forgotten middle class of ours? He also wants to know how I would react to accusations of contra-steering. I would like to make it clear that I remain as convinced as I was when I signed the letter that there is a problem with the sandwich class, and they, being unorganized and silent, need our attention perhaps even more than those with less earning power and skills. At the same time, I saw the letter as a sincere plea to the Financial Secretary, whose authority and responsibility for the Budget is unquestioned, to take such views, especially when they are strongly held, into account and to do what he regards as necessary. Personally, I shall continue to put these views forward whenever and wherever I consider helpful, as I have done before in this Council and elsewhere, until enough is done to alleviate the burden of this very important but neglected population.

Broadly speaking then, I am in support of the Budget. Given the many aspirations of our multi-faceted community, there are bound to be ideas which may not have been taken on board when the Budget was first drafted. Any fine-tuning that the Financial Secretary might decide on as a result of careful consideration of views will not only be much appreciated but will go a long way in enhancing the partnership and goodwill between Members of this Council and the Administration.

I support the motion.

MRS RITA FAN: Mr Deputy President, if I am asked to use one word to describe this Budget, I would say it is "prudent". If I am allowed to use two words, then I would say it is "overly prudent". "Prudent" is a welcomed quality in a housekeeper, but if the housekeeper wants everyone to tighten their belts when there is plenty of food in the kitchen for all to see, it should come as no surprise that everyone starts to complain. This is the situation faced by the Financial Secretary with this Budget.

I shall speak on three areas today.

Taxation

Since the first time I participated in the Budget debate in 1984, I have been concerned that the middle income group in our community is often overlooked. I have appealed to successive Financial Secretaries to consider their housing needs, to widen the tax band, to abolish the claw-back provision, and to allow for separate assessment. The last Financial Secretary responded in full to the latter two requests and in part to the widening of the tax band. For this, I am grateful. However, the middle class is still lagging behind compared to the low income group in terms of the amount of tax they paid and the assistance they get from the Government.

In 1989, I defined the middle class as those earning between \$100,000 to \$300,000 per year. Taking inflation into account, these figures are likely to be around \$140,000 to \$400,000 now. For 1992-93, the estimated contribution from this middle income group would be in the region of \$7 billion, or 34% of the total salaries tax yield. My comments on the middle class in 1984 and 1989, which are in Hansard, still hold true today.

While I do not argue with the principle of "earn more, pay more", I firmly believe the middle class deserves much more recognition and consideration from the Government. The Financial Secretary is on the right track when he announces that the housing problems of the "sandwich class" will be examined urgently to see what can be done to help. However, in the shorter term, the widening of the tax band bringing some immediate relief to the middle class must be an option for serious consideration.

We have a growing middle class. The number of taxpayers in this group was 260 000 in 1989. There are about 410 000 in 1992. They are the middle managers in the services sector and the Civil Service, the teachers in schools, the nurses in hospitals, the social workers in youth centres, and the technicians and young technologists in industry. They are the very people who implement the decisions and policies made by leaders in commerce and in the Government. Only with a motivated middle class -- the backbone of our society -- can we hope to maintain Hong Kong's vitality and innovation. It is not in line with this community's overall interest to fail to respond with a sense of urgency to the needs of the middle class.

Education

Expenditure on education has been moving between 16% and 17% of the Budget since

1984-85. The Government has been criticized for spending less than 3% of GDP on education. It has been put to me that the governments of the developed countries, such as Japan, the United States, United Kingdom, and the governments of the other "dragons", for example, South Korea and Singapore, spent 3.8% to 4.8% of their GNP on education in 1987, while we only spent 2.5% of our GDP on education that year. While I would have liked to use this argument to negotiate for more funds in education, I had to say that it only presents part of the picture. The fact is our public expenditure in 1987 was only 14% of GDP, while the comparable figures for the other countries ranged from 22% to 39%. Since the public expenditure pies in these countries are considerably larger (which is not what we would want to see in Hong Kong), it follows that the percentage which education got vis-a-vis GDP is also higher. But it does not necessarily follow that the share of education in overall public expenditure is larger. Indeed, education expenditure in Singapore, the United Kingdom, and the United States are only 12% to 13% of their budget, compared to 17.1% in Hong Kong in 1987. Only Japan exceeds Hong Kong by devoting 18.7% of the budget to education.

The actual expenditure on education has increased from about \$7 billion in 1984-85 to over \$19 billion in 1991-92. While this is impressive, it is still insufficient to achieve the twin objectives of expanding tertiary education and improving the quality of education in schools. About one-third of the estimated expenditure for 1992-93 is allocated to tertiary education for funding the expansion. More will have to be committed, if not already committed, to enable tertiary institutions to offer first-year degree places to 18% of the age group in 1994-95. The Secretary for Education and Manpower revealed at the special Finance Committee meeting last week that apart from the \$5.2 billion for University and Polytechnic Grants Committee institutions, another \$2 billion is sought for capital works projects in tertiary education. This \$7.2 billion represents a 22.8% increase over last year. The recurrent and capital expenditure sought for schools education is \$12.5 billion, representing an increase of slightly over 1%. The Secretary stressed that there is no real reduction in expenditure on schools education. I accept his statement in terms of actual figures, particularly since this 1% increase is measured against the revised estimates of 1991-92 which include salary adjustments in 1991. However, it will take a lot to convince me that the quality of education in schools can be achieved with a shoestring of 1%.

To illustrate my point, let me take the Education Commission Report No. 4 (ECR4) as an example. As the chairman of this Commission, I hope Members can forgive me for hoping to implement its recommendations. Apart from the proposal on mixed-mode

in primary schools, all the other recommendations in ECR4 are now approved policies. ECR4 concentrates on primary and secondary schools education. It aims to improve the quality of education in schools through better designed curriculum, more appropriate assessment methods aimed at enhancing student confidence and motivation towards learning, school-based remedial support for secondary students, whole school approach in guidance for primary students, language improvement measures, programme for the gifted, practical and skill opportunity schools for children of special needs, and so on. These measures are badly needed in the school system, and they received the support of the education community as well as policy makers. None of these measures or their funding are to be found in the present budget estimates.

The Secretary explained last week that funding for the Curriculum Development Institute and development for Target Related Assessment has been set aside under "Additional Commitments" and this amounts to \$36 million yet to be submitted to the Finance Committee for approval. Practical schools have been included in the capital works projects. As for the other improvements, they have to be funded from further savings.

Mr Deputy President, such a response is simply not good enough. I have no objection against savings on activities which are no longer necessary. I also favour better deployment of staff and efforts to reduce wastage. But I do not agree that improvement in quality in school education does not warrant additional allocation from the Central Government. The education sector had been vigorous in trimming its fat. Last year, the Education Department identified savings of some \$37 million. The Student Travel Scheme saved \$166 million by introducing means testing. This year, despite repeated protests from the education community, the repeater allowance was abolished to achieve savings of \$51 million in 1992 rising up to \$214 million in 1994-95. The savings are handed back to the Central Government to achieve the target set for all departments. How can the Government hope to achieve its stated objective of improving quality of education in schools when insufficient funds are provided on the one hand and savings are forced through on the other, which undermine the morale of the school community? Without corresponding improvement in quality in the school sector, it would be extremely difficult, if not impossible, for the tertiary sector to recruit and educate to the expected standard. It would also mean that Hong Kong cannot get the level of brain power to support our economic growth. Education is investment in the only resource Hong Kong possesses -- our people. Can we really afford to save to such an extent that we risk the loss of the long-term benefit in return for a comfortable cushion in the next few years? This morning, however, the

Secretary for Education and Manpower, when meeting the Education Panel, disclosed that he is now trying his best to obtain resources for the school sector. He has also made modification to the abolishment of the repeater allowance so that it would not affect Form IV students. This is indeed welcome news. However, the Secretary for Education and Manpower cannot do this alone. I therefore have to request and urge the Financial Secretary to lend full support to the reasonable request of the Secretary for Education and Manpower so that the situation can be salvaged before permanent damage is done.

Law and order

The debate on law and order in this Council on 11 March issued a clear message, and that is, no effort and resources should be spared in the fight against crime. This theme was reaffirmed in last week's special Finance Committee meeting by both officials and Members. Our community have had enough of armed robberies, smuggling, car thefts, and triad activities. The police have our full backing to crack down on them. Apart from getting concrete co-operation from China, I believe the force management would also do well to enhance their intelligence system and critically review their deployment of trained police personnel.

I have been told that if more reward is offered for information, better results can be expected in tracking down syndicates and preventing theft, robbery and extortion. However, I am also informed by senior police officers that the present resources for intelligence is quite sufficient. It is not for me to decide which version is more accurate as this depends a lot on one's perspective. However, it can do no harm for the force management to look at the needs of their intelligence system from time to time and take account of the views of their frontline officers.

At a time when recruitment of good calibre young people into the force is not easy, it goes without saying that the strength of existing staff must be deployed to the full. Suggestions from Members of this Council and from the public in this area have been numerous and wide ranging. For example, trained police personnel should not be engaged in civilian work, more funds should be allowed for overtime, police should not be asked to perform duties such as removing squatters, which are not strictly police work, and so on. But apart from force-wide issues, each District Commander can also deploy staff better. The report room has often been a source of complaint by members of the public claiming that police officers are insensitive, unsympathetic and harsh. Like any other professions, some officers are better at

dealing with agitated and frustrated people than others. If more individual care can be exercised in the deployment of officers, Mr Deputy President, it may make a world of difference. In view of the time, Mr Deputy President, I cannot intend to go on. I would simply say I support the Bill.

MR HUI YIN-FAT (in Cantonese): Mr Deputy President, it is a formidable task to formulate a Budget acceptable to all because every sector of the community will try to exert its utmost influence on the Budget. The general impression I have got from this first Budget presented by Mr Hamish MacLEOD is that the Financial Secretary has already tried his best to balance the interests of different parties. In face of harsh criticisms on the Budget, Mr MacLEOD has maintained dialogues with the public and Members of this Council, explained the Budget in detail and promised to make certain improvements in the future. This is a most responsible and commendable attitude rarely seen in other civil servants. However, the Financial Secretary lacks the courage to introduce bolder reforms and this year's Budget has fallen short of the lower income group's expectations that their heavy burden will be relieved. As a result, a budget intended to please all has failed to please anyone. Moreover, Mr MacLEOD does not seem to understand that the political situation and the community's needs and aspirations today are quite different from those of his predecessor's time. The argument that any minor amendment will affect the Budget as a whole is already out of keeping with the times. I think if Mr MacLEOD were in the seat of his predecessor, he would have received much greater support than now.

What strikes me most in this year's Budget is of course the fact that the Financial Secretary still finds it necessary to suppress the actual need for social welfare spending despite the sizable surplus of \$14.1 billion this year and the estimated net revenue of \$5.1 billion next year. Also, the Budget has not proposed more concessions in respect of personal allowance and rates to help alleviate the heavy burden on the middle and lower income groups caused by the runaway inflation. I have found this most regrettable.

First, I shall talk about social welfare. As we all know, the growth of social welfare expenditure has long been suppressed. Even in times of rapid economic growth, there were no corresponding increases in social welfare spending. Take for example the years 1989 and 1991 when the growth in recurrent public expenditure was the largest over the past few years. Estimated expenditures for these two years increased by 43% and 21.1% respectively over the previous year. However, the increase in social

welfare expenditure for both years was just around 17%. This shows that the social welfare sector has all along been unable to share the fruits of our economic success or the growth in total public expenditure. Contrarily, welfare spending, which has long fallen behind other social services, has always been the first to get the axe in times of economic downturn. It can therefore be said that the Government is "mean" by nature as far as the provision of social welfare to the lower income group is concerned.

As we all know, Hong Kong now ranks among the economically advanced regions in the world, with the per capita gross domestic product amounting to \$125,000. But social welfare in Hong Kong has so far been targeted only at the most disadvantaged and helpless people. Worse still, those who are in need, particularly the old and the disabled, and the severely mentally handicapped, will normally be put on the general waiting list for years before they can receive the necessary assistance. The less fortunate may die before getting what they want. Our investment in social welfare service every year is less than 1% of our GDP. This shows the Government's indifference towards the plight of its people. We should be ashamed of ourselves because the Government is reluctant to help the people even though we have the capability to do so.

Although the Government has stressed that there will be an 4% increase in real terms in social welfare spending next year, I think this is but a gimmick. According to the draft Estimates, the estimated expenditure for next year will only increase by 2.8% over the revised expenditure for this year, or an 11.3% increase when compared to the original estimate. But this increase is still lower than last year's inflation rate. Another point is that the social welfare budget is shared between the Social Welfare Department (SWD) and the subvented organizations. As the SWD will be responsible for different social security payments, it normally receives three quarters of the total welfare budget while the remaining quarter is allocated to the subvented organizations. This year, there is a 3.8% increase in the allocation of funds for the SWD, whereas the subvented sector is only given a 0.2% increase. As a matter of fact, the subvented sector will have to cut back drastically on operating costs before they can afford to develop new service areas. Those savings will mainly come from reducing allowances for subvented organizations and the reduction of 3% and 1% respectively in youth services and community development projects. The distribution of resources by the Government is extremely unfair and short-sighted. What is more worrying is that social welfare's share in the budget "pie" is reduced from the previous 6.5% to 6% this year and will be further cut to 5.6% in 1996. This

demonstrates that the Government is deliberately reducing its commitment to social welfare.

Mr Deputy President, I have always stressed that welfare services in Hong Kong have been operating within very limited resources and there is virtually no room for a cut-back. However, the authorities concerned always follow indiscriminately instructions from the Central Government to reduce expenditure and do not attempt to fight for the interests of those who are in abject poverty in our community. What is most regrettable is that with the lapse of just one year after the release of the White Paper on Social Welfare, the Government is already renegeing on its words. Plans such as the annual 4.5% increase in welfare expenditure, expansion of the outreach teams, improvement to school social worker: student ratio, provision of more home helpers and centres for the elderly will have little hope of being accomplished this year. The Administration has decided to curtail welfare expenditure for next year in spite of a huge surplus. Although it involves a sum of only \$17 million, this will tarnish the Government's image built up throughout the years, erode people's confidence in the Government's determination to honour its commitment, and even damage the partnership between the Government and subvented organizations. The Administration should take the blame for making such an unwise decision which may lead to serious consequences.

I therefore urge the Government to change its mind before it is too late. The Administration should be sympathetic with the hardships of the grassroots. The closer to 1997, the more anxious they will become to see the Government honour its commitment to social services so as to maintain social stability and to encourage investment in the future. In fact, the problem concerning resources for the welfare sector is not hard to solve. I have long been urging the Government to increase the Lottery Fund's share of the Mark Six Lottery proceeds so as to improve the quality of social welfare services. However, the Financial Secretary, apparently unconvinced, has gone ahead to increase betting duty to generate an additional revenue of \$390 million after the Jockey Club has agreed to reduce its share of Mark Six tickets to subsidize punters on the administrative costs of betting centres. The selfish motive of the Government is clear as daylight.

Mr Deputy President, there is no doubt that the Government is competing with the public for resources in order to implement the massive infrastructural projects, to honour the Sino-British agreement on the new airport project with regard to the reserves and to prepare for adversities in future. However, with the reserves

forecast to stand at \$71.6 billion by 1997, I doubt very much the need to abolish the rates relief scheme and increase the rates by half a percentage point at a time of high inflation. On the other hand, in view of the rising Gini Coefficient which is indicative of the widening gap between the rich and the poor, and given the present surplus, the Financial Secretary should introduce measures to widen the tax band and substantially increase personal allowance for the middle and lower income groups so as to alleviate social intranquility. As a matter of fact, since a 1% rise in profits tax should offset the loss in revenue as a result of the tax concessions, the Financial Secretary should increase profits tax by two percentage points in order that more low-income citizens can benefit from it. As long as the Government can guarantee no further increase in profits tax for the next few years, I believe that the investors can still do business in Hong Kong with ease of mind.

Mr Deputy President, I can appreciate the Financial Secretary's difficulties in formulating an ideal budget in this transition period shrouded with economic uncertainties. Hong Kong will be faced with different sorts of problems in the future. It is imperative that the Government should try to understand the hardships of the common people and take concrete steps to fulfil the various promises it has made on the provision of social services. While it is important to set aside resources for 1997, I think the Hong Kong Government should also grasp every opportunity to re-establish its image of a caring Government. This will boost the confidence and determination of the Hong Kong people to face up to 1997 and give them a better impression of the retreat of the British Government.

Mr Deputy President, in view of the Financial Secretary's undertaking to improve the quality of life of the middle and lower income groups, and the practical difficulties involved in amending the Budget, I hereby support the motion with reluctance.

MR MARTIN LEE (in Cantonese): Mr Deputy President, the United Democrats of Hong Kong (UDHK) find the 1992-93 Budget presented by the Financial Secretary extremely unsatisfactory as it virtually fails to bring relief to the burden on the lower and middle income groups.

Hong Kong's past economic achievements have been accomplished on the basis of a number of factors including, among others, the commitment to low taxation, free market and free trade. In addition, the maintenance of social stability has also

been an important element conducive to our prosperity. We firmly believe that stability and prosperity can be achieved only when it is ensured that opportunity is made available to each sector and every member of the community to share the success of our economic development.

As the Financial Secretary pointed out in his Budget speech, Hong Kong is in the process of transformation and that fact must be taken into account when the Government frames its policies. Hong Kong's economy has indeed been undergoing significant transformation in recent years. And in view of the massive expenditure on the infrastructure and the challenges Hong Kong is going to face in the latter half of the transition period, this Budget becomes all the more important since this is the first time the Financial Secretary extends the Medium Range Forecast to include 1996-97.

In fact, an abundance of projected effects and related considerations permeates the whole Budget -- that is to say, effects from infrastructure works and the resulting financial constraints on the Government in its current and future financial arrangements, particularly the fiscal reserves of no less than \$25 billion set aside for the future Special Administrative Region government as stipulated in the Memorandum of Understanding on the Airport Core Programme. The UDHK appreciate the Financial Secretary's restraints in and worries over the financial arrangements, taking into account the fact that the Government has to ensure stable and adequate revenues to meet the future recurrent and capital expenditure, and to maintain the financial reserves at an adequate level. But we do not concur with nor can we accept the Financial Secretary's financial philosophy of "taking no heed of people's livelihood while investing wealth in the physical infrastructure".

We hold to the position that tax proposals in the Budget, apart from ensuring that the Government will have stable and adequate sources of revenue, must also be made in the interests of the community as a whole and alleviate the onerous tax burden borne by the sandwich class and the low income group. The UDHK have repeatedly expressed dissatisfaction with the existing taxation system. I would like to take this opportunity to reiterate that we are not asking for an overhaul of the well-tried-out low taxation policy which has proved to be effective. I have pointed out that this policy has been one of the significant elements conducive to Hong Kong's prosperity. Our view is that the Government, after having done its best to improve Hong Kong's investment environment and safeguard the investor's interests, is also duty bound to look after the needs of the general public who would "unfailingly share

Hong Kong's adversity but not necessarily be able to share Hong Kong's success." Therefore, given the numerous variables and financial constraints in the years to come, it is necessary for us to review the overall taxation structure.

The greatest problem of our taxation system lies in the fact that both its progressive scale of charging and fairness leave much to be desired, thus placing the tax burden unfairly on the sandwich class. But the Financial Secretary has failed to address this problem squarely, as reflected in the tax proposals he made in the 1992-93 Budget. The situation, on the contrary, is getting worse as far as certain areas are concerned. The increase of rates is one of the examples.

Other UDHK members in this Council will elaborate in more detail our dissatisfaction with the Budget. Here I would particularly like to point out that the UDHK are unreservedly supportive of the promotion of Hong Kong's future economic development but we are of the view that this cannot be achieved at the expense of the quality of living of the ordinary people. It is understandable that the Government must be prudent in its financial management since the construction of the new airport would definitely cost colossal sums of money; yet the authorities must at the same time look squarely at the difficulties the lower and middle income groups now have to face and provide sufficient safeguard to them. This explains why the UDHK are so upset to find that the revenue and expenditure arrangements as proposed by the Financial Secretary for the coming financial year have done nothing to ease the sandwich class' tax burden. The UDHK would like to make four requests.

The persistent high inflation in Hong Kong in the past few years has put people's livelihood under heavy pressure and lowered their living standard, with the lower and middle income groups being the prime victims. The Government always claims that it is determined to curb inflation. If so, the Government should, given the huge surpluses, take up the responsibility to extend immediate assistance to the sandwich class by easing their tax burden which has proved to be too heavy for them, instead of feigning sympathy by making empty political promises. The Financial Secretary recently has expressed on a number of occasions his appreciation of the predicament of the sandwich class and hinted that corresponding tax amendment proposals would be made in the next Budget, subject to the financial situation then prevailing. But I cannot see why the Government finds it impossible to take prompt actions, even though the Financial Secretary has accepted that the sandwich class are under enormous pressure. Does it mean that the Government would resolve to do so only when the fiscal surplus in the next financial year remains in excess of \$14 billion?

As elected Members of the Legislative Council with a mandate from the people, we are duty bound to reflect the people's expectations to the Government and demand the Government to take the opinions of the people into full consideration when formulating its policies. There has been a view recently that Legislative Councillors should not reject the Budget as this would be regarded as irresponsible and would damage the Government's prestige. This is really ridiculous. If a government could readily accept good advice and public views, and subsequently take positive response, its image as a caring government would be enhanced, instead of being damaged. Conversely, a government which assumes a couldn't-care-less attitude towards its people's difficulties would lose public support and enjoy no prestige at all. A case in point is the former Financial Secretary's decision last year to take the initiative to propose a reduction in the duty on tobacco when faced with strong opposition. In the current Session, the Council has become more representative as directly elected Members have been introduced. Against this backdrop, it is all the more impossible for us to backtrack because people would be led to think that the colonial government no longer cares about their livelihood.

In a democratic community, in principle only elected members of the legislature with a mandate from the people have the right to decide the financial arrangements on the basis of "what is taken from the people is used in the interests of the people." Take the Members of the House of Lords in Britain as an example. Since they are not elected by the people and have no representativeness, Members of the House of Lords are not given the right to vote on issues concerning financial arrangements. Hong Kong is of course different. However, the Government basically accepts this broad principle. Official Members are therefore excluded from the Financial Committee under the Legislative Council as they have no representativeness. This means that the Government's financial arrangements must, theoretically speaking, have people's blessing.

In fact, unlike its counterparts in western societies, the Hong Kong Government is not a ruling party. There are only three Official Members in this Council and the remaining 57 Members are Unofficial Members who must exercise their judgement conscientiously to decide whether to support or reject the proposals in the Budget. Should the Budget fail to provide answer to actual needs, all the Unofficial Members of this Council should have the responsibility to demand the Financial Secretary to make the necessary amendments before endorsing the Budget. In fact, among the 57 Unofficial Members in this Council, 46 have jointly signed a letter requesting the

Financial Secretary to increase the personal allowance and widen the tax band. But unfortunately, the Financial Secretary has categorically rejected the requests.

I really do not understand how the Financial Secretary could still remain adamant that the tax proposals in the Budget are not to be amended notwithstanding the demand made by an absolute majority of the Members. This seems to be an insult to the role played by the Unofficial Members of this Council and reveals that the Government still regards the Legislative Councillors as rubber stamp. The reason given by the Financial Secretary is that the Budget must be accepted or rejected as a package and it is not possible to make any amendments to any parts of the Budget. This argument neither tallies with the reality in Hong Kong nor is acceptable to any democratic society.

In his Budget speech, the Financial Secretary reiterated that the Government "must always be ready to redeploy resources to where they are most needed." The crux of this principle lies in "ready" and "most needed". Given the fact that the Financial Secretary concurs that there is an urgent need to alleviate the tax burden on the sandwich class, why does he refuse to help them on the abstract grounds of "considering the Budget as a whole package"? The Financial Secretary has indicated that, in view of the limited resources, it is impossible to designate any resources as "sacred cows". In Chinese "sacred cows" is translated as " ". The "cow" is missing in the rendition. In fact, the whole project of building the physical infrastructure is more like an elephant than a cow. Innumerable ordinary people are chafing under the monumental yoke of this jumbo elephant. Does the Government know that they can barely breathe?

We cannot unrealistically hope that "tomorrow will be better" and then assume an evasive attitude to put off finding an early solution to our problems. While we have no idea about what the future holds for us, the sandwich class have to put up with the hardship they encounter in their daily life. The Financial Secretary or some Members of this Council, comfortably ensconced in their armchairs, probably do not appreciate their predicament. I would like to stress that the UDHK are not asking the Government to give free lunch to the people when we experience financial difficulties. We are merely asking the Government to perform its required duties, particularly when our financial situation is sound.

Admittedly, no matter how unpopular it is among the people, the Budget may still be passed without any amendments since the Government could, after all, manage to successfully call on those who have neither firm position nor popular support and

mandate to support the Budget. It is done at the cost of people's livelihood and some Members' indecisiveness and hypocrisy would be exposed to full public view. When the motion on the Budget is put to a vote, people can clearly identify who really represent the views of the people. The devil cannot hide his cloven hoof.

The UDHK members in this Council have originally planned to move four amendments to the Budget which has failed to take care of people's livelihood. However I received a reply at noon from Lord Wilson, in which he categorically made it clear that the UDHK members in this Council will not be allowed to move any amendments to the Budget. No doubt, under the existing executive-led political structure, the Governor is empowered to make the aforesaid decision. But we must express our deep regret at the Governor's move.

People in Hong Kong know that in passing the Budget last year, the Government allowed Members of the Legislative Council to move amendments and hold a debate. Though the Government indicated afterwards that this was allowed on the basis of erroneous legal advice, why is the Government so narrow-minded this year that it refuses Members to move the proposed amendments, despite the fact that directly elected Members are newly added to the Council who can fully represent the views of the people? This is a retrograde step in comparison with the way this matter was handled last year. The Governor's decision blatantly shows that he does not respect the directly elected Members and the views of the public they represent.

Mr Deputy President, the UDHK hope that the Financial Secretary would change his mind after taking into account the views expressed both inside and outside this Council, and take the initiative to amend those items in the Budget which run counter to the views of the people. After all, this is the present Financial Secretary's maiden Budget and the first one debated and put to the vote following the introduction of a directly elected element to this Council. I still cherish the hope that the relationship between this Council and the Financial Secretary could have a good beginning and look forward to building up a truly good partnership on the basis of mutual respect and close co-operation.

MR DAVID LI: Mr Deputy President, past Budgets seldom deigned to look beyond the operational needs of the Government. At first glance, the document before us today seems to break this mould.

But the changes are more cosmetic than fundamental; and the motivation based more on political necessity than on the true recognition of the needs and wants of the people and businesses of Hong Kong.

Contradictions abound -- contradictions which can only weaken the Administration's credibility: A pledge to promote the territory's economic success, against a proposal to increase corporate profits tax; pledges to fight inflation and to rein in government spending, against proposals which would see a significant rise in government rates and a continued acceleration in public expenditure growth above and beyond the expected economic growth.

The picture is further confused by the forecasts for the government reserves, which are at once encouraging in their sheer magnitude and frightening in the implication that the Administration needs so much more.

In reviewing the proposals which comprise the Financial Secretary's maiden Budget, my constituents have primarily responded with questions rather than criticisms. Compliments have been few and far between.

Key among my constituents' concerns is the proposed one-percentage-point hike in corporate profits tax. If approved, this move is unlikely to win the Financial Secretary many friends in the business community. Worse, it may well send the wrong message to current and prospective investors at a time when corporate tax rates are generally falling throughout the Asia-Pacific Region.

In the wake of an estimated \$14.1 billion cash surplus in the current fiscal year, which will see reserves top an estimated \$91.8 billion at the end of this month, it is difficult to ascertain exactly why Hong Kong needs a further \$5.2 billion cash surplus in the coming year. Granted, the new tax rate -- if maintained -- will continue to generate additional revenues in future years. But are these revenues truly needed?

While pronouncing the \$91.8 billion cushion as "reasonable" in the light of proposed 1992-93 expenditure, the Financial Secretary refrained from commenting whether the forecast level of reserves for the next six fiscal years will remain "adequate". In particular, questions remain as to whether the Financial Secretary is comfortable with the \$71.6 billion in reserves forecast for 31 March 1997.

If this amount is not "adequate", what figure would be more to the Financial Secretary's liking? Upon what calculations or formulas would this figure be based? Might such a figure be used to justify additional tax increases in coming years?

My constituents -- in fact, all taxpayers -- would like answers to these questions. We need to know when, if ever, the pressure to raise additional revenues -- to increase tax rates or create new duties -- will ease. To be sure, there have been some positive signals from the Administration -- for example, the decision to shelve the ill-considered wholesale sales tax and the reduction in the stamp duty.

But Hong Kong's taxpayers have also seen the Administration move the "goal posts" for expenditure and revenue year after year, and have loyally complied with the resulting tax increases. Yet, there must come a time when even "good sports" stop and question why the rules of the game keep changing.

With the Memorandum of Understanding on the Airport Core Programme, it was widely assumed that fiscal reserves of \$25 billion as at 1 July 1997 would be adequate to put the future Hong Kong Special Administration Region on a firm financial footing.

Upon analysing the figures attached to the Financial Secretary's Budget speech, it appears that even with the new tax cuts but without the tax increases, the territory would have had little trouble in meeting the \$25 billion target. And this would not count the realization of capital gains on past investments such as the Kowloon-Canton Railway Corporation through privatization.

In proposing both the new tax rises and the limited increase in personal allowance, the Administration has apparently slapped Hong Kong taxpayers with a new \$71.6 billion target. But where has this figure come from? How can it be reconciled with the \$25 billion figure? What accounts for the \$46.6 billion difference?

Hong Kong will not, and cannot, ignore these questions. In the absence of clear, detailed answers from the Administration, the people will draw their own conclusions. Already, rumours have spread about how the \$71.6 billion figure must reflect the "true", much higher cost of the new airport, or how it must reflect the Administration's great concern about the unfunded liabilities of civil service pensions.

These suppositions may not be accurate. But they need not be accurate to darken

peoples' perceptions of Hong Kong's future. Left uncorrected, such rumours can do far more damage than the truth -- no matter how disturbing or painful that truth may be.

When someone fails to answer fair and honest questions, a bond of trust is broken. This is why government transparency is so important. And in Hong Kong's new political climate, this is where the Administration keeps falling short.

In the interests of continuity, the Financial Secretary may perhaps be excused for adhering closely to the practices of his predecessor -- in both form and focus.

The Government's loose accounting methods remain. The draft Estimates still "squirrel away" multi-billion-dollar expenditure cushions, labelled "Additional Commitments" under the Miscellaneous Services Head. Likewise, fiscal strategy is still limited to fulfilling the "housekeeping" needs of the Government.

But the Financial Secretary cannot be excused from answering obvious and important questions about his Budget. He cannot hide behind the argument that his Budget is an "all or nothing" proposition -- no discussion, no changes, no compromise.

This is not a healthy stance for the Financial Secretary to adopt. It is not borne out by recent experience and runs counter to both the purpose and spirit of this debate.

The Financial Secretary needs to justify the increase in profits tax. He needs to respond constructively to charges that he has done nothing for the "sandwich class".

Hong Kong's future economic success will not be determined by the size of its reserves. It will be determined by our competitiveness and by our ability to ensure that all sectors of the community participate in the territory's prosperity.

If the Financial Secretary truly has no room within which to manoeuvre, then he must state his case much more clearly to this Council.

With these remarks, Mr Deputy President, I reserve my vote on the Budget, pending the response of the Financial Secretary to the questions I have raised today.

MR NGAI SHUI-KIT (in Cantonese): Mr Deputy President, this Budget before us is the first one presented by the Government after the signing of the Sino-British Memorandum of Understanding on the new airport. It would serve as a blueprint for the framing of our public finance policy during the run-up to 1997 and have a direct bearing on the transfer of sovereignty in 1997 as well as the future Special Administrative Region (SAR) government's financial situation and management after 1997. As far as this Council is concerned, this is the first Budget put forward for our consideration after the introduction of direct election to this Council. It is expected that the debate on the Budget would be conducted in a more politically charged atmosphere. The present Financial Secretary would also be subject to greater political pressure than any of his predecessors. I hope that in the remaining years before 1997, the public finance policy will be formulated in a way to achieve the objectives of maintaining a steady and healthy financial situation that we have enjoyed for years and ensuring the corporate profits tax to stay at a level as low as our investors would find it comfortable. On the other hand, in determining the salaries tax level, the Government must see to it that it is within the affordability of the "sandwich class" who will be the economic backbone of the future SAR. Failing this, our stability will be at stake well before the establishment of the SAR, since the sandwich class would become restive under the enormous pressure brought about by the heavy financial burden of the physical infrastructure projects. This kind of undercurrent would bode no good for Hong Kong.

To begin with, I would like to point out that deficit budgeting was first brought in by the former Financial Secretary in 1990. Tax measures introduced then were inevitably coloured by this frame of mind. Contrary to what he forecast, however, a surplus was recorded at the end of the financial year. The present Financial Secretary follows his predecessor's step and forecasts a deficit in 1993-94. I do not want to see this kind of forecasts turning into a common practice employed by the Government in its budget preparation with an aim to justify tax increases by making use of the argument of saving against a rainy day as an excuse. I think it is incumbent on the Financial Secretary to make the Medium Range Forecast more accurate so that it could serve as a reliable economic indicator. Judging from the Consolidated Cash Flow under the Medium Range Forecast over the past few years, one would get the impression that figures relating to the "effect of budget revenue measures", "cash surplus" and "reserve balance" of any particular year in question are nothing but the substantially adjusted figures of the preceding year. This practice would undermine significantly the effectiveness of these figures used as a tool for forecasting and wreak havoc on the investment planning of the industrial or commercial

concerns.

Mr Deputy President, it is commendable for the Financial Secretary to extend the Medium Range Forecast to 1997 and I would like to suggest that a further step should be taken to include years beyond 1997 in his future forecasts. It is admittedly the SAR Government's responsibility to prepare the budgets after 1997 when the Hong Kong Government's administration comes to an end in 1997. Nevertheless I think the Hong Kong Government should do the forecast because financial management plays a vital role in our transition arrangements and the post-1997 forecasts would also have a bearing on the manner Hong Kong is to be run before 1997. In addition, may I suggest that the Financial Secretary should draw up a few sets of different forecasts in the Medium Range Forecast for reference purpose, indicating how our public finance would be affected by different possible economic growth rates.

Mr Deputy President, as one of the representatives from the business and industrial sector, I am disappointed to note that corporate profits tax would go up by 1%. However, in consideration of the benefits the infrastructure projects would bring to our economic growth and to show our social responsibility, we reluctantly endorse the increase despite the knowledge that this undesirable situation has arisen from the necessity to raise massive funds over the next few years to meet the Government's target of completing the projects before 1997. However, I must make it crystal clear that this increase should never be regarded as an acceptance of more profits tax increases in the future, particularly at a time when different political forces would try to amass political assets for the 1995 direct elections by lobbying for an increase of corporate profits tax and a reduction of income tax. The Government must steadfastly reject these irresponsible requests and spare no effort in removing any factors or elements of uncertainty which would discourage investment and hamper our economic growth in the run-up to 1997.

On the other hand, we need more than a bright investment outlook. The success story of Hong Kong owes very much to its human resources. In moving the second reading of the Appropriation Bill 1992, the Financial Secretary at the start of his speech, stressed that his prime duty was to do all he could to ensure that our record of success during the past 40 years continued into the future. We must not lose sight of the fact that our energetic, resilient, well-trained and above all enterprising people have been the driving force behind our success over the past 40 years. Quite a number of them have now emerged as leading industrialists or businessmen in our community. Following their footsteps are some hardworking people of the younger generation. Out

of the prevalent sentiment in the final years of the transition period, this group of people have been described as "yuppies" by the media. As a matter of fact, all they possess are hard earned. However, once successfully breaking ranks with the working class at the lowest stratum in their pursuit of higher social status, they can no longer enjoy the free social services provided by the Government. While some public housing tenants, who may have been enjoying low rent benefit for one to two decades, can still grumble at rent increases and threaten to stop paying rent, these "sandwich class" people are not eligible for the Home Ownership Scheme because their family incomes are in excess of \$18,000 and thus have to turn to the high-priced private housing. But our Government has turned a blind eye to this extremely unfair situation for years.

I am an employer. Among my staff there are manual workers, managers and professionals. Therefore, I accept that low-income people should be provided with necessary welfare services and need not pay income tax at all. On the other hand, I think the hardworking "sandwich class" deserve a better deal, bearing in mind that they would form the economic backbone for the future SAR.

Mr Deputy President, before and after the Budget was announced, pressure groups have only been focusing their lobbying efforts on a raise of personal allowance. But it is the widening of the tax band and the lowering of marginal tax which deserve our immediate attention. An upward revision of personal allowance would do as much good to low-income people as a cut of taxi flagfall fare to short-trip passengers. Likewise, widening of the tax band and a reduction of marginal tax would have the same welcome effects on the sandwich class like a lowering of per metre fare jump on long-trip passengers.

Last year, the Government widened the tax band to \$20,000 and streamlined the marginal tax as well. But the amount a taxpayer with taxable income of \$80,000 or above had to pay is exactly the same as he had done in the year before. In other words, the tax reform introduced last year has brought no relief to them. I think the Financial Secretary should take prompt action and rectify the situation in this financial year.

According to official statistics, the population of taxpayers has grown from 560 500 in 1986-87 to 1.45 million in 1992-93, or an increase of 258%, since the standard rate has been progressively lowered to the current level at 15% from 1986-87. During the same period, the number of taxpayers who are required to pay

at standard rate has shot up from 26 500 to 130 000, representing a jump of 490%. Meanwhile, the tax they paid has risen to \$12.5 billion from \$2.22 billion or a staggering rise of 560%. In 1986-87, a taxpayer was required to pay according to the standard rate when his annual income reached an amount equivalent to 293% of the per capita GDP then prevailing. However, in 1992-93, he has to do so when his annual income comes to 167% of the per capita GDP. This demonstrates clearly the catch-all nature of this tax net.

These figures lay bare the fact that the standard tax net is widened at a rate faster than the tax net in general. What is more, a drop in standard tax rate can only benefit the highly-paid salary earners instead of those less highly-paid ones who are unfairly drawn into the standard tax net, which results in the bulk of tax being paid by a small group of people, and thus increasing their tax burden.

I now urge the Financial Secretary to modify his financial philosophy and accord top priority to the well-being of the "sandwich class". He should also carefully define the "sandwich class" on the basis of their incomes so that standard rate could be duly adjusted to shift the heavier tax burden on to the real high-income group. Meanwhile, to serve the purpose of our tax reform, a "sandwich class standard rate" should be introduced, with its ceiling fixed at 15% to ensure that the tax they pay would not be more than 15% of their income even if the standard rate is raised.

Mr Deputy President, as a conscientious critic, apart from voicing my views on tax relief, I would also like to put forward some proposals on the revenue side. I am of the view that we should impose profits tax on property speculators according to the relevant provisions under the Inland Revenue Ordinance. This will not only boost our coffers, but also curb the speculation activities by jacking up their costs.

I must stress that I am not calling for the introduction of a capital gains tax as proposed by some people. To the contrary, I am against such a tax. What I am saying is that every effort should be made to safeguard the interests of the commercial and industrial sector. One way of doing so is the exemption of tax on proceeds arising from capital asset. However proceeds from the sale of current asset should be subject to profits tax.

According to the "six badges of trade" put forth by the United Kingdom Royal Commission on the Taxation of Profits and Income, most of the property deals fall into the category of "trading" and are more to do with transactions of current asset than capital asset. The six badges of trade can be summarized as follows:

(1) the nature of the asset on sale;

(2) the span of time the asset stays in the hands of the owner. Details can be found in six sections of the Inland Revenue Ordinance.

As the bell has sounded, I am not going to elaborate on that.

My point is that we should levy profits tax under section 14 of the Inland Revenue Ordinance and that is to say, proceeds from capital asset should be exempted.

To wind up, Mr Deputy President, at this politically sensitive moment I must add a few words before the Budget is put to a vote. Unless a voting down of this Budget can force the Financial Secretary to step down and bring in a new Financial Secretary to resubmit a new Budget, I think it would be pointless to say no to this Budget. To vote down this Budget would only tie the hands of the Government and cripple Hong Kong. Bearing in mind that under this executive-led system, the Governor, as the President of the Legislative Council, is empowered to dissolve this Council, we must realize that the Legislative Council is not as powerful as some colleagues would imagine.

Mr Deputy President, in view of the need to maintain the Government's prestige and authority in administration and the Budget being acceptable as a whole, I support the motion.

MR LAU CHIN-SHEK (in Cantonese):

Wishes of the general public

Mr Deputy President, after a year of historically high inflation in 1991, I believe many workers who suffered from negative growth in real wages last year are, with a heavy heart, looking forward to a Budget from the Financial Secretary which will give them a respite, so that the standard of their living will stop falling further. Unfortunately, things have gone contrary to our wishes. Mr MacLEOD's Budget has brought the public indignation and disappointment.

The Financial Secretary believes that the tax proposals in his Budget will not affect the Consumer Price Index. But given the variety of public services and the imminent increases in fees and charges, the level of inflation will certainly be pushed higher and the people will have a more difficult life. At the same time, the rate of increase in personal allowance indeed fails to catch up with the aggregate inflation over the past few years and last year's negative growth in real wages. In fact, it is found that more and more people from the lower income group will be included in the tax net.

I, therefore, am of view that the Financial Secretary should, in the Budget, take care of the interests of the lower and middle income groups, make commitments to improve their living and not shirk the responsibility of beating inflation and reducing the pressure of living on these groups.

Mr Deputy President, I do not intend to repeat specifically my views on the various items of expenditure and revenue of the new Budget. Today, I will, from the macro point of view, focus on examining the philosophy of policy-making and financial management that the Government has been employing over the years. I will then look at the impact that the Budget will have on the general public. Lastly, I will comment on Members' striving to amend the Budget.

Philosophy of policy-making and financial management

Most western countries agree that the function of taxation and expenditure and revenue policies is to "redistribute social wealth and resources" so as to narrow the gap between the rich and the poor and reduce the extent of class confrontation. This will therefore enable our society to play fairer and develop more steadily. However, the Government has been avoiding this social responsibility and ignoring the trend of polarization of wealth between the rich and the poor. The ex-Financial Secretary, Sir Philip HADDEN-CAVE had clearly stated that the objective of a financial system was to appropriately distribute social resources for public spending but not to achieve social justice or to control the rate of economic growth and the pattern of the economy. Sir Philip's philosophy of financial management has been faithfully followed by his successors. Obviously, it is the government's policy that to boost economic growth will be accorded top priority after the objective of narrowing the gap between the rich and the poor has been met. The policy of public finance is based on three main principles, namely, a balanced or surplus Budget, the accumulation

of reserves and the avoidance of debts. When moving the Second Reading of the Appropriation Bill, the Financial Secretary stated clearly that he was determined to fulfil the following three objectives of financial management: (1) to ensure that public spending remains in line with economic growth; (2) to raise sufficient revenue to cover government spending commitments, and to ensure that at least half the costs of the capital expenditure is financed by recurrent revenue; and (3) to maintain reserves at the level the Financial Secretary judges adequate both to meet known commitments and to provide a cushion effect against future uncertainties.

Mr Deputy President, obviously, the three objectives spelt out by the Financial Secretary are based on the concepts of a balanced Budget, the avoidance of debts and the accumulation of sufficient reserves. The so-called known commitments are mainly to boost economic growth. From the viewpoint of financial management, the Financial Secretary will have no problem in managing the Airport Core Programme which has just gone underway. But do not forget that the Government is not a private company. How could budgeting be simply regarded as financial management?

Economic and social policies

Recently, the new Financial Secretary has mentioned the theory of "positive non-intervention" which he himself does not support. This makes people wonder whether the Government will change its established philosophy in making its policies. But I believe neither "intervention" nor "non-intervention" has been the basic principle of the Government. Instead, to boost economic development is its prime concern. It can be seen that the Government will intervene when it thinks necessary. The importation of foreign labour in recent years is an obvious example of intervening the labour market. Suppression of growth in wages which has been advocated by the Government in the past two years is no doubt another example of serious intervention. Being members of the general public, we will not care whether the Government should intervene or not, what we are concerned about are the advantages and disadvantages that will be brought to the lower income group.

Most unfortunately the development in recent years clearly indicates that this approach of administration where economic policies are given the foremost consideration has placed the lower and middle income groups in a very disadvantageous position. I do not wish to repeat here my views on subjects like the importation of labour but instead would dwell on the interaction or interrelationship between economic policies and social policies and the widening gap between the rich and the

poor.

This approach of putting economic policies before social policies underscores to a great extent the inequitable distribution of public resources. In formulating the Budget, the Government has failed to commit itself to laying down social policies according to social needs. In fact very often the Government is prepared to renege on the commitments it has made to the funding of some of the social policies in an attempt to maintain an usually low rate of taxation, to allow for growth in expenditure for the economically essential projects, such as the infrastructural projects, and sometimes even simply to maintain a balanced budget.

As a matter of fact instances of the Government eating its own words are numerous. In 1972 Lord MacLEHOSE announced the 10-year Housing Development Programme which, for various economic reasons, ended up with nothing definite in the end. I do not know how Lord MacLEHOSE would feel were he to visit Hong Kong now. In October 1990 our Governor Lord WILSON promised in his policy address that most of the urban squatter areas would be cleared in around five years' time. But according to the reply the Director of Housing recently gave to the Finance Committee members, there will still be over 100 000 squatter households in the territory by 1995. As to spending on education, the repeated demonstrations staged recently by the education sector have revealed the root of the problem; but to our surprise the Government has time and again delayed the implementation of the approved recommendations contained in the Education Commission Report No. 4. With regard to health, many of the recommendations in the Report of the Working Party on Primary Health Care have also suffered delay in implementation. With regard to labour, years ago the Government promised to provide retraining to help workers change jobs; but now funds for the implementation of this programme are to come from a deduction from the wages of imported workers. All these point to the fact that commitment to social policies has never been given the highest priority by the Government in distributing public resources.

The Hong Kong Government and some members of the industrial and commercial sectors repeatedly assert the belief that any move towards economic growth is in itself neutral and will certainly be in the interest of the community, whereas social policies which emphasize social values will only be for the benefit of a minority group -- what we call the free lunch concept. Social policies therefore are merely economic policies for the poor, or to be more specific, the burden of the public. Under this premise our social policies are not only fragmented but also "cost-led"

instead of "demand-led". As a result the lower income group, already a disadvantaged group under the existing pattern of economy, will be forever condemned to hell.

Under the present policy, spending on social policies has to face yet another cut as provision will have to be made for the financing of the mammoth infrastructural projects and the accumulation of huge reserves. Given this perverse, across-the-board cut on spending for every government department, the Financial Secretary projected in his Medium Range Forecast that growth in expenditure for social services, such as health, welfare, education and housing, would in the next few years be lower than that of the last few years. May I sound a warning here: If the Government continues with this strategy of public income distribution which is unfair to the lower income group, social crisis will intensify and in the end no one will benefit from it.

Widening gap between the rich and the poor

Perhaps the Government considers that continued economic growth will certainly do good to the community as a whole. So it is on this assumption that the Financial Secretary in moving the Second Reading of this year's Appropriation Bill said, "Economic success must be a Financial Secretary's first priority. Our past success has meant that the standard of living for the whole community has been transformed." But has the Financial Secretary ever faced up to the fact that uneven distribution of social wealth is getting more and more serious and that the problem of poverty has transformed from "absolute poverty" to "relative poverty"?

Statistics from the Census and Statistics Department show that real growth in wages for managerial level of all trades has risen by 64% from 1983 to 1991 whereas the corresponding rise for general workers from 1982 to 1991 is only 14%. In recent years the linked exchange rate and high rate of inflation have resulted in a negative growth in deposit rate; obviously the lower and middle income groups will be left to bear the brunt of high inflation. However a handful of high income earners have been able to reap a profit as a result of soaring flat price and bullish stock market, further underscoring the widening gap between the rich and the poor. Last year the territory's Gini coefficient reached the level of 0.48; the economic miracle as told by the Government crumbles on its own.

Today, with a reserve of almost \$100 billion, the Government still refuses to make greater commitment to improve the living standard of the lower income group and

gives no regard to the ever widening gap between the rich and the poor. Is such a policy worthy of public support?

Changes in the legislature

Mr Deputy President, it is precisely because we want to change this Government's public finance philosophy which has been so uncaring to the poor that Mr Henry TANG and I launched a signature campaign soon after the release of the Budget in a bid to urge the Financial Secretary to amend the Budget for the interest of the lower and middle income groups. Over three quarters of our colleagues signed the letter urging the Government to raise the tax allowance and widen the tax band. This shows that the Legislative Council can no longer neglect the views of the public. In the face of this change in the new legislature I believe a serious response from the Government is warranted. What I mean by a serious response is that it should not be only a response to Members of this Council but, more importantly, a response to the public. It is precisely because of this that I fail to understand why amending the Budget to follow the will of the public should be regarded as a blow to the Government's authority. Could it be true that our Government wants to follow the example of some tyrannical and despotic governments which will never admit to errors?

In any case, given the trend of democratic development, the Government simply cannot act blindly and alienate itself from the reality. I dare say that even if the Government and the Financial Secretary succeed in turning down this request by most Members of this Council this year or even the next, they will certainly fail to do so by 1994 and 1995. I therefore earnestly hope that the Government can as soon as possible review comprehensively its philosophy in administration and public finance to keep in line with the public wish. Only in so doing will the Government be a real authority with the support of the public.

Mr Deputy President, I understand that when I stress again and again the need for social wealth to be fairly distributed I will inevitably be labelled as an advocate of communism. But we must not forget that for capitalist economies to have this development today their governments have been giving due regard to the implementation and improvement of social policies. These policies or measures to safeguard the interest of the lower and middle income groups are in fact inseparable from the development of these economies.

Mr Deputy President, with these remarks, I vow that I will continue to do my best

to strive for amendments to this year's Budget.

MR PANG CHUN-HOI (in Cantonese): Mr Deputy President, the Budget the Financial Secretary presented this year is moderate and conservative in comparison to last year's Budget. Basically it gives the impression of robbing the rich without giving the money to the poor. The new airport has given the people of Hong Kong a dream of the rose garden; but it is also because of the airport project that the lower and middle income groups are made to suffer a lower quality of living. Benefits are yet to come but the public have already had to bear the burden. While we all know that every means has been explored by the Financial Secretary to maintain a substantial surplus, there should have been other ways to generate new sources of income and the best way of going about it is a complete overhaul of our taxation system. A Budget as unimpressive as this one gives full expression to conservatism and inertia which is understandably the mentality of a sunset government. But from the standpoint of the people of Hong Kong, that is a mentality that would hardly go down well with the people.

What makes this year's Budget most unacceptable is, firstly, the Financial Secretary's failure to take into consideration the rate of inflation over the years so as to give personal allowance a reasonable upward adjustment and, secondly, the proposed increase in rates.

In the past few years the rate of increase in personal allowance was small, well below that of inflation. This year, despite the 12% increase the Financial Secretary has given to the allowance, the adjusted level is still too low to reconcile with the cost of living index. Our Federation of Hong Kong and Kowloon Labour Unions therefore would like the tax allowance to be raised to a realistic level of \$62,000. The successive growth of the economy in Hong Kong these years has not only failed to bring advantages to the public, especially the lower income group, but these people have also been drawn into the new tax net cast by the Financial Secretary. Whatever small rise in tax allowance will only be eroded by inflation. According to a newspaper survey 80% of the respondents were not satisfied with this slight increase in tax allowance. A compassionate and responsive way of government should, I believe, still be the good tradition of governance observed by the United Kingdom Government. The fact that this question of personal allowance has drawn such wide criticism should serve as a sort of lesson to the Financial Secretary, namely, that the public would like him to be ready to accept good advice and not to go against the popular will.

Rates is another much criticized area. As a matter of fact rates can be said to be some form of poll tax in Hong Kong. I observed to the Financial Secretary some time ago that every one living under a roof had to pay rates, including the low income tenants of the public housing estates and the "caged apartment" lodgers. After the Government's revaluation exercise in 1990 the rateable value for residential flats has on the average increased by 65% whereas for non-residential flats the increase is more than two-fold, resulting in an overall average increase of more than 85%.

A rates hike would imply an even share of burden regardless of rich or poor. This goes against the principle of equitable taxation, that is, "Earn more, pay more." Moreover it is a known fact that any increase in rates will push up consumer price as the increase will invariably be passed on to the consumers by the owners or operators as a rise in cost. In the end not only will inflation remain a hopelessly unresolved problem but the rise in rates will, like fuel added to fire, push the rate of inflation further up.

I anticipate that rates will remain an important source of government revenue, perhaps with a yearly percentage rise in rate. When the Financial Secretary met me on 10 March he frankly admitted that rates, like sales tax, was a reliable source of revenue. The increase in rates and the removal of the 25% cap as a relief measure have triggered off a public outcry which I wonder if the Financial Secretary can still turn a deaf ear to. The Government should exclude rates as a major source of revenue in the future and the 25% cap be retained as a relief measure.

If I may put it this way, the personal allowance and the rates hike have put to the test the Financial Secretary's responsiveness to public opinion. There is an old Chinese saying: "Prosperity to those who follow the popular will; downfall to those who do otherwise." Although this may not be applicable to the present political system of Hong Kong, given that democracy is now a worldwide trend, I believe this saying should be rather close to truth.

At first I agreed to the principle held by the Financial Secretary that amendments should not be made to part of the Budget for fear that any such precedent might reduce the Budget process to a bargaining exercise. But wrong is wrong when measured against truth. Knowing it to be wrong but yet choosing to wait until next year to put the wrong right is unjustifiable. A while ago a Member said something to this effect: "We will have other problems to face tomorrow, inflation for one; so a positive way

to get things done should be to start right now."

Going through the whole Budget I would say that the entire development of Hong Kong hinges very much on the new airport. To make provision for the project the Financial Secretary has to work hard to ensure that substantial surplus be maintained each year. It is anticipated that the people of Hong Kong will be in for greater belt-tightening in the next few years with the lower and middle income groups having to pay a very heavy price. If the new airport fails to bring about the projected growth in the economy of Hong Kong it will become one of the greatest ironies given that the public will have to continue sacrificing their quality of living for the project. The new airport should be an asset to a higher quality of living; but now it may turn out to be a liability.

With the construction of the new airport, the lower and middle income groups we belong to have already had the feeling that the Government has deviated from the financial guideline of maintaining a balanced Budget where spending will be tailored to income. In order to amass great surpluses the Financial Secretary no longer takes it upon himself the responsibility of narrowing the gap between the rich and the poor and effecting a more equitable distribution of income to palliate tension or incompatibilities within the community. Such inaction, as a matter of fact, runs counter to the expectations economists and financiers have of the Government's public finance policy.

In his speech moving the Second Reading of the Appropriation Bill the Financial Secretary said that the present resources, particularly land and labour, had been under great strain because of increase in economic activities. Normally importation of labour will not be resorted to unless no other option is available to the Government. If the importation is taken to be a long-term measure and the various loopholes associated with it remain unplugged, the damage this measure may have on the community will be disastrous. In order to relieve the pressure of inflation the Government should, by way of greater emphasis on retraining and hence switching of jobs by the local workforce, raise the level of productivity of the community. This, I should say, is the unshirkable responsibility of the Government.

Mr Deputy President, I understand that the subject we discuss today is the Financial Secretary's Budget. But financial strategies will invariably affect the Financial Secretary's way of management; so I would like to take this opportunity to remind the Financial Secretary that unless he raises the personal allowance and

freezes the rates I cannot accept the present Budget which does not accord with the will of the public.

Mr Deputy President, with these remarks, I shall reserve my decision as to which way to cast my vote.

MR SZETO WAH (in Cantonese): Mr Deputy President, in his 1991 Policy Address, Lord WILSON stated that "to pass legislation and obtain financial provision for its programmes, the Administration will have to win the support of a majority of Members in this Council. This means building up a co-operation partnership with the Council."

In the debate on the Motion of Thanks that followed, I pointed out that there were two entirely different ways to win the support of a majority of Members in this Council and the establishment of a co-operative partnership with the Council, namely

(1) making use of the undemocratic system of this Council where only a limited number of seats are provided for directly elected Members who represent the view of the majority, all means may be tried to form "fire fighting teams", "flood control teams", "rescue teams", "poaching teams", openly or covertly, to secure support from the majority of the Council and turn a deaf ear to public opinion; or

(2) recognizing the unreasonable fact that the Administration is not a governing party returned by election, due respect may be paid to public opinion reflected by the elected Members (especially the directly elected Members) and policies may be formulated on the basis of the opinion instead of canvassing results.

Now, let us see which way the Administration took to deal with the present Budget.

The Financial Secretary had not in any way sought the views of the Members of this Council and those of the public throughout the whole process of framing the Budget before its release. This simply indicates that he has divorced himself from the public views.

No sooner had the Budget been announced than 46 Members of this Council jointly signed a letter requesting an increase of personal allowance and a widening of the tax band. The 46 Members from different political groups, in fact, represent an absolute majority of this Council and what they expressed were nothing but the views

of the people in the street. Subsequently, Members of different political groups as well as independent Members put forward their common requests, inter alia, for raising personal allowance and widening the tax band, dropping the proposal of raising rates and making more allocations for basic social services.

The Financial Secretary's response was that the Budget should be treated as a package and no amendment could be made. He turned down all the requests and merely made a promise that he would do something in the next Budget but threatened that he would renege on the promise should the Council vote down this year's Budget. He not only denied our requests but also posed a threat to us.

Is there anything in the world that cannot be amended as it must be handled as a whole? Even in the case of an entity such as the human body, it is surgically possible to remove one's caecum. One's whole arm can be amputated when one's finger is bitten by a venomous snake. The advanced medical science nowadays allows transplant of organs and even blood in the human body can be totally replaced through transfusion. Why is this Budget so sacred that not a bit of it can be changed? Did the former Financial Secretary, Sir Piers JACOBS not change his mind and revise his proposal for tobacco duty last year? Mr MacLEOD's argument is contradictory to Sir Piers' move.

Does Mr MacLEOD's intransigence fall in line with the idea of partnership with the Members of this Council which Lord WILSON attached so much importance to and strived to establish?

Some Members, though highly critical of the Budget, were of the view that the Budget should not be voted down. To indicate so early their decision not to vote down the Budget is tantamount to an unconditional surrender, simply helping to relieve the Administration of the pressure to make amendments. The criticism they voiced has amounted to nothing. This kind of criticism is actually more like a blessing than an attack.

Views have been expressed that a rejection of the Budget would paralyse the Government and bring about a political backlash. Is it true that the Government must have its own way as the acceptance of public opinion on its part would hamper its administration? If so, why should the Government bother to present the Budget to this Council for its comments and endorsement? Does it mean that the Government could defend itself against any criticism and attack by merely using "possible paralysis"

and "political backlash" as an excuse. In fact, it is the functions and powers of this Council to endorse allocation of funds, to serve as a watchdog and to echo the people's sentiments that are in jeopardy. This kind of political stability, free of any political backlashes can only be achieved through rubberstamping decisions. As a matter of fact, the provisional allocation this Council passed on 8 March ensured that the Government could still have access to \$39 billion and introduce a new Budget even if the present Appropriation Bill is rejected. Therefore, the so-called "paralysis" and "political backlash" are no more than remarks meant to scare. Please stop using these shocking remarks. The Government's operation is not going to stall, nor will there be any political backlash.

Some people opined that a rejection of the Budget will damage the Government's prestige in its administration. As a Cantonese saying goes, "One may bring dishonour on oneself but respect has to be earned"; true prestige is to be gained not to be claimed. It is praiseworthy for one to correct one's mistake. To achieve genuine and higher prestige, it is essential for the Government to be receptive to good advice and the views of the public. To be bull-headed or self-willed could only earn worthless and empty prestige.

Some people warned that a rejection of the Budget would undermine our executive-led system. Where could we find the words "executive-led" in the provisions of Hong Kong's constitutional law? Please think twice before quoting and expounding this term. We must work according to the law. This Council may exercise any powers bestowed on it under the law, such as to examine and pass the Budget. It is totally unacceptable to erode the powers of this Council in this respect by putting forth "executive-led" as an excuse.

It is also alleged that among those critical of the Budget, some of them are trying to reap political gains. This statement is no different in nature to remarks such as "to politicize issues" or "with an aim to court votes" which could be heard from time to time in this chamber. Dr SUN Yat-sen said that politics is the management of public affairs. The job of this Council is precisely the management of public affairs. Why cannot it be politicized? Could it be said that we are here to play children's game? In participating in election, one naturally has to echo the voters' views and get involved in canvassing for votes. There is nothing wrong with vote-courting. What is wrong and illegal is to buy votes. Are not Mr George BUSH of the United States and Mr John MAJOR of Britain trying all they can to court votes? Is there anyone sneering at their efforts? Why do people not sneer at them?

Political capital is the asset one could draw on when participating in public affairs, providing public service and gaining voters' support by reflecting their views. As elected Members, why should we not do so? Only those who are about to retire from the political arena and public service after having already reaped enough profit would scorn the gaining of political capital.

I have voted against the Budget thrice in the past, which I think may be a record in this Council. For the first time, I did so to press for the introduction of separate taxation for husband and wife. For the second time, I voted against the Budget in order to fight for the improvement of the service conditions of the kindergarten teachers. Again, I opposed the Budget the third time to show my objection to the Administration for its development of tertiary education at the expense of the quality of basic education.

In the past week, the Honourable Fred LI and I have held three consultation meetings on the Budget with the residents of our constituency. Towards the end of the meetings, we asked the participants: Should we vote for or against the motion if the Financial Secretary rode roughshod over the views of the public and refused to introduce amendments to the Budget? More than 90% of the participants attended the meetings raised their hands, urging us to vote against it.

Mr Deputy President, I have to act according to the wish of my constituents. My colleagues of the United Democrats of Hong Kong in this Council will elaborate our views on the Budget and they have my full support. With these remarks, I await the Financial Secretary's response to be given next week.

MR TAM YIU-CHUNG (in Cantonese): Mr Deputy President, today we are here to debate the first Budget of the new Financial Secretary. Before the release of this "maiden Budget", there were numerous reports in the press speculating on the contents of the Budget. Some people thought that those were the Government's balloons to test public opinion. Many organizations have also voiced their aspirations with regard to the Budget. Yet, after the formal announcement of the Budget by the Financial Secretary on 4 March, there were strong oppositions from the public at large and most organizations which had voiced their aspirations were disappointed. Why has this Budget given rise to such wide-spread discontent and what lessons could be drawn by the Government? These are the main topics for my speech today.

As Hong Kong has stepped into the second year of the nineties, the Government can no longer, as in the past, manipulate behind closed doors and justify itself that everything is fine. The Government must understand that in the past few years, the political, economic and social situations of Hong Kong have undergone many changes. If the Government turns a blind eye to these factors in its policy and administration, strong responses from the community will easily be evoked. The Government will be embarrassed, the conflicts and misunderstandings between the Government and the public will be deepened as well. I thus hope that the Government would understand the present situation of Hong Kong.

Firstly, let us look at the economy and people's livelihood. Hong Kong is now undergoing an economic transformation stage. As more and more manufacturers have moved their production line to China, employment with the local manufacturing industries are on the decline. Many manufacturing workers have experienced a negative growth in their income and a decline in their living standard. On the other hand, some investors have reaped huge profits during this economic transformation period. Some of them have invested their gains in speculative activities in the financial and property markets, leading to an overheated local economy and a widened gap between the rich and the poor. As the inflation rate of Hong Kong has remained high over the past few years at a double-digit figure, the lower and middle classes have to bear greater burden and they have been nursing great grievances. If the Government fails to implement a fiscal policy that can take care of their interests and abate their discontent, the consequences will surely be grave.

With the opening and democratization of our political system, the public have higher political awareness. They demand greater accountability from the Government and attach greater importance to individual rights. Various political bodies and pressure groups are more justified to strive, both within and outside the establishment, for the interests of the sectors they represent. Hong Kong is becoming more and more politicalized. Therefore, the Government must be more open in the process of policy making. It must listen to the views of different sectors and take heed of the responses of the public. Otherwise, comments on the Budget would become a political event and the Government would then come under criticisms and attacks from various political forces.

In fact, in the next few years, the Government will have to consider the overall changes in Hong Kong in formulating its fiscal strategy. If the Government wants its future Budgets to gain extensive support and to be endorsed smoothly, it must

take note of the following:

First of all, the Government must not engage too much in window dressing and evade the problems. In particular, it must not play with figures to hide the true facts. For example, the Financial Secretary claimed in his Budget that Hong Kong has a Gross Domestic Product per head of US\$16,000, which is well ahead of a number of developed economies. However, the living standard of an area cannot be assessed solely on the average GDP value. Factors such as the distribution of wealth and the gap between the rich and the poor have to be taken into consideration as well. Let us take the Gini Coefficient as an index. Many advanced countries have a Gini Coefficient that ranges from 0.35 to 0.38. Yet, in Hong Kong, the figure of last year was 0.48. I hope that the Government would not hide the facts that the disparity between the poor and the rich in Hong Kong is getting wider apart and that efforts will be made to narrow such a gap. The Financial Secretary also said that the costs of the Airport Core Programme would only take up 25% of the Government's capital expenditure. However, other than the Airport Core Programme, the infrastructural development scheme also includes other construction and reclamation works. Hence, to say that the Airport Core Programme would only take up 25% of the capital expenditure can hardly reflect the true picture with regard to the financial implication of the infrastructural development scheme. All in all, I hope that the Government will no longer play with the figures. This will give the public an impression that the Government is not sincere and is not willing to face the reality squarely. This will undermine the public's confidence in the Government and strike a blow to Government's credibility.

Thus, the Government must build up a fair and credible image with regard to its fiscal management. It must not let the public think that it is sided with some consortia at the expense of the interests of the lower and middle classes. In fact, the Government has all along given the public an impression that it makes effort to safeguard the interests of the industrial and commercial sectors and neglects the welfare of the middle and the lower classes. Let us take the profits tax as an example. The Financial Secretary proposed to raise the tax by merely 1%. This slight increase can hardly enhance, to a reasonable extent, the pay back of the industrial and commercial sectors to the community. In my opinion, even if the Government further increases the profits tax by one percentage point to 18.5% as in the mid-80s, our investment environment would not be affected.

On the other hand, the Financial Secretary proposed to increase the personal

allowance from \$41,000 to \$46,000 only. Hence a person with an average monthly income of merely \$3,800 will be caught by the tax net. Surely, more and more low income people will have to pay tax and have to bear greater burden. Furthermore, as the Financial Secretary is unwilling to widen the tax band to increase its progressivity, more and more middle income people will have to shoulder heavy taxation burden. These measures are unfair to the middle and lower classes and will not help to narrow the gap between the rich and the poor.

Another proposal by the Financial Secretary that is controversial concerns the general rates, which will be increased by half a percentage point. Although the surplus of last year amounted to \$14.1 billion, \$12.8 million more than estimated, the Government still raises the general rates. This is most puzzling. Let us not forget that the rateable value of all properties in Hong Kong was reassessed in early 1991, leading to an 85% increase in rateable value. The Government was thus forced to introduce a rates relief scheme. The fact that the scheme will not be extended this year and that the general rates will be raised will definitely bring about a substantial increase in rates. I wrote to the Financial Secretary in February asking him not to increase rates which would add to the burden of the public. Yet the Government now proposes a hefty increase in rates despite huge profits. Apart from feeling disappointed, I cannot help wondering if the Government is hoarding wealth to pay for the infrastructural development projects.

In recent years, the Government has been increasing taxes and trimming expenditure for implementing the infrastructure projects. This gives people an impression that "infrastructure projects override everything". The Government really should not cut those public expenditures that affect the welfare of the public to pay for these projects. For example, although there will be a \$7 billion increase this year in expenditure on social welfare, the actual increase will only be a mere 2.8% after the inflation factor is taken into account.

Mr Deputy President, as a whole, the Financial Secretary has adopted a kind of "housekeeping" attitude in formulating this Budget. He has not given adequate thoughts to the drastic political, economic and social changes of Hong Kong. This Budget can neither alleviate the social conflicts arisen during the economic transformation period, nor can it take care of the immediate concerns of the middle and lower classes. The Financial Secretary has not paid adequate attention to the piled-up grievances of the public and the increasing politicized situation of Hong Kong. His "maiden Budget" has thus come under unprecedented criticisms and

objections, and has even failed to gain the support of the Executive Councillors. This is really a profound lesson to be learnt by the Government. I urge the Government to bear this point in mind and earnestly review its administrative policy and fiscal strategy so as to bring a change to its closed door policy making mechanism. Otherwise, the Government will find it more and more difficult to get the public's trust and support. In the latter part of the transition period, this will cast a shadow on the social stability of Hong Kong.

Mr Deputy President, these are my remarks, but I would defer disclosing my stance.

MR EDWARD HO: Mr Deputy President, a shorthand description of the Financial Secretary's 1992-93 Budget, his first, would be that it is financially astute, prudent, roughly neutral in containing inflation; appealing for the longer term; but sadly disappointing to certain sectors of our society.

The most controversial feature of this year's Budget must be the sudden disclosure of a huge surplus, from an original forecast of \$1.3 billion for 1991-92 to a staggering \$14.1 billion, albeit that \$8 billion of that amount is the result of underspending. Even more controversial: with such a large unexpected surplus, the corporate profits tax is raised by 1% and general rates by half a percentage point.

An obvious question must be: if the extra surplus of \$4.7 billion were not to have materialized, what would the Financial Secretary have proposed by way of tax increases or cuts in public services? Many questions have been asked as to why a huge surplus of \$71 billion is necessary in March 1997. This figure coupled with the Land Fund which will be available to the HKSAR Government will amount to well over \$100 billion. Is this amount necessary? Another question: if corporate profit tax is increased even though it is not necessary, does it signal a trend of rising taxes in the years to come? What is worrying the Financial Secretary? Is it the spectre of huge cost overrun of the PADS projects?

The Financial Secretary has tried to answer some of these questions subsequently. He has given us some assurance that there is not a hidden agenda and that the increase in tax does not signal the start of a rising trend. Since his budgetary strategy is based on a Medium Range Forecast extended to March 1997, and which produces satisfactory reserves at the end of that period, there is little reason to doubt that we can "read his lips", an expression that President BUSH once used.

The sandwich class

Given the very healthy financial situation we are in, it is natural that my many colleagues in this Council and I are concerned that nothing has been done to give relief to the particular burden of the middle income group: the so-called "sandwich class". The particular burden of the sandwich class is the high cost of housing. My definition of the sandwich class is that class of people whose income level makes them ineligible for public aided housing and yet are unable to rent or buy decent accommodation in the private sector. With the current Home Ownership Scheme income limit set at \$18,000, the sandwich class would earn a monthly income between \$18,000 and \$30,000. This is, for example, the salary level of young professionals who make up a large proportion of my constituency. To add to their burden, these people would be at income levels above which tax is payable at the maximum 25% marginal rate, or already at the standard rate zone. Thus, they do not enjoy any of the tax concessions and yet they bear the full cost of housing.

The Housing Authority did a study of the housing needs of the sandwich class in 1990. Options to meet the housing needs of the sandwich class were identified, but these were shelved due to limited resources of the Authority to extend beyond the target set by the Long Term Housing Strategy. Other options, such as tax relief for mortgage interest or for conveyancing fee and stamp duty on home mortgage, mortgage insurance scheme and so on, would require action or further examination by the Government.

The option of raising the HOS income limit would make the sandwich class eligible, but would raise the demand to supply ratio of HOS flats to over 20 times, based on current projected supply. The solution would have to be increased supply, which means additional building sites.

Similarly, revival of the Middle Income Housing programme can only be possible if more building land were to be provided. What we need is sufficient serviced land, with the required infrastructure, at the right location and at the right time.

I have been urging the Government again and again, like a broken gramophone record, to increase land supply to meet the deficit for both public and private housing needs.

At the risk of being repetitious, the following are some of the ways the Government

can do to improve land supply, without significant allocation of resources:

(i) improve infrastructure, if necessary through joint venture with the private sector, to tap the large resource of land in the New Territories;

(ii) expedite land exchanges in the New Territories;

(iii) re-zone GIC sites which have no medium-term prospect of use;

(iv) examine the possibility of judiciously increasing plot ratios of land in the new towns;

(v) expedite relaxation of plot ratio constraints in selected areas of Kowloon consequent to the relaxation of airport height restriction; and

(vi) study the financial benefits of providing acoustic shield to major roadways so as not to sterilize valuable building land because of environmental constraints.

I firmly believe that a real commitment from the Government to provide reasonable housing to the middle income group would be the best relief that can be given to these people, the young professionals and managers who are the backbone of our society.

Control of real estate agents

In discussing home ownership, there is a strong case for providing better consumer protection to home buyers. As highlighted by recent studies of the Consumer Council, there have been many complaints about misrepresentations on sales information, especially for "non-consent" schemes carried out by smaller developers. Likewise, both the Consumer Council and the ICAC have strongly urged for control of real estate agents.

Buying a flat can cost millions of dollars; yet real estate agents are unregulated, and many of whom are very small "one-man" businesses with little regard for business ethics. Whilst the Government may desire that these agents would regulate themselves, I would strongly suggest that this would not be effective and that there should be a firm timetable to legislate for the licensing of real estate agents. Certificate courses can be provided by the tertiary institutions so that agents can attain

suitable qualification standards.

Airport Core Programme projects

Earlier on in my speech, I questioned whether the Financial Secretary was worried about the possibility of cost overrun of the ACP projects. Here, I wish to refer to a statement made by the former Financial Secretary, in his capacity as then Chairman of the Provisional Airport Authority, in the PAA's Annual Report 1990, which is: "At Chek Lap Kok, we do not plan to build a grandiose airport. Rather, we are planning a functional and economic airport capable of accommodating air traffic changes which may be generated by future economic and aviation industry developments." I hope that this sentiment is remembered by the Provisional Airport Authority and the future Airport Authority. The Authority is charged with an extremely vital responsibility in overseeing the planning, design and development of the new airport, using public funds. There should be mechanisms with which Members of this Council can monitor its performance.

With the ACP projects of such magnitude and complexity, all to be properly co-ordinated and completed in an extremely short time span of five years and with very little float time, it is natural that there are concerns over the possibility of cost overruns or contractors' claims due to delay.

What is important to remember is that cost overruns do not stop when tenders come in under the cost estimate. Cost overruns and claims from contractors can only be avoided or minimized with proper project management and contract administration by the consultants concerned. Very often, these require professionals with local expertise. The Government should learn from unhappy lessons of the past when consultants were appointed from overseas to handle government hospital projects.

The "level playing field" that the Government is so ready to champion should not be provided to the disbenefit of our society. This society has invested enormously in the education and training of our local professionals, and it should get the best benefits from them. We must make full use of local professional experience; we must enhance local professional experience by associating them with consultants of unique project experience; and we must endeavour not to undermine the long-term viability of our local professionals and professional firms.

Law and order

Finally, I take this opportunity to render my support to the plea of our police force, who have continuously displayed courage and dedication in carrying out the increasingly difficult task of keeping law and order, to improve their equipment and training facilities, and the terms and conditions of those who serve on the frontline.

Mr Deputy President, in my speech this afternoon and on a previous occasion, I have tried to point out some of the more obvious areas of my concern. I welcome the Financial Secretary's statement on 20 May that he intends to alleviate next year the tax burden on the lower and middle income groups, and to examine urgently the housing problems of the sandwich class. At a time when most parts of the world around us, including those most mighty and powerful, are suffering huge deficits and massive unemployment; and at a time that some of us are not totally certain of what lies ahead, we should be thankful of the strong economic health that we are in. Although I have reservations on some aspects, I support the Budget for 1992-93 as, on the whole, I do not believe that members of our community wish to undermine the underlying prudence and strength that the Financial Secretary has intended to steer the finance of the Government towards 1997.

With these remarks, Mr Deputy President, I support the motion.

5.10 pm

DEPUTY PRESIDENT: We shall take a short break and resume in 20 minutes.

5.33 pm

DEPUTY PRESIDENT: Council will resume.

MR MARTIN BARROW: I rise to support the Appropriation Bill 1992 and I will start by commenting on Hong Kong's economic philosophy.

Hong Kong's economic philosophy

The Financial Secretary says that the market is the best means of ordering our economy and that Hong Kong needs to earn a living by its enterprise and its efficiency. I wholeheartedly endorse these philosophies which are outlined, albeit in a different form, in the Basic Law.

Despite this, I see signs that the government commitment to the market may be wavering. The Financial Secretary tells us that Hong Kong is in the process of transformation. What does this imply? More intervention perhaps? Bowing to political pressures? A budget for social engineering purposes? If the Government is really committed to the market, they must do much more to explain why it is in the best interest of the people of Hong Kong. They must show why it is that a commitment to economic growth, combined with low taxation, will generate the revenue needed to improve vital public services. Their motto should be: "Keep taxes low and government light, and let the market work."

In the policy debate last year I said that I saw the emergence of a nanny government and that the flood of new Ordinances might endanger Hong Kong's free market orientated society. I reminded Members at that time that a social agenda would bring a heavy price in bigger government, higher inflation, increased taxes and economic slowdown.

The budget strategy

The Financial Secretary says he will review tax brackets in the future. Why then risk the Budget's integrity at this stage? I sympathize with those who have urged for change but I believe that jumping on the bandwagon at the last minute damages the credibility all round. After all there has been no public outcry against the Budget, rather the reverse; and there has been campaigning for public support on some issues by colleagues in this Council.

A vote against the Budget next week would open a Pandora's box which we can do without and it would establish a precedent which would only lead to endless debate in future. It would lead to a crisis whose effect would not merely be fiscal and it would carry the wrong message internationally. People would begin to doubt the financial stability of Hong Kong. They would think that politics would in future be allowed to override what is financially sound. Nothing could be more damaging to us than to acquire such a reputation. By next October the new Legislative Council

will have been in place for one year. That is the time to put forward our views with the hope of influencing the Budget for 1993-94.

Regarding the corporate tax issue, the business community sees no need for the 1% increase, given the surpluses past and projected. The trend is particularly worrying and I share the concerns of the Honourable David LI and other Members who have spoken on this subject this afternoon. While the Financial Secretary says there is no "hidden agenda" of annual increases, I would like to see him firmly ruling out a policy of creeping increases in future years.

Hong Kong and China economic relations

The Financial Secretary has said that our success in large measure derives from our economic relationship with China. I believe that relationship needs even stronger emphasis, as it is the cornerstone of our future. Since the start of the open door policy, China trade has risen from 12% to 52% of our total trade. The Pearl River Delta is not just the "Fifth Dragon", it may become the largest and most powerful dragon of all. Anyone who has seen the huge areas laid out for future expansion will agree that we are at the tip of a very promising iceberg. Already the combined per capita GDP of Hong Kong and the Pearl River Delta exceeds that of some other dragons.

But if "Greater China" is to achieve its potential, and if Hong Kong's pivotal role is to continue, our links with Guangdong must be given priority. Our communications -- road, rail, sea and air transport, and telecommunications must be able to cope. For example, the opening hours at the border must be extended in time, surely, to 24 hours a day. The long-term strategic implications on domestic Hong Kong needs analysis, including the effects on our labour market. The boom in services will mean that labour shortages will persist. An increase in legal immigration from China must be considered by the Government, alongside other measures in the service industries such as the move of computer "backroom" operations to Shenzhen.

This afternoon the Honourable LAU Chin-shek has argued that the labour importation scheme is interventionist. I would argue the opposite. It is interventionist to prevent the mobility of labour which is common practice amongst most of our competitors in East Asia.

The tourism industry

Although the Honourable Howard YOUNG will be commenting in more detail tomorrow, I would like to remind Members of the need for government financial support for that sector. The Hong Kong Tourist Association's subvention as a percentage of the revenue from tourism is low compared with our competitors. At the same time, the Government imposes a high departure tax plus levies, taxes, and charges on operators in the industry which generate a huge surplus for the Government relative to the cost of civil aviation in Hong Kong. I recognize of course the very large commitment to the new airport but that project will be of limited value unless we continue, in parallel, vigorously to promote Hong Kong and to maintain its competitive edge. In addition we must ensure that the concerns about a sales tax are well understood. It is worrying that the Financial Secretary appears to be delaying it only because of inflation.

Conclusion

Finally, I recall two of the points I made in the January debate on a tax review.

Firstly, I welcome the setting up of the "Efficiency Unit". I have spoken many times in this Council on efficiency initiatives which could help hold down government costs. We must attack bureaucracy wherever it exists. I endorse Mrs Selina CHOW's comments on this point.

Secondly, I urge the Government to continue privatization initiatives. The RTHK corporatization issue has confused the point; that has nothing to do with privatization. If there is concern in China, I hope that the merits of privatization will be explained. It would be ironic if we are unable to get the message through when it is pursuing its own privatization initiatives. Indeed, a group of international privatization experts will be visiting Beijing in May at China's request to make presentations to the top leadership.

I again urge my fellow Members to support this Budget which has been well presented by the Financial Secretary. Policy Secretaries and many others have gone to a great deal of trouble in responding to our many queries. They deserve our support. We all have reservations about some aspects; but this does not mean we should vote it down thereby giving entirely the wrong signal to the world's financial community.

With these words, I support the motion.

MRS MIRIAM LAU (in Cantonese): Mr Deputy President, while some people criticize that the current Financial Secretary is more conservative than his predecessor, I think that he is in fact more daring. With a surplus of \$14.2 billion in the Budget for the year 1988-89, the then Financial Secretary not only reduced profits tax and salaries tax, but also significantly increased allocation for social welfare and educational services. Yet, he was subject to a lot of criticisms that commitment to social services was inadequate.

Given the miraculous rise of surplus from the original estimate of \$1.3 billion to \$14.1 billion, the current Financial Secretary still dares to increase profits tax and rates. But he is very mean in respect of personal allowance and allocation for social services. We can see that the Financial Secretary is ready to receive criticisms. The Financial Secretary speaks with frankness that his budget strategy is to reserve \$71.6 billion for the Hong Kong Special Administrative Region in 1997. It is pointed out in the budget that trade prospects of Hong Kong are promising. Though the expenditure of infrastructural projects will pose a heavy burden to Hong Kong in the next few years, the Memorandum of Understanding on the Airport Core Programme only requires a reserve of \$25 billion. One finds it hard to understand why the Financial Secretary has to reserve two times more. I hope the Financial Secretary can give detailed explanation in his response.

In his Budget, the Financial Secretary has pointed out that Hong Kong is in the transformation from an industrial to a mixed manufacturing/service economy with higher living standards of the community. At the same time, inflation has been escalating. During the past year, inflation remained at two-digit level. Though the Financial Secretary predicts that there will only be a 9.5% inflation this year, experiences over the past years have shown that the Financial Secretary usually underestimates the situation. According to our estimation, inflation will not be less than two-digit figure.

As inflation stands high, the middle and lower income groups, especially the sandwich class, are facing an increasing pressure. They shoulder the heaviest tax burdens but enjoy the least social welfare. They can be regarded as a neglected group. In the past few years, the greatest grievance of the sandwich class has been the housing problem. As a number of colleagues have analysed this problem in detail just now, I do not want to repeat again. Although the Government amended the Stamp Duty Ordinance a month ago to curb speculation, prices of flats have not gone down.

Instead, prices have been on a further increase. And rentals have been on the rise as well. Therefore all people, whether they are going to buy a flat or rent one, will find that their burden is getting heavier and heavier. Thus, it is understandable that many people, despite earning several tens of thousands of dollar a month, have to cut their clothing and food expenses while many senior employees have to look for part-time jobs. This is not a healthy phenomenon. But has the Government ever taken into account their difficulties? Though I welcome the open statement made by the Financial Secretary some days ago that he would urgently study the housing problem of the sandwich class to identify ways to help them, the pressure on the sandwich class must be alleviated as soon as possible. The simplest and quickest way is to widen the progressive tax band. This can promptly reduce their tax burden and help raise their living standards as well. I urge the Financial Secretary to seriously reconsider this demand.

The increase in rates and the abolition of the rates cap are tantamount to "charging everybody indiscriminately". The effect of rates is such that probably no one can escape from it. One has to pay rates regardless he is living in a self-purchased flat or a rented one. To the middle and low income groups, an increase in rates plus the abolition of the rates cap is like pouring water on a drowned mouse.

According to figures published by the Rating and Evaluation Department, the numbers of all types of residential premises and industrial/commercial premises estimated to be affected after the implementation of the new legislation are 150 000 and over 400 000 respectively. Though the Financial Secretary has emphasized that the impact will be mild, the fact is that during the past two years rates increased by 25% each year. This, in addition to the proposed increase this year, means that rates almost double itself over the past three years.

The Financial Secretary has claimed in his Budget that the effect on inflation will be negligible at 0.14%. I think that the percentage is arguable. According to the Financial Secretary, half a percentage point increase in rates will increase general revenue by \$940 million. In his reply to a question of a Member of this Council on 4 March 1992, the Secretary for the Treasury said that the amount of rates relief granted last year as a result of the capped rates was more than \$1.41 billion. This amount will be charged with the abolition of the cap. In fact, the total amount of rates to be paid by the public in 1992-93 will reach \$11.39 billion, which is \$2.81 billion over last year or an increase of 32.7%. The average increase is 13% for private domestic properties, 33% for shops, 42% for industrial properties and 73% for offices. The impact is thus enormous. The Financial Secretary also seems to

have evaded an obvious question: an increase in rates will definitely push up rentals and management fees, and in turn trigger off an inflation spiral.

High inflation in recent years has become one of the major problems in Hong Kong. However, I am disappointed by the absence of any effective measures to curb inflation in the Budget. The effect of abolishing duty on soft drinks and entertainments tax on cinema tickets is negligible. Some have questioned the value of this measure. The exemption of the duty on diesel oil to bus companies is the only concession that will have comparatively practical effect. Though it will cost the Government \$190 million a year, it is believed that it will help slow down the rate of fare increase of franchised bus companies. The Kowloon Motor Bus Company has said that it will not raise bus fare this year. I hope the other franchised bus companies will also take corresponding action. However, public transport services other than franchised bus companies may propose fare increases in due course. Transportation cost is one of the basic expenses of the public. It is also a factor that directly contributes to inflation. I hope the Government can advise operators to minimize their rates of fare increases to avoid causing excessive pressure to the already heavy burden of the public.

At this stage, the Financial Secretary has not proposed any increases in such utility charges as water and postal charges, tunnel tolls and airport and ferry fees. But he has mentioned that there will be phased adjustments to these charges during the course of this year. I hope the Financial Secretary will give prudent consideration to the current inflation factor when adjusting the utility charges. The increase must not go beyond the affordability of the public to avoid sparking off new inflation spiral.

As regards reduction of expenditure, under the austerity policy of the Government all departments have to achieve a reduction target in expenditure. Such measure is basically correct. Since the salary of the Civil Service accounts for a large proportion of the recurrent expenditure of the Government, the first thing to do to reduce expenditure is to uphold the principle of making the best use of talents and try to reduce the size of establishment. The best solution to cut expenditure is, of course, to make the best use of resources. But the saving measures recently taken by the Government have given the public an impression that services have been reduced. There have been strong objection on various fronts and a negative public response. The loss has actually outweighed the gain. The Government should conduct an overall review of the establishment adjustment and saving measures to identify the correct method of adjustment and saving costs.

As a matter of fact, reduction of manpower can only be carried out to a certain level. The most effective saving solution is to accelerate automation programmes of departments and to separate certain public services from Government establishment. Efforts should be made as far as possible to privatize or corporatize suitable departments, or to allow private organizations to take up services which are not necessary for the Government to provide. This can achieve better cost-effectiveness and improve quality of services. Nevertheless, the action of the Government in this respect is slow. For instance, privatization/corporatization of the Post Office and the Water Supplies Department had been proposed, but there is no further progress. Another example is that the Government has been planning to let private organizations operate parking meters. But hitherto, the project has not been carried out. I hope the Government can implement the project as soon as possible.

The Government has decided to grant the operation of the four tunnels to private organizations. In the long run, this is a good measure to save costs. Since the granting of the management of public carparks to private organizations, there have been a lot of improvements. Meanwhile, parking fees paid by members of the public rise significantly. I therefore hope the Government must reserve the power to set the toll level, when granting the operation of the four tunnels, to monitor the operators and prevent the toll levels of the four tunnels from running out of control.

Mr Deputy President, during the budget debates of the past two years I had expressed deep concern about rates increases. I think that even though there must be increase in rates, it must be carried out progressively. I therefore feel that the Financial Secretary should restore the rates cap to avoid dealing too heavy and sudden a blow to the public. Moreover, I hope the Financial Secretary will accede to public opinion and give fresh consideration to increasing salaries tax concessions to the lower and middle income groups so that the public will feel that the Government cares and is concerned about them.

Mr Deputy President, with these remarks, I support the Appropriation Bill 1992. MR LAU WAH-SUM (in Cantonese): Mr Deputy President, I am very glad to learn from the Budget prepared by the Financial Secretary that our fiscal surplus for 1991-92 has reached a staggering \$14.1 billion; and the surplus for 1992-93 has reached \$4 billion before a revision of the estimates. That means our fiscal reserve will total \$100 billion by the end of March 1993. Meanwhile, the economy of Hong Kong continues to perform well and the GDP growth is estimated at 5% in real terms next year, better

than this year and last year. Apparently the Financial Secretary's lucky star is in the ascendant since his first Budget is formulated in such a favourable economic environment. I hope his good fortune and the economic revival of the United States will maintain the impressive momentum of Hong Kong's economy for the years to come so as to ensure Hong Kong's economic prosperity and smooth transition in 1997.

At the time when we roll up hefty fiscal reserves, I think we should make proper adjustment to our tax system, control inflation and effectively utilize our resources. On the taxation front, an increase of 1% in the profits tax can be considered as modest, but this will put the profits tax 2.5% away from the standard rate of salaries tax. I believe, the difference is enough to invite tax avoidance. Moreover, if the profits tax goes up without increasing the salaries tax, people will get a feeling that the Government is biased in favour of senior civil servants and high-income earners. Out of suspicion, people will also query whether the proposed tax measures by the Financial Secretary offer first protection for his own purse. Therefore, I think that the profits tax and the salaries tax should both be increased by 0.5%. As far as tax band is concerned, I agree with Mr Allen LEE and Mr Edward HO on the plight of the "sandwich class" and its importance to the local economy. The tax band should be widened from \$20,000 to \$30,000 so as to take care of this "sandwich class". Meanwhile, the personal allowance should be set at \$50,000 in order to catch up with inflation. As regards rates, at last year's Budget debate, I demanded an extension of the rates relief scheme, that is, a cap at 25% on rates increase. I repeat this demand now and on top of that, I propose that the scheme be reviewed after the 1994 revaluation exercise on rateable values to see whether or not it should be kept in order to relieve the pressure of rates increase on the lower-middle class. Given the existing financial situation of the Government, keeping the rates at the present 5.5% and the limit of 25% on the rates increase is well within the Administration's means. Not only can inflation be alleviated in this way, but protest actions like the one recently taken by the public housing tenants can also be avoided. It is because their opposition is based on their resentment against the current rent increase being computed with the last rates increase.

On tax concessions proposed by the Financial Secretary, I believe it is a step in the right direction to further reduce the stamp duty on stock transfer since some Southeast Asian countries have eliminated such transaction duty. We should abolish the duty on stock transfer gradually. But the Financial Secretary has proposed to abolish the entertainment tax on cinema tickets and non-alcoholic beverage tax instead. I think this proposal has no actual significance. On the contrary, in

terms of fairness and Hong Kong's economic benefits, I think it is more important to abolish the duty on cosmetics. I believe, every one recalls that the duty on cosmetics was introduced in the 1985 Budget together with the duty on soft drinks as a revenue raising measure. The then Financial Secretary stated that this was only a temporary measure and would be abolished when the situation improved. But I cannot understand that though the Government had a large surplus last year, the former Financial Secretary did not eliminate this item but increased it by 5% to 30%. This year, the Financial Secretary has proposed to abolish the duty on soft drinks but somehow, he did not mention the duty on cosmetics. However, the 30% duty has already made the travel agencies in Japan suggest to their clients in black and white not to buy cosmetics in Hong Kong but in Singapore or other places where the duty on cosmetics is lower. Therefore, while abolishing the duty on soft drinks, we should also abolish the duty on cosmetics so as to keep up our reputation as "Shopping Paradise". Tourist industry means so much to Hong Kong. The longer the tourists stay in Hong Kong, the more they help our economy. The contribution of their spending to Hong Kong's economy is much more than the revenue from the duty on cosmetics.

In addition, it is very important to plug the loophole of the tax system. The Financial Secretary has done something in this respect, for example, the legislative amendments to leverage leasing and trade marks, and his efforts are commendable. I hope that such measures can be maintained and stepped up. Inland Revenue Department has recently proposed the use of composite tax return and I hope this measure can curtail tax avoidance.

On expenditure, the Financial Secretary manages to practise austerity improving the efficiency in the public sector and to effectively keep the Civil Service at zero growth. What he has done is commendable. However, I would like to say something on social welfare and education spending. First of all, the recipients of old age allowance and disability allowance should not be deprived of their eligibility for the allowances simply because they wish to move to China and leave Hong Kong for more than 90 days. They are people of Hong Kong and have made substantial contributions to Hong Kong. Even when they have left Hong Kong, they should still be treated as Hong Kong people. The Chinese have a traditional desire to move back to their native place in their old age and in any case, the disabled old people would get much more care from their relatives in their hometown than they would in Hong Kong. Their moving to China does not take away anything from us. Instead, the spending on providing other social services for them will be saved. Besides, the administrative cost incurred for investigating whether they have left Hong Kong for more than 90

days will be saved as well. Maybe we can save a lot of spending on social worker posts here as well. On the other hand, the allowance of several hundred Hong Kong dollars a month will be enough for them to lead a decent living in China and improve the quality of their lives. Allowing them to move back to China is a method satisfactory to them and to Hong Kong. I hope that the Government can give serious consideration to this point.

Furthermore, as regards education, there should be sufficient funding for civics education. As the next election is scheduled for 1995 and the voting age may drop to 18 by then, it is very important to strengthen civics education especially for the students who are studying Form IV and above. The secondary school curriculum is already highly compressed, so I suggest that civics education should be promoted outside the curriculum, for example, through TV and radio programmes, extra-curricula activities such as seminars, interviews and visits, and so on, with a view to enhancing the students' understanding of public administration, social and economic situation in Hong Kong and citizens' rights and obligations so that the students will be fully prepared to participate in public affairs and fulfil civic obligations such as voting.

As to the development of high technology, I support Mr NGAI Shiu-kit's and Mr Allen LEE's views that more funds should be set aside by the Government to study the development of hi-technology so as to assist Hong Kong's industrial transformation and promote economic growth. Under the current circumstances we should not continue to stick to the non-intervention policy blindly.

Law and order is a problem of concern among the Hong Kong public. I think we should give the police not only sufficient fund but also sufficient power so that they can enforce the law effectively. Many who call for democracy think that the police are being given too much power and this should be restricted by the Bill of Rights. In my opinion, there should not be drastic amendments to the legislation relating to the police, otherwise there would be constraints on the police in keeping law and order and combating crimes. The effectiveness of the police must be kept in order to maintain stability and prosperity. To over-emphasize human rights at the expense of the police efficiency is unwise and short-sighted.

I hope that all the above proposals will be carefully considered by the Administration. Even if for whatever reasons, they cannot be adopted straightaway, I hope that in the next year, they can be implemented when our social and economic situation allows so that old people of the middle and lower income groups can share

the fruits of our economic prosperity and better the quality of their lives while our economy will continue to flourish. If all these can be achieved, there will be ample assurance for social stability, economic prosperity and smooth transition in 1997.

Mr Deputy President, with these remarks, I support the motion.

DR LEONG CHE-HUNG: Mr Deputy President, this is the fourth time that I have the opportunity to stand in this Council on this Budget to express my personal view and that of the medical constituency I represent.

It is also the fourth year that I have a chance to study in detail the draft Estimates for the coming year.

But even in this fourth year, I am still confused -- confused by the volumes and volumes of the draft Estimates but the lack of the materials in it; confused by the fact that very little consultation takes place for Members of this Council before it is finalized; confused by the bitter fact that any suggestion made by Members of this Council would only be considered, if at all, in the Budget of the following years. In other words, we are always working on the needs of the previous year!

The most discouraging fact is that Members are duty bound to absorb huge volumes of Estimates and to come up with quality questions within a fortnight, for the Administration to respond to. More than 900 questions were drafted this year. And more than 900 replies were received from the various Policy Secretaries at the end of the day. Alas, it is a crushing burden both to the Members and the Administration. And the outcome: neither side is satisfied with what the other side is doing.

Mr Deputy President, I am given to understand that the planning of the Budget starts well before Christmas of the year before and presumably, apart from the final touch, it should well be ready by the beginning of the new year.

For this Legislative Council to better understand and input on government planning on the spending side of the Budget, I will suggest that the draft Estimates be outlined to Members of this Council well in advance of the Budget day, say, early in the new year.

Such a move, I am sure, would eliminate the enormous loads of questions that

Members would put to the Administration within a much confined time frame, only to find out that, because of the shortage of time and the mounting workload of both sides, many of the questions are only "skin-deep", and the answers "standard".

I believe too that if prior consultations be made, it would save the Administration the possible embarrassment that it might have to face in this Council today.

Mr Deputy President, a lot of hot air has been released after the announcement of this Budget. Although it is my personal view and that of the Hong Kong Democratic Foundation that the Budget is acceptable, it does not mean that there are no misgivings. To begin, the Budget has apparently disappointed many people who are expecting a more generous tax allowance.

A mountain of reserves has been hoarded for future years, apparently one reason is to allay China's fear that Britain would siphon off Hong Kong's riches before 1997. I appreciate the efforts of the Financial Secretary in saving for a rainy day and stocking up for the new airport and related projects. I also appreciate that he knows that the clouds are gathering and there could be difficult times ahead for Hong Kong.

But the ordinary people are not benefiting much from this Budget. For years, these people quietly shared Hong Kong's bitterness and unflinchingly went through its ups and downs. But seldom do they have the luxury to share the joy of a huge government surplus as the one witnessed today. It may make them labour under a delusion -- that the Government does not really care for them and their well-being.

It is important to realize that it is the confidence of the people who contribute to the stability and prosperity of Hong Kong that will in turn determine a sunny future for this territory. To secure their confidence and unbending determination for the future, the Government must show that it cares for them, that it has sufficient resources to help the less affluent cushion against inflation setbacks and still, on the other hand, keep enough for more uncertain times ahead.

In the presence of a swelling reserve, I would like to see higher tax allowances granted. After all, a successful budget is a budget that cares. I do not agree to the argument put forth by the Financial Secretary and some of the Honourable Members of this Council that the Budget should not be amended. By amending the Budget it only shows that the Government is alive to public views. And I cannot follow the

logic that if the Budget is amended, one way or another, it would bring down the authority of the Administration and turn the executive-led government into a legislature-led government. The fact is that having the Legislative Council approving the Budget is a well tried out system which has a long tradition under an executive-led government. It is the enshrined and statutory right of the Legislative Council to anatomically examine the Budget.

Neither is it sensible for the Financial Secretary to promise a review for bigger allowance next year. Sweeping the grudges and problems under the carpet for a year is not, in my mind, the attitude of a responsible government. If the Government sees a need to change, why not change it now? The question at hand should not be why change but rather why not? Why should the people stomach such burdens for an extra year in return for a possible false hope?

Mr Deputy President, too much has been said on tax allowance already and I do not want to dwell on it too much. Let me pause and sound a word of advice to the Administration in general and the Financial Secretary in particular that inadequate emphasis is being put on widening of salaries tax bands.

The bands under which taxpayers pay progressively higher tax rates are unsatisfactory in that they are too narrow.

A taxpayer in Hong Kong moves from paying no tax to paying the top rate of 25% over an income range of just HK\$60,000.

This places a burden upon the middle income groups who quickly find themselves paying marginal tax rates of up to 25%. In contrast, a Singaporean, for example, does not start to pay tax at 25% until he earns over HK\$700,000 in assessable income.

The narrowness of the Hong Kong bands is the result of not increasing their aggregate amounts for many years. Wage earners are paying higher tax rates on what are in fact merely inflation adjustments in their earnings. I would like to see the aggregate amount of the bands widen by some HK\$20,000 this year, and if possible, widen again in future.

It is the decided view of the Hong Kong Democratic Foundation that this move would provide even better benefits to the "sandwich class" which faces the heaviest tax burden.

Let me move on to comment on certain aspects of the spending on medical and health.

Mr Deputy President, the draft Estimates point to a sum of some \$10 billion set aside for the Hospital Authority. This sum, as mentioned by the Secretary for Health and Welfare, is a one-off allocation to public hospitals for the coming financial year.

I appreciate the care the Government has taken in not straitjacketing the Hospital Authority's spending. As a member of the Hospital Authority, I welcome this principle. Yet, not a word more has been mentioned in the same draft Estimates on how this mammoth sum is to be spent. Nor have the draft Estimates provided any breakdown for proportioning between what is staff salaries and benefits and what is patient care. Without any elaboration on the Hospital Authority's performances and objectives, how then does the Administration expect this Council to play its role to study intelligently as to whether this lump sum is adequate or otherwise?

Let me stress that although the Hospital Authority is an autonomous body, it is accountable to the Secretary for Health and Welfare. The Secretary is in turn answerable to this Council. In my mind it borders on absurdity that Members of this Council have to learn about the proposed expenditure from newspapers rather than directly from the horse's mouth.

More transparency should be the order of the day. On that score, I tend to support my honourable colleague Mr Peter WONG's proposal to set up a special ad hoc group within this Council to study the Hospital Authority's estimates.

I would like to say a few words on expenditure on primary health care.

By allowing meagre increases in health care funding in the next few years, the Government has put its foot on the neck of health care services. Last year, it was 2.7%. This year a pitiful 2.1% increase. Inflation, however, is double-digit. Resource allocation for this essential service, instead of improving, is sent into a nosedive.

The most contentious part is that one-fifth of this health budget goes, not to the ordinary man-in-the-street, but exclusively to civil service clinics.

Whilst I welcome the Government's effort in making improvements on existing services with an aim to make them more efficient and allow for structural expansion, fresh injection of money is also required.

Last year, the Government endorsed the recommendations of the Working Party on Primary Health Care and the whole world is moving towards ambulatory medical care and keeping patients out of hospitals. I want to see, not faint assurances, but concrete actions to implement the recommendations.

Mr Deputy President, I must reiterate my call for increase in spending on health care. One might ask since there is already a total of 27% increase in medical and health care this year what more do you want? But breakdown of the figures, however, shows that besides a meagre increase for health care funding of 2.1%, some 80% of the budget allocated to hospital spending is for staff emoluments. In other words, there is no significant increase in the upgrading of medical equipment and technology and the implementation of new projects, and so on.

As a doctor myself, I entirely agree with the Policy Secretary that the delivery of health care depends mainly on people -- that is health care personnel; yet a surgeon cannot operate with worn-out scalpels and a physician cannot cure with air and water. We need to be equipped with the best of medicine and most advanced medical technology to do justice to the patients we care! Mr Deputy President, it is a hard fact of life, but, yes, good health care is expensive.

Mr Deputy President, as we stand on the threshold of the next financial year, I wish to see the Government's firm commitment both to the well-being of the people and the physical development of this territory. A committed Budget is an indispensable tool to show that Hong Kong is not on its last legs, that the Government is planning for the present as well as the future.

With these remarks and reservations, Mr Deputy President, I support the Bill.

MR JIMMY MCGREGOR: Mr Deputy President, in all my 40 years in Hong Kong, I have never heard a businessman, drunk or sober, welcome an increase in profits tax. So it will not surprise the Financial Secretary that the business community is not exactly thrilled with his proposal to increase profits tax by 1%, particularly so since it is abundantly clear that he has come into a fortune he did not expect -- a bonanza

that any Scotsman would call "a considerable sum", an amount that even Mr LI Ka-shing might consider with satisfaction -- in short an excess over estimated surplus for 1991-92 of more than \$12 billion. That equates to more than 10% of the entire Budget presented for 1992-93. It would have allowed the Financial Secretary to get rid of the so-called temporary cosmetics tax imposed on the industry in 1985 and kept in place ever since. It would have allowed him to have kept corporate taxation where it was and still budgeted for a surplus for 1992-93. It might also have permitted him to be somewhat more generous with personal tax thresholds and income bands this year rather than promise to do so next year.

Why then did Mr MacLEOD propose the 1% increase in profits tax and grant only a modest improvement in income tax allowances for the less well-to-do? Why did he budget for an increase in rates and remove the rates cap?

These have been relatively unpopular proposals and especially at a time when inflation has continued to strike hard at working class people, when market prices for accommodation have soared under speculative pressures.

I can only assume that the Financial Secretary is preparing for a rainy day or a number of rainy days in the foreseeable future. It is interesting to speculate where the rain might come from. It is certainly not a problem with the Hong Kong economy which continues to grow and develop at a very satisfactory pace. It is not a problem either with our continuing and expanding economic relationship with China since this is already providing many and varied opportunities for greater business and infrastructural expansion.

Only one issue might create a need to bolster the Hong Kong reserves, to help foster an international impression of great economic strength and the potential for further growth. Such an impression will influence the international money markets and decisions in the assessment of Hong Kong's credit worthiness. International lenders will feel confident about our ability to pay in good time for the greatest venture ever undertaken in this magnificent territory of ours. I refer of course to the Hong Kong International Airport at Chek Lap Kok.

This is the key to our economic future and, together with the port expansion now also underway, this great project will provide generations of Hong Kong people with the means to maintain and enlarge upon the already remarkable position we have achieved in the economy of the world.

In order that the financing for this huge project shall not only be secured but be seen to be secured, I support the overall philosophy of the Financial Secretary that it is wise in good years to save resources for use in troubled years. It is always better to borrow from strength than from desperation and weakness. The 1% profits tax is a small contribution and it is not welcome to the business sector but if it helps to keep our finances balanced and our reserves growing, then the business community will reluctantly accept it. It has been noted however that the Financial Secretary has given an assurance that profits tax will not be further increased next year and that we are therefore not looking at a trend.

He has also provided an assurance that he will look at improving the personal tax arrangements for the lower paid and I can see no reason why, if we experience a good first six months to the 1992-93 financial year, he cannot spell out such improvements well before his next Budget. There are possibly some measures that he can take half way through the 1992-93 tax year and, if so, these should be directed at providing relief for the lower paid in our community.

I mention, in passing, my feeling that the Hong Kong Government should disclose the full amount of the reserves, including the exchange fund with the returned element of the land fund. The Hong Kong Democratic Foundation has estimated our reserves at nearly \$180 billion. Most governments now publish information on their reserves. China does so. I feel that such a disclosure will enhance Hong Kong's financial standing in the world and improve international confidence in our economic viability. It is clear that the Hong Kong Government generally and our Financial Secretary specifically have consistently underestimated the strength and potential growth of our economy, with the result that income for the Government and our reserve position have also been consistently underestimated. This is not necessarily a bad thing but it does lead to a very cautious attitude towards spending and sometimes results in an unwillingness by the Government to contemplate much needed social reform.

I wish to mention, yet again in this Council, my deep personal feeling that we must provide an old age pension for all Hong Kong people of 65 years and over. The Government is now looking constructively at a statutory scheme for private sector provident funds and at related improvements in the arrangements for old people. I will therefore wait for these proposals and I hope the Financial Secretary will recognize his duty and responsibility to provide for the aged. I also agree with Mr LAU Wah-sum that the recipients of the Old Age Allowance should be allowed to retire

to the villages in China without losing the allowances. A problem, of course, will be to ensure that the payments continue to be necessary.

May I also repeat the view expressed by my constituency that the Budget proposals must be considered as a complete package and not as a series of proposals to be approved or rejected separately. If this Council were to vote the Budget down in seeking changes favoured by those who might command a majority of votes in the Council, then the Financial Secretary would have to expect that every Budget henceforth would result in negotiation over its principal proposals. Such an arrangement in my view has no merit. The time for dialogue must be before the Financial Secretary has decided what to propose to this Council. There is already a well established system for doing so.

This also seems an appropriate time for me to appeal to the Government to take all measures possible to reduce the very serious increase in the price of accommodation experienced across the whole of the property spectrum. The action taken by the banks, although welcome, has not been enough. It is clear that supply falls short of demand and that speculators are having a field day. The Government must surely consider an expansion in land supply for low cost housing, an increase in government home ownership schemes and any other measure that will help to take the heat out of the present frenzy in real estate speculation.

This Budget is orthodox and unexciting. It follows the pattern of many more such Budgets and collectively they have been a principal contributor to the extraordinary economic and social progress of Hong Kong. No budget is perfect and this Budget, like all others, contains proposals which do not please. That does not make them unacceptable.

Mr Deputy President, my constituency and the Hong Kong Democratic Foundation both support the Budget proposals and, in doing so, ask the Financial Secretary to bear in mind the various points we have made and the various promises and half promises he has given, when considering his 1993-94 Budget.

I support the Budget.

MRS ELSIE TU: Mr Deputy President, anyone who writes a budget is asking for criticism and should expect to get it. No budget can please everyone. Nor should a budget

displease the majority of the public as this one seems to have done.

I believe we all sympathize with the Financial Secretary because this is his first Budget, and no one doubts his good intentions. Yet it is hard to accept that he cannot change even one iota of it to make it a little more acceptable. One even wonders what is the purpose of this debate if it cannot change anything.

Having said that, I would like to congratulate the Financial Secretary for attempting to keep transport fares down, and for not introducing a sales tax. One might argue, of course, that the Financial Secretary has achieved the same purpose as a sales tax by increasing the rates for everyone, in spite of the hefty increases in rateable values last year. He must be aware that housing is still the biggest headache for half the population, and an increase in rates gives landlords an excuse to increase rents once more.

The Financial Secretary says that the rates increase will cost only \$15 a month to public housing tenants, and up to \$43 a month to tenants of private flats. But even if that is true, has he considered that particular point along with his proposed increase in salaries tax allowances?

Probably everyone, except those who pay the standard tax rate, is upset at the low level of personal allowances. It is no use for the Financial Secretary to say that Members have spoken too late to influence the Budget on that point. I was among several Members who drew attention to that issue last year. On 28 March 1991 in this Chamber I said: "I can see no reason why personal and family allowances are not increased every year at the same rate as the rise in the cost of living. To do so would be logical." Allowances are in fact many years behind the rise in the cost of living. Either the Financial Secretary did not notice what Members said in last year's Budget debate, or he decided to ignore what they said. This does not build up confidence in his eleventh-hour promises now, that measures will be considered to alleviate the hardships of the sandwich class after this Budget is passed.

Of course, we all hope that the Financial Secretary will do something for the lower middle income group which loses out on public housing, and the higher middle income group that loses out on income tax, mortgages and just about everything else.

Worst of of all, however, is the single person living alone. He/she will be taxed on reaching a monthly income above \$3,800. Compare that with a couple who will be

taxed when they earn twice that amount, \$7,600. A single person living alone has almost the same overheads in rent and utilities as a couple living under one roof. Even the rather niggardly social welfare schemes recognize this fact, and pay proportionately more in public assistance and rent allowance to a single person living alone, than to a couple, to reflect the overhead charges. I therefore suggest that in line with social welfare policy, a single person living alone should have a personal allowance at two-thirds, instead of one half, that of a couple. The loss to revenue would be small, and it could be retrieved, if necessary, by adding 0.5% to the standard tax rate.

If we examine the increase in rates along with the increase in personal allowances, we can see that the Financial Secretary has, with his right hand, given back to low income earners a meagre \$100 to \$600 a year in salaries tax, but with his left hand he has clawed back \$180 to \$500 a year in extra rates. So what has the lower income earner gained? Nothing. Some have lost out.

Mr Deputy President, I am finding it very difficult to support this Budget; yet I am reluctant to oppose it. In fact I cannot see the purpose in an exercise which gives no relief to the lower and middle income groups who are tired of grappling with inflation. No one expects the Financial Secretary to tear his Budget package to pieces, but at least he should consider what has made it so unpopular.

I await the response of the Financial Secretary.

MR LAU WONG-FAT (in Cantonese): Mr Deputy President, the Financial Secretaries of Hong Kong seem to be very good at creating pleasant surprises. What I mean is that we often have unexpectedly huge surplus at the end of the year. The surplus of \$14.1 billion for 1991-92, which exceeded the original forecast by 10 times, is one of the best examples. Even if the underspending of \$5.6 billion on public works is taken into account, there is still a great difference between the actual surplus and the estimates. Though few people will reject the idea of having more surplus, this is definitely not a good phenomenon when it is repeatedly the case or even becomes a tradition.

As a matter of fact, the considerable deviation of the actual surplus from the estimates may depend on whether or not the whole Budget and the concrete measures contained therein are appropriate, fair and reasonable in their perception and

formulation. Briefly speaking, tax increases are often effected when there is a need to raise revenue to cover government expenditure. If a more accurate forecast about the surplus can be made, certain revenue raising measures may be unnecessary or the increase rate may be much milder. Moreover, those affected by tax increases will not be "reimbursed" even if a huge amount of additional surplus is found afterwards. It is obvious that such situation is neither proper nor reasonable.

Even if revenue raising measures are not related to the accumulation of surplus, the habitual practice of having inaccurate forecasts will lead to a situation in which members of the public, though not doubting that the Administration is deliberately underestimating the surplus, will inevitably feel that the Administration is crying wolf. This will undermine the credibility of the authorities in finance management.

This is the first Budget prepared by the new Financial Secretary, Mr MacLEOD. I hope he could "break the tradition" by making more accurate predictions in this respect and would be cautious in making estimates, setting a good example.

Regarding the 1992-93 Budget, I have the following views. Apparently, the Financial Secretary has spent much efforts in shaping his revenue proposals, so as to present a budget acceptable to all sectors of the community. He has not touched on some routine tax increase items such as vehicle and driving licence fees and the increase in the duty on tobacco is modest. Moreover, the proposal to abolish the duty on soft drinks, entertainment tax on cinema tickets and the duty on diesel fuel of franchised bus companies came as a surprise.

But when we look at the Budget as a whole, we will find that these measures have not brought about substantial benefits to the lower income group and the sandwich class. I doubt whether the Financial Secretary understands the hardships of the general public in face of high inflation and soaring property price in recent years. As the Government fails to curb inflation effectively, it can hardly justify itself for refusing to be more generous in relieving the tax burden on the citizens.

Under the present circumstances, it is unwise and inappropriate to increase rates. Obviously the Financial Secretary understands that this is a controversial measure and in his concise Budget speech, he has spoken at length about the topic, trying to convince others of the reasons for increasing rates. But still these reasons are far from convincing. It is important to note that rates are pegged to the rental values of properties and they will increase if the latter rise. As we all know,

property price and rental of Hong Kong are among the highest in the world. Actually, the rates paid by the citizens after the revaluation last year are by no means a small amount and many people paying mortgage instalments and rents for their premises are already feeling the strain. Rates increase and the abolition of the rates relief scheme will further aggravate the plight of the general public.

It was reported that in his meeting with the representatives of the political bodies, the Financial Secretary conceded that rates increase is effected to compensate for the revenue loss in shelving the sales tax. If this is the case, the former measure is even more unreasonable and unfair. Even if sales tax is levied, people can, to a certain extent, still have a choice. They may cut short their shopping list or refrain from buying certain commodities. But housing is a need by all. Every one of us, except streetsleepers, will be directly or indirectly affected by rates increase. There is no way to escape and the lower income group and the sandwich class will be the hardest hit.

Mr Deputy President, a government which is concerned about the livelihood of its people will not be indifferent to their hardships and offer no assistance. Nor will it aim at raising more revenue and unreasonably add to the burden of its people. If the Government is determined to have its own way and take no heed of these basic factors, the people of Hong Kong will be aggrieved, feeling that they are entirely at the mercy of the Government. This will be detrimental to the maintenance of the harmonious and peaceful relationship in our society.

The Financial Secretary proposed to increase corporate profits tax by 1% to 17.5%. During the Budget debate last year, I had already stated that it was acceptable to raise the rate of corporate profits tax in order to boost revenue. I think the 1% increase is quite reasonable and will not have much bearing on the initiative in making investments in Hong Kong. In fact, the rate of profits tax of Hong Kong still compares favourably with many countries and districts. For example, the rate of profits tax in Singapore is as high as 30%. Nevertheless, Hong Kong has entered the transition period during which some unstable factors may emerge. It is important for Hong Kong to maintain its image as a low tax area and the rate of profits tax should not be further increased in the near future.

I support the proposal to raise the rate of profits tax on the basis that it will boost government revenue and thus indirectly alleviate the pressure of tax increase on the middle and lower income groups. However, the increase rate in personal

allowances proposed this year is disappointing. Personal allowance for single persons is increased from \$41,000 to \$46,000. This increase rate can barely catch up with the rate of inflation and no regard has been paid to the accumulated effect of high inflation in the past few years. I agree with many of my colleagues that personal allowance in salaries tax should be at least raised to \$50,000 and the tax bands should be widened.

The proposed personal allowance does not virtually bring about any benefit to the sandwich class at all. All along the sandwich class has been unfairly treated. As they are not adequately represented, their interests are not well taken care of. They pay a large proportion of the salaries tax, but they are not entitled to enjoy public housing or join the Home Ownership Scheme. As a result of the soaring price in the private property market, they are now faced with a serious accommodation problem. Recently, the Financial Secretary promised to examine the housing problem of the sandwich class. Though this is a welcome move, the study takes time and distant water cannot put out a near fire. In my opinion, the Administration should promptly offer tax deductions on the mortgage interest paid by first-time owners of self-occupied properties. The above measure will cause revenue loss to the Government, but in the long run, it will be a valuable investment because if the sandwich class -- the backbone of our society -- live and work happily in Hong Kong, it will be conducive to maintaining the stability and prosperity of the territory.

Mr Deputy President, as a rural representative, I would like to express our concern over the progress of the Rural Planning and Improvement Strategy. In the past, the Government has made every effort to develop the new towns in the New Territories, without regard to the provision of community facilities in the rural areas. As a result, community facilities in these areas are seriously lacking and the life of the residents is very inconvenient. Repeatedly urged by the Heung Yee Kuk, the Administration announced the Rural Planning and Improvement Strategy in 1989 and reviewed that \$4.4 billion would be used to improve the rural environment in 10 years' time. But regrettably, the scheme is progressing very slowly and the allocation of fund is considerably behind schedule. If works are carried out on the present time scale, the whole scheme can hardly be completed in 20 or 30 years, not to mention 10 years. I hope the Administration can fulfil its original commitment by allocating adequate resources to implement the Strategy as scheduled, so that the residents in the rural areas can also share the fruits of prosperity of Hong Kong.

Mr Deputy President, though I am dissatisfied with and have reservation over

certain parts of the Budget, on the whole I find it acceptable. These are my remarks.

MR VINCENT CHENG: Mr Deputy President, although it is a citizen's duty to pay tax, it is a fact that many do not like to do so; therefore it is just natural that some of us grumble about the Budget. It is also natural for politicians, who do not have the unenviable task of keeping the fiscal house in order, to capitalize on this sentiment and accuse the Financial Secretary of failing to perform the miracle of raising spending and at the same time reducing taxes.

I would like to lay down my own criteria for what I see as a correct fiscal stance, given the current economic and political conditions in Hong Kong. First, we need a Budget with a surplus to rein in inflation. Because of high inflation at present, it would be wrong not to maintain a fiscal surplus to dampen aggregate demand. A fiscal deficit would fuel inflation. Secondly, we also need sufficient reserves as a cushion in view of the commitments made by the Government to improve Hong Kong's physical and social infrastructure. Thirdly, we need to ensure a stable tax base so that government revenue is less susceptible to economic fluctuations. When measured against these criteria, I find the Budget on the whole very sensible and prudent, although there are areas on which I take a different view. The Budget allows a high level of reserves for Hong Kong to meet either an unforeseeable decline in revenue or a rise in expenditure, without the need for drastic measures. In my opinion, this is perfectly acceptable given our commitments and the economic trends.

On the expenditure side, the Government has committed itself to a number of major undertakings: the Airport and Port Development, higher medical and social welfare spending, the environment and tertiary education. Some of these projects are capital spending and nobody in this world could guarantee that there will be no cost overrun. It is the nature of a capital project that once it is started it has to be completed, even if there is cost overrun. The reason is simple: we cannot leave a hole in the ground or a bridge half suspended. It is therefore prudent to ensure a good level of reserves to absorb any unforeseeable financial shock. No one likes cost overrun but a good Financial Secretary should take this into his contingency plans.

On the revenue side, while the assumption of 5% GDP growth from now to 1997 is not unrealistic, it nevertheless cannot be taken for granted that it is easily achievable. Our labour force growth is slightly less than 1% a year; therefore for the Gross Domestic Product to grow at 5% for five years we require a real productivity

growth of 20% over the next five years. This is not impossible, but not easily achievable given the open nature of our economy. Even if we could achieve such a high rate of productivity growth, the economy would still be operating at maximum capacity, which means that inflation will remain high and our fiscal reserves will decline more rapidly in real terms. If the world economy is not conducive to growth and the Hong Kong economy grows at only 3% to 4% the projected revenue will fall and the Financial Secretary will have to raise tax or cut spending. Given the current political situation, it would not be easy to do so because raising taxes or lowering spending in bad economic times is going to be very difficult. As we approach 1995, the room for the Government to manoeuvre its revenue and expenditure measures will shrink because the Legislative Council and those who run for elections will undoubtedly be much more critical of the Government, without being responsible. Without a government party in this Council, there is no guarantee that the Administration would get sufficient support to push for measures which are necessary but unpalatable. It is therefore safer to put in additional revenue measures today to ensure a more stable revenue base for the future.

Is the level of reserves high? According to the projections, Hong Kong will maintain a high level of reserves in the coming years, but is it really high? If we look at the absolute amount it seems to be the case, but the correct way to look at it should be measuring fiscal reserves against projected spending in the corresponding year, and also in real terms. If we look at the level of reserves as a percentage of spending, the figures are 80% in 1992-93, 46% in 1994-95, and only 39% in 1996-97. When measured in real terms, if we assume a 9% inflation rate, which is not impossible given the capacity constraints we have in the economy, \$72 billion in 1997 would be equivalent to about \$47 billion today. We are indeed projecting a decline of about 50% in the level of reserves in real terms.

I therefore conclude to myself that the level of reserves is not really excessive -- it is a healthy situation. If we look around at the budgetary problems facing the United States, the United Kingdom and many other countries, we should realize that it is a virtue, not a sin, to have a healthy surplus and a high level of reserves.

On revenue measures, this year the Government has adopted a new approach which we should endorse. Instead of bundling the increases in government fees and charges in one month, forcing all car drivers and car owners to queue up in order to avoid being hit by higher licence fees, the Government will phase in the increases during the rest of the year. Now this is a wise approach because it avoids blowing the Consumer Price Index out of the water.

Both direct and indirect fiscal taxes will be raised in the next fiscal year. This is not only politically important, it is also fiscally important, because we need to maintain a proper balance between direct and indirect taxes. At present, Hong Kong is still too dependent on direct taxes and therefore government revenue is vulnerable to economic swings. There is a good case to widen the indirect tax base but politically it has become virtually impossible to increase the proportion of indirect taxes which people regard as regressive. Raising rates by 0.5% in my mind is acceptable, provided the increase is capped. We should treat the increase in rates more carefully. Government figures suggest that there are families who will face a large increase in rates. We should cap the increase in rates for residential units to ease the financial pressure on those families. The reason is more psychological than real. Under the present system the Government sends a bill on rates every quarter, and there is a fear in people's hearts that when the next bill comes the amount will be so large that it will disrupt the family's financial planning. The figures released by the Government show that the loss in revenues would be small if the cap is maintained. I hope the Government will take a look at this again.

I do not think a 1% rise in profits tax is the end of the world, nor would it make Hong Kong an unattractive place to invest. This is reflected by the reaction of the stock market. However, we are in fact going against the world trend of lowering profits tax. The Government should continue to work to reassure local and overseas investors that this is not the beginning of a rising trend. This message has to be repeated again and again, not only in Hong Kong but also overseas.

On the issue of the tax burden, I agree with my colleagues that the middle class, defined as those who are not entitled to any government housing schemes and yet cannot afford to buy a flat, should get greater tax relief. There is a case for widening tax bands to ease their tax burden.

On the expenditure side, the Government has done a good job in containing expenditure growth to that of the GDP. Given the new projects that are in the pipeline, it is indeed quite an achievement, but we have to spend more on social welfare to take care of those who cannot protect themselves. Our education system needs to be overhauled; we need to spend more on resources to improve primary and secondary education. The expansion of tertiary education should slow down so that resources could be redeployed.

Despite the different views expressed on some of the revenue and expenditure measures, these differences are not sufficiently significant to justify a withdrawal of the support of this Council. On the whole, the fiscal stance is prudent, sensible and very acceptable. The Financial Secretary has proposed a very responsible Budget.

With these remarks, I support the 1992-93 Budget.

MR CHIM PUI-CHUNG (in Cantonese): Mr Deputy President, the Financial Secretary has clearly stated that he would do his best to ensure that the remarkable economic success of Hong Kong during the past 40 years should continue and in particular, to boost the territory's economic growth and maintain a sound financial management system. These are not innovative ideas. The Financial Secretary has also explained clearly that future global economic development will focus on Asia, in particular China. I dare say that money from other parts of the world will keep flowing into Asia. But it is a pity that there is no systematic arrangement or plan to manage such a huge pool of money and therefore its impact on world politics and economy is insignificant. If this is not the case, its impact will be greater than that of the wealth of the Jews. In the 1950s and 1960s, Hong Kong relied on entrepot trade and earned commission from it. Now, on the surface, entrepot trade is still our main source of income. But the actual big bosses in the trade are mostly Hong Kong people. They are not simply earning commission.

It is better for both the Government and private companies to have more savings. What is wrong of having more savings? Does it mean that we shall be happy only if all savings are used up? In fact, during the transition period, other countries are also very concerned about Hong Kong's fiscal reserves because they are important for our future infrastructural developments, in particular for airport funding and attracting foreign investors. I have heard many people saying that they do not understand why the Government will have to increase profits tax by 1% even though it had a surplus of \$14.1 billion in the past year and the Financial Secretary has also forecast that there will be a surplus of \$5.1 billion or even more next year. Taiwan has a reserve of US\$70 billion to US\$80 billion. But has it ever stopped levying taxes? We should therefore calmly analyse the situation. The Government increases profits tax by 1% because the companies are making profits. It will not levy tax for no reason. We Hong Kong people should be proud and confident of the reserves we have accumulated.

No Budget can escape from criticisms. I believe the Financial Secretary, when drafting this Budget, had consulted other government departments. Indeed, there are many areas in the Budget which warrant criticism. But the Financial Secretary has promised and guaranteed that personal allowance for 1993-94 will be increased and tax band be expanded if there is a promising 4% increase in government revenues in 1992-93. Of course, we do hope that rates will be capped below 25% and there will not be unlimited increases. I also hope that my honourable colleagues will not go against the public's will because the survey conducted by some newspapers revealed that 50% to 70% of the people in fact supported the Budget. We must understand that it is unrealistic to raise personal allowance to \$65,000. Why should we further provoke the feelings of the lower class? Mr SZETO Wah has said that every opportunity must be grabbed to canvass votes so as to increase the margin of victory in elections and I share his view. In other words, Mr SZETO Wah has indirectly admitted that the United Democrats of Hong Kong (UDHK) are exploiting this opportunity to canvass votes. Have I misunderstood him? The UDHK are actually making use of this Budget to promote their political interests. I think some of the comments made by Mr Martin LEE just now is an insult to the Legislative Councillors. If he is representing the UDHK, he should withdraw that part of his speech and make apologies to us. If he is representing himself, I think he has gone too far.

Mr Deputy President, we can partially alter the figures of the Budget. But what Hong Kong needs is a comprehensive system. A comprehensive system is like a football team in which we shall not expect everyone to be a superstar. Nor shall we regard the Government as "Wong Tai Sin", the God who responds to all pleas because our Government has no oil fields to explore.

As 1997 is drawing near, we, as modern and sensible Hong Kong people, should identify clearly our goals, whether they be political or economic, and accept the historical challenges facing us. This will be much more meaningful.

Mr Deputy President, I feel deeply sympathetic with the Financial Secretary for the difficult situation he faced recently and I would like to give him my support.

With these remarks, I support the motion unconditionally.

MR GILBERT LEUNG (in Cantonese): Mr Deputy President, much criticism have been attracted since the publication of the Budget of this year. Why is it so? The reason is very simply, the contents of the Budget have fallen far behind the expectations

of the public. To put it simply, the Budget intends to rob the rich without giving relief to the poor while leaving the sandwich class neglected.

The first common goal of the Co-operative Resources Centre (CRC) is to improve the quality of life of various strata in our community. By active participation in various councils, district boards and advisory boards, we have put forward acute but constructive criticism on the implementation of government policies. This would help the Government to have a better understanding of the needs of the people in different strata of the community and facilitate the formulation of relevant policies accordingly. The Appropriation Bill deals with public expenditure and distribution of resources in the coming year and it also relates to the tax burden of the general public. Hence it is regarded as the most important piece of draft legislation introduced by the Government every year. Regarding the revenue proposals in the Budget, we have four requests: to widen the tax band to \$30,000, to increase the personal allowance to \$50,000, to withdraw the rates increase and to maintain the rates relief scheme, and to lower the proposed increase in profits tax by 0.5%. Other members of the CRC have given a detailed explanation on these requests. I will concentrate on the following two points. Firstly, from the viewpoint of my professional training, I am going to talk about how the Government can help the sandwich class as far as housing is concerned. Secondly, as a representative of my constituency, I am going to talk about the proposed expenditure in the Budget in relation to the infrastructural arrangements and environmental improvement in the New Territories.

To look after the sandwich class

"Home ownership" is the slogan used by the Government in implementing its housing policy. It reflects the importance of housing in the Chinese community. The saying goes "One has to get a comfortable home before one can work happily." If everybody can own his house, it will lay the foundation of a prosperous and stable society. However, after the implementation of the public housing policy for ten-odd years, more and more members of the sandwich class are excluded from the Home Ownership Scheme. The prices of private property have risen so high that they have already exceeded the affordability of the sandwich class. Under the treble pressure from spiraling inflation, soaring property prices and heavy tax burden, the sandwich class which forms the backbone of our social structure is already out of breath. We have to face up with their needs and formulate a package of comprehensive and permanent measures. We are unable to afford any time for delay.

To increase the supply of land and the plot ratio in the new towns

The prices of private property are determined by the supply and demand in the market. If we want to curb soaring property prices, we have to fight property speculation with great effort. Apart from that, the most fundamental solution to the problem is to increase the supply of residential units because Hong Kong is practising market economy. This can be achieved by two means. Firstly, the supply of residential land should be increased and this would involve the annual land grant quota to be approved by the Sino-British Land Commission. Therefore the Government should seek the support of the Land Commission on the increase of the supply of land for residential use. From a press conference called by the Buildings and Lands Department, I am glad to learn that the supply of residential land for 1992-93 will see an 30% increase over that of last year. This kind of practical approach is worthy of our praise. Secondly, we should increase the productivity of existing residential land. At present, the plot ratio of newly granted land in the new towns is one to five or less generally, much lower than the common ratio of one to eight or ten in the urban areas. Of course, I fully appreciate the importance of a living environment of comparatively low density. However, the one to five highest plot ratio was set a long time ago when the infrastructures of the new town were greatly different from those of today in terms of roads, drainage system and transport network and so on. Over the ten-odd years of economic growth, the public have been more determined to own their own houses.

As our society is developing rapidly, any policy should be subjected to regular review so as to meet the needs of the public and social development. Another advantage of increasing the plot ratio is that it would not involve any increase in the amount of land to be granted, while we can still increase the income from land. As in the \$16.1 billion revenue from land sales last year, \$10.8 billion was premium income from residential land in the New Territories. If we raise the plot ratio by 20%, it would bring some \$2 billion additional revenue which can be well spent on various urgent and necessary items. By this way, there will be greater supply of housing for the public. The property prices will be readjusted downward owing to adequate supply. The Government does not have to cut its expenditure items here and there. Our living environment will not be affected with careful planning beforehand. I do not see why the Government is unwilling to do so.

Home ownership for the sandwich class should be a permanent policy

Apart from increasing the supply of private property, the Government should revise its public housing policy so that care for the sandwich class is also included in the objectives of the public housing policy. The failure of the Melody Garden Scheme in Tuen Mun was owing to the timing of implementation when the Sino-British negotiation had given rise to a downturn in the property market. Furthermore the bad location of the Scheme also accounted for its failure. However the failure of a housing scheme at a certain time does not mean the whole housing scheme for the sandwich class is impractical. On the contrary, the property market in recent years has indicated a common phenomenon that the property prices have outstepped the purchasing power of the sandwich class. In the past, whenever there are any flats of the Home Ownership Scheme for sales, there would be oversubscription up to 13 to 15 times, representing a huge demand for this type of housing from the public. I believe sandwich class housing should become part of our public housing policy and it should be a permanent policy. The Government should regulate the supply of sandwich class housing according to the ups and downs of the private property market every year so as to bring a positive effect to the property prices and offer protection to our livelihood. The Financial Secretary announced last week that he would consider some housing measures for the sandwich class in the coming six months. I welcome his announcement, but I hope the Government will look after this issue as a permanent policy and not to neglect it after the storm is over.

Another way to lighten the burden of the sandwich class is to provide tax concession on interest of mortgage loan to them, so that any interest paid for instalments of a property can be deducted from the taxable income. As a matter of fact, such concession measures have been operating in many western countries and have lightened the burden of the middle income families considerably. Recently the Sha Tin District Board has conducted an opinion poll. 90% of the respondents were in favour of tax free measures for mortgage loan interest. The findings of this poll have reflected the genuine need of the public. Of course, there will be positive and negative effects for any measure. Some people worry that although tax free measure for mortgage loan interest can help alleviate the burden of home buyers, it also has the side effect of encouraging property speculation because the cost of speculation will also be reduced at the same time. But I do not think that it is insurmountable. The Government can stipulate that such concession would only apply to the occupier who is the owner of his only one flat. In other words, if one buys his first flat for his residence, the interest of mortgage loan is tax free. But when he buys his second flat, the interest of mortgage loan is taxable no matter

whether the second flat is for renting, speculation or holiday resort purposes.

Infrastructures in the New Territories should be envisaged

As regards the expenditure proposals on security, education, medical and social services as well as industry policy, other members from the CRC will talk about them in detail. I am not going to repeat their points. Now I only wish to concentrate on one issue for discussion, that is, the infrastructural development and environmental improvement in the New Territories, in particular the widespread and open areas outside the new towns.

In 1989, the Government put forward a 10-year Rural Planning and Improvement Strategy which aims to improve the infrastructures of the rural areas that had been neglected for a long time. Under the Strategy, improvement measures will include large projects such as treatments to rivers and streams, flood prevention works as well as small projects such as repair of village paths, environmental improvement and installation of street lights. The Government had indicated at that time that \$4 billion would be invested in the Strategy within 10 years. This was really good news to the rural residents because they had at last aroused the attention of the Government after waiting for a long time. All along, the effort of the Government only concentrated on the demarcation of several areas in the New Territories for the construction of concrete jungles so as to disperse the dense population of the urban areas to the new towns. However, no attention has been paid to those problems which would affect the whole of the New Territories. These problems include the degradation of rivers and streams into bad smell nullahs as well as the frequent floodings at low-lying areas. The infrastructures for the daily livelihood of the rural residents have been greatly neglected.

But now I am much worried about this Strategy. The rural residents have broken the cork of their champagne too early because the progress in the past few years has been very slow. According to the reply given by the Secretary for Planning, Environment and Lands, only nine major projects have been completed so far and a total of \$300 million has been spent since the commencement of the whole Strategy Programme. Now one third of the 10-year period has already elapsed. I cannot stop from worrying that the whole Programme might lead to nowhere. In addition, the Rural Planning and Improvement Strategy is not an item listed in the Capital Works Reserve Fund. This would add more difficulties to the monitoring work on the Strategy by outside parties. Therefore, I believe the Government should publicize the contents of the substantive

items of the 10-year Programme, the findings of the regular reviews and the progress of various items. They should be itemized clearly under the Capital Works Reserve Fund so that outside people can have a clear picture on the contents, progress and expenditure of the whole Programme at a glance.

I really appreciate the Financial Secretary's attempt to take the initiative to meet Members of this Council by appointments in seeking their advice. I hope the Government will listen more to the views of the Members and this is a sign of improvement. But if the effort of the Financial Secretary is made before the drafting stage of the Budget instead of after it, I am sure it would not attract as much criticism as now. Hence I hope the Financial Secretary would deal with this matter in a better way next year. Before preparing the next Budget, he should widely seek the opinion of the public so that the opinion of the community will be incorporated in his Budget at the drafting stage.

But what happens to this year's Budget? Last week, the Financial Secretary announced that he would consider increasing the personal allowance and widening the tax band next year. I welcome the Financial Secretary's attempt to be responsive to the public needs. But if the Financial Secretary refuses to revise the Budget this year, I will still remain dissatisfied. As the Financial Secretary has pointed out in his Budget that the inflation rate for the coming financial year will still be high at a level of 9.5%. But many economists has pointed out that the estimation of the Financial Secretary is too conservative and they have predicted the actual inflation rate would be greater. The moratorium on increases of fees and charges has already expired. The increases of many fees and charges will be in effect or they even seek to recover the increases that should have been made during the freeze period. The other public utilities will follow suit in raising their charges. The Financial Secretary has said that consideration would be given to raising the personal allowance and widening the tax band, however, the increases of various fees and charges would not wait for one more year. I cannot imagine how the public can make their living in this year. Under such circumstances, I sincerely request the Financial Secretary to be responsive and revise the Budget by adopting the four proposals put forward by the CRC as well as the proposals in my speech so as to alleviate the difficulties of the general public and the sandwich class in particular.

Mr Deputy President, these are my remarks.

Suspension of sitting

DEPUTY PRESIDENT: In accordance with Standing Orders, I now suspend this sitting until 2.30 pm tomorrow afternoon.

Suspended accordingly at seven minutes past Seven o'clock.