

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 24 March 1993

The Council met at half-past Two o'clock

PRESENT

THE PRESIDENT

THE HONOURABLE JOHN JOSEPH SWAINE, C.B.E., LL.D., 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 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 PEGGY LAM, O.B.E., J.P.

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

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

DR THE HONOURABLE LEONG CHE-HUNG, O.B.E.

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, O.B.E., J.P.

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE VINCENT CHENG HOI-CHUEN

THE HONOURABLE MOSES CHENG MO-CHI

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

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

REV THE HONOURABLE FUNG CHI-WOOD

THE HONOURABLE FREDERICK FUNG KIN-KEE

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

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA

DR THE HONOURABLE LAM KUI-CHUN

DR THE HONOURABLE CONRAD LAM KUI-SHING

THE HONOURABLE LAU CHIN-SHEK

THE HONOURABLE 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

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, J.P.

THE HONOURABLE ZACHARY WONG WAI-YIN

DR THE HONOURABLE TANG SIU-TONG, J.P.

THE HONOURABLE CHRISTINE LOH KUNG-WAI

THE HONOURABLE ROGER LUK KOON-HOO

THE HONOURABLE ANNA WU HUNG-YUK

ABSENT

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

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR CLETUS LAU KWOK-HONG

THE DEPUTY CLERK TO THE LEGISLATIVE COUNCIL
MR PATRICK CHAN NIM-TAK

Papers

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

Subject

Subsidiary Legislation	<i>L.N. No.</i>
Securities and Futures Commission (Fees) (Amendment) (No. 2) Rules 1993	76/93
Securities and Futures Commission (Levy) (Securities) (Amendment) Order 1993	77/93
Securities and Futures Commission (Levy) (Futures Contracts) (Amendment) Order 1993	78/93
Hawker (Regional Council) (Amendment) Bylaw 1993	81/93
Banking Ordinance (Amendment of Third Schedule) Notice 1993	82/93
Widows and Orphans Pension Ordinance (Cap. 94) (Day Appointed under Section 15A(1)(a)) Notice	83/93
Specification of Public Office	84/93
Exchange Fund (Amendment) Ordinance 1992 (82 of 1992) (Commencement) Notice 1993	85/93
Parent and Child Ordinance (17 of 1993) (Commencement) Notice 1993	86/93
Smoking (Public Health) (Notices) (Amendment) (No. 2) Order 1992 (L.N. 413 of 1992) (Commencement) Notice 1993	87/93

Written answers to questions**Housing for divorced women**

1. MISS EMILY LAU asked (in Chinese): *There are complaints lodged by women organizations that many women who are involved in divorce actions or are divorced from their husbands are not offered appropriate assistance by the*

Administration despite their urgent need for housing. Will the Government inform this Council:

- (a) what assistance and arrangements are available under the existing policy to help those women who are living with their children and are in need of housing; and*
- (b) whether it will consider rendering further assistance to these women, such as including them as a group which requires special care in compassionate rehousing?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President, under the compassionate housing policy of the Housing Authority, flats are offered to divorcees or those who have filed in court a *bona fide* petition for divorce or have obtained legal aid in the proceedings. The applicant must also have custody of children, and the application should be recommended by the Director of Social Welfare. While an application is being processed, temporary accommodation in a refuge home centre may be arranged by the Social Welfare Department for one of the parties if necessary.

The Housing Authority has recently reviewed this policy and approved its modification to provide more help to those in genuine need. These changes include setting aside an adjustable sub-quota within the compassionate rehousing quota; raising the income eligibility limit from the Public Assistance to the General Waiting List level; allowing a divorcee and his or her children to be added to the tenancy of parents already in public housing; accepting recommendations on such cases by approved non-government organizations; and ensuring that applications are processed within three months as far as practicable.

Anti-smoking measures

2. MR HOWARD YOUNG asked: *In view of scientific evidence that smoking harms smokers as well as second-hand smokers, will the Government inform this Council:*

- (a) whether it will strengthen its efforts in educating the public, particularly the youth, about the harmful effects of smoking, and informing them of the provisions in the Smoking (Public Health) Ordinance concerning the penalties for smoking in designated areas; and*
- (b) what measures it has taken to ensure strict enforcement against smoking in designated areas, and whether any guidelines have been issued for the purpose?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, to strengthen efforts in educating the public about the harmful effects of smoking, the Hong Kong Council on Smoking and Health (COSH) will in 1993-94 receive a subvention of \$3.79 million, compared with a revised estimate of \$2.81 million for 1992-93. This represents an increase of nearly 35%. Of this sum, \$1.6 million will be spent on publicity and public education, double the amount for 1992-93.

Emphasis will be placed particularly on messages to young people in order to discourage them from starting the habit. An anti-smoking teaching kit will be produced for distribution to schools and a number of youth activities will be arranged throughout the year. An anti-smoking youth rally was held only last week with participation and support from hundreds of students.

COSH has sent letters to 500 secondary schools and this academic year has arranged to give talks to 92 schools, covering about 100 000 secondary students. COSH's aim is to complete visits to all 500 schools within the next 18 months.

The public's attention will also be drawn to the penalties for smoking in designated non-smoking areas. An announcement of public interest (API) on television presently does this.

Enforcement against smoking in designated non-smoking areas is primarily the responsibility of the managements of these areas, although they may call on the police for assistance if required. Under the Smoking (Public Health) Ordinance, managements have the power to require smokers in a designated non-smoking area to desist. If they fail to do so, managements may require the offender to leave and to give his personal particulars for the purposes of initiating prosecution against him. Again, where the offender refuses, the management may remove him, detain him and call for police assistance in enforcement.

Managements have been informed individually, in writing, of the enforcement arrangements and of their powers under the Ordinance. Feedback indicates that the powers given to managements are adequate for the purpose and it is seldom necessary to resort to police intervention or prosecution.

Fringe operators of foreign exchange

3. MR JAMES TO asked (in Chinese): *As the Administration is devising a legal framework for the regulation of local fringe operators of foreign exchange, will the Government inform this Council:*

- (a) *when the relevant legislation will be introduced into this Council for consideration; and*

- (b) *whether the cross border activities of these operators (for example, transactions conducted in Hong Kong on behalf of investors in Mainland China) will be covered in the regulatory framework so as to protect the interests of investors?*

SECRETARY FOR MONETARY AFFAIRS: Mr President, the Bill for the regulation of fringe foreign exchange companies is being drafted. We hope to be able to introduce the Bill into this Council before the summer recess.

Under the current proposals, all leveraged foreign exchange operators, other than certain exempted bodies, such as authorized institutions and authorized insurers, are required to be registered and will be subject to regulation. The proposed regulatory system will cover all leveraged foreign exchange transactions conducted in Hong Kong, irrespective of the location of the investor.

Education Department's performance pledges

4. MR VINCENT CHENG asked: *Will the Government inform this Council of the progress made by the Education Department in developing its performance pledges, the service areas to be covered and the timing for the pronouncement of these pledges?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, the Education Department was not included in the initial batch of government departments to take part in the performance pledges scheme. It is currently examining its working procedures with a view to devising arrangements which will enable, *inter alia*, a faster turnaround time for processing applications, prompter responses to public enquiries, a reduction in paper work for teachers and schools and a better service environment. It expects to announce details of its performance pledges before the end of 1993.

Commission on Youth's members

5. MR LAU CHIN-SHEK asked (in Chinese): *Will the Government inform this Council of the following:*

- (a) *the present number of members in the Commission on Youth who are "young people" under the age of 25 and their percentage of the total number of members in the Commission; and*
- (b) *whether there are any plans to increase the percentage of Commission members who are below the age of 25 when the next batch of members are appointed so that the interests as well as the*

needs of "young people" can be more directly and fully reflected by the Commission; if so, what such plans and their implementation schedules are; if not, what the reasons are?

SECRETARY FOR HOME AFFAIRS: Mr President, the Commission on Youth is set up to advise the Governor on youth matters. It encourages co-operation between agencies involved in youth development, initiates researches in youth subjects and liaises with international youth organizations. The Commission comprises both government and non-government members drawn from a wide spectrum of the community. All the 14 non-official members of the Commission on Youth, including the chairman, are over the age of 25. However, half of them are under 40, including two members who are younger than 30.

Most members of the Commission work closely with young people or youth workers in their own career or through their voluntary work. They are kept abreast of the needs of youth. In pursuance of its duties, the Commission maintains close and regular contacts with young people from a wide cross-section of the community. This is done through organizing and participating in focus group discussions and seminars on youth matters and co-opting young people into its working groups. Comprehensive studies and researches on the attitudes and expectations of youth from different socio-economic background are regularly conducted by the Commission. The Commission is therefore well placed to reflect fully the interests and aspirations of young people.

In making appointments to government advisory boards and committees, age is but one of the factors for consideration. For the Commission on Youth, the Government will continue to ensure that its membership will adequately cater for the interest of youth.

Mid-stream cargo-handling operations

6. DR HUANG CHEN-YA asked: *Will the Government inform this Council:*

- (a) of the estimated volume of cargoes handled by mid-stream operations in the next five years; and*
- (b) whether there is sufficient backup land at present and in the future to cater for the need of these operations?*

SECRETARY FOR ECONOMIC SERVICES: Mr President, the latest data suggests that mid-stream cargo will see an overall growth of some 12% over the next five years. I should add that mid-stream cargo has two separate components. These are containerized and non-containerized cargo. At present, non-containerized cargo accounts for about half of mid-stream throughput.

This cargo is largely handled across public cargo working areas for which there is generally adequate provision. We anticipate it to grow by 1% within the same period.

As regards containerized cargo, this sector has seen an extremely volatile growth pattern over the past 10 years, ranging from a low of 10% to a high of 60%. We forecast growth in the range of 13%-16% per annum for the next five years. The Port Development Board's Container Handling Committee endorsed this forecast at its meeting on 16 March 1993. The cargo is by and large handled by facilities located on land held under short-term tenancies. There is insufficient backup land with waterfront for such operations. As this sector is making a significant and growing contribution to the overall economy, we consider that there should be a more systematic approach with land being provided under longer tenure. To this end, the Planning Department is carrying out an in-house study, based on different throughput scenarios, to arrive at a clearer conclusion as to the way forward. The results of the study should be available by October this year.

Welfare facilities for mentally handicapped and discharged mental patients

7. MR SIMON IP asked: *In view of the recent opposition against the setting up of social welfare facilities for the mentally handicapped and discharged mental patients, will the Government inform this Council whether it has any long-term strategy in the provision of welfare facilities for this disadvantaged group in our society, including:*

- (a) *plans to educate secondary school students on the need to accept and assimilate this disadvantaged group into our community by including this as a subject in the secondary school curriculum; and*
- (b) *the enactment of any legislation including anti-discrimination legislation?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, the long-term strategy in the provision of rehabilitation services was first set out as far back as in the 1977 White Paper *Integrating the Disabled in the Community: A United Front*. This strategy was reconfirmed and reinforced in the 1992 Green Paper on Rehabilitation, after extensive consultation.

It was in furtherance of this policy that we have set the targets that 3 930 additional residential places and 3 760 additional day service places for persons with disabilities would be provided over the next four years. With these additional provisions we will be able to meet by 1996-97 the key targets set in the Green Paper on Rehabilitation. Funds have now been made available for the implementation of these key targets. The object is to achieve full integration of

persons with disabilities into our community and to promote equal opportunities.

An integral part of our strategy to achieve acceptance of rehabilitation services and the policy of integration is sustained public education effort to promote positive community attitudes towards persons with disabilities.

Since the 1970s, sustained effort has been placed in promoting greater understanding of the concept of integration. Outline of the main activities organized by the Administration since 1983 is relevant and this is at the Annex.

In view of recent objections to certain rehabilitation projects, we will step up our public education activities. We will soon be reviewing our public education strategy together with the Hong Kong Council of Social Service with a view to strengthening publicity activities in 1993-94 and beyond. These activities will aim at restating our basic principle of integration and removing prejudice against persons with disabilities so that disability can be turned to ability. For example, in the near future a Fun Day will be held in Kowloon Park to kick off the series of public education activities in the pipeline.

We have an open and transparent process for the planning of rehabilitation facilities. Any measure for further improving the existing system of planning will be considered. For example, in respect of public housing estates, the Housing Department has already included a statement in its information leaflet to the effect that rehabilitation facilities may be set up in or near public housing estates. Copies of the leaflet will be distributed to all prospective tenants. In respect of private residential developments, we are liaising with the Secretary for Planning, Environment, and Lands on the possibility of requiring property developers to include a similar statement in their sales brochures.

Furthermore, the Education Department encourages schools to help students develop positive attitudes towards persons with disabilities and accept them as members of our community. General topics on disabilities and rehabilitation services have been included in the existing primary and secondary core curricula and the senior secondary and sixth form optional curricula. Schools are also encouraged to organize various extra-curricular activities for this purpose. Examples of these activities include the "Sister School Scheme" which aims at establishing a link between special school and ordinary school students in the promotion of care and concern for disabled and disadvantaged persons through joint participation in specially organized activities. Apart from pamphlets on helping children with handicaps which are distributed to students and parents, videos and Education Television programmes on acceptance of disabled persons are also shown throughout the year to students. The Education Department will continue in its endeavour to cultivate positive attitudes in students in their formative years.

As regards the question on the enactment of anti-discrimination legislation, we consider that this is a last resort which should not be adopted unless there are valid and compelling reasons. Therefore, we remain to be persuaded on the need for such legislation. Prejudice tends to be a child of ignorance, it is doubtful that it can really be overcome by legislative means alone. We believe that public education is the most effective means to eradicate prejudice and only through public education can we bring about a real change in attitudes.

Annex

Activities organized by the Committee on
Public Education in Rehabilitation

(A) *1983-1984 Programme*

Objective	"Friendship — a way to integration" as a theme to promote public awareness and better understanding of the disabled.
Budget	\$70,000 (\$50,000 from GIS General Publicity Vote and \$20,000 from public donations).
Publicity package	(a) Two TV Announcements of Public Interest (TV APIs). (b) Poster competition.
Free publicity	(a) Radio Announcements of Public Interest (Radio APIs) and interviews. (b) Press releases and feature articles. (c) Talks and seminars. (d) City forum on mental health at the Victoria Park.

(B) *1984-85 Programme*

Objective	"Equal opportunities for the disabled" with special emphasis on the mentally ill and the mentally handicapped.
Budget	\$70,000 from GIS General Publicity Vote.
Publicity package	(a) One TV API. (b) Posters and pamphlets.

1984-85 Programme

- Free publicity
- (a) RTHK documentary on mental health.
 - (b) Radio APIs/special programmes/interviews.
 - (c) Talks and seminars.
 - (d) Press interviews/releases and feature articles.

(C) 1985-86 Programme

Objective Social integration of the disabled with total emphasis on acceptance of the ex-mentally ill.

Budget \$200,000 as major publicity campaign status.

- Publicity package
- (a) API on mental health.
 - (b) Booklet on mental health.
 - (c) Mental health fact sheets.
 - (d) TV programmes.

- Free publicity
- (a) TV time slots/interviews.
 - (b) Radio APIs/interviews.
 - (c) Press interviews/releases and feature articles.
 - (d) Talks and seminars.

(D) 1986-87 Programme

Objective "Social integration of the disabled" with special emphasis on acceptance of the ex-mentally ill and transport needs of the disabled.

Budget \$200,000 as major publicity campaign status.

- Publicity package
- (a) One TV API.
 - (b) Mental health booklets.
 - (c) Mental health fact sheets.
 - (d) Posters and stickers.
 - (e) Exhibition.
 - (f) Outdoor promotion.

- Free publicity
- (a) Radio APIs and interviews.
 - (b) Press interviews/releases and feature articles.
 - (c) Talks and seminars.

(E) *1987-88 Programme*

Objective	Acceptance of the ex-mentally ill and transport courtesy to the disabled in both land and sea situations.
Budget	\$150,000 as major publicity campaign status.
Publicity package	(a) One TV API. (b) Leaflets and posters. (c) Reprint of booklets and fact sheets on mental health. (d) Bus advertising.
Free publicity	(a) TV time slots/interviews. (b) Radio APIs/interviews. (c) Press interviews/releases and feature articles. (d) Talks and seminars.

(F) *1988-89 Programme*

Objective	The promotion of the employment of the disabled to the commercial and industrial sectors, and a continued effort to promote acceptance of the ex-mentally ill and transport courtesy to the disabled as a secondary theme.
Budget	\$300,000 as a major publicity campaign status.
Publicity package	(a) Three TV APIs on - (i) training facilities for the disabled; (ii) Selective Placement Division of the Labour Department; and (iii) employment aids and Employaid Fund. (b) Posters and leaflets.
Free publicity	(a) TV APIs on the acceptance of the ex-mentally ill and transport courtesy to the disabled continued to be broadcast. (b) Radio APIs/interviews. (c) Press interviews/releases.
Other public education programmes	A series of magazine/documentary programmes on different categories of disabilities or issues related to those disabilities for the purposes of integration of the disabled, training and information were produced with a Lotteries Fund grant of

\$780,000. The programmes were shown regularly on a weekly basis from August 1988 for a period of three months through the commercial TV channels. They may be repeated on cable TV when the latter comes into service. The programmes are also used by the government departments, special schools and voluntary agencies concerned for training and information, and public education purposes.

(G) *1989-90 Programme*

Objective	The promotion of social integration of the disabled.
Budget	\$150,000 allocated from GIS General Publicity Vote together with \$360,000 from other funding sources.
Publicity package	(a) Exhibition on "Rehabilitation Services" (b) Design award for the most accessible buildings for the disabled. (c) Publicity materials. (d) Activities for the disabled.
Free publicity	(a) TV and radio APIs. (b) Press interviews/releases and feature articles. (c) Talks and seminars.

(H) *1990-91 Programme*

Objective	Social integration of the disabled with special emphasis on acceptance of the ex-mentally ill.
Budget	\$400,000 as major publicity campaign status.
Publicity package	(a) TV/radio programmes on mental health and mental illness. (b) "Mental health" exhibitions in Kwun Tong and Sham Shui Po. (c) Print materials including comic book for promoting acceptance of the ex-mentally ill. (d) Poster and leaflet publicizing pre-school rehabilitation services.
Free publicity	(a) TV time slots/interviews. (b) Radio APIs/interviews. (c) Press interviews/releases and feature articles. (d) Talks and seminars.

(K) *1993-94 Programme*

Objective	Social integration of the disabled with particular emphasis on acceptance of the ex-mentally ill and the mentally handicapped.
Budget	\$200,000 allocated from GIS General Publicity Vote together with \$960,000 from other funding sources.
Publicity package	Large-scale public education activities including shows broadcast live on TV, Fun Day, exhibitions, and so on.
Free publicity	(a) TV time slots/interviews. (b) Radio APIs/interviews. (c) Press interviews/releases and feature articles. (d) Talks and seminars.

Briefing out of prosecutions

8. MRS ELSIE TU asked: *Will the Administration inform this Council:*

- (a) *of the criteria in selecting barristers in private practice to act as Crown prosecutors in the High Court;*
- (b) *of the respective numbers of High Court cases briefed out in each of the past two years; and*
- (c) *of these cases, the respective numbers assigned to expatriate counsel who are former government legal officers and those who are not?*

ATTORNEY GENERAL: Mr President,

- (a) The Prosecutions Division keeps a list of barristers who have applied to do prosecutions work for the Crown in the High Court and who are considered by the Director of Public Prosecutions to have the necessary ability and experience to handle cases at that level. When it comes to briefing out a particular prosecution, the normal procedure is to choose a barrister on the briefing list on the basis of rotation and availability. Occasionally a barrister will be selected because of his or her special expertise in a particular area, for example, in commercial crime.

- (b) The respective numbers of High Court cases briefed out in each of the past two years are:

<i>1991</i>	<i>1992</i>
65	73

- (c) Of those in (b), the respective numbers of cases assigned to counsel who were formerly employed by the Legal Department on overseas terms are:

<i>1991</i>	<i>1992</i>
19	30

The respective numbers of cases briefed out to expatriate counsel not previously employed by the Legal Department are:

<i>1991</i>	<i>1992</i>
38	33

Student triad renunciation programme

9. MR ERIC LI asked (in Chinese): *In reply to my verbal supplementary question raised on 3 February 1993, the Secretary for Security indicated that the police were working with the schools and the Social Welfare Department to help students who wanted to relinquish their triad affiliations. Will the Government inform this Council of the specific arrangements and whether proof of triad renunciation is furnished?*

SECRETARY FOR SECURITY: Mr President, students with triad links can approach school social workers for counselling and other assistance. To help these students sever their triad links, arrangements can be made to enable them to change school. If they live in public housing, arrangements can also be made through the Housing Department to provide them with alternative accommodation. In more difficult cases, the Social Welfare Department, with the consent of the parents, can apply to the Juvenile Court for a care and protection order to place the students under statutory supervision.

With effect from 1 April this year, under a six-month trial scheme, the police will make wider use of the Superintendent's Discretion Scheme in case of juveniles arrested for minor triad-related offences, including that of being a member of a triad society. In appropriate cases, young persons below 17 years of age will be cautioned and helped to turn away from crime rather than being

prosecuted. With the agreement of the parents, additional assistance can then be provided by the Social Welfare Department and Education Department.

The effectiveness of the trial scheme, and that of other existing measures, will continue to be monitored to ensure that adequate assistance is given to students who wish to give up their triad links. However, these measures do not form part of a formal triad renunciation scheme, and there are no plans at present to reactivate the former renunciation scheme. No documentary proof of triad renunciation will therefore be provided.

Trained kindergarten teachers

10. MR TIK CHI-YUEN asked (in Chinese): *Will the Government inform this Council whether it will consider requiring kindergartens to disclose the number of trained teachers in their employ and publishing these figures together with the reports on periodic inspection visits paid to kindergartens by District Education Officers?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, information on the number of trained teachers in their employ is provided by kindergarten operators when registering their kindergartens with the Education Department, and is subsequently updated following regular inspections. Members of the public may obtain this information from the relevant District Education Officers.

Reports on periodic inspections cover a wide range of issues. They are compiled for departmental use and are not intended for publication.

Biotechnology development

11. MR STEVEN POON asked: *In view of the interest worldwide in the industrial and commercial development of biotechnology, will the Government inform this Council:*

- (a) of the efforts made and resources allocated to assist such industrial development in Hong Kong; and*
- (b) of the difficulties, if any, in the development of biotechnology in Hong Kong, for example, the availability of the necessary expertise and human resources?*

SECRETARY FOR TRADE AND INDUSTRY: Mr President, the Industry and Technology Development Council has established a Biotechnology Sub-committee to advise the Government on matters in this field, particularly on the

infrastructure and support services needed to help the acquisition, development and application of biotechnology in Hong Kong. Specific infrastructure and support measures for biotechnology introduced so far include:

- (a) the Hong Kong Institute of Biotechnology, established with a Jockey Club grant of \$170 million. This Institute provides a range of research and development facilities for biotechnology companies, promotes technology transfer and helps commercialize the results of biotechnology research;
- (b) the Biotechnology Research Institute at the University of Science and Technology, established with a Jockey Club grant of \$130 million. The Institute undertakes research on biomedical instrumentation and diagnostics, drug delivery and development, agricultural and environmental engineering and genetic engineering; and
- (c) the Institute of Molecular Biology at the University of Hong Kong funded by the UPGC;
- (d) the Waste Recycling and Environmental Biotechnology Research Centre at the Hong Kong Baptist College funded by the UPGC;
- (e) six of the UPGC-funded institutions at present provide biotechnology-related study programmes at various levels of study;
- (f) in 1992-93, the following B.Sc. courses have been introduced:
 - (i) Applied Biology/Applied Chemistry at the Chinese University of Hong Kong,
 - (ii) Biomedical Science at the Hong Kong Polytechnic, and
 - (iii) Biochemistry at the Chinese University of Hong Kong; and
- (g) in 1993-94, a B.Sc. in Applied Biology and Biotechnology will be introduced at the Hong Kong Polytechnic.

In addition, the Research Grants Council also funds research projects on biotechnology. For each of the year 1991-92 and 1992-93, there were 12 such funded research projects, involving about \$12 million each year.

The biotechnology industry, which is heavily dependent on research and development, is also able to benefit from the increased funding for research and development work that is being made available. This includes:

- (a) \$510 million provided for the period 1991-92 to 1994-95 to fund R&D projects at UPGC-funded institutions; and
- (b) the \$200 million Applied R&D Scheme established by the Industry Department.

Difficulties perceived by local industrialists to the introduction and exploitation of biotechnology in Hong Kong include high start-up costs, high investment risks and insufficient local supply of skilled manpower.

The Biotechnology Sub-committee of ITDC will carry out a survey soon to assess the availability of local expertise for biotechnology-related industries.

Relocation of mid-stream operations to Tuen Mun

12. MR WONG WAI-YIN asked (in Chinese): *It is understood that the Government has plans to relocate the mid-stream operations affected by the construction of Container Terminal 9 from Tsing Yi to Tuen Mun. Will the Government inform this Council:*

- (a) *whether people affected by the relocation have been consulted; if not, what the reasons are;*
- (b) *whether any other districts have been considered for the relocation and the reasons for choosing Tuen Mun; and*
- (c) *whether it has assessed the effect of the relocation on the road transport network within Tuen Mun and its neighbouring areas as well as along Tuen Mun Road; if so, what the assessment results are?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President, the Government's aim is to ensure that Hong Kong's economy does not suffer as a result of mid-stream container handling operations, which play a significant and growing role in our economic development, being constrained by an insufficiency of land based sites to support their activities. For this reason, the Government is constantly seeking suitable new sites, both permanent and temporary, throughout the territory. Nevertheless, a significant shortfall remains. The Government does not undertake to provide alternative sites for mid-stream operators who are required to bring their land based activities to an end on any particular site they occupy for development for other reasons.

The answers to the specific questions are as follows:

- (a) Two main groups of people are affected by the proposal to bring some of the mid-stream operators' support activities on Tsing Yi to an end and provide a new site at Tuen Mun. They are the operators themselves and the people who live or work near the Tuen Mun site. The former are aware of the conditions governing their occupation and use of temporary sites and are informed when these must be terminated and where new sites may be made available. Residents were informed of the proposed new site at Tuen Mun through the District Board on 8 December 1992 and 9 February 1993 and through a meeting between representatives of the Government and the Coalition against the Proposed Container Transfer Station in Tuen Mun on 27 February 1993. Members of both the District Board and the Coalition have expressed their views and these will be taken into account before a final decision is made on whether or not to use the Tuen Mun site.
- (b) The search for sufficient sites to support mid-stream operations will continue. More permanent sites should be allocated if possible, but waterfront sites of the right kind are not easy to find. One such site of 7.8 hectares has been identified off south-western Stonecutters Island, which will require reclamation and should be available towards the end of 1995. But temporary sites will be needed to meet immediate pressures and the Tuen Mun site, with its good marine access, is potentially one of these. While it is by no means ideal, given the shortage, it is suitable.
- (c) Present indications are that use of the Tuen Mun site is unlikely to have a significant effect on road conditions in and around Tuen Mun for two reasons. First, the site has a marine frontage of only 100 metres or so and a backup area of 6.93 hectares; so the amount of cargo handled is unlikely to exceed about 400 TEU per day. Second, it may well be that most of the containers will be shipped south from Tuen Mun rather than transported along the Tuen Mun Highway. However, the traffic implications of the proposal cannot be assessed accurately until the mode of operation of the prospective operators is known. This will be ascertained by asking parties who may tender for the site to submit expressions of interest to the Government detailing their proposed methods of operation, including modes of transport, prior to tenders being called. They will also be asked to assess the traffic and environmental implications of their operations. The Government will need to be satisfied that the traffic and environmental implications will be acceptable.

Linked exchange rate system

13. DR PHILIP WONG asked: *In his reply to a question in this Council on 17 February 1993 regarding the present linked exchange rate system, the Financial Secretary said that "we have no intention of changing this policy". Will the Government inform this Council whether that answer should be construed to mean that the Government will not change its policy under any circumstances?*

FINANCIAL SECRETARY: Mr President, the maintenance of the linked exchange rate system is a firm government policy and no useful purpose could be served by speculating on hypothetical circumstances under which such a policy might or might not be changed.

Liquor licence

14. MR MARTIN BARROW asked: *Will the Government inform this Council if it is aware of the bureaucratic obstacles and the resultant long delays involved in issuance of liquor licences, and what plans it will take to resolve the issue?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr President, under the Dutiable Commodities (Liquor) Regulations, Cap. 109, the Urban Council and the Regional Council are the licensing authorities for liquor licences for the Urban and Regional Council areas respectively. Both Councils have delegated their power and function to their respective Liquor Licensing Boards.

In issuing a liquor licence, a Licensing Board's main aims are to ensure that premises so licensed are suitable to receive members of the public and are properly managed and controlled so that the public interest is protected. One of the ways of doing this is to ensure that the premises to which the application for a liquor licence relates have also been issued with a restaurant licence under the Public Health and Municipal Services Ordinance, Cap. 132. As restaurant licensing takes full account of the structural, fire and health safety of the premises, the suitability of the premises for a liquor licence is thus also ensured. These procedures, however, take time and sometimes cause delays, particularly in cases where applicants repeatedly fail to comply with the necessary requirements for a restaurant licence.

Other steps are taken to ensure the proper management of the premises. These include referring applications for new issues of liquor licences to the Commissioner of Police and the relevant District Officers for investigation and comments in respect of the suitability of the applicant to hold a licence and in respect of public opinion on the application respectively. Public opinion is also sought through advertisements in local newspapers and through notices posted in the building where the premises under application are located.

If an objection is raised either by a government department or by a member of the public, the Licensing Board meets to discuss and assess the objection raised. The objecting party and the applicant are, if necessary, invited to appear before the Board to answer questions.

Where an application is uncontested, the case will be circulated to the Licensing Board for approval, and a licence will be issued provided that the premises have been issued with a restaurant licence.

Generally it takes about three months from the receipt of an application to the issue of a licence if the case is uncontested. The processing time may be increased by two or three months in the case of a contested application. Longer delays occur in cases where a liquor licence application has been approved but cannot be issued pending a restaurant licence.

Both the Urban Services Department and Regional Services Department are reviewing their liquor licensing procedures and the related legislation to see whether there is room for streamlining procedures. A separate inter-departmental review is also being conducted on the restaurant licensing system. In the mean time, to assist the public in applying for licences, a booklet entitled *A Guide to Application for General and Light Refreshment Restaurant Licences* has been published for distribution, and seminars are held to explain licensing procedures to applicants. Moreover, licensing conferences are held regularly between departments concerned to resolve difficult cases.

High voltage power lines

15. MR LAU WONG-FAT asked (in Chinese): *Recent studies in Sweden have suggested that exposure to electromagnetic fields generated by high voltage power lines might increase cancer incidence and the Administration has undertaken to carry out further studies in this respect. As the China Light and Power Company Limited is working on the design and alignment of the 400 kilovolts high voltage transmission network of its power station at Black Point, will the Government inform this Council:*

- (a) *of the estimated number of domestic structures and residents in the vicinity, say within 100 metres, of the new power station and its 400 kilovolts transmission network; and*
- (b) *before it is confirmed that high voltage power lines are not hazardous to health, how the Government will ensure that the new transmission network will not cause panic among the residents or affect their health?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) The estimated numbers are given at the Annex.
- (b) With the exception of interference with some implanted medical devices such as certain types of cardiac pace-makers, so far there is no evidence that exposure to electromagnetic fields from power lines at strengths normally encountered in the environment or the workplace is associated with long-term health effects on human beings.

A set of guidelines for exposure has been promulgated by the International Non-ionizing Radiation Committee of the International Radiation Protection Association in collaboration with the World Health Organization. These guidelines, which are still in force, have been adopted by the Government. The Electrical and Mechanical Services Department is responsible for ensuring that the two power companies comply fully with these guidelines.

In addition, a working group on electric and magnetic fields has been formed recently under the chairmanship of the Electrical and Mechanical Services Department. The working group comprises representatives of the two power companies, tertiary education institutions and relevant government departments. The group will ensure that the guidelines on electromagnetic exposure are properly reviewed in line with international standards.

Annex

Estimated Number of Domestic Structures
and Residents within 100 metres of
Power Station and Power Line for Black Point

	<i>Domestic structures</i>	<i>Residents</i>
Power station	0	0
Power line	900	2 700

Redevelopment approved by Town Planning Board

16. MR ALBERT CHAN asked (in Chinese): *If, after obtaining approval from the Town Planning Board for master layout plans in comprehensive development areas, developers are unable to acquire the ownership of the premises concerned, they may, as a last resort, request the Town Planning*

Board to recommend the resumption of the premises under the Crown Lands Resumption Ordinance. Residents usually have no access to the relevant information before the plans are approved. Consequently, they are in an unfavourable position because they can only learn of the details and press for rehousing and compensation when the clearance and redevelopment commence. Will the Government inform this Council:

- (a) whether developers could be requested to submit the terms and conditions on rehousing and compensation along with their master layout plans for consideration;*
- (b) whether the residents concerned could be consulted before such plans are approved; and*
- (c) whether it will consider amending the existing Town Planning Ordinance to achieve the above objectives?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President, the Town Planning Board may, under section 4(2) of the Town Planning Ordinance, recommend resumption of land which interferes with an approved master layout plan of a comprehensive development area (CDA) as if it were for a public purpose within the meaning of the Crown Lands Resumption Ordinance. However, the provision is not widely used. At present there are 13 CDAs which are being developed by the Housing Society or the Land Development Corporation (LDC). In these cases, where resumption of land is required, compensation and rehousing arrangements are governed by the Crown Lands Resumption Ordinance. There are another 48 CDAs involving private developers, for which land has been resumed as a result of the Board's recommendation on only two occasions in connection with the provision of an open space and a public park.

On (a) and (b), at present a master layout plan submitted under section 16 of the Town Planning Ordinance is processed as other planning applications are. The views of local residents are normally reflected to the Board by the District Officer who can arrange sounding out or consultation, depending on the nature and scale of the proposed development. Approved master layout plans are deposited in the Land Registry and are available for inspection.

On (c), the Administration's present thinking is that the new planning legislation should require property owners who may be affected and the public to be notified of planning applications before they are considered by the Planning Board.

Accommodation values

17. DR SAMUEL WONG asked: *Will the Government inform this Council:*

- (a) *what the accommodation values are, in dollars per square metre of saleable area, of each of the five recently auctioned sites for residential developments; and*
- (b) *based on these accommodation values, whether the total sales of residential land in the past two years have been adequate to satisfy market demand as well as to keep the price of residential units at an affordable value; and if not, what action will be taken?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) The accommodation value is used to analyse the sale price of land in terms of the permitted gross floor area rather than the saleable area. The Annex shows the accommodation value for each of the five most recently auctioned residential sites.
- (b) The Government's aim is to supply enough land to meet demand. The sale of residential land over the past two years has amounted to 40 hectares which should be sufficient for the private sector to provide 15 000 flats per year. Together with the 20 000 new flats produced each year by redevelopment, under normal circumstances the total estimated requirement of 35 000 new flats each year should be met.

The 70 000 flats which will be constructed over the next two years, together with the amount of residential land sold over the past two years, should help satisfy demand and bring the price of residential flats closer to affordable levels, provided there are no dislocations or distortions in the market.

Annex

<i>Date</i>	<i>Lot (Location)</i>	<i>Accommodation value</i>
12 January 1993	KIL 11035 (Cox's Road)	\$40,963/m ²
12 January 1993	YLTL 456 (Yuen Long)	\$10,952/m ²
27 November 1992	NKIL 4932 (Rose Street)	\$35,572/m ²
8 October 1992	FSSTL 80 (Fanling)	\$17,572/m ²
8 October 1992	STTL 251 (Mei Wo Circuit)	\$38,418/m ²

Occasional child care scheme

18. DR TANG SIU-TONG asked (in Chinese): *The Occasional Child Care Scheme was introduced by phases on a trial basis by the Social Welfare Department in 1989. Will the Government inform this Council of:*

- (a) *the number of Child Care Centres in Yuen Long and Tuen Mun participating in the Scheme in each of the trial phases;*
- (b) *the assessment made of the use and the effectiveness of the trial Scheme in the provision of occasional child care service; and*
- (c) *the development plan for the provision of occasional child care service in future?*

SECRETARY FOR HEALTH AND WELFARE: Mr President,

- (a) The number of child care centres which participated in the Occasional Child Care Scheme in Yuen Long and Tuen Mun during the experimental period is as follows:

	<i>Yuen Long</i>	<i>Tuen Mun</i>
Phase I (1.11.89 - 30.4.91)	1 centre	1 centre
Phase II (1.5.91 - 30.10.92)	2 centres	5 centres
Phase III (1.11.92 - 31.10.93)	3 centres	7 centres

- (b) During the 12-month evaluation period from July 1991 to June 1992, the child care centres participating in the Occasional Child Care Scheme recorded a total attendance of 18 349, representing a monthly average attendance of 1 529. In the three-month period from November 1992 to January 1993, the centres recorded a total attendance of 6 171, representing a monthly average attendance of 2 057. The utilization rate of the service tended to fluctuate, ranging from 37% to 76%, with a peak in the summer months of July and August.

An evaluation of the trial scheme has been conducted. It has been concluded that the scheme serves its objective of providing occasional temporary child care to families who might otherwise leave their children unattended at home.

- (c) The Occasional Child Care Scheme will be provided as a regular component of all new child care centres. The service will be subvented by the Social Welfare Department as from 1993-94.

The expansion plan for Occasional Child Care Service between now and 1996-97 is as follows:

	1993-94	1994-95	1995-96	1996-97
New subvented units	75	60	75	25
Cumulative number of units	75	135	210	235

Medical infirmary services

19. MR FREDERICK FUNG asked (in Chinese): *Will the Government inform this Council:*

- (a) *of the total number of places provided by the infirmaries in Hong Kong and of the number of additional residential infirmary places that are available after the commissioning of the Shatin Infirmary and Convalescent Hospital;*
- (b) *of the number of applicants on the central waiting list of the Hospital Authority for medical infirmary services;*
- (c) *of the number of inmates in homes for the aged run by the private sector that should be classified as in need of medical infirmary services; and*
- (d) *of the number of people currently staying in institutions for the elderly subvented by the Social Welfare Department (including care-and-attention homes, homes for the aged and hostels for the elderly) that should be classified as in need of medical infirmary services?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, the answers, *seriatim*, are as follows:

- (a) By end of 1992, there was a total of 1 366 infirmary beds in Hong Kong. At present, 225 infirmary beds are provided at Shatin Infirmary and Convalescent Hospital and an additional 90 beds will be available upon its full commissioning in 1993-94. Plans are also in hand to redesignate 500 general beds in other hospitals as infirmary beds. Furthermore, community geriatric/infirmary teams will be set up by the Hospital Authority in collaboration with social welfare organizations to improve interface with care and attention homes.

- (b) As at 15 March 1993, the number of applications recorded but not medically assessed on the central waiting list for infirmary beds was 5 361.
- (c) As at 1 March 1993, around 3 600 residents in private homes for the aged could be classified as in need of medical infirmary services.
- (d) As at 1 March 1993, 752 elderly persons currently staying in residential care institutions subvented by the Social Welfare Department were classified as in need of medical infirmary services.

Inspection of kindergartens

20. MRS PEGGY LAM asked (in Chinese): *As kindergarten education is an essential stage that most young children in Hong Kong have to go through in their growth, will the Government inform this Council:*

- (a) *whether regular inspections have been made of kindergartens in Hong Kong to ensure that the ratio of pupils to teachers per class, the school premises, the courses offered, the teaching aids and so on, are up to the required standards, thus preserving the quality of education and ensuring the physical safety and psychological well-being of the young children;*
- (b) *if so, where parents can obtain the findings of such inspections to which they can make reference when choosing kindergartens for their children, and avoid making the wrong decision in the absence of information to send their children to kindergartens that are below the basic standards; and*
- (c) *if no, why not?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, all registered kindergartens meet certain basic standards. They must, for example, comply with statutory requirements with regard to the safety and sanitary conditions of the premises as well as the suitability of teacher qualifications, courses and fee levels before they are registered with the Education Department. After registration, they are regularly inspected by officers of the Education Department to ensure that all statutory requirements continue to be met, that the school is being managed satisfactorily and that education is being provided in a proper manner. In addition, the inspectors advise on curriculum approaches and teaching skills with a view to improving the quality of education offered.

Parents can approach the Education Department's District Education Offices for basic factual information on a particular kindergarten, such as whether it is registered, the number of trained teachers and enrolment of pupils, the kind of courses it offers, the number of classrooms and the general condition of the premises. This kind of information is updated regularly.

Second Reading of Bill

APPROPRIATION BILL 1993

Resumption of debate on Second Reading which was moved on 3 March 1993

PRESIDENT: In accordance with Standing Order 54(2) we will now resume the debate on the Appropriation Bill 1993. The motion before Council is that the Bill be read the Second time.

The normal rule applies to speeches, that is, under Standing Order 27, Members are limited to 15 minutes each for their speeches.

MR ALLEN LEE (in Cantonese): Mr President, in his Budget Speech last year, the Financial Secretary proposed higher rates and one of his reasons for doing so was that rates were a stable and predictable source of revenue. Members of the Co-operative Resources Centre (CRC) commented at the time that, with the budget running a \$5.1 billion surplus, it was simply not necessary to stabilize revenue income by raising rates. For that reason, the CRC would never agree to the proposal and its objections were conveyed by representatives to the Financial Secretary. This, however, displeased the Financial Secretary and other officials, who on various occasions made adverse remarks about the CRC's stance on the increase of rates. Members of the CRC have always held that, as pragmatists, we would, lend our support only to public policies made in the interests of the community in general that are reasonable and conducive to Hong Kong's overall development. Should we blindly voice blanket support for all public policies, we would be more than failing to answer to our own conscience; we would also be proving ourselves unworthy of being Legislative Councillors. Today, I can say to the Financial Secretary with assurance, "You, the God of Wealth, were wrong to propose higher rates. If your proposal to raise rates last year had been endorsed, the surplus now would have been even greater than the current level of \$20.5 billion! And, on account of the even greater surplus, it would have been necessary for you now to take the corrective step of lowering rates. In that case, the rates would have gone up one year and gone down the next. How could you expect people to have confidence in your ability in financial management?" I believe that the Financial Secretary will now agree that our views on the rates issue were right. I very much hope that, when giving his response in this Budget debate, the Financial Secretary will have the

courage to admit his mistake, showing that the Administration is willing to listen to people's views.

Last year, the CRC also expressed concern over the Administration's indifference over the years to the predicaments the sandwich class had been in and made some suggestions about how to help the sandwich class to solve the difficulties facing them. The suggestion included widening of the tax bands and introduction of some appropriate measures to meet their housing needs. They have slogged away quietly and made major contributions to Hong Kong but who are not eligible for the benefit of public housing or Home Ownership Scheme housing. We think that their housing problem is getting worse and worse, the more so because property prices are being sustained at a high level. We are very glad that the Financial Secretary, at least judging from the policy he pursues, is taking a position consistent with our views in this Budget and has put forward some positive proposals concerning tax bands and ways to accommodate the sandwich class. Though his proposals are not entirely in line with our demands, yet it can be said that he is giving consideration to the sandwich class and taking the right first step in the direction of accommodating the sandwich class families.

The CRC has repeatedly urged the Financial Secretary to repeal the duty on cosmetic products. In our opinion, the duty on cosmetics is unfair to women. The discriminatory duty has tarnished Hong Kong's image as a "shoppers' paradise" and it has an adverse impact on the thriving tourist business. The Financial Secretary is now proposing to abolish the duty on cosmetics. We support and welcome the abolition.

Concerning tax evasion, the CRC thinks that the Administration should take a proper look at the severity of this issue. Meanwhile, the Administration should act against tax evaders more effectively by using existing resources. We are very glad to see that the field audit team, which was formed in June 1991, has already recovered tax and penalties of \$120 million and is expected to recover a further \$500 million in 1992-93. The CRC will give the Administration the support that it needs to take further actions against tax evasion. We must maintain the fairness and integrity of our community. And offence such as tax evasion must be eliminated.

The CRC favours a financial policy that is conducive to economic development and continues to provide Hong Kong with opportunities to create wealth while shouldering social responsibility. We think that the economy must keep developing if the people are to be able to share the fruit of economic prosperity. Meanwhile, we must assume responsibility for looking after the elderly, the infirm, the disabled, the handicapped and all those who are unable to look after themselves. We do not agree or identify with socialist or social welfare policies that are used merely to curry favour with the public. Such welfare policies may for a time prove popular with the community in general, but all those with vision regard them as "sugar-coated poison". By simply looking at the economic health and performance of today's countries in the

West, which provide many free social services and carry out high tax policy, we can see very clearly why they have sunk into a deep plight and cannot extricate themselves from it. We hope that the community in general will not be misled by the proponents of such a course and will not be led onto a course that is damaging to the overall interests of Hong Kong.

The Financial Secretary is optimistic in his predictions about Hong Kong's economic performance in 1993. He thinks that the economic growth rate in 1993 will be as high as 5.5%. I, too, think that such a growth rate will not be hard to attain, if Hong Kong's economy grows normally and if China's Most Favoured Nation status could be renewed. However, Hong Kong's economy has a potential problem. Hong Kong is now in a major political storm. This may possibly affect our economic development. The Sino-British row over Hong Kong's political reform, unless it is settled in a satisfactory manner that enables China and the United Kingdom to resume the co-operation between them on all matters during the transition period, will surely have an effect of some degree on Hong Kong's economic performance though I cannot predict at this point how far Hong Kong would be affected. The Sino-British row over Hong Kong's political system is not only casting a long shadow on Hong Kong's political prospect but introducing uncertainties into the course of economic development. The CRC thinks that since both China and the United Kingdom have said on record that they attach importance to Hong Kong's interests, then they should calmly and dispassionately resolve their present differences through talks, should they not? The vast majority of the people in Hong Kong want China and the United Kingdom to sweep all difficulties aside and resume talks quickly. I would like to use this opportunity to ask the leaders of China and the United Kingdom one question: "Are you or are you not listening to the views of the people of Hong Kong?" We do not want to see confrontation between China and the United Kingdom during the coming four years or so, in this transition period. Should there really be confrontation, it would be tragic indeed for the people of Hong Kong.

Hong Kong's economic performance over the years has been the envy of other countries. China's policy of reform and opening up has benefited Hong Kong's economy, shielded it from the effect of the cyclical recession in the West and enabled it to continue growing. This is very fortunate. Hong Kong owes its outstanding economic success to the efforts and contributions of many quarters. Sino-British co-operation has been an indispensable condition for Hong Kong's sustained economic development. So we sincerely hope that China and the United Kingdom will put their differences aside and resume co-operation in resolving the outstanding problems concerning Hong Kong, thus enabling Hong Kong to have a smooth transition and to continue enjoying economic prosperity. We are convinced that, with Hong Kong's unique environment in mind, only a steady and forward-moving economy will yield the resources sufficient for meeting social commitments and enable many proposals in the Financial Secretary's Budget Speech to successfully be put into practice. When we say that we want economic prosperity and social stability in Hong Kong, this is not a mere slogan. It is a

wish that will be realized. Members of the CRC will, as before, do their best to make Hong Kong a place where every person has a decent home and an enjoyable job.

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

MR STEPHEN CHEONG (in Cantonese): Mr President, in announcing his second Budget since assuming office, the Financial Secretary, Mr Hamish MacLEOD, has not only honoured the pledge — which he made in his speech last year concluding the Second Reading debate on the Appropriation Bill — of proposing substantial tax cuts, but has also sought to implement policy proposals put forth in the Governor's address by introducing 10 new initiatives in the social and economic arena. While we should be happy with these new initiatives, I think we also need to scrutinize the Budget carefully.

Since my colleagues, Mr NGAI Shiu-kit and Mr Henry TANG, will offer detailed comments on the part of the Budget which bears on industrial policy, I would like to raise a few points on several other budget issues worthy of our concern.

Having scrutinized the Budget, I feel that the Financial Secretary has tended to adopt a "year by year" approach — one which I can hardly agree to. It is because forward planning absolutely cannot be short-sightedly based on forecast covering just a few years into the future. A more effective management of public finance can be achieved only by setting our eyes on the future and by conducting medium-to-long range forecasts of the future.

I have always stressed that 1997 is not the Doomsday for Hong Kong. All activities, from economic to personal, will not stop as a result of the transfer of sovereignty in 1997. Indeed, a responsible government should not handle the arrangements for the transition with the mentality of a shopowner who, about to close his shop at year end, is muddling along, looking no further than one step ahead and ending up with a clearance sale.

Mr President, Hong Kong boasts a colossal reserve which is the envy of many countries chronically troubled by budget deficits. But many people are in fact expressing concern over the budget deficits that would appear this year or even the next two. I agree that with a huge surplus we should let the people of Hong Kong share the fruits of their hard work. I cannot agree, however, that the Government should expand spending and use up the reserves leaving just a minimum reserve balance of \$25 billion for the SAR Government as required under the Memorandum of Understanding (MOU) on the new airport.

The Financial Secretary has forecast that the reserves would reach \$78.4 billion by 1997 — a level far exceeding the one required under the MOU. But I wonder if \$78.4 billion is a reasonable level. Of course different people

will have different interpretations of how much would be "reasonable" when construing "reasonable level."

The accumulated reserves for the current year are forecast at \$116 billion, while the total expenditure stands at \$156 billion. Hence the proportion of reserve to total expenditure is 74%. In other words, the forecast reserve balance would be sufficient to see the Government through nine months in terms of expenditure. However, the Financial Secretary has forecast that the total expenditure in 1997 would be \$233 billion. The \$78.4 billion reserve set aside for the SAR would account for about only 33% of the estimated total expenditure then. The sum would be equal to four months' government expenditure in 1997. In other words, the proportion of reserve to expenditure would experience a dramatic drop in nominal terms. Can a level of reserve so set be regarded as reasonable?

Moreover, this estimated reserve balance has not taken into account the setting up of a pension fund for civil servants. If the pension fund is estimated at \$10 billion, then the reserve would be \$68 billion in 1997. If we were to deduct some \$20 billion in cost overruns of the airport projects as some academics have forecast and another \$13 billion to be injected by the Government into the airport, there would be little left of the reserve by 1997. I wonder if according to the Financial Secretary's interpretation a reasonable level of reserves means something bordering on the bottomline.

Perhaps the Financial Secretary should explain in public the basis on which he measures the level of reserves. Besides, he should also explain whether he has completely dismissed any significant social commitment of expenditure during the next four and a half years.

I mentioned just now the question of possible cost overruns of the airport projects. I cannot foresee if there will be any. But if there is, I believe the Government will try all means to minimize the cost overruns. However, it is an indisputable fact that the Budget has failed to account clearly for the total expenditure on the airport projects. Although expenditure on the airport projects will have a significant effect on the finances of Hong Kong in the next few years, the public can hardly find the relevant figures in the 940-page thick expenditure estimates.

I hold no doubt as to the Government's sincerity in researching and producing these figures. But why did the Financial Secretary not simply list out all account items related to the new airport but chose instead to leave it to the public and the mass media to calculate them one by one?

If my calculations are correct, the total expenditure on the airport projects next year will be \$10.543 billion. I have made so bold as to circulate these accounts among Honourable Members. I trust that a responsible government should account to the people of Hong Kong how it is going to use

the taxpayers' money on such a huge project item. The current approach adopted by the Government is to be regretted.

On the other hand, I would like to respond to the inflation forecast. My worries as regards inflation next year are not at all allayed despite the fact that the CPI (A) for February has dropped to 8.6%.

We can see that in addition to the ambitious infrastructural programmes taking shape in Hong Kong in the next few years, there are other factors which will stimulate inflation, such as increase in public sector expenditure, rapid growth of the Chinese economy, low interest rate of savings deposits with local banks, considerable increase in overall demand in the domestic economy and near full employment.

It has been suggested by some members of the community that the linked exchange rate should be abolished as a means of combating inflation. In this regard, I must warn the Government that inflation is a complicated question and that the internal factors mentioned above will all stimulate inflation. But the Government has stated a number of times that the linked rate system needs to be maintained as it is an important base for the preservation of Hong Kong's prosperity and stability. In this difficult time of a row between the British and Chinese Governments, I urge the Hong Kong Government to refrain from responding impulsively by abolishing the linked exchange rate system, lest it would have adverse effects on the long-term prosperity and stability of the territory. I call upon the Government to reaffirm its position regularly.

Finally, let me borrow the Financial Secretary's phrase "Building on Success". I sincerely hope that the people of Hong Kong can "share the fruits of their success", not only today's success but also the success straddling 1997 and beyond. I earnestly hope the people of Hong Kong will put in all efforts to "build the future", not only a future from now until 30 June 1997, but far beyond.

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

MRS SELINA CHOW (in Cantonese): Mr President, Members of this Council have always been doing pretty well in reflecting the public's views on the matter of law and order. Even last year when the financial policy of the Administration was to economize, we were able to put in a concerted effort to strive for a reasonable allocation of resources to meet the manpower and other requirements of the police, and thereby maintaining the morale of our police officers. In view of the improved performance of the police, public confidence in the general situation of law and order in Hong Kong has been restored significantly. There has also been substantial improvement in the recruitment situation of police officers. All these are encouraging. But there is no room for complacency because it is understood that there are still some hidden crises.

As we all know, there is recently a review on the organization and structure of the police force. Although the progress and result of the review have not yet been announced, its proposal concerning the Criminal Investigation Department (CID) has caused a lot of worries within the police force. Particularly so is the proposal of reducing the number of CID officers in the Tsim Sha Tsui division and some other divisions by half. It is undeniable that the prevention of and the fight against crime are most important as far as the maintenance of law and order is concerned. In this regard, the role of CID must not be underestimated. Even though the proposal concerned can really reduce expenditure, it will have an adverse effect on the police force in terms of workload and morale. We all attach great importance to having a safe and secure living environment, and consideration of this question from a purely financial angle is absolutely not advisable because it will weaken our essential security capability.

The policy to restructure the upper management of the police force and civilianize certain posts have caused many conjectures and worries among senior police officers. Although it seems that those responsible for the review have not yet made a definite decision, there are various signs indicating that the whole policy is financially oriented, with economization as its prime objective. Such unbalanced practice is detrimental to the maintenance of law and order. It so happens that the United Kingdom is also conducting a large-scale review of its police force, and the proposals being put forward include some very radical measures, like the abolition of the ranks of superintendent and inspector and the introduction of a system that pegs salary to performance. Let me sound a strong note of caution here that the Administration must definitely not use financial reasons for introducing into Hong Kong in a disguised manner these strange measures that have not been proved effective even in the United Kingdom. Our financial position is fortunately better than that of the United Kingdom. So there is absolutely no need to take unnecessary risks. In the next few years, Hong Kong will need a strong and powerful police force in the context of internal security and interface with China and the international community. At this very important juncture, we must pay heed to the morale and sense of belonging of our police officers.

The morale of our police force saw an upturn last May when a series of measures were introduced which had improved the conditions of service of the police and raised the regard of our police officers of their own profession. So the Administration must not make any reckless move lest all the efforts of the previous year should be wasted.

In the past few weeks, many high ranking officials like the Secretary for Security, the Commissioner of Police, and officials of other government departments have been untiring in announcing that there will be 800 more police officers being deployed on patrol duties in the streets. But these officials have not told us why the establishment of the police today, which is 27 238 officers, is some 200 officers less than the 27 450 in 1989 when Mr LI Kwan-ha assumed office as Commissioner of Police. And during the

same period, the police had to undertake patrolling duties at the border, set up a special anti-smuggling task force and a number of divisional police stations in some new towns. All these were accomplished by way of redeployment arrangements without any increase in manpower, and therefore the number of officers on beat in the streets usually fell short of the required number by 15% to 20%. The fundamental problem that needs to be resolved is: There are increasing demands in the area of law and order, but in spite of the worsening situation of cross-border crimes, the increasingly fearless local criminals, and more importantly the upsurge in organized crimes involving triads, as reflected by the shocking figures in car theft, plus the continuous development of the New Territories, the number of our police officers is less than that of four years ago. Is that reasonable? I appeal to the Administration to face up to these demands realistically, not to adopt an ostrich policy and not to continue using seven lids to cover ten buckets.

Mr President, I have read through the whole Budget without finding any allocation to address women's needs. Although the Budget has mentioned the activities of Yin Ngai Society, the Administration has not given any financial support to this Society. Even an officially recognized organization is treated like this; no wonder that the Administration is paying still less attention to similar activities organized by other non-governmental organizations. Currently there are more than 1 million women between 25 and 44 years old, which number is equivalent to 30% of all the females in Hong Kong. Out of these some 1 million women, 40% are not working, and 50% of those over 30 years old are housewives. Many of these women hope that they can find something to do in the daytime after their children have entered secondary school. They may either join the community service or receive some retraining in order to work again in their pre-marriage occupation. However, no organization or government department has ever catered for their needs in this regard. Courses of adult education are usually offered in the evening and the course contents can seldom meet their requirements, because the organizing authorities have never consulted them on the matter of course content. Moreover, there are only 22 000 places in our nurseries, which is less than one-tenth of the total number of infants in Hong Kong. This prevents those women who want to go out to work from doing so.

I really hope that the Administration will consider the problem of discrimination against women with due regard to the long standing neglect of women's interests, and take care of and invest in our women in terms of education, government policy and human resources.

Finally, I would like to talk about the right attitude that the Administration should adopt in respect of family tragedies. Recently, the public and this Council are very concerned about the problems of youth suicide, child abuse and wife abuse, but the Administration is still adopting a passive or evasive attitude, which indicates that the Administration is not well informed of the problem and not keen on taking preventive measures. It looks as if the Administration is afraid that taking actions before the problem turns into

tragedies will be inviting troubles. Nowadays, such attitude of being excessively prudent and avoiding error by not doing anything cannot satisfy our expectations of the officials. I strongly demand the relevant government departments and policy branches, including those responsible for social welfare, education and security, to make up their minds, and to co-operate and act in concert in dealing with matters concerning resources and measures. For example, they can put their heads together to formulate a package of strategies for the prevention of youth suicide, compile an inter-departmental guideline and set out the measures for prevention of child abuse, identify clearly that wife abuse is not an ordinary family dispute, and support the hotline service of the Harmony House so as to prevent tragedies from happening.

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

MR HUI YIN-FAT (in Cantonese): Mr President, it has been nearly eight years since I first joined this Council. I have worked with three Financial Secretaries: Sir John BREMRIDGE, Sir Pier JACOBS and now Mr Hamish MacLEOD. In my opinion, the Budget for the new financial year is, relatively speaking, the more satisfactory among the eight budgets prepared by them successively. This is not because the Financial Secretary is now generously giving away the taxpayers' money — some allege that he cannot bear to see a surplus in the Treasury. Rather, it has to do with the fact that the Financial Secretary, before drawing up the Budget, consulted extensively with the public, particularly with colleagues in this Council, to find out the needs of the middle and lower social strata. In my opinion, such a conscientious and responsible approach is rare among colonial officials.

In fact, the surplus of the passing financial year, estimated at more than \$20 billion, has not prompted the Financial Secretary to be particularly generous on social welfare spending. As he noted in his Budget speech, Hong Kong's *per capita* gross domestic product (GDP) (in excess of US\$16,000) almost equals that of the United Kingdom or Australia. Yet, in terms of its proportion of GDP, Hong Kong's social welfare spending is at a much lower level than in either of these two advanced economies. The Administration should feel shame in facing the people of Hong Kong, the more so because of its lack of commitments to retirement protection for the employees in general.

It is true that there appears to be an 8.2% increase in real terms in total appropriations for the Social Welfare Department in the new financial year. Yet this increase suffices at the most only to meet the commitments that the Governor made in his policy address last year on social security and welfare services. Some of the services that the Administration previously promised to upgrade have evidently failed to be given the attention that they deserve. For instance, there is no improvement in the staffing of care and attention homes and the staffing of half-way home for the rehabilitated. Nor will there be one school social worker for every 2 000 students, a ratio promised by the Administration 10 years ago.

To prove that the welfare services constituency that I represent is not greedy and insatiable, I will once more quote some of the figures compiled by the Hong Kong Council of Social Service, of which I am a member, to justify our requests. Over the years, the services that the Administration failed to fund after promising to upgrade them has grown to 44 items, despite the fact that the annual funding required is no more than \$200 million or so. Yet the Financial Secretary is not going to use the huge surplus of the last financial year to keep the promises that the Administration has made over the years. Evidently, the Administration's spending on welfare services is governed by some set policies and principles which will not be relaxed on account of more abundant reserves. Indeed, there is no need for taxpayers and investors to worry that Hong Kong may become a welfare state, since, in terms of a percentage of GDP, or even as a percentage of total current public spending, social welfare spending in Hong Kong is still lagging far behind that in the developed nations or even in the developed countries in Asia.

Furthermore, the Social Welfare Department is set to introduce a new Comprehensive Social Security Assistance Scheme in July 1993. Because of this and because of adjustment for inflation, which is routinely made in April each year, social security spending in the new financial year will be as high as \$4.948 billion. Not only will this take up 65% of the Social Welfare Department's total expenditure, but, more importantly, the increase in social security spending will take up more than half of the 8.2% real increase in expenditure. And expenditure on social security alone accounts for more than 50%. Evidently, the social welfare spending increase in the new financial year will suffice only to meet the demand in terms of quantity, but not quality.

Let me now cite as an example the quality of the service performed by school social workers. The achievement of school social workers, who counsel secondary school students, is well known and visible to all. Educators, parents and the community in general agree that school social workers perform a real service that helps to mitigate the problem of suicides and attempted suicides among junior secondary school students. Students commit or attempt suicides because they are under unbearable mental strains and then cannot receive timely counselling. I agree with the authorities that increasing the number of school social workers is not the only way to prevent student suicides. But it can at least forestall those tragedies stemmed from the fact that students in question cannot receive timely counselling from social workers when they are the most in need of it. Regrettably, unmoved by the repeated appeals of social workers and the community in general who urge the Administration to increase the number of school social workers, the officials concerned have decided to stick to the ratio of one social worker for every 2 000 students as the target to be met in 1996. Progress by such a time-table will be too slow. I wonder how many more precious lives are going to be lost before the authorities begin to feel compunction. Just imagine. At the present ratio of one school social worker for every 2 600 students, a social worker can only manage to spend an average of one day a week at a particular school. In this way, how can school social workers render quality service? How can they have job satisfaction and their

morale be enhanced? Therefore, I once more urge the authorities to consider meeting in the new financial year the target of one school social worker for every 2 000 students, a target that the Administration promised 11 years ago, and then meeting in 1996 the target of one school social worker for every school.

Predictably, in the new financial year, the quality of only a small number of welfare services will be improved. This is where the Budget fails to give a pleasant surprise to the social workers. And, subvented voluntary welfare agencies have been unsettled by the new financial arrangements made by the authorities. I believe colleagues all know that, in the new financial year, social welfare spending will, apart from being a part of current public spending, also be funded by the \$2.3 billion that the Government will inject into the Lotteries Fund. The injection ought to be used for launching new services and then for meeting the necessary recurrent expenses. However, if one analyzes the figures given in the Budget, one will find that the injection will be used not only to finance new schemes but also to meet the recurrent public expenses for some existing services. For example, allocations from the Lotteries Fund will account for \$86 million of the \$526 million or so for youth services in the new financial year whereas it will provide only \$16 million or so for newly launched services.

In fact, according to some preliminary estimates, the Lotteries Fund will account for as much as 11.2% of the total subventions for all kinds of welfare and rehabilitation services provided by non-government agencies. And there are plans to use the \$2.3 billion capital injection over the next four years to subsidize some newly launched service schemes. In other words, should the Administration stop injecting any more funds into the Lotteries Fund in the future, particularly after 1997, coupled with the pressure from a deficit budget, how the Administration will then finance social welfare is really a source of worry to the voluntary welfare agencies. Here, I urge the Administration to give an early explanation to the public of the new financial arrangements and to make a commitment with regard to the future funding of social welfare, lest the non-government agencies lose their enthusiasm about providing new services.

As a matter of fact, I myself am not in favour of the Administration's relying too much on the Lotteries Fund for the funding of welfare services. However, as long as the Lotteries Fund is specifically set up for the funding of welfare services, the Administration should not be indifferent when this Fund, which derives its revenue principally from the sale of Mark Six tickets has become no more than a charity in name. Only \$3.5 out of every \$100 from the sale of Mark Six tickets actually goes into the Lotteries Fund. This is a negligible percentage and insufficient for meeting future financial commitments. In view of this, the Royal Hong Kong Jockey Club, which, as manager of the Fund, used to take a 7.5% commission on the proceeds from the sale of Mark Six tickets, took the initiative last year to reduce the rate by 1.5 percentage points. In doing so, its purpose was to induce the Government to follow suit and take a similar step, thus boosting the revenue of the Lotteries Fund. Regrettably, the Government, which takes a 30% share of the proceeds from the

sale of Mark Six tickets without doing anything, has not been embarrassed by, or voiced support for, this well-meaning move of the Jockey Club. This is disappointing indeed.

I feel that since the Government attaches importance to the role of the Lotteries Fund in the funding of welfare services, then it should not be stingy with its share of the proceeds from the sale of Mark Six tickets. Last year, total proceeds from the sale of Mark Six tickets were \$3,314.3 million. If the Government yielded only six percentage points (about \$200 million) of its share to the Lotteries Fund, then it could fulfill in the new financial year the promises that it had made over the years but yet to materialize with regard to the provision of the 44 items of services mentioned above. That will save us the trouble of having to remind the Administration every year.

Mr President, recently, I made a trip to China to attend a large-scale exchange function and to look at its social welfare services. What impressed me the most was that the Chinese Government was not only very generous about its proceeds from the sale of charity lottery tickets but paid great attention to basic investment in welfare services. For instance, the Shenzhen Municipal Government has built a welfare building to house welfare service agencies. This facilitates the circulation of documents among different agencies and meetings among them. In contrast, the attitude of the Government in Hong Kong is more conservative despite the fact that voluntary agencies first became involved in welfare services much earlier in Hong Kong than their counterparts did in China. In Hong Kong, what the Government did was making a small lot available 20 years ago to the Hong Kong Council of Social Service, which, however, was left to raise its own money for the building of its own office. This is how the Duke of Windsor Social Service Building in Wanchai came into being. After nearly 20 years of rapid development, the member agencies under the Council now has grown to 206 and 157 of which provide services directly to the public. But the building can accommodate the head offices of only 20 of the agencies. The rest have to buy or lease space for their offices, which are scattered all over the territory. The circulation of documents among these agencies is slow and difficult. It is also time-consuming and inconvenient for those member agencies which have to send representatives to attend the Council's meetings regularly. Therefore, in as much as the Financial Secretary has at different times appropriated funds for the Consumer Council and the Tourist Association to enable them to buy their own offices, thus helping them to raise office efficiency and cut expenses, I would like to request the Administration for a similar commitment to the non-government welfare service agencies. Such agencies are important to the community and particularly to Hong Kong's long-term stability. Their contributions to Hong Kong are in no way less important than the economic contributions of the tourist industry.

In sum, the public spending on social welfare in the new financial year could be regarded as reasonable at most. But it is disappointing and worrisome because the Financial Secretary has failed even to appropriate as little as

\$0.5 billion of the \$20.5 billion surplus for social welfare. Now services are not being upgraded in good economic times. In the coming years, the Administration will be likely to build up the fiscal reserves for the good of smooth transition. While there is nothing wrong with this approach, one would have doubt whether a reasonable increase in welfare spending could be maintained. I repeat that the Administration must make a patent commitment with regard to social welfare spending before 1997 and beyond and explain to the public as soon as possible the new financial arrangements.

Still, the Budget does have an admirable side. It is that the Financial Secretary, after listening fully to the views of the public, has finally agreed to help the people of the middle and lower social strata and improve their quality of life. This covers sanitation, welfare, education and housing. It also covers assistance for those in difficulty. Beneficiaries include those innocent parties who have been infected with HIV through blood transfusion, the workers who are suffering from pneumoconiosis and the surviving dependents of work-related victims. Though the amount of assistance is not large, the Financial Secretary has made a good start nevertheless. In my opinion, if the Administration wants to win the trust and support of the community during the latter half of the transition period, thus ensuring smooth transition, it must build up a caring society. The first and foremost way to do so is to listen humbly to the views of the people and to take the initiative to find out the community's underlying problems. In this connection, the Financial Secretary's conscientious and responsible approach indeed sets a good example to other policy-making officials.

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

MR DAVID LI: Mr President, with apologies to C C MOORE, who wrote *'Twas the Night Before Christmas*.

'Twas the day of the Budget,
when all through LegCo,
Councillors were wondering,
about Hong Kong's dough.

The people were glued
to RTHK,
wond'ring how much
they'd be asked to pay.

The thought of more taxes
filled them with dread,
while spectres of inflation
danced in their head.

The old in their kerchiefs,
and young in their caps,
were hoping to get
more than a few scraps.

When outside the LegCo
there arose such a clatter,
I sprang from my chair
to see what was the matter.

When, what to my wond'ring eyes should appear,
but a generous "FS",
spreading false cheer.

Rarely is a Budget greeted as enthusiastically as this one has been. And rarely in the history of Hong Kong have the people been given a Budget that takes so much trouble to answer past criticisms.

It is as if Santa claus, a sack full of presents slung over his shoulder, had arrived in March. And out from his sack came handfuls of money — money for hospitals, money for housing, money for the harbour. In fact, Santa reached into his sack so often, and gave so generously, that it was soon empty.

But — mo men tai (無問題).

There was all that money left from the decades that Scrooge — not Santa — had kept a firm hand on the sack. So Santa kept spending, and spending, and spending, until he had spent an extra \$3.4 billion, and promised to go on spending even if Hong Kong's industrious elves could not produce enough to fulfil his wish list.

For an individual, this would be profligate. For a government, it is improvident.

What will Hong Kong get for all this money? Let us take a close look beneath the Christmas tree. There are lots of boxes there. One is marked "health care", another "manpower skills". One is for the "arts" and one for "sports", though "sports" is much bigger. There is one for "trade and industry", one for "transport", one for "tourism" but the biggest one of all, marked "airport" and "Do not open" until who knows when.

All of these Things are Valuable, Good, and Important. But here in Hong Kong, where the Government has tended to pinch pennies, and ignore such things as pollution, education and infrastructure, the list of Valuable, Good and Important Things stretches as endlessly as a child's wish list.

The Government must have the will and the wisdom to determine what it can afford to do at any one time, and what it simply cannot afford not to do. Unfortunately, prudence and responsibility dictate that there will be lots of Good, Valuable and Important Things that cannot be done — at least not all at once. To see the results of too much government generosity, we need only to look at the United Kingdom, where doing too much good has, turned into something very bad. I would remind this Council that Hong Kong's *per capita* Gross Domestic Product will soon surpass that of the United Kingdom, thanks to our prudent fiscal management.

But let us look again at our March Christmas tree, with all the seeming generosity of its glittering boxes arrayed beneath. As I looked at this tree in wonder, mesmerized by all the tinsels and little flashing lights, I suddenly realized that there was no tree at all! It had been eaten away by the termites of inflation, just as Hong Kong's competitiveness is being eaten away, day by day.

A Budget is not the place to play the political good fairy, particularly when Hong Kong's future is at stake. Competitiveness and inflation are not fantasies, but hard business realities. If we do not begin to fight the insidious inflation that is eroding our competitiveness, we will lose Hong Kong's greater gift. I am afraid we may begin to talk about our competitiveness as "Once upon a time.....". But alas, we will not live happily ever after.

A Budget should be about strengthening Hong Kong's ability to compete around the region, and around the world, about fostering an environment in which people and businesses responsible for generating wealth can prosper. This Budget puts nothing under the tree for them.

There is no reduction in profits tax, no abolition of estate duty, and no strategy to fight inflation. There are no presents for those seeking to modernize and to upgrade, no allowances for building the intellectual infrastructure that is the foundation of a strong service economy. The responsible budgeting exercised in the past is just that — a ghost of Budgets long past.

Instead, there is magic and sleight of hand. Although it does not leave us in the black, the Budget does leave us in the dark, because the Government has yet to adopt acceptable accounting standards. Instead it is financially dishonest, conjuring surpluses where there should be capital commitment accounts.

I would like to perform a little magic of my own, and put Scrooge back in control of the Budget. If Hong Kong continues to suffer inflation, thanks in part to the linked rate, perhaps the Government could be made more accountable, and more responsive, with the creation of a different peg.

I propose that the Financial Secretary's compensation be linked to inflation. If Hong Kong's inflation rate increases, the Financial Secretary's compensation will fall at the same rate. He would also be penalized if inflation remains high. But if inflation falls, the Financial Secretary would receive a well

earned increase, and Hong Kong's business community would breathe a sigh of relief.

Don't Hong Kong's people deserve better? Because what they are getting is empty boxes, wrapped in the glittering paper of politics. The Government is dancing a pretty dance, but the people of Hong Kong will soon find out that it is only a solo from the Nutcracker Suite.

But what can Hong Kong do if it is to escape this threat of deficit spending, this sleigh ride down the slippery slope of state paternalism? The Hong Kong Government should beware of this dangerous trend. The presence of a democratic element is not an excuse for the Government to abandon its conservative fiscal approach. Responsible democracy demands that the Government educate people about the prudent use of the public resources, not seek to evade its obligations by pandering to public sentiment.

The Government seems to think that money grows on trees. The Christmas tree that the Financial Secretary delivered is evidence of that. But it also reminds us that for a tree to grow healthy and strong, it must be carefully cultivated and pruned. It must not receive too much water or light, nor too little. Because all the tinsels, and all the coloured bulbs in the world cannot disguise the rot that results from mismanagement. We must make sure that Hong Kong maintains strong, healthy roots before we start decorating its branches.

"Yes my child, there is a Santa Claus". He has a little less hair than you might have imagined, and his first name is Hamish.

And I heard him exclaim
as he sailed out of sight,
Happy Deficits for all,
thanks to spending's new heights.

With these reservations, Mr President, I support the motion.

MR NGAI SHIU-KIT (in Cantonese): Mr President, I believe that the general reaction to the Financial Secretary, Mr Hamish MacLEOD's Budget Speech of 3 March, entitled "Building on Success", is positive and upbeat. The Financial Secretary, by proposing a package of new initiatives in 10 major areas for the infrastructure, higher welfare spending as well as a drastically higher personal income tax allowance and other tax concessions, has undoubtedly painted a picture of a "successful" community. However, it is doubtful whether the idea of the other part of the title of his speech about "building" Hong Kong will materialize.

A deficit has been predicted in the 1993-94 Budget. It is Hong Kong's first deficit budget since 1985. According to the Financial Secretary's projections, the Administration is planning for deficits in each of the years to 1996-97. The Financial Secretary has explained that the deficits are intended to prevent an excessive reserve and to meet the non-recurrent expenditure of the Airport Core Programme. And once the Airport Core Programme has been completed, the Administration will return to balanced budgets.

The Administration has stressed time and again that all the public works projects, including the new Chek Lap Kok airport project, are expected to be completed during the four and a half years of the latter half of the transition period, that is before 1997. Thus looking at 1997 as a deadline or the fated date, as it were, will the Administration be prepared to pay a premium for the completion of the public works projects before this deadline? Having got wind of the Hong Kong Government's anxiety to rush the works, will the contract bidders for the projects factor such anxiety into their tenders and demand a higher price than they would if they used the normal cost-based criterion? Of course, both the Hong Kong Government and the contract bidders can find a hundred grounds for justifying the tender prices. But the facts are plainly in front of us. Will a self-imposed deadline add to the Administration's spending burden? I believe that everybody knows the answer.

We really have reasons to believe that the costs of the public works projects tend to have nowhere to go except up. As the Government's total spending keeps rising, if the Financial Secretary continues to lavishly give away benefits and grant tax concessions, how can the community be assured that the budget deficit will start declining again in 1995-96 so that we will have a balanced budget in 1997 when the transfer of sovereignty takes place? Besides, China and the United Kingdom are yet to reach any agreement on financial arrangements for the new airport. The airport projects have already been delayed time and again. It is doubtful if they will be completed before 1997. Personally, I doubt very much that the deficit budgets will be succeeded by a balanced budget, let alone a surplus budget, in 1997.

Furthermore, the Financial Secretary has said that a deficit budget will help to reduce the excessive reserves. I am indeed astonished at such remarks. Why is the Financial Secretary's philosophy for the financial management this year so much at variance with that in last year? In his speech on the 1992-93 Budget, the Financial Secretary for the first time put forth the argument that money should be salted away to augment our reserves to cope with unforeseen adverse developments. Yet this year he is putting forth a new and different argument, which is that a deficit budget, due to a proposed increase in welfare spending, is justified because the community does not like to see projections of a growing reserve. Where else do you find a government that is so inconsistent, saying on one hand that grain must be stored up against famine but acting on the other hand to exhaust the coffers ostensibly for the short-term good of the man in the street? How strange it is!

When Sir Pier JACOBS was the Financial Secretary, he said in his Budget speech in 1990 that the amount of the reserves and whether it was adequate were a matter of judgment. What then is Mr MacLEOD's basis for judging that the reserves will become excessive? I would like to remind the Financial Secretary Mr MacLEOD that the prospects of Hong Kong's economic development in the coming year are not too rosy. One uncertainty, as even Mr MacLEOD agrees, is whether China's Most Favoured Nation status would be renewed. Besides, unforeseen twists and turns have appeared along the way to the resumption of the Sino-British talks, if any. This has added another uncertainty hanging over Hong Kong in the context of the investment environment. I believe that the Financial Secretary should take it into consideration in drawing up the Budget. Since Hong Kong's economic outlook is so full of uncertainties, how can the Financial Secretary come to the conclusion that Hong Kong will have sufficient reserves for the coming years? I think that the Financial Secretary owes the community a detailed and reasonable explanation.

Mr President, the Hong Kong Government's traditional philosophy for fiscal management is that consideration must be given to Hong Kong's long-term economic and social development prospects. We are now in the latter half of the transition period when discussions between China and the United Kingdom are badly needed to make all kinds of arrangements for the transition possible. Attention must also be paid to whether financial arrangements can make the transition smoothly. In Hong Kong, the financial year begins each year on 1 April. The British Government will withdraw from Hong Kong after 30 June 1997. In other words, the 1997-98 financial year will straddle the rules of two sovereign powers. How should the budget for that financial year be drawn up so that Hong Kong may have a smooth transition? The arrangements that will need to be made are very important. They will greatly affect Hong Kong's economic development and the investors' confidence in Hong Kong. The Administration should address this matter expeditiously.

The Financial Secretary's Budget Speech for the new financial year has dwelt at length on the contributions of the service industries, particularly the financial services, to Hong Kong's economy. But it does not pay enough attention to industry, particularly manufacturing industry. The Administration fails to describe what substantive actions it will take to help industry, and it even reduces appropriations for the Industry Department in the new financial year. One must realize that the Industry Department plays a pivotal role in promoting local industrial development and in supporting our industry. Hong Kong's manufacturing industry is facing threats of competition from various countries in the Asian-Pacific region. In view of this, one would expect the Administration to increase appropriations for the Industry Department so as to strengthen local industry's competitiveness; it should not perversely do the opposite and give no support to our manufacturers.

Not only must more resources be used to help our industrial development, but there is also the need for the Administration to review from time to time the objectives and funding levels of the departments concerned. I will confine

myself to the Industry Department. This department used to focus its effort on helping our manufacturers to increase their competitiveness and productivity, and 70% of the department's fund was spent on this front. The department's spending on encouraging foreign investments in manufacturing has remained at a low level. In the wake of the continuous relocation of Hong Kong's manufacturing concerns to China, more investments have been made in the service industries, which yield higher returns. Local exports have declined steadily. The ratio of re-exports to total exports rose from 34% in early 1980s to more than 70% in 1992. I am deeply convinced that a balanced development of all sectors of the economy is certainly crucial to the overall stable development of Hong Kong's economy. Out of this consideration, I suggest that the Administration, when appropriating funds for the Industry Department, should grant more resources to encourage foreign investment in manufacturing, to promote technology transfers and to upgrade the technical standards of local industry, thus strengthening Hong Kong's competitiveness in exports and making it unnecessary for Hong Kong to put all the eggs in one basket in the sense that we would be too dependent on re-exports for our future economic development. Confining Hong Kong's economic future to a fixed framework will certainly not be in the overall interests of Hong Kong.

Mr President, the 10 major initiatives proposed by the Financial Secretary, plus the accelerated construction of the new airport during the coming year and the increasingly opening up of the China market, are putting a heavy strain on Hong Kong's manpower resources. With the average unemployment rate now standing at 2.2%, it necessitates the Administration indeed to improve the productivity of the local working population. However, the Financial Secretary is going to appropriate only \$150 million in the new financial year for job training; he makes no mention at all of any long-term measure for improving our workers' productivity. Is this the correct approach to Hong Kong's economic development? If we are really to "build on success" as mentioned by the Financial Secretary, I hope that he will give careful consideration to the points raised above and lay down a long-term strategy for economic development, particularly industrial development. After that, he should put forth a more specific philosophy for the fiscal management which will be compatible with Hong Kong's needs during the latter half of the transition period. Otherwise, we will not be able to achieve any more success or build a future.

Mr President, these are my remarks. With the aforesaid reservations, I support the motion.

MR PANG CHUN-HOI (in Cantonese): Mr President, I am basically in support of the 1993-94 Budget entitled *Building on Success*. The Budget this year is more progressive than those in the past few years in the sense that the Government is willing to make commitment to social welfare service. I truly welcome such a commitment. However, the Budget has failed to end the labour sector's concerns.

Inflation

The Financial Secretary has indicated that there are no surefire ways to control Hong Kong's high inflation but maintained that a tight labour market remains the biggest constraint on our economic development.

It is well known that the labour sector is always the first to bear the brunt under persistently high inflation and this means an increase in living expenses to them. Relevant government officials have revealed that a review will be carried out and hinted that the General Labour Importation Scheme may be further relaxed. To the labour sector, this is particularly shocking. We have at the moment 25 000 imported non-technical labourers in our market competing for jobs with local grassroots workers. It will be plainly unfair to the labour sector if we employ means such as the suppression of wage increase and importation of labour to curb inflation.

I would like to stress once again that inflation has already eroded the quality of living of our working class. The Government should no longer try to stem inflation at the expense of the interests of the lower and middle classes. The labour sector had in the past repeatedly voiced their dissatisfaction about the Government's General Labour Importation Scheme and even established a strike fund to this effect. I earnestly urge the Government to listen to the voices of the grassroots rather than insisting on going its own way.

The present unemployment rate has already gone up to 2.2%. With more and more manufacturers and some large-scale service companies having their factories or offices relocated to Mainland China, it will certainly deal a blow to the local workers who would find it more difficult to get employment. The Government should pay particular attention to these issues.

Retraining Scheme

Although the Government has injected \$300 million into the Employees Retraining Fund, it is regrettable that only 386 employees have successfully completed their retraining up to the present. In view of such progress, it seems that the stated target of retraining 10 000 workers in 1993 is difficult to attain. Furthermore, the employment rate of retrained workers is unsatisfactory and many are employed to do jobs irrelevant to their retraining.

Despite the fact that local industry has undergone a transformation in recent years, the Government has provided extremely little guidance to workers, leading to a situation where there is work available but no workers and, in some cases, there are workers but no work for them. The Government embarked on the retraining scheme at the end of last year in a bid to assist workers to switch trade. Unfortunately, the scheme is not well thought out and offers little assistance to the aged and lowly educated workers. Furthermore, with the labour importation scheme now in place, employers in general will certainly prefer employing imported labour and tend to impose harsh entry

requirements on local workers. I would like to propose that while allowing employers to employ imported labour, the Government should also provide that an equal number of retrained workers be employed by the same employers as well so that local manpower resources may be better utilized.

Rates

The Financial Secretary has made it clear that he is not going to propose any increase in the general rates percentage charge in this financial year. Nevertheless, rates revaluation will be conducted this year and come into effect on 1 April next year.

I have been stressing time and again in this Council for years that rates have significant impact on people's livelihood because whether one is living in public housing or in one's own premises, one has to pay rates. An increase in rates will cause an increase in rents accordingly, thus adding burden to the people. Although rates are a stable source of public revenue, the Government should ensure that rates should not take up too high a proportion in tax revenue in order that people's livelihood would not be affected.

Sandwich Class Assistance

I am not against the proposal by the Government to render assistance to the sandwich class but I feel that it is inappropriate to spend \$2 billion to benefit just 3 000 families. Under the prevailing political climate, a definite date has yet to be fixed for the next round of meeting of the Land Commission. And it is still anybody's guess whether land would be granted especially for the sandwich class. In this connection, if the Government goes its own way and spends a huge amount of public money to assist 3 000 families but the necessary land is not forthcoming, then how much more it has to pay out of public money to meet the needs of the other thousands of sandwich class families? As a matter of fact, the right thing the Government should do is to provide low-interest loans to the sandwich class so that more families will be benefited without straining the public purse.

Furthermore, I do hope that the Government will show more care about the poor people among us. At present, there are still 180 000 families with over 500 000 people on the public housing Waiting List. Many people are living at temporary housing, squatter huts or caged apartments with poor living environment. And immediate improvement is needed. These people are indeed more in need of government assistance than the sandwich class. The Government, while bringing relief to the sandwich class, should also allocate resources to solve the housing problem of these miserable people as soon as possible.

In recent days, real estate developers and those from the banking sector have been repeatedly pressing the Government for the relaxation of the 70% mortgage ceiling. I am strongly against it. If the Government is to relax the

mortgage ceiling, speculative activities are most likely to revive and it would fuel inflation. In this case, it will be running counter to the Government's twin targets of subsidizing the sandwich class and combating inflation.

Relief from Hardship

The Financial Secretary has proposed to make a \$100 million grant for sufferers of pneumoconiosis who contracted the disease before 1 January 1981. However, the 600 eligible sufferers can each receive a monthly grant of only \$1,800 which is entirely insufficient to meet the daily necessities in view of today's high living standard. At any rate, the medical expenses, travelling expenses of this group of workers who suffer from the incurable occupational disease are usually higher than the average people. This group of unfortunate people had their share of contribution to the construction of Hong Kong's physical infrastructure projects. It is incumbent on the Government and the community to give them all the possible assistance.

Conclusion

In conclusion, I have to say that the Budget this year is well received by the public. Although the basic tax allowance for a single person is lower than the \$65,000 I proposed to the Financial Secretary in mid-November last year, it is after all a relatively large increase as compared to that of last year. Meanwhile, the tax bands are widened so that over 90% of the taxpayers could benefit from the adjustments. Nevertheless, I hope that when allocating the fruits of our success, the Financial Secretary will pay more attention to the lower and middle classes in order that they can really enjoy the fruits of our success. We should not ever let inflation eat away what they deserve to enjoy.

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

MR SZETO WAH (in Cantonese): Mr President, the present Budget is flawed in various ways. But it is an improvement compared with the budgets of the past years. It is more positively responsive to the wishes of the community. What made this happen?

Firstly, Hong Kong's economy has registered vigorous and sound performance. The Government has gained ample financial resources on such a basis. This is clear from the huge surplus last financial year and this. It is anticipated that our economic outlook, too, is encouraging. This is the material basis for the Budget. A budget without such a strong basis is like making a silk purse out of sow's ear, so to speak. Without such a sound economic position, nobody can lavishly give away money to win people's hearts. He will have no capital to do so. The honour and the credit for the creation of the solid foundation belong to people of Hong Kong as a whole, including investors, high-level managers, mid-level technicians and low-level labourers. All strata from the top down have made contributions. During the past year, Hong Kong

experienced frightening political storms. But our people remained calm despite the turbulence. The violent political storms did not slightly dampen their positive spirit and change their forward-looking attitude as they went on producing, working and serving. Hong Kong should be proud of its people.

Secondly, what happened was the outcome of the development of the democratic system of government. A government with ample financial resources is not bound to give a greater or more positive response to the views of the community. It can be likened to a situation where you have to squeeze the tube hard to get tooth paste out of it though there is tooth paste in the tube. In September 1991, Hong Kong held the first direct election in its history and elected 18 Legislative Councillors. They and the 21 Legislative Councillors elected by the functional constituencies together raise the proportion of elected Legislative Councillors to more than 50% in the Council. This led to a qualitative change to the Legislative Council. The squeezing pressure to get tooth paste out of the tube greatly increased. One may probably remember that, when last year's Budget was put before this qualitatively different Legislative Council, the authorities, while ignoring the political situation, met with unprecedentedly strong opposition and received an unprecedented number of nay votes. Finally, the Budget was endorsed only when the authorities reluctantly withdrew the proposal to raise rates. The proposal to raise rates was withdrawn, but the surplus of the passing financial year is still a huge \$20.5 billion, is it not? Evidently, when the Legislative Council stood up against higher rates, they were not only reflecting the views of the people but also doing the right thing. Judging from what happened, from the Administration's withdrawal of last year's proposal to raise rates to this Budget in its present form, the multitudes of people at the middle and lower strata should have a clear idea about the relationship between democracy and livelihood. There are those who once shouted the slogan, "We want rice tickets; we do not want ballot tickets." They should no longer try to deceive others because it would only end in deceiving themselves and stop using the same old slogans in new disguise.

Thirdly, we should praise the Financial Secretary, Mr MacLEOD. He humbly learnt a lesson from the way how last year's Budget was passed. Then he drew up the present Budget. As a Chinese saying goes, "To err is human; to correct a mistake is the greatest good". He began to correct his mistake when he withdrew the proposal to raise rates in last year's Budget. After that, he kept in close touch with all concerned parties (including Legislative Councillors of different political persuasions), listened to their views again and again and then drew up the Budget for the new financial year. I believe that no other Financial Secretary ever did this before. I do not care why he did it, whether he had to do it because of the circumstances or whether he chose to do it. He will have our support if what he did is good for Hong Kong and the people of Hong Kong. I suggest that all senior officials, including even the Governor Mr Chris PATTEN himself, learn from Mr MacLEOD. I also hope that Mr MacLEOD will keep up the good work and do even better.

As I said a moment ago, the present Budget is still flawed in various ways. The United Democrats of Hong Kong (UDHK) has launched a signature campaign, calling on people to support its continued demand for:

1. A higher personal income tax allowance of \$70,000.
2. A higher basic allowance of \$1,850 under the Public Assistance Scheme.
3. Bringing pre-primary education gradually into the scope of fully subsidized education.

Other Legislative Councillors of the UDHK will be discussing these three points in detail. I would simply like to say a few words about the housing problem of the sandwich class.

We support the appropriation of \$2 billion on that front. But we are against the scheme for the use of the fund as has been preliminarily disclosed by the authorities, which can be described as one that means well but is poorly conceived. It will have a very bad consequence. Probably unintended by the authorities, it will create and incite class contradictions. Within the sandwich class, there will be contradiction between those who are subsequently granted the subsidy and those who are not. There will also be contradiction between the sandwich class and the lower classes. There are already too many contradictions in our community. It will be very ill-advised of us to create more contradictions. The UDHK has proposed an interest-free loan scheme. The authorities are urged to give it serious consideration.

Mr President, Legislative Councillors of the UDHK will listen to officials' responses before deciding what position to take. I so submit.

MR TAM YIU-CHUNG (in Cantonese): Mr President, the Budget the Financial Secretary delivered on 3 March differs in one significant respect from the previous Budgets. It seems that the Administration is very optimistic about the economic prospects of Hong Kong and the fiscal reserves, so much so that the Administration will have more money at its disposal. But is the economic outlook on Hong Kong really so rosy? The truth is that, because the Governor insisted on gazetting his constitutional package the other day, the Sino-British talks are now at an impasse. I am afraid that, unless the British side initiates something positive, future Sino-British co-operation will be greatly jeopardized, with the result that any attempts to resolve issues which require co-operation between the Chinese and the British Governments during the latter half of the transition period will be stalled. Right now, Sino-British relations are at a low ebb on account of the dispute over the constitutional package. It is certain that the confidence of the people of Hong Kong and of foreign investors in the territory's ability to make the transition to 1997 smoothly has been greatly affected. While we do not want to see such a crisis of confidence impinging on

Hong Kong's economy, a dark shadow has undoubtedly fallen upon Hong Kong's heretofore bright economic prospects. This is something that the Administration must recognize and face squarely. Therefore, the Financial Secretary is being over-optimistic if, in his assessment of Hong Kong's economic prospects, he has not taken the possible political impact into consideration.

In view of the above, I would like to explore a bit the question of what the impact would be if Sino-British relations should remain as poor as they are now. I believe that there will be an impact first of all on the progress of the Port and Development Strategy programme. And it is quite probable that the core projects of the new airport will not be completed before 1997. The setting back of the infrastructure projects is bound to affect Hong Kong's economic development in the next few years. However, the Budget has not provided a detailed analysis of this. It does not even allude to the immensely costly new airport project. Nor does it explain the Administration's financial arrangements for the core projects of the new airport or provide a separate list itemizing all the expenses related to the core projects. This is disappointing.

The Financial Secretary is of the opinion that the Administration has relatively adequate reserves at its disposal. But I am very doubtful of the veracity of the Administration's total reserve balance. For example, the Financial Secretary has said that the Administration has run a surplus totalling \$20.5 billion in the 1992-93 financial year, exceeding by \$13 billion over last year's forecast of a \$7.5 billion surplus. However, \$6 billion out of this \$13 billion excess is the result of delays in infrastructure projects and the money will have to be disbursed in the coming years. Therefore, the Administration's real reserves are indeed not so ample.

Yet, despite the not-so-ample reserves and the increasing uncertainties about Hong Kong's economic outlook, the Financial Secretary has said that the budgets for the next few years will all be deficit budgets. This is indeed a matter of concern. Particularly noteworthy is that the public sector non-recurrent expenditure will increase significantly in the next few years. The Administration must exert effective control over the expenditure of non-recurring items and monitor their growth, lest bloated expenses worsen the deficits and aggravate inflation.

Now that we have mentioned it, inflation is a disturbing problem. The Financial Secretary stresses time and again that inflation must not be taken lightly. But it appears that he is unable to come up with any specific effective measures against inflation. It appears that he is giving up on inflation. This is disappointing. What is even more regrettable, however, is the Financial Secretary's attribution of inflation to the inadequate supplies of manpower and land. I think that there is no necessary correlation between inflation and manpower shortage in Hong Kong. In 1991, when Hong Kong had a double-digit inflation rate, the unemployment rate was approximately between 2% and 2.5%. When the inflation rate began coming down in the latter half of 1992,

the unemployment rate did not follow suit. It is indeed very unfair of the Administration to blame manpower shortage for inflation, as it often does. According to many of my trade union friends, since January 1993, many workers, particularly in the construction industry, have been under-employed and in a semi-unemployed state. If the Administration uses the fight against inflation as a justification for importing foreign workers, this will certainly deal a harden blow to the livelihood of Hong Kong workers. I really hope that the Administration will stop blaming the working class for inflation but take a proper look at the true cause and introduce effective to contain it.

Apart from being apparently unable to identify any effective measures to tackle the inflation problem, the Budget is very much to be criticized for failing to answer the question of how the tax system can be improved to narrow the gap between the rich and the poor. Hong Kong's present tax system is not effective enough to perform the function of equitably redistributing wealth. As a result, the Gini Coefficient has kept rising. The Financial Secretary now proposes to adjust salaries tax allowance upwards to \$56,000. Though this is a rather big adjustment in terms of percentage, yet it is, after all, an increase from a base that is rather small. Therefore, I think that, if we are really to lighten the tax burden of the man in the street, the personal tax allowance should be raised to \$70,000, as suggested by the Hong Kong Federation of Trade Unions. Furthermore, for further lightening the tax burden of the people, I suggest that the Administration should revise the existing progressive rates. The tax band should be \$20,000 at each level. The progressive rates could be on a scale ranging from 2%, 6%, 9%, 15%, 17% and finally to 25%. In this way, the progressivity for our taxation will be more reasonable and the people in certain income groups will not have to bear an excessive tax burden.

Lastly, I would like to talk about the proposal in the Budget to appropriate \$2 billion for sandwich class housing. The Administration at present has not yet finalized this huge subsidy scheme. I therefore suggest that the Administration should consider giving those sandwich class families who are first-time home-buyers a tax exemption with regard to mortgage payments. In practical terms, in computing their salaries tax, individuals or couples of such families should be allowed to claim the annual mortgage payments on their homes as "tax-deductible expenses". In this way, they will pay less tax and have more money for meeting the mortgage payments. There are more than 40 000 such sandwich class families in Hong Kong. Of course, not all of them can be benefited from the scheme at once due to limited public financial resources. I think that the Administration should accord priority to families with the greatest difficulty in buying homes. Such families should be given tax allowance first. According to the Census and Statistics Department, between 40% and 50% of the sandwich class families are those with four or five members. Generally speaking, such families have a greater need for, and a greater difficulty in buying, their own homes. Therefore, the Administration should begin by helping these families. Next will come the turn of families of two or three.

In fact, the sandwich class is not the only social group in Hong Kong which is confronted with a housing problem. So that more people may live and work in peace, I suggest that the Administration should allocate more operating funds to the Housing Authority. For instance, the Administration could consider increasing the Housing Authority's permanent capital, waiving the 5% interest charge on the Housing Authority's permanent capital for a number of years or even reviewing the Government's share of the Housing Authority's profits derived from non-housing activities, changing it from the present 50% to the previous 40%. In this way, the Housing Authority will have more funds and be able to speed up the construction of public housing and to set public housing rents at a more reasonable level.

Mr President, the Budget before us is much less controversial than that last year. The controversy, if any, it kicks up pales in comparison with the controversy over the constitutional package. The Budget will win the endorsement of this Council easily. However, as I said at the beginning, the Financial Secretary has a heavy responsibility on his shoulder for how Hong Kong's economy will fare.

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

MR ANDREW WONG (in Cantonese): Mr President, in connection with the Financial Secretary Mr Hamish MacLEOD's second Budget, I have organized six forums for the residents of my New Territories East constituency. From what the residents said and how they responded, I have found that the 1993-94 Budget is very popular and deserves to be supported. I expect that the Budget will sail smoothly through the Legislative Council.

But nothing is perfect in this world. The 1993-94 Budget has its imperfections on certain fronts. In the following, I will briefly offer some of my more critical comments and I hope that the Financial Secretary, as well as the Administration, will learn the lessons and avoid the mistakes next year.

Firstly, salaries tax. The Financial Secretary has proposed to raise the personal allowance by 22% from \$46,000 to \$56,000. This means that a "working stiff" earning a mere \$4,670 a month is already caught in the tax net. Is it not absurd to require him to pay tax since, at the present cost of living, a person earning \$4,000 or so a month is barely able to make both ends meet? I suggest raising the personal allowance to \$72,000, meaning that a person has to pay tax only if he earns more than \$6,000 a month. This undoubtedly will narrow the tax net and reduce the Government's tax revenue, but it is the only right thing to do. I think that the salary tax net should be narrowed to catch only about 30% of the working population in order that tax administration may be cost-effective. Tax officers will then be freed for the fight against tax evasion and tax fraud so that justice can be achieved. If anybody should say that it is unfair for 30% of the working population to pay all the taxes, I would like to remind him that there is one tax that everybody in Hong Kong must pay,

namely, the rates. It is paid by the home-owner and the tenant as well, unless the landlord pays it for his tenant and then adds it to the rent. Nobody can evade this tax. Everybody is already discharging his obligation as a citizen. There is no free lunch or free ride.

Secondly, the Financial Secretary has been so generous to propose an abolition of the duty on cosmetics. How many consumers will be benefited? And how much dealers in cosmetics will gain from the removal? Many people consider the proposal to be a flowery trick. They want to know: Why does the Administration see it fit to increase the duty on fuel, which bears on the everyday life of all people, while removing the duty on cosmetics? I am also at a loss. The Financial Secretary has said that the abolition of the duty on cosmetics will benefit tourism. I cannot but ask: What about the duties on tobacco and alcohol? Are we to assume that smokers and drinkers, who are endangered species, really must be further hunted down instead of being given protection? As everybody knows, alcoholic drinks are more expensive in Hong Kong than they are in Europe, the United States or Australia.

Thirdly, social security. The Financial Secretary translates into action the ideas that were outlined in the Governor Mr Chris PATTEN's policy address of October last year. But why make 1 July the effective date? Why not 1 April? One wonders if it has to take more than four or five months to draw up that new Comprehensive Social Security Assistance Scheme. Another thing is that it is probably misleading to say that the monthly amount of public assistance to a singleton will be raised to \$2,000. What the community calls for is to raise the basic monthly amount to about \$2,000, and the total amount would be about \$3,000 when other kinds of allowances are incorporated into it. To the unemployed, be they elderly, infirm, disabled or handicapped, \$3,000 a month is barely sufficient to make both ends meet. Hong Kong is an affluent society already approaching the United Kingdom and Australia in terms of *per capita* income. Should we treat the unfortunate among us in such a way? Do we feel no compassion? A benevolent government, may I say, would set the priorities of administration as follows: "The Government should act to relieve people's sufferings before increasing their pleasures."

Fourthly, the sandwich class housing. It has been revealed in the Budget that \$2 billion of the \$3.4 billion budget deficit is set aside to run this housing programme. I am not saying that no money should be spent on that front. But my concern is its cost-effectiveness, given that \$2 billion is enough to help only 3 000 families. Is this worthwhile? Why not build more Home Ownership Scheme flats? Why not introduce a scheme to make mortgage interests tax-deductible or, in Mr PANG Chun-hoi's words, why not make mortgage payments tax-deductible and achieve the goal of helping the middle class to buy their own homes by taxing them less instead of spending more on them? There are many viable alternatives. Why stick to an idea that is not cost-effective and that cannot really solve the problem? I wonder if the point is to win the support of those Legislative Councillors who put forward the idea for the Budget.

Fifthly, medical and health services. A report reviewing the community-wide availability of hospital beds was published in mid-1992. Community-wide, there were on average 3.8 hospital beds per thousand of the population. On Hong Kong Island, the ratio was 4.5 hospital beds per thousand people. In Kowloon, it was four per thousand. In New Territories West, it was 3.8 per thousand. In New Territories East (including New Territories North), the ratio was the lowest of all, being only 1.9 per thousand.

The Financial Secretary has announced that a hospital in North District with 600 beds will be built in New Territories North and it will be completed in 1997. Meanwhile, Nethersole Hospital of Tai Po will be completed in 1996. With the population growing rapidly, the completion of North District Hospital will still leave New Territories East with a low ratio between hospital beds and population. Besides, both hospitals will be situated quite close to New Territories North and it will be inconvenient to the residents of Sai Kung and Tseung Kwan O. I think that a general hospital in the new town of Tseung Kwan O should be built as a matter of urgency.

Sixthly, transport. The Financial Secretary has intended to spend \$4 billion on the construction of Route 3. I think that this is a correct decision. Improved transport facilities in New Territories West will also help to ease traffic jam on Tolo Harbour Highway in New Territories East. The project, however, will not be completed until 1997 or 1998. It does not help the pressing problem of today. I therefore think that a major highway running from Sha Tin to Kowloon West — Route P16, I think — should be built quickly. With regard to rail transport, an extension of MTR serving Tseung Kwan O and an LRT or a KCR extension serving Ma On Shan, Sha Tin and Diamond Hill are two essential projects. Here, I urge the Administration to make a decision to build them first in its overall study of rail transport in the coming year.

Mr President, I have more critical comments to make but I do not intend to be verbose here. Allow me to repeat, "A government should act to relieve people's sufferings before increasing their pleasures."

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

MR MARTIN LEE (in Cantonese): Mr President, two weeks ago, Mr MacLEOD delivered in this Council his second Budget speech as Financial Secretary. Some now describe him as "the March Santa Claus" who showers the people at all strata with gifts, spending the huge \$20 billion surplus of the preceding financial year. The Financial Secretary, who is not the immortal "WONG Tai Sin", has failed to satisfy everybody who has a wish list. But he has given everybody something to the extent that is possible. Others in the community are critical of what the Financial Secretary does. They say that the Administration, by generously giving away money, is bowing to the pressure of political parties in the Legislative Council lest the passage of the Budget be

obstructed later on. They think that, though the Government is well supplied with money, the Administration should let surpluses accumulate in the Treasury for the long-term good and should not generously give away free gifts and cause the Budget to be in the red next year. The United Democrats of Hong Kong (UDHK) cannot identify with either of the two kinds of comments above. We cannot accept either of them because our principle for the management of public finances is "what is taken from the people is used in the interests of the people." Some people disregard the present needs of the community; they insist that the Administration should place our long-term interests in the forefront and cut spending even when there is money to spend and there is a need for it to be spent. Also, the UDHK does not agree that the Budget is really an attempt to shower the people at all strata with gifts, as some allege. If we examine the Budget proposals in detail, we will see that the real benefits for the sandwich class, the grassroots or the helpless at the lowermost stratum of society are not as substantial as they appear to be. Members of the UDHK will elaborate on these points later on. The UDHK is a political party which has its roots in Hong Kong. In evaluating the Budget, the following basic criterion will be applied by the UDHK: Will the Budget help to improve the quality of life of the people and be conducive to our economic development? I note in particular that Hong Kong has run a combined surplus of over \$40 billion in the past two financial years, far more than originally estimated. The surplus should have been spent long ago to improve the quality of life for the whole community. Before I explain why the Budget does not meet this criterion, I will first discuss the procedures and methods used by the Financial Secretary in drawing up the Budget. I do this first because the methods used in drawing up the Budget directly influence its tone and contents. Before drawing up the Budget, the Financial Secretary did something unprecedented. He extensively consulted different political factions and independent Members of this Council. The UDHK finds that to be positive and admirable. This different approach of the Financial Secretary shows the effects of the democratization of the political system, that is, it helps to safeguard the interests of the people. Because there are directly elected Members in this Council, the Administration cannot but consider the views of these representatives of the people in drawing up the Budget, which affects the everyday life of the people. I think that so long as the directly elected Members faithfully reflect the views of the people, the Administration should consult them fully before drawing up the Budget. This is not yielding to political pressure. On the contrary, it shows the Administration's openness and accountability. Therefore, I think that the Administration's methodology and approach in drawing up the Budget this time are more important than any particular appropriation proposed in the Budget. I will now give some examples.

Firstly, the Administration acknowledges for the first time in the Budget that housing is a long-standing problem of the sandwich class in Hong Kong. The Administration proposes to make a payment of \$2 billion to the Housing Society to help 3 000 families.

Secondly, at the request of Hong Kong's tourist and cosmetics industries, the Financial Secretary agrees to abolish the 30% duty on cosmetics.

Thirdly, at the strong request of Members, the Financial Secretary agrees to expand the Kindergarten Fee Remission Scheme.

It can be seen from the above that a democratically oriented political system helps to make life easier for the people. But I must stress that the Budget for the new financial year, while it accommodates some of the views and wishes of the people, has not gone far enough. For instance, the personal allowance of income tax has not been raised to \$70,000. The Public Assistance has also not been increased to an amount sufficient to meet the minimum living standard and the salaries of kindergarten teachers will still not be directly subsidized. I think that the Administration has the means to do more for the people.

During the past two years, while the global economy was in recession, Hong Kong's economy gave an above-average performance. The result was a lot of money going into the Treasury. Many in the community ask critically why the Administration wants a deficit budget when our economy is in a period of robust growth. I would like to reiterate that it is customary for Hong Kong's Budget to be made in the following manner: Government departments will plan their expenditure levels based on the economic growth forecast for the coming year. Then, the revenue from each source is assessed. Finally, the decision is made on how much revenue to collect.

A small surplus was allowed in the Budget of each of the past few years. However, the economic growth rate turned out to be much faster than had been anticipated. Revenue from land sales, stamp duty on stock transfers and so forth, far exceeded the original estimates. The result was a much bigger actual surplus. The combined surpluses of the past two financial years were a huge \$40 billion. This money, which came from the people, should be spent on the people. However, during the past two years, the Administration did not properly use the surpluses to improve the quality of life for the people or to help to make life easier for the grassroots. Indeed the low-income group in Hong Kong has been denied of the fruit of economic growth. The Administration cannot shirk its responsibility in this regard.

Previously, when we criticized the Administration for not doing sufficiently for the people, the Administration invariably cited "the limited size of the pie" as the reason for not spending more money for furthering policies that would improve the quality of life for the community. Then, this huge surplus, again larger than expected, showed up in the out-going financial year. Clearly, we now have one more piece of pie in front of us. Are we to assume that we cannot share this extra piece of pie? I find that the Administration has no reason whatsoever for refusing again to make a greater commitment concerning the various social services that directly affect people's livelihood or to set the personal allowance of the income tax at a higher level.

Actually, experience has told us that the Administration tended to err on the safe side when predicting that there would be a small surplus or a large deficit. Therefore, though the Administration is now predicting a \$3.36 billion deficit in the Budget for the coming year, there may be a surplus at the end when all the figures are in. Therefore, we feel that the Administration can do more for the people.

We must understand that, behind the surface of economic prosperity, there exists a serious problem of income disparity in Hong Kong. According to the 1991 census, the income of the top 20% of Hong Kong's high-income families accounted for more than 50% of aggregate household income in Hong Kong and the income of the top 10% of Hong Kong's high-income families accounted for 37% of aggregate household income. On the other side of the coin, the income of the bottom 10% of Hong Kong's low-income families accounted for only 1.3% of aggregate household income. Nor is this all. Successive censuses have revealed the worsening problem of income disparity. Since 1976, as a percentage of aggregate household income, the income of the bottom 10% of Hong Kong's low-income families has been falling every year except 1988, when it rose slightly. In 1976, the percentage was 1.9%. In 1991, it was 1.3%. In contrast, as a percentage of aggregate household income, the income of the top 10% of the high-income families has been rising steadily, from 33.6% in 1976 to 37.3% in 1991. In face of such unhealthy statistics, the Financial Secretary should use the Budget to deal with the underlying problem. But let us see if he has done it or not.

Firstly, with regard to tax concessions, the Financial Secretary has proposed an increase in the personal allowance from \$46,000 to \$56,000. This is ostensibly a 22% increase. One cannot help but ask: Can a person earning \$56,000 a year, or \$4,600 or so a month, afford the basic needs of life? According to the 1989-90 Report of the Census and Statistics Department on household spending, the *per capita* spending on the needs of life, including housing, food, fuels, electricity, clothings and transportation, was already at the \$5,500 level at that time. Clearly, now, three years later, a monthly salary of \$4,600 or so is simply not enough to meet the basic living expenses. The Administration should not set the personal allowance at such a low level. Using the 1989-90 standard figure mentioned above and adjusting it for inflation, we find that the personal allowance in the 1993-94 financial year should be \$70,000 and not the \$56,000 as proposed by the Financial Secretary. In other words, a person should be required to pay salary tax only if his monthly income exceeds \$5,800, as opposed to the \$4,600 set by the Financial Secretary.

With regard to the public expenditure, the UDHK similarly thinks that the Administration has not increased public spending sufficiently to improve our livelihood. Let me give some examples.

Firstly, the group of people at the lowermost stratum of society are very much in need of help from the Government. Now the Financial Secretary has proposed to increase the standard rate of Public Assistance to \$1,035 with effect

from 1 July 1993. But the UDHK has calculated that, with the 1971 Public Assistance amount as the base, if adjustments for inflation and economic growth in real terms are added, the amount this year should be \$1,850. The amount proposed by the Administration is simply not enough for helping these people to solve their living problem.

Secondly, the Administration finally recognizes the housing problem of the sandwich class and \$2 billion will be appropriated for meeting short-term needs. However, the UDHK has great reservations about how this \$2 billion will be spent. Mr LEE Wing-tat, a member of the UDHK, will go into detail about the problem later on and will put forward the UDHK's specific suggestions.

Personally, I would like to use this opportunity to bring up the issue of vehicle registration No. 1, which belongs to Mr LI Kwan-ha, the Commissioner of Police. Recently, vehicle registration No. 2, which belonged to the Financial Secretary, was sold by auction and fetched \$9 million or so for the Lotteries Fund. I think that that was a good deed. Actually, I raised the matter five years ago with the then Financial Secretary. The Commissioner of Police should follow the example of the Financial Secretary and let vehicle registration No. 1 be sold by auction soon. In the final analysis, the vehicle registration number is not his private property. It is public property. Mr LI has absolutely no right to hold on to it permanently. Here I urge the Administration to persuade him to give up that vehicle registration number and to let it be sold by auction as early as possible. (However, I will not be bidding for it.)

I am also greatly concerned about the spending on the Vietnamese boat people. First of all, I must point out that Hong Kong is under no obligation to spend money on defence and diplomatic affairs. Spending on such affairs is the business of the sovereign power. It is so before 1997; so will it remain after 1997. Spending on the Vietnamese boat people is one item of such expenditures. Since 1979, the Hong Kong Government has spent 7.6 times more on the boat people and refugees than the British Government has. Various countries recently reduced their donations to the Office of the United Nations High Commissioner for Refugees (UNHCR). The result is that the UNHCR is now still owing Hong Kong \$696 million. I think that, even if other countries refuse to donate, the United Kingdom will remain obligated to increase its contributions to the spending on the Vietnamese boat people. If the United Kingdom continues to refuse to increase its contributions, we should review our position with regard to the bilateral defence spending agreement between Hong Kong and the United Kingdom. This point has been made clear by the newly published Report No. 19 of the Public Accounts Committee. Hong Kong now pays 65% of the total defence bill, while the British Government pays only 35%. I personally find this ratio unacceptable. It should be reviewed to make the British Government pay at least 50% of the defence bill.

Lastly, I would like to put forth a new proposal concerning the rights of the elderly. My proposal will enable all the old people in Hong Kong to be paid

back by the community. I suggest that a "senior citizen card" be introduced and issued to every person in Hong Kong who is aged 65 or over. By producing this card, an elderly person receives preferential treatment in all matters having to do with clothings, food, housing and transportation. Examples are half fare for rides on public transport, half-price cinema tickets and discounts in shopping. I must emphasize that the "senior citizen card" is a right of the elderly, not a welfare benefit. What they will get is just some repayment for the contributions that they made in the past. Actually, the same idea has long been put into practice in many foreign countries. I think that, in Hong Kong, the "senior citizen card" should be issued by the Government or by a voluntary agency.

There are now 490 000 elderly people in Hong Kong who are at the age of 65 or above 65. If one card costs \$12 to make, the initial capital needed for implementing the scheme is \$6 million. This money may come from the Treasury, the Jockey Club or a big institutional sponsor. I hope that Mr President, who is the Deputy Chairman of the Jockey Club, and Mrs Elizabeth WONG, the Secretary for Health and Welfare, will actively promote the scheme. I believe that all the elderly people of Hong Kong will thank you for this.

We have already made preliminary contacts with some institutions. The response of Kowloon Motor Bus Co., for instance, is quite positive. I hope that the scheme will be launched soon for the benefit of the elderly.

Mr President, "what is taken from the people is used in the interests of the people" is the principle the UDHK suggests that the Administration should adhere to in drawing up budgets. The Administration has now accepted some of the views of the Members and put forth some spending and tax cut proposals beneficial to the citizenry. However, the Treasury has an abundance of money thanks to the huge surpluses of the past few years. Under these circumstances, the Administration really must produce the hidden piece of pie and let it be shared so that our living standard may further be improved.

Mr President, these are my remarks.

MR LAU WONG-FAT (in Cantonese): Mr President, as far as I can remember, the Budget Debate has in recent years never taken place under such circumstances when the Sino-British relationship has turned so sour over the Hong Kong issue. Some people hold that politics and economics could be separated in the context of international relations and political rows should not affect economic co-operation. However, can we really find such an ideal situation in reality?

If the Sino-British row over the political issue escalates, it seems that, under such circumstances, the economic and trading relationship between them will inevitably become strained. We, the people of Hong Kong, are even more

concerned over what harmful effects the Sino-British row would do to Hong Kong in political and economic terms. If the foundation of mutual trust and co-operation between China and the United Kingdom is ruined, how can we expect any material progress in some of our major infrastructure programmes such as the new airport project and numerous economic issues to be addressed by the Sino-British Joint Liaison Group and the Land Commission? If the row over the political reform cannot be resolved satisfactorily, there will be no convergence for our political system and Hong Kong people, whose opinions are already divided, may even confront one another. As a result, the political stability of Hong Kong will be substantially undermined. If we really come to such a situation, how can we maintain the investors' confidence?

In the Budget for 1993-94 and the Medium Range forecast, the Financial Secretary, Mr Hamish MacLEOD, expressed his concern over issues such as inflation and China's Most Favoured Nation (MFN) status with the United States. Yet, he did not make any comprehensive and realistic assessment of the possible escalation of the Sino-British row stemmed from the proposed political reform for Hong Kong and the consequent impact on Hong Kong's political and economic development. My concern is not unfounded. All people with discerning eyes can see that the Sino-British row has come to a very critical stage. Financial officials, if ignoring this factor, would most likely make some significant mistakes in their preparation of the economic forecast and indeed the Budget. For this reason, I hope that the Financial Secretary would seriously consider a reassessment of Hong Kong's Medium Range Forecast, the Government's financial philosophy and, in more substantial terms, the major infrastructure projects and then make some necessary adjustments or formulate some contingency measures.

Mr President, the Financial Secretary has forecasted a budget deficit for the new financial year of \$3.4 billion and he is even planning for deficits in each of the years to 1996-97. As regards such a decision, I feel very worried and have strong reservations. Hong Kong will have to face a lot of uncertainties especially during the latter half of the transition period when China and the United Kingdom try to make things difficult for each other. As the saying goes, we should make provisions before trouble occurs. In my opinion, a prudent and moderate budget would be more compatible with the needs of Hong Kong in the next few years.

A very practical question is how the Hong Kong Government, in view of the political uncertainties ahead, can ensure that there will be sufficient revenue, especially proceeds from land sales, to enable us to maintain an adequate level of reserves on the one hand and meet contingency needs even when we are lavishly spending our money on the other. If the Government is not sure whether it can accomplish this but still bent on planning for deficits in the next few years, I must say that the Government acts very irresponsibly and indeed ignore Hong Kong people's interests.

Furthermore, we should not overlook how the Government's high expenditure policy has been contributory to Hong Kong's persistently high inflation. Although the Financial Secretary, in the Budget, has discussed the inflation issue in great length, it is really disappointing to find that he fails to offer any practical and effective solution. Under such circumstances, I am afraid that the high expenditure policy now pursued by the Government would add oil on the flames in the context of our high inflation rate.

As regards the surplus, I still remember I pointed out in last year's Budget Debate that it was no good for the Hong Kong Government to have such astonishing difference between the estimates and the actual surplus. This does not only undermine the Government's prestige in the management of public finance but may also directly affect its formulation of measures relating to revenue and expenditure. At that time I expressed my hope that Mr Hamish MacLEOD could set a good precedent by breaking with the tradition of having such a huge difference between the estimates and the actual surplus. However, to my dismay, things turned out contrary to our wish. He has revised this year's Budget surplus to \$20.5 billion, which is several times greater than the original estimate of \$7.5 billion.

I agree that it is not easy to make an accurate forecast of the surplus. But if the forecast is always so very different from the actual surplus, it will not be regarded as a reliable and good reference. Then what is the point of making such a forecast? It will certainly become a laughingstock at the end of the day. In addition, this development will very likely arouse public concern. They will suspect whether the Government is deliberately underestimating the surplus to be accrued in order that it could justify its taxation and expenditure policies. All in all, I think the Financial Secretary can do something to achieve some improvements in this respect so that the public would not be misled. The problem faced by Mr Hamish MacLEOD this year, of course, is to make a comparatively accurate forecast of the deficit instead of the surplus. I heartily hope that the deficit will not turn out to be several times higher than the original forecast at the end of the financial year.

Mr President, the Government has been repeatedly urged to go ahead with the project to improve the road network in the northwest New Territories and now it finally agrees to do so. I am happy to learn that the Financial Secretary has announced the allocation of \$1 billion for the construction of climbing lanes for slow-moving traffic on the Tuen Mun Highway. And an additional \$4 billion has been earmarked as the Government's potential contribution to the construction of Route 3 (Country Park Section). I really welcome, and am glad to learn, such an announcement. According to the Administration's estimate, the project will commence in 1994 and be completed in 1998-99. In fact, given the serious congestion on Tuen Mun Highway, it is virtually too slow a remedy to meet the urgency since we have to wait at least five to six years before any substantial improvement can be expected. Although, in the meantime, our people will still be subject to long-term traffic woes, we, after all, have got something definite and need not wait forever and ever.

During a debate in this Council held last November on the transport network of the northwest New Territories, I likened Route 3 (Country Park Section) to a "fish" and the external mass transit railway system to a "bear's paw". In view of the rapid development in the northwest New Territories and the drastic growth in Sino-Hong Kong trade, we are indeed in need of both the "fish" and the "bear's paw". However, taking into account the question concerning the allocation of resources, I agree that the Government may first commence as soon as possible the building of Route 3 before planning for the construction of the rail link. As the Government has already agreed to build the new route, I think the most important thing to be done now is to ensure that the project will be completed as soon as practicable without delay. I believe that both this Council and the local concern groups in the northwest New Territories will pay close attention to the development of the matter so as to fully discharge their monitoring function. In addition, I think it is a good idea for the Administration to co-operate with the private sector in carrying out the project because the result will be more satisfactory in terms of cost effectiveness, progress of construction or the management of the new highway in the future.

Finally, I would like to give my views on the Zhuhai authorities' proposal to build a bridge link to Hong Kong. In view of the long-term development and the traffic flow between Hong Kong and the Pearl River Delta, I think this is a project worth our support. The authorities concerned in the territory should take positive actions to commence discussion with the Zhuhai authorities so that the project can be put into practice as early as possible.

Mr President, these are my remarks.

MR EDWARD HO: Mr President, the title of the Financial Secretary's Budget for 1993-94 is "Building on Success". In his speech, when referring to the 1992 performance of the economy and what he considered to be his overriding duty as Financial Secretary to see that Hong Kong's record of economic success continued into the future, he said "For it is from this economic success that all else flows." I heartily share that sentiment for it is only with economic success that the Financial Secretary is able to propose a range of improvements to our social services, and to introduce worthwhile project such as the sandwich class housing scheme whilst at the same time offering tax relief to over 90% of salary tax payers. Also, despite these new initiatives, the Financial Secretary has projected a Budget surplus of \$20.5 billion for 1992-93 and an accumulated reserve balance of \$78.4 billion by the end of 1996-97. In other words, it is only through economic success that we can continue to improve our quality of living.

Much of our economic success in the past few years was based upon the continued impressive growth of China's economy. As pointed out in the Financial Secretary's Budget speech, Hong Kong's regional trade expanded by 23% in 1992 and trade with China in particular by 25%. The importance of our China trade is indeed staggering. In addition, the fact that Hong Kong's

industrialists have established their factories in South China employing upwards of 3 million Chinese workers has essentially given a much greater industrial base to Hong Kong. I believe that these facts are clear to most people in Hong Kong as more and more businesses have been directly or indirectly associated with activities in China. Given the importance of the economic relationship between Hong Kong and China, it is therefore surprising and regrettable that the present controversies over political development between the British Government and the Chinese Government have caused a sense of unease and cast a shadow on an otherwise promising final period of transition to Chinese sovereignty.

At this time, I cannot see how the present controversies over political development can be resolved in the foreseeable future but I, and most people in our community, hope that those political disagreements would not create insoluble problems between the two Governments that would affect our economy and the day-to-day effective running of our Government. Trust between the Governments concerned has to be re-established as quickly as possible so that important infrastructural projects, including the new airport, and major outstanding matters during the transition period can be resolved. Failure to re-establish a trusting and working relationship between the two Governments would put many of the worthwhile and much needed projects in the Financial Secretary's Budget into jeopardy.

Housing

Despite a slight softening in the last few months, flat prices remain high and the demand for affordable housing remains to be met. This subject has been debated in this Council several times during this Session. In order to satisfy housing need, the Long Term Housing Strategy (LTHS) implemented by the Housing Authority depends on the targetted production of private housing and public housing. Present forecast of the Housing Authority indicated that the shortfall of land requirement for the LTHS by the targetted year of 2001 to satisfy housing needs in Hong Kong is in the region of 50 hectares, or in housing terms, a shortfall of some 34 000 flats. The shortfall in land for public housing has been progressively dealt with by the Government in a piecemeal manner to cope with ongoing programmes. This is no longer adequate. I wish to sound the warning that the problem has become critical due to the limited lead time available to meet housing production programme requirements. The land shortfall has to be identified no later than the end of this calendar year in order for flats to be completed before 2001, target year of LTHS.

The identification of sites for housing revolves around the difficulty of adequate transport and other infrastructure. In terms of land area, there are reserved zones in Tin Shui Wai and Ma On Shan which could be used if transport and other infrastructure was available. The problem of constraints imposed by environmental consideration must also be resolved. In particular, I am referring to setback requirements of buildings to roads to meet the 70 dB level prescribed in the Hong Kong Planning Standard Guidelines. This

constraint means that in many cases vast tracts of lands alongside roadways cannot be built. I have suggested a few years ago that the Government should consider seriously the construction of noise barriers on top of roadways adjacent to housing sites. The cost of constructing such noise barriers would be more than offset by the financial gains in making full use of development potential of building sites.

My comments on land and infrastructure would apply similarly to land for private housing. In the case of sites for private housing, I have spoken on numerous occasions in this Council on the problems and solutions of increasing land supply. The last time I spoke on this subject was at the last annual Budget debate in March 1992 and I shall therefore not repeat what I said.

Sandwich class housing

I welcome the initiative of the Government to embark on the sandwich class housing scheme which I have addressed in the last Budget debate. Whereas I welcome the initiative, I feel that if the scheme only benefits up to 3 000 families over the next two to three years, then it is not sufficient. In my Budget speech of last year, I have suggested other options such as tax relief for mortgage interests, or exemption of stamp duty and other options. I have noticed a suggestion made by the Society of Hong Kong Real Estate Agents which has proposed to the Financial Secretary a scheme for sandwich class housing which would benefit 12 300 first-time home purchase families for the same total government subsidy of \$2 billion. That scheme incorporates some of the suggestions that I made and is worthy of serious consideration.

On the other hand, I do accept that we have to consider the implications of a sudden increase of a large number of flats purchased through the scheme which would trigger a flat price increase in the private sector if the supply is a finite number. Thus, I cannot offer my total support of either the Government's proposed scheme or the Society's scheme, which I prefer, because I am concerned about the question of land supply. On this aspect, it is a disappointing feature of the Financial Secretary's Budget that he has not suggested anything that could redress the land supply deficit problem. If no adequate land is disposed for housing, the fundamental housing problem cannot be solved.

Capital works programme

The underspending of capital works programme which has created higher than expected surpluses for two consecutive years was a symptom of lack of adequate co-ordination between government departments. I welcome the Government's resolution to tackle these problems as a matter of urgency. I hope that the new measures mentioned by the Financial Secretary would also benefit the private sector which has often to rely on efficiency in government departments for its development to be successful. I agree with the Financial Secretary that entrusting more of government projects to private sector

engineers and architects for design and management would improve the progress of public works programmes. In this respect, I wish to repeat my conviction that such works can be more effectively carried out by our own local engineers, architects, surveyors and planners as they are the ones who have the experience and expertise to design and implement projects in Hong Kong.

As regards infrastructure, there are good news and bad news. The good news is that after years of urging by myself and other Members of this Council, the Government is making a start on the northern section of the Route 3 project to serve the transport needs of the northwest New Territories. The bad news is that there is no plan to resolve differences with the Chinese Government over the financing plan of the new airport project. I very much doubt that, even if we are to start construction of the new airport now, it could be finished by June 1997. With the current strained relationship between the Hong Kong and Chinese Governments, Chinese endorsement of the Hong Kong Government's financial plan for the new airport project cannot be expected to be forthcoming. On the other hand, there is an utmost urgency to complete the new airport project as the design capacity of the Kai Tak Airport is projected to be reached in early 1994. I urge both Governments to resolve their differences over the financial proposals of the airport despite their disagreement on political development.

Mr President, we in Hong Kong have been fortunate to have enjoyed economic success in the past few years. With economic success, we continue to enjoy prosperity and stability. On the one hand, China's economic growth has contributed enormously to Hong Kong's economic success. On the other hand, Hong Kong would encounter immense problems without the co-operation of the Chinese and the Hong Kong Governments. Clearly in looking towards the future, our planning and thinking will have to be integrated with what is happening across the border of which, in little over four years, we will be a part as Hong Kong will become a Special Administrative Region of China.

MR RONALD ARCULLI: Mr President, there is little doubt that the Budget presented by the Financial Secretary this year is one where there is something for everyone. Some have actually described it as a politically astute Budget. But whether that is so remains to be seen.

This, Mr President, takes me to the first matter on which I would like to offer my comment and that is the matter of personal tax allowances. The Co-operative Resources Centre had proposed that personal tax allowances be set at \$55,000 for a single person and \$110,000 for married persons. The Financial Secretary proposes \$56,000 and \$112,000 respectively or \$1,000 more per head. As for children and dependent parents, we proposed \$16,000 for each whilst the Financial Secretary proposes a standard of \$17,000 for each of the first two children and dependent parents. Oddly enough, the difference is again \$1,000. Another difference, of course, is the limitation to two children under the Financial Secretary's proposal. The single parent allowance proposed by the

Co-operative Resources Centre was \$27,000, the same as that proposed by the Financial Secretary.

Secondly, we proposed that each of the four tax bands be increased from \$20,000 to \$30,000. This was partly accepted by the Financial Secretary as he proposes to increase tax bands to \$30,000 but only at the second and third band.

Lastly, the Co-operative Resources Centre proposed that every taxpayer who pays rent or lives in his or her own residence that is being paid through a mortgage instalment plan receives a housing allowance of \$5,000 per annum. We believe this to be a token of the Government's recognition of the housing needs of the community. Unfortunately, the Financial Secretary has not accepted this proposal. Perhaps the extra \$1,000 of personal tax allowance, children and dependent parents' allowances is an indirect way of recognizing the community's housing needs or perhaps those advising the Financial Secretary did not want to give credit where credit was due.

We at the Co-operative Resources Centre believe that the housing allowance we proposed is fair and sound and we hope that the Financial Secretary will not dismiss this proposal outright as we have no intention of dropping the matter.

Mr President, despite what appears to be a more generous package from the Financial Secretary, there is no doubt that, with or without the housing allowance, the Co-operative Resources Centre's proposal is more favourable to the taxpayers than that proposed by the Financial Secretary. In the end one has to balance the various factors and the Financial Secretary will be relieved to learn that the difference is not so material for us to go to war on this aspect.

Mr President, I shall now deal with the issue of inflation, still Hong Kong's public enemy number one. In some ways the Financial Secretary is to be complimented on his candour for telling us that we are paying the price of a successful economy. Nonetheless, it is very worrying that the Government seems to be throwing its arms up in the air virtually giving up the fight.

The second worrying point is that there seems to be a new approach adopted by the Government, namely this: If we want low inflation we may have low or zero growth. I hope the Financial Secretary in his reply will state the Government's policy on inflation clearly. Is the Government going to tackle our high inflation seriously with renewed determination and vigour?

In this context will the Government consider, perhaps, repegging the US dollar and Hong Kong dollar exchange rate from say \$7.80 to \$7.00? This is not abandoning the principle of the linked exchange rate and this is not the first time a repeg has been put forward. But this time it carries with it the authority of Sir Alan WALTERS who was in Hong Kong recently and who is often referred to as the architect of our linked exchange rate. There is no doubt that

a repeg will undoubtedly lower our inflation rate. To fight inflation the Government must consider some of the following measures:

- (1) To relieve our tight labour market through the importation of labour in sectors where a clear need is established. This should, however, be coupled with a satisfactory retraining programme which the Government has initiated.
- (2) A more orderly supply of land coupled with streamlining procedures in land exchange and town planning processes.
- (3) Keep the increases on fuel, alcohol and tobacco to below the inflation rate. That is to say increase by, say, 7% rather than the proposed 9.5% and do likewise with tax-loaded fees and government utility charges.
- (4) Defer the revaluation of properties from 1 April 1994 to 1 April 1995 and keep the situation under scrutiny in the meantime so as to consider what cap would be considered appropriate.
- (5) In the absence of a repeg, consider ways in which different interest rates can be charged for different types of borrowing.
- (6) Consider different levels of pay increases within the Civil Service, particularly for those who have housing or housing allowances provided. This would give a fairly good indication to the private sector to follow the Government's lead.

Mr President, the Government must be concerned with the signals that are sent out to the local and international business community. It cannot be acceptable to them to say this: "The price you pay for high inflation is growth".

I now turn to the proposal for sandwich class housing. There has been much comment on the proposal to spend some \$2 billion to benefit some 3 000 families over the next two or three years. We believe that more resources should be set aside to help more families.

Mr President, there is overwhelming support to relieve the hardship experienced by the sandwich class but unfortunately there is no scheme which will give meaningful help to everyone within the sandwich class all at the same time. We therefore have to consider a step-by-step approach and there are really essentially three ways to do this:

- (1) To provide land and build homes for them, or

- (2) To use land to exchange homes for them, or
- (3) The present proposal.

Method one is a medium and long-term solution. The second method is a medium-term solution but one that is not without difficulties. The third method is the quickest solution. Therefore in considering any scheme one has to decide when, and I emphasize when, help is to be given. If we are to say: "Give it to them in five years time", then method one may be the best. If we say they should be given help in a matter of months then probably method three and possibly method two. In considering any scheme I hope the Government will take into account the following factors:

- (1) The level of subsidy.
- (2) Whether those within the range of qualifying income brackets will get the same subsidy in dollar terms or would it be linked to a percentage of their income and all the costs of their home? Interlinked with this aspect would be the type and obviously the location of their homes.

Despite these and many other questions we believe that the Government should take the first steps in implementing this scheme by calling for applications but before pushing the button, so to speak, I trust the Government will consult this Council so as to ensure the widest possible support for any scheme. We at the Co-operative Resources Centre would be happy to participate in this process as we believe that help to the sandwich class is long, long overdue.

Mr President, I would like to deal briefly with two other points. The first is the underspending in public works. This has happened two years in a row. Is this a new government strategy to lower tender prices or is it simply bureaucratic bungling? Whatever it might be, it is in fact depriving the community of the fruits of the proposed works, be it a pedestrian fly-over, a school or a clinic. It is simply just unacceptable. Artificial manipulation is never in the long-term interest of any community and this, Mr President, brings me to another manipulation of our otherwise free market, the 70% cap on mortgages.

No one wants unhealthy speculation in the property market but are genuine end users speculators? Definitely not. However, artificial constraints can result in pent-up demand and prices could rise suddenly when these constraints are removed. How will this help those we are trying to help? Mr President, I believe that the time has come for easing the 70% mortgage cap.

Mr President, in conclusion I would like to compliment the Financial Secretary and his team for the consultation he undertook before the present Budget debate. I would, however, be a little bit of an Oliver TWIST and say,

"Please Financial Secretary, may we have an update of Hong Kong's finances and the state of our economy at the time of consultations rather than let us guess what might be in store?"

Mr President, with these comments, I support the motion.

MRS PEGGY LAM (in Cantonese): Mr President, the 1993-94 Budget presented by the Financial Secretary on 3 March still falls short of the wishes of some of the people of Hong Kong, but it is a great improvement on previous ones. New spending items have been added and an increase in capital expenditure is proposed to tackle long-standing problems in ten areas of major social and economic importance. All of these have been problems of concern to the community over the years, problems that the community has always hoped will have the Administration's attention. The Financial Secretary's Budget has partly met the community's wishes and is to be commended. Though shortfalls remain, at least the first step has been taken on many matters.

I would like to bring up in particular the issue of tax allowance for dependent children. I have been advocating over the past few years that the number of children for the purposes of claiming tax allowance should be limited to two but that the allowance for children should be increased and made the same. I am very glad that the Financial Secretary is receptive to our advice and that the allowance will go up to \$17,000 each for the first two children. Though I think that the allowance could be higher, the Financial Secretary has at least agreed to treat the first two children on an equal footing and to recognize the reality of the family planning goal which says that "two are enough." There is no need to grant an allowance for the ninth child, since nowadays it is hard to find a family with nine children.

Looking at the Budget as a whole, I have the following comments to make:

(1) Deficit budgeting

Generally speaking, governments should avoid deficit budgeting. As the Chinese say, one should keep expenditure within the limits of income. However, the Government has accumulated a huge surplus in the past few years. In other words, over the years, the Government has collected more from the people in tax revenue than it has spent on them. A deficit budget is acceptable where it is necessary to spend money from the reserve, provided it is spent properly. But the size of the deficit should be limited and one must not run continuous deficits for the sake of shrinking the reserve. Still less must one spend the reserve wastefully.

(2) *High inflation*

As noted in the Financial Secretary's Budget, inflation will still remain uncomfortably high. The Financial Secretary is at his wit's end about this. He says that the challenge must be faced but he proposes nothing at all concerning how to face and combat inflation. This is indeed disappointing. According to experts, the increased public spending proposed in the Budget will add to inflationary pressure. What is more, the Administration will increase the fuel tax by another 9.5%. This will affect private car owners as well as public transport riders. The whole community will bear the cost of the higher fuel tax. The cost of transportation will rise further. The Administration originally intends to combat inflation by importing foreign workers. Unfortunately, this has not been effective. Inflation remains high. The importation of foreign workers sometimes directly affects the employment opportunities of the lower strata.

The Financial Secretary says that the 9.5% inflation rate is unsatisfactory. Yet he also says that there is nothing that he can do. This makes me worry.

(3) *A special fund for helping AIDS patients*

I am very glad that the Administration has paid attention to our appeals and set up a special fund with a sum of \$350 million for the unfortunate haemophiliacs who have been infected with HIV through blood transfusion. Social responsibility is thus being taken up for these innocent victims and effective help will be given to their families. This deserves our support.

Of this fund of \$350 million, \$100 million will go to special compensation, upon application, to haemophiliacs who contracted the AIDS virus through blood transfusion in or before 1985. \$200 million will go to medical treatment and support services for those who contracted the AIDS virus. The remaining \$50 million will go to publicity and education on AIDS. I think that education is very important. People generally are ill informed about AIDS and worry about it in all sorts of ways. AIDS patients are discriminated against in the community. Their families, too, are affected, so much so that they dare not show their faces in public. Their everyday life and work are in trouble. The community must be well informed about AIDS and show care for AIDS patients. This brooks no delay and should be the operational goal of the Hong Kong AIDS Foundation.

The fund is a new one and it has quite a lot of money. So there should be careful studies on the management and spending of the money, the rules for using the money and the monitoring. The imperative is "to put every cent to use and to good use." AIDS patients will then get the real benefit.

(4) *Housing problem of the sandwich class*

Responding to concern over the housing problem of the sandwich class, the Financial Secretary has introduced a \$2 billion subsidization scheme. I am very happy that the fight for housing benefits for the sandwich class has finally borne fruit. But I have reservations about this provisional scheme which is open to question.

Firstly, only 3 000 families will be subsidized. How are the resources to be distributed? This must be carefully studied. If each of these families gets an average subsidy of \$660,000 or so, will this be unfair to the families that are worse off? Secondly, will the selected flats be suitable? Will their prices be reasonable? What will be the long-term relationship between the scheme and its beneficiaries? How will resale be monitored and controlled? Complex paper work will be necessary. There will be loopholes easily. Thirdly, if the beneficiary families of the scheme are allowed to look for flats in the private property market, the property developers will stand to gain the most and the prices of housing will probably be given an upward push. The result of the scheme will then be perversely harmful to the majority of the sandwich class families. Eventually, most of these families would not be the beneficiaries of the scheme and they suffer harmful consequences before they receive any benefits from it.

I suggest that the Administration should model this scheme on the Home Ownership Scheme (HOS) and let the Housing Authority or the Housing Society build for the sandwich class some flats that are better and bigger than HOS flats. Sandwich class families may apply for such flats, which are offered on favourable terms including lower prices and longer-term loans at a lower rate of interest. Over the long term, the Housing Authority or the Housing Society should build more flats of this kind to benefit more sandwich class families. This will deny property developers the opportunity to make money on government-subsidized housing. As an additional favourable term, the mortgage interests on such housing are to be made tax-deductible.

Over the years, I have been proposing that the Government should favour first-time home buyers by making their mortgage interests tax-deductible. Some benefits can thus be extended to border-line sandwich class families and sandwich class families waiting for their turn to receive subsidies. These families will thus be encouraged to buy their own homes. This will ease the housing problem of the sandwich class and be immediately beneficial. The Administration should indeed take a second look at my proposal.

(5) *A pension fund for civil servants*

In his Budget speech, the Financial Secretary makes no mention of a pension fund for civil servants. His failure to consider establishing such a fund when the Government is running such a huge surplus is really disappointing and hard to understand.

According to the Treasury, an estimated 53 920 retired civil servants will be receiving pensions in 1997. Hong Kong's prosperity and stability have much to do with the efficiency of the Government. The civil service's contributions to the community are obvious to all. If there is to be effective government during the latter half of the transition period, the Administration should enable civil servants to feel secure. The civil servants are very concerned about their pension and they have expressed their concern to both China and the United Kingdom.

I urge the Government to re-consider the establishment of a pension fund for civil servants while it is appropriating huge sums for infrastructure projects and social services. This is extremely important in maintaining their confidence in the run-up to 1997 and beyond.

Lastly, the Financial Secretary, after listening to the views of the Members and the community, has proposed to raise the personal allowance to \$56,000 and to widen the tax bands from \$20,000 to \$30,000. Although the increase in personal allowance falls short of our expectations, that is, \$70,000, an upward adjustment of over 20% is quite acceptable. I hope that the Financial Secretary will in the coming years act boldly and increase the personal allowance to a reasonable level. Then, the people of Hong Kong will really be able, in the Financial Secretary's words, to "build on success."

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

MRS MIRIAM LAU (in Cantonese): Mr President, the theme of the Budget delivered by the Financial Secretary is "Building on Success". We know that Hong Kong's economy grew vigorously during the past two years and the Government ran larger-than-expected surpluses. As surpluses build up, so does the community's voice calling for better social services. The Financial Secretary, making positive response to the call this year, has departed from the longstanding conservative fiscal policy. The huge surpluses will be ploughed back into the community. And the population at large will share the fruit of economic prosperity in the form of tax concessions, more public works and improved public services. This is indeed a welcome move.

I think all are pleased when the Government has the necessary money at its disposal and spends it wisely. This shows how important money is. Therefore, while spending money, the Financial Secretary must also ensure that Hong Kong will be able to continue to create wealth. He must not rely solely on drawing on the reserves. In this regard, the Financial Secretary, however, has no worthwhile proposals to offer. He reminds us that we must never take Hong Kong's success for granted, but it seems that he himself is doing precisely that. The Medium Range Forecast in the Budget has shown that Hong Kong's economy will continue to grow at 5% per annum. Yet, apart from assertions about how much confidence he has in Hong Kong and how rosy Hong Kong's economic prospects are, I find no specific suggestion from the Financial

Secretary for sustaining Hong Kong's economic growth. He has made no suggestion as to how to attract foreign investors. Nor does he have any suggestion on how to encourage local investments and how to improve Hong Kong's competitiveness. He does not even say how Hong Kong's productivity can be raised. I think that, since Hong Kong's economy performed so well during the past several years, the Administration should make good use of our financial health in such a way that further success could be achieved by laying down objectives, policies and measures to enable the economy to continue to grow. It should also help all sectors of the community to take positive steps in the interest of sustained growth and prosperity. This is indeed a big flaw in the Budget that the Financial Secretary has failed to make such arrangements.

In his Budget Speech, the Financial Secretary has expressed confidence on "the ability of our businessmen to look beyond present political controversies". It seems to me that it is only wishful thinking. People are really worried about the Sino-British row over the political reform package, though it is still uncertain whether Hong Kong's economy will be undermined. Experience tells us that political instabilities or uncertainties tend to produce adverse effects on economy. And business investments would naturally hinge on changes in the political situation. For this reason, efforts must be made to resolve the current political row expeditiously so that China and the United Kingdom may have co-operation again if the business sector's confidence in Hong Kong is to be maintained.

Another flaw of the Budget lies in its failure to propose effective measures for containing inflation. Hong Kong has been plagued by runaway inflation for quite some time. Inflation has not only made life more difficult for the people but also seriously weakened Hong Kong's competitiveness, thereby threatening Hong Kong's stability and prosperity. But the Financial Secretary appears to be at his wits' end when it comes to the problem. He even says that inflation is inevitable under the actual circumstances of Hong Kong. Such an attitude of the Administration is indeed irresponsible. I think that, if the Administration is really sincere in relieving people's burden and improving their livelihood, then it must do its best to come up with measures for reining in runaway inflation. Only thus can living standards rise in real terms.

Mr President, previous Budgets were carriers of bad news in nine out of 10 cases where transport was concerned. Where they did not propose an increase in vehicle registration fee, they proposed a rise in licensing fee or fuel tax and so forth. This year, I am very grateful to the Financial Secretary for being exceptionally accommodative on the need to improve the transport infrastructure in Hong Kong. An allocation of \$1 billion will be made for the Tuen Mun Highway improvement project and \$4 billion will be set aside as the Government's potential contribution to Route 3 from Tsing Yi to Au Tau. These projects will help to ease the worsening transport problem of the northwest New Territories.

Traffic congestion on Tuen Mun Highway has become intolerable. The highway serves additionally as a major artery between Hong Kong and China. That is to say, congestion on the highway not only causes great inconvenience to the local residents but also hinders the growth of Sino-Hong Kong cargo traffic. The Administration proposes to construct climbing lanes for slow-moving traffic. This undoubtedly will help to improve the flow of traffic and ease the congestion on the highway. But the project will not be fully completed until 1996. In other words, for the local residents, the traffic woes will continue for several more years. The problem will turn from bad to worse as people start moving into the housing developments in Tin Shui Wai. The improvement works, while in progress, will inevitably affect users of the highway even though the Administration has said that they will be carried out at night. I think that, at the same time when the Tuen Mun Highway improvement project is being carried out, the Administration should take short-term measures for easing congestion on the highway as much as possible. Viable considerations include: expanding the ferry service, stepping up the enforcement of traffic regulations to keep traffic orderly on the highway, improving the necessary arrangements whereby cars involved in accidents on the highway are removed from the scene and shortening the time taken to carry out maintenance works on the highway. I hope that the Administration will give serious consideration to these suggestions.

As everybody knows, the construction of Route 3 is the only key to the problem of traffic congestion in the northwest New Territories. We have been waiting for Route 3 for a long time. The Administration says that it is sincere in wishing to carry out this project but that it must wait until private developers agree to participate. Under present plans, Route 3 will not be completed until 1998 or 1999 at the earliest. As the project involves operating rights straddling 1997, China's approval therefore must be sought. One really doubts whether the project could be carried out smoothly, given the poor Sino-British relations at the moment. As any snag will cause intolerable delays in the project, I urge the Administration to lay down a timetable. The Administration should allow a reasonable period of time for soliciting the co-operation of the private developers and seeking China's blessing. If the problems remain unresolved when that period is up, then the Administration should make up its mind and proceed resolutely to build Route 3 with total government financing. We cannot afford to have any more delays.

Though the Financial Secretary does not have any effective measures to tackle inflation, he surely must understand that the Administration cannot take the problem lightly. The Administration last year exempted the franchised bus companies from paying duty on diesel fuel. This helped to stave off a rise in bus fares and had a slight easing effect on inflation. Though the Administration plans to extend this exemption in the coming financial year, China Motor Bus Company and Kowloon Motor Bus Company have both applied to raise fares at a rate higher than the current inflation level. The proposed fare increases have since been lowered by the Transport Advisory Committee, but the lowered fare increase rates are still higher than the rate of inflation. Public transport

services are a daily necessity to the public at large. Any public transport fare increase in excess of the inflation rate is bound to fuel inflation and start a chain of reactions, resulting in pushing prices higher. I hope that the Executive Council, when examining the two bus companies' fare increase applications, would not only determine if the increases are reasonable *per se* but also give full consideration to their possible impact on people's livelihood. Also, I call on the two bus companies to do their best to find ways of operating more economically while tapping new sources of revenue so that the pressure on them to increase fares may be lessened. I hope that the Government will give active encouragement and support to the two bus companies in this connection.

Apart from the bus companies, the two railway companies, too, have disclosed that they will seek fare increases in the next month or two. Though the railway companies are statutory bodies not subject to government supervision, I hope that the Administration will nevertheless use all its influence to persuade them to give full consideration to the interests of the community and to keep the level of fare increases below the inflation rate.

According to the Budget, a smaller amount will be appropriated for law and order operations in the new year than in the passing year. The Commissioner of Police has stressed that, despite this, the amount to be spent on the Police Force will increase somewhat and there will be 800 more police officers patrolling the streets. Still, relative to the higher spending on education, welfare and the environment, people feel that the Administration is belittling Hong Kong's law and order operations. The Administration needs to give more explanations and to step up publicity to shore up the public's confidence in the ability of the Police Force to maintain law and order. The Police Force is meeting with better success in recruiting. Still, it will certainly continue to have some wastage. For every two police officers who are recruited, one leaves the force. This is a waste of resources. I think that, while recruitment is important, the need to reduce the wastage should not be overlooked either. In this regard, it is most important to boost police morale and strengthen police officers' sense of belonging to the force. The Administration should take all possible steps, including the building of more police quarters, to retain police officers.

Mr President, I of course have no objection to raising the effectiveness and the efficiency of the Police Force. The management review conducted at the moment will also cover this area. Still, during the latter half of the transition period, criminal gangs are likely to challenge Hong Kong's law and order at the first opportunity. They will be perpetrating such crimes as armed robbery, car theft and smuggling. Under these circumstances, the authorities responsible for public order in Hong Kong must demonstrate that they have adequate capability and resources for crime fighting and maintaining law and order. Therefore, I think that the Administration should be flexible in making

financial arrangements for operations against criminal activities. There is no need to cut the force's spending like any other departments, if the Police Force is to be able to operate the most effectively.

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

MR LAU WAH-SUM (in Cantonese): Mr President, the Financial Secretary has given us a deficit budget this year. Though some have criticized him for spending lavishly, I find that, on the whole, it is a balanced budget that should be acceptable to the public at large. I am particularly glad to see that, in his Budget, the Financial Secretary has accommodated the views of many citizens and Members of this Council and fulfilled some of the promises that he made last year.

The Administration now runs a huge financial reserve thanks to our continuing economic prosperity and high economic growth rate. This being so, I think that the Administration should spend on the people what is obtained from them, so as to improve people's livelihood. In addition, the Administration should adopt measures for maintaining Hong Kong's prosperity and stability and for solving more effectively the two major problems now facing us.

The first problem is inflation. As we all know, inflation is the number one enemy of our economy. However, the Financial Secretary, who has to maintain the pegged exchange rate, cannot use high interest rates to fight inflation. Still, this does not mean that we should be resigned to inflation. With this in mind, I would urge the Administration to consider the following measures:

1. When tax-related fees and the charges of public utilities are adjusted, as they are from time to time, there is no need to adjust them in a manner that full inflation effects would be reflected. For instance, if the inflation rate is 10%, the fees and charges can possibly be raised by only 5%. This will directly help to bring down inflation.
2. Hong Kong should expand the size of its working population. For instance, the Administration should see if it is feasible to let imported labourers working in Hong Kong become permanent residents.

Concerning the second point, I suggest that aliens who have worked in Hong Kong for two years under imported foreign workers programmes be allowed to apply, through their employers or on their own, to live and work in Hong Kong permanently if they are able to adapt to Hong Kong's culture, language and so forth, have good working performance and meet government requirements regarding age, skill and education. The Administration can set a

daily quota and authorize the Director of Immigration to approve applications within this quota. In this way, Hong Kong will each year have a supply of manpower capable of making contributions to the community. They will make up the shortfalls in the natural growth of our working population.

Furthermore, whereas current public spending is not increasing as fast as the rate of growth of gross domestic product (GDP), non-recurrent expenditure has been increasing much faster than the rate of GDP growth. This would impose greater pressure on the labour market and fuel inflation. Therefore, the Administration must keep the rate of increase of non-recurrent expenditure below the rate of GDP growth. Otherwise, it will have to continue the policy of importing foreign workers and to expand the imported labour quota. We still have had a rather tight labour market, judging from the large amount of "help wanted" advertisements carried by major newspapers or handed out in free leaflets in these years.

Another noteworthy problem related to inflation is the housing problem of the sandwich class. The sandwich class consists mostly of professional people and skilled workers, who are the mainstay of the community and who make very important contributions to the community. Though they are in the upper-middle income groups, they have been priced out of the housing market by the frenzied rise in housing prices during the past two years. They are not eligible for low-rent public housing or low-price Home Ownership Scheme housing. Nor do they have sufficient means to buy expensive private sector housing. The community should feel sympathy for them and help them to buy a home of their own. I support the idea that the Administration grants land for a long-term housing project in favour of them. However, I do not agree with the Administration's proposed direct subsidization of home purchases by the sandwich class as an interim solution. I suggest that the Administration use the proposed \$2 billion appropriation to set up an interest-free loan fund to help eligible first-time home buyers to buy private housing. The interest-free loans could be made available to help them to meet part of housing prices. The loans will be repayable over 25 years at the most so that the sandwich class would find it easier to meet the mortgage payments. And the monthly payments, including the mortgage payments to banks and the interest-free repayments of principal to the Government, should not exceed 40% of the total monthly income of the home buyers.

The second major problem that we face is the morale of the civil service. Our civil servants have been serving the community with great efficiency. As 1997 draws close, they are understandably filled with misgiving about the future. The number of civil servants opting for early retirement grew sharply during the past three years. Should the trend continue, it would be a cause for concern. Our civil service system must remain unchanged in the run-up to 1997. I think that civil servants are worried mainly about three things: job security, pension security and the politicization of the civil service.

China has already given a positive response to civil servants' job security after 1997. I believe that the politicization of the civil service, too, is a problem that can be resolved if the Administration refrains from changing the roles of the civil service and from getting civil servants involved in political controversy. I believe that what the Administration can and should do at this time to reassure civil servants and maintain their morale is to set up a pension fund for them. If this is done, civil servants will not have to worry about the future and would continue to serve the public. I think that the Administration now has the means to put up a sum of money, say \$20 billion, as seed money for setting up a pension fund for civil servants to shore up their confidence. I have previously made suggestions concerning how the fund should operate and how pensions should be paid. The Administration can set up a committee with non-civil servants as its members to make plans for phasing out the practice of paying out pensions from general revenue and replacing it with that from the fund. While it will not fuel inflation, this arrangement is going to greatly help to dispel civil servants' worries and maintain their morale. China reportedly has reacted positively to the idea of such a pension fund for civil servants. I therefore hope that the Administration will give serious consideration to the suggestion.

We must reassure not only the civil servants but also the general public. They must have confidence in living in Hong Kong permanently. They must not be given cause to worry about having no one to turn to in their twilight years. Our community is now so advanced that it should and can set up a central provident fund system to provide people with safeguards of decent living standards in their retirement. I think that it may be more costly to operate a compulsory retirement system under government supervision or with government guarantees than to set up a central provident fund. In the debate of 3 January 1993 on the consultation paper on a community-wide retirement protection system, I laboured the advantages of a central provident fund. Given the time constraint, I cannot repeat my arguments here. But what I do want to say again is that a central provident fund is something that serves the long-term interests of the entire community, and a responsible government should take up the challenge.

There is yet another problem which has been of great concern to me. It is something to do with the elderly recipients of public assistance. I feel that if an elderly recipient of public assistance, who is a permanent resident of Hong Kong and has worked in Hong Kong for 20 or 30 years, wants to go back to live in his home town in China in consideration of the fact that he will enjoy his life more in China than in Hong Kong, then the Administration should give the Director of Social Welfare the discretion to waive the requirement that the recipient must live in Hong Kong for at least 180 days a year in order to remain eligible for the benefit. The recipient should remain eligible for the benefit even if he goes back to live in his home town provided that he visits Hong Kong once a year to prove that he is still alive. The advantage of this flexible arrangement is that it will relieve the pressure on Hong Kong to provide services for the elderly. Despite the fact that public assistance for the elderly is not the same as pension

and the recipients of the benefit may not have made any contribution, they are permanent residents of Hong Kong and they directly or indirectly made important contribution to the prosperity that we are now enjoying. So they should remain eligible for the benefit after they go back to live in their home towns in China. I believe that the arrangement will also help to solve the problems surrounding bedspace apartments.

With regard to the suggestions I have made just now concerning a central provident fund scheme and a housing subsidization scheme for the sandwich class, I think, in the long run, they will have positive effects on our fight against inflation. With the establishment of a central provident fund, employees will spend less and save more to make the contributions. With a housing subsidization scheme in place, the supply of more housing on a sustained basis will cool down the frenzied housing market. I hope that the Administration will give positive consideration to both schemes and implement them soon.

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

DR LEONG CHE-HUNG (in Cantonese): Mr President, at a time when many parts of the world are being troubled by huge government deficits, we in Hong Kong are racking our brains on how we should spend the huge surplus that we have run each year for many years. Every one in Hong Kong can be justifiably proud of, and pleased with, this achievement.

Today and tomorrow, I and three other Members of Meeting Point will be participating in this important debate which has a close bearing on people's livelihood. Today, I will be focussing on four themes: physical infrastructure, government's underspending on public works projects, health care services and environmental protection. Tomorrow, Mr Fred LI will be centring on public finances supervision, welfare services and the tax system; Mr TIK Chi-yuen on education, the central provident fund and health care services in New Territories North; and Mr WONG Wai-yin on transport, security, housing and welfare services for the elderly.

No matter how praiseworthy this year's Budget may be, we should never feel complacent. First of all, we must carefully find out how the \$20 billion surplus has come by. More than one quarter of this surplus is due to the Administration's failure to spend on schedule, or underspending, on public works projects during the past two years. In other words, this portion of the surplus is not a real surplus. It is, after all, money that has not been spent as it should have been. Actually, before the Budget was made public, Meeting Point had already questioned the Administration about the causes of the underspending by such a large margin. Though the Secretary for Works has given us a detailed response in writing, we still hope that the Administration will learn a lesson and avoid unnecessary delays in the future. We worry that any slippage will lead to sharply higher costs driven by inflation, and this will be a wasteful use of taxpayers' money. What is even more worrying is that as much as

\$25 billion, or a 40% increase, will be spent on non-recurrent items of public works projects in the coming year. This will repeat the blunder in 1989. That year, a significant increase in public works projects put contractors under enormous pressure in the sense that they had to vie for workers and that pushed up wages dramatically, thereby fuelling inflation.

It has been said that "inflation is like a fierce tiger, only much worse." I believe that the people of Hong Kong today do find these words ring true. Hong Kong's inflation rate is sustained at a high level close to double digit. It devalues, and erodes the purchasing power of, the money in our pocket. Though it keeps saying that inflation is our number one enemy, the Administration fails to put forward any effective measures and keeps eschewing the issue. To be fair, inflation is never a simple problem; it is due to very complex causes. Still, Meeting Point has held that the Administration should be able to play a more positive role to bring inflation down.

Concerning the airport core projects, the fact is that, before the Governor delivered his policy address last year, Meeting Point had already requested in no uncertain terms that the Administration be pragmatic enough to work out a set of feasible financial arrangements, so as to resolve the problems surrounding the financing of the airport and the airport railway, which have been dragging on for more than a year. It is indisputable that Hong Kong needs a new airport. But we have never been able to understand why the new airport and the core projects of the airport must be completed before 1 July 1997. Why are the Chinese and British Governments asking us of the present generation to foot the bill for the entire airport construction within just four years? What happened to the traditional principle of sharing commitments between generations, which might have allowed the astronomical construction cost to be shared between this generation and the next?

As a matter of fact, the Provisional Airport Authority (PAA) will have exhausted its funds in another two months. We think that it is time for the Administration to tell the public, to tell the taxpayers, what will happen next and what the overall contingency plans are. Will the airport be completed on schedule after all? If not, what are the alternatives available such that the projects could be carried on? We have already approved funds totalling nearly \$30 billion for the projects. The Administration has an obligation to tell and assure the public and the taxpayers that this huge sum of money has not been wasted.

Meanwhile, Meeting Point urges the Governor to invoke his power under the PAA Ordinance and to order the department concerned to explain to the Legislative Council why the former Chief Executive of PAA resigned and how much money was paid to him in compensation. PAA is a body fully owned by the Government. It therefore should be accountable to the public for every cent that it spends.

Mr President, as the representative of the medical profession, I am of course very glad to see that the Administration's spending on health care services will account for 10% of all public sector spending. If anybody continues to decry an underfunding of health care, it may appear that he is being "greedy and insatiable". I regret to say, however, that underfunding happens to be the case for three reasons.

- (1) For 19 years, the Administration has been pursuing a policy of "denying medical care service to none, be the patients rich or poor". The Administration totally ignores the fact that this policy is out of date.
- (2) The costs of health care have risen sharply. We must target on upgrading our medical technology to an advanced level by increasing funding for health care services, unless we want Hong Kong to remain at the level of a developing country. The cost of an organ transplant operation would amount to millions of dollars. But a patient who receives such an operation in a government hospital would only be required to pay \$43 a day inclusive of hospitalization and meal charges. This amount is infinitesimal compared with the cost to the operation.
- (3) The population of Hong Kong is aging rapidly. In seven years from now, people who are 65 or older will account for one-sixth of our population. And a person who is 65 or older incurs medical expenses that are three times greater than those incurred by a 30-year-old.

Despite such a heavy cost pressure, funding for public health services in Hong Kong, including adjustments for inflation, have always stayed at around 2% of gross domestic product. I myself, as well as others having an interest in the development of Hong Kong's health care services, have always denounced such scale of funding. Among the advanced countries, this ratio is 13% in the United States, 9% in the United Kingdom and 6% in Singapore. In Hong Kong, even if the bill for private health care services is included, it only adds up to about 4%.

Under the pressure from the medical profession and other social quarters in the community, the Health and Welfare Branch appointed a working group on medical insurance in 1991. The group published its report in August of the same year. The report was disappointing in that it merely set out seven different forms of medical insurance that were used in foreign countries. It did not come up with a recommendation, or even show the people of Hong Kong a specific course that we might follow.

A year later, the Administration appointed another working group to study charges for health and welfare services. This group has already done its work but is yet to publish its report. Reportedly, the group will recommend

that there be no change made in the policy on charges for health care services but that additional sources of revenue be tapped, such as by charging a first-time hospitalization administrative fee, a first-time specialist clinic registration fee and an emergency ward user fee. What is puzzling is that, according to a rough estimate, these new measures will bring in only about \$80 million a year in revenue, which is only 0.6% of the \$12 billion annual budget of the Hospital Authority. Such new sources of revenue are utterly inadequate.

Furthermore, the Administration has been dragging its feet about publishing a green paper on health care charges. Still, from time to time, officials have been telling the media in informal briefings that Class B hospital beds will be provided for use by the sandwich class and that the public will be encouraged to take out medical insurance from private insurance companies. The idea is that, the greater number of people to be covered by private medical insurance, the lesser the public expenditure for health care would be.

Here, I must sound a note of serious warning. Without the Administration's commitment or supervision, a private medical insurance scheme will probably meet the fate of the compulsory retirement protection scheme that this Council has debated several times, that is, either it will never be a fool proof scheme or the insurance premium will be beyond the means of the general public. Only 13% of the population of Hong Kong now take out private medical insurance and 80% of hospital services are fully funded by the Administration. The role that private medical insurance can play is actually minimal. Most of the patients of government hospitals cannot or do not have the means to take out private medical insurance. That is why I have always advocated that the Administration must participate in, and take up the supervisory responsibility for, a community-wide compulsory insurance scheme. Ideally, the scheme will be financed by the Administration, employers and employees. And an appropriation accounting for a certain percentage of a retirement protection scheme under government supervision will be made for health care purposes. Then, we will have an extra huge source of funding. As for the elderly, the infirm, the disabled and the handicapped, their health care bills will continue to be fully paid with taxpayers' money.

In respect of Class B hospital beds, I think that this matter must be handled carefully because, I am afraid, any blunder will backfire. Naturally, users of Class B beds must be provided with better service than users of Class C beds. In this connection, the first risk is that patients will become classified. It may even come to a point that Class B bed users will receive service at the expense of Class C bed users. The second risk is that, unless the charges for Class B beds are set much higher to reflect true costs, taxpayers will end up paying even more to subsidize the users of these beds. As a result, for the taxpayers, the game will not be worth the candle, so to speak. I hope that the Administration will address this problem properly in its green paper on health care charges.

Mr President, I have been calling on the Administration for a number of years to broaden the dental care service so that more patients could be served. The Administration should provide dental care service not only to civil servants, their families and patients in need of emergency treatment but also to the rest of the population. After the break-up of the Medical and Health Department, dental care service began to receive some attention. But the emphasis was placed on education rather than the service side. It was not until the group on primary health care accepted the recommendations of the sub-committee on dental care service under the former Medical Development Advisory Committee that the Government agreed to provide dental care service to some target patients. The problem is that, although the primary health care group published its report nearly two years ago, such dental care service has not yet become a reality.

We have the well-equipped Prince Philip Dental Hospital and the newly opened Tuen Mun Dental Clinic. We also have an absolutely adequate medical staff to provide the service. In fact, on the back of the establishment of the Hong Kong Academy of Medicine, Prince Philip Dental Hospital has planned to launch an advanced training programme for dentists. However, there is a problem. It is to do with the Administration's policy and the Prince Philip Dental Hospital Ordinance, which restrict Prince Philip Dental Hospital to training functions but not offering a full range of dental care service. Yet, how are dentists to be properly trained if no patient visits the hospital, say, to have tooth extraction operation? The Administration really must conduct a comprehensive review of the needs of dentist training and dental care.

Mr President, after the Air Pollution Control Ordinance was enacted, many incinerators in Hong Kong, including those of government hospitals, were found not up to scratch. Meanwhile, a study by the Environmental Protection Department (EPD) found that 70% of clinical wastes were disposed without prior treatment. It therefore recommended that a central incinerator be built at a cost of \$160 million for the disposal of clinical wastes. EPD has allocated \$5.5 million to engage a consultant company to study the matter.

The problem is that the department concerned failed to take several points into consideration in its deliberation of the construction of a central incinerator:

- (1) Any centralized disposal of clinical wastes is bound to involve the question of storage and transportation. And the total expenses would definitely be higher than those under the present system. But EPD has so far failed to come up with any workable solution that will be cost-effective and will also ensure a safe storage and transportation of clinical waste.
- (2) In its study of the centralized disposal of clinical wastes, the Administration failed to seek professional views from the medical sector. Neither the Administration nor the relevant sector has a set of rules governing the disposal of such wastes. If the

Administration wants to lay down a set of rules, it must consult with the experts in the medical profession.

- (3) Precisely because the department concerned failed to carry out the necessary consultation, now there is a marked disagreement between EPD and the Hospital Authority on the kinds of clinical wastes that must be incinerated. People involved with health care know that not every kind of clinical wastes must be incinerated. For this reason, their experience is very useful where a judgment has to be made on the kinds of wastes that should be incinerated. People not in the medical profession, who rely on guesswork or pure theories, may not be able to come up with the best solutions.

Therefore, the pressing task of the moment for the authorities is not to engage in the debate whether to build a central incinerator or not, but to lay down a code of practice for the parties concerned. The code of practice is to be observed not only by government hospitals but also by private hospitals, private clinics and other private organizations. It should set out the steps to be taken when clinical wastes are disposed and provide for different ways of disposing of different kinds of wastes. As I said a moment ago, the Administration must of course consult with the relevant profession in the laying down of these rules. Otherwise, we will have "non-professional people giving direction to professional people", which will not help us to find the right policy.

Mr President, I so submit.

MR JIMMY MCGREGOR: Mr President, let me say at the outset that I have no serious complaints about this Budget nor do I criticize the fiscal strategy outlined by the Financial Secretary. I think that he has done a very good job for Hong Kong in continuing to raise and spend our financial resources sensibly and with balance whilst at the same time protecting our long-term reserve position. He has clearly tried to maintain a relatively simple tax system that will on the one hand produce the revenue needed for our massive public spending on our economic and social infrastructure and on the other hand provide for the increasing demand for improvement and expansion of our social services.

He has been very fortunate indeed in having a buoyant economy to support him and a surplus of income over expenditure for the past year that has surpassed all expectations. Even so it is our economic system that has again produced the annual miracle of continued solid GDP growth, real growth of *per capita* income and a substantial surplus. These very good results, during a year in which most of the major economies in the world have experienced very great problems, are again a reminder that one must not permit radical or unnecessary change to our economic philosophy, policies and system. That is not to say however that we cannot improve all of them, particularly by recognizing that our society, like our economy, is becoming more sophisticated, more capable, and more able to decide which changes and improvements should take priority.

The Government and this Council must continue to recognize that a developing economy such as ours will produce increasingly well educated young people eager to put their education and their ideas to good use. Their dynamism, energy and motivation will seek opportunity. In today's Hong Kong, opportunity is everywhere and our rapidly expanding economy is the result of personal and corporate initiative being applied to business opportunity. It is also true to say that such a situation inevitably brings about a more even, some would say a more equitable, distribution of wealth. Such a process is right and proper in Hong Kong's circumstances. The emergence of a very substantial middle class and the steady improvement of real wages throughout our working population, and especially at the grass roots, are solid indicators to the structural changes taking place in our society. At the same time, there are stresses and strains which exist at the lower end of the social stratum and these must be addressed by a caring and relatively wealthy community.

It is important therefore that this Budget, with its proposals, is looked at in the context of our ongoing economic and social policies and developments. We have to make improvements year by year but these must surely relate, at least broadly, to established and proven principles and procedures. If we are to contemplate substantial departures from proven policies then we must be very sure that we know where we are going and what problems are likely to arise. I think the Financial Secretary has been able to stick to the proven formula and, as a result, is on safe ground.

I will set out a few of the main observations made by the Hong Kong General Chamber of Commerce and follow these with points made by the Hong Kong Democratic Foundation. I will finish with a few points of my own.

The Chamber is in general pleased with the Budget and I think would agree with the remarks I have already made. Chamber members are however concerned at the continuing high rate of inflation and feel that, among other things, the increase in corporate tax last year proved to have been unnecessary and could have been removed in this year's Budget. The Chamber is concerned that the profits tax rate may therefore become an easy target in future years when revenue is required without the compensatory reduction when revenue is adequate. There is no doubt that our corporate tax rate and tax system have been substantial attractions, indeed incentives, for foreign investment in our economy. But there is some danger that other competing countries have also seen this particular green light and have moved to reduce their rates to become more competitive with Hong Kong. I must say to the Financial Secretary, "Enough is enough. If you need additional direct taxes in future, look elsewhere."

The Chamber is also concerned about the narrowing of the tax base and points out that this could cause difficulties if, for example, our external trade performance came under pressure or fell away. Although the Financial Secretary could legitimately point out that some of the indirect taxes removed in recent years could be put back again or new ones introduced, it does seem

sensible for him to look carefully at his future options in securing a broader tax base that will be more stable and less susceptible to annual trade fluctuations. The 60/40 proportion of direct and indirect taxation returns is a reasonable guideline.

If change is to be contemplated, a higher proportion for indirect taxation should really be the aim. And dare I mention it, a general sales tax would provide a stable and reliable revenue source. I also think it is sensible for the Financial Secretary to introduce his new sewage rate as soon as possible as the cost of environmental protection and control is rising rapidly.

The Chamber is also unhappy about the Financial Secretary's reference to payment of royalties for intellectual property use in Hong Kong qualifying for inclusion in Hong Kong tax assessments. This is a very complicated area of consideration and we must be careful not to upset the extensive and very useful support for Hong Kong business and industry which arises from the use of foreign intellectual property. We await the Financial Secretary's specific proposals with interest.

It will not be a surprise to the Financial Secretary that the Chamber considers that an expansion of the importation of labour scheme should be considered. I realize that this is a highly contentious subject and that any proposal to increase the availability of foreign labour raises the heat outside, and inside, this Council. Since I want to get home tonight in one piece, I will say no more about it now. (*Laughter*)

Let me turn now to the views of the Hong Kong Democratic Foundation. The Foundation agrees generally with the Budget proposals but believes that the Financial Secretary has not sufficiently addressed the very real problem of inflation. They say, with some justification, that the Government's system for forecasting revenues seems faulty. I make the point, which I think is important, that the Government usually errs on the side of caution, finishing up with more than the estimated income and in some years a great deal more. I am sure therefore that we will not have a deficit at the end of the next financial year.

The Foundation thinks that the lowest tax band should have been widened to assist the lowest paid of our taxpayers. They also think that hotel and airport taxes should have been reduced and that the three-tier system of depreciation allowances should have been consolidated. They are happy however with the various concessions and agree with the Financial Secretary that his Budget should seek to expand the economic and social infrastructure and services in ways that will benefit us all greatly in the years to come. I am personally pleased with the decision to abolish the cosmetics tax since I have been pushing for this on behalf of the industry for several years.

I note that departmental expenditure has been subject to obvious scrutiny and cost cutting criteria. Many departments seem to have kept growth below the inflation rate and some will spend less this year than last year. This seems to

me to be a good sign and is perhaps indicative of the very close examination given to such expenditure by this Council.

There is also however the problem for the Government in properly using the funds granted to it for the huge range of public works which constitute such an important element in our future prosperity. This has of course resulted in substantial amounts of approved funds being unutilized at the end of the financial year. The Government has explained this situation in some detail. Nevertheless, I think it is important for the Government to be more realistic in its assessments on timing, allowing better allocation of resources each year. For example, I do not doubt that the Financial Secretary will finish the 1993-94 year with a healthy surplus once more, a part of which perhaps will accrue from money unspent in various public works projects. With our economy still performing extremely well, and assuming that the United States will continue to grant MFN status to imports into the United States from China, I am sure that Mr MacLEOD's financial year 1993-94 will once again produce really quite a large surplus. Hong Kong will be pleased. China should be pleased. I make the point also that on recurrent income and expenditure there is always a substantial surplus. Capital expenditure sometimes tips the balance but that is what our reserves are for. They back up our borrowing status and they provide funds for substantial one-off infrastructural projects like the airport and the new port facilities. These in turn create new sustainable recurrent revenue.

Let me turn to social development. I want to make the same request that I have been putting to the Government for many years. I want to ask the Government to bring under study the proposal that there should be a statutory contributory old age pension scheme for all Hong Kong citizens aged 65 and over. This scheme would replace the present system of means tested allowances for aged people. These, in my view, amount to a form of charity. I do concede that the Government has done a good deal to improve the public assistance scheme and I am glad to see the present initiatives of the Financial Secretary. However, with respect it is not really enough.

In this day and age and in the light of continual, economic and social growth in Hong Kong which have placed us high in the list of developing countries it is surely possible for us to arrange for our senior citizens to retire with dignity and to be given a pension which will reflect their lifelong contribution to our community. The Comprehensive Social Security Assistance Scheme does not help them enough. Neither will the proposed statutory provident funds scheme. This will not provide retirement protection for all our senior citizens. In fact it will do nothing for several hundred thousands of them. I ask the Government at least to set up a working group to study my proposal for an old age pension which many organizations, including the Hong Kong Democratic Foundation and the Social Security Society, have strongly advocated over recent years. The Government has steadily improved the overall safety net for Hong Kong's disadvantaged and aged people during the last few years. But more can be done and we should regard support for aged people as a duty and not a charity.

Whilst speaking on social issues, I should like to sound a warning note on the levels of tax imposed on the few dutiable commodities which have formed the basis of our indirect taxation system for many years. The Financial Secretary has raised the duty on several of these commodities, cigarettes, fuel and alcohol by 9.5%, roughly equivalent to inflation. But these commodities have had their duty rates increased by much more than the inflation rate when considered over the past three or four years. That means a real increase in the cost to the consumer. If the suppliers cannot reduce their profit level, the full increase is passed on to the consumer. In fact, I understand that some suppliers of beer have faced increasing problems in trying to keep their prices within reach of those who are the principal consumers, the general public. They have had no alternative but to continue to reduce their profit margin to a point where it is becoming difficult to make a profit at all or a reasonable one, given the very substantial sustained increase in property prices, rentals and other direct and indirect costs.

We must continue to provide for indirect taxation but we cannot rely on only a few commodities for an ever larger demand for revenue. Somewhere down the line, this particular burden must be more evenly shared. I hope that the Financial Secretary will carefully consider this equation when looking at the possibilities for his next Budget.

I want to close my speech on a political note. All of our financial planning, all of our high expectations in economic and social progress, all of our hopes for continued development of Hong Kong's multiracial, multinational, outward looking and liberal community are dependent upon a peaceful political resolution to our present argument with China. We have been discussing Mr MacLEOD's Budget for many months and in great detail. We, and the community at large, have made many proposals to him to help shape his thinking. He has discussed our views with us in the widest way and I feel that these views have been taken into account in his Budget proposals. A tremendous amount of work had gone into ensuring that the income and expenditure of the Government will be adequate to continue our aggressive programme of development across the entire spectrum of economic and social activity. We are already one of the most successful economic entities in the world. We can continue to be so and we can continue to support China's rapid economic development. We are already a key player in this particular scenario.

China is well aware of the high stakes and the need for good co-operation. I cannot believe that China will willingly cause Hong Kong serious structural damage. It is absolutely in China's best interest that the present serious political difference with Britain and Hong Kong should be resolved. We do not want chaos in our society nor serious doubt among our investors.

The amount of rhetoric and vituperation should be reduced and more moderate language of diplomacy used in seeking a solution acceptable to Hong Kong.

This Budget is predicated on good and peaceful relations between China and Hong Kong. It would be an immense pity if such relations cannot be quickly restored.

Mr President, I believe that this Budget is a very good one. I congratulate the Financial Secretary on its balance and on his initiatives in the increased spending on important economic infrastructure and social improvements.

I support the motion.

MRS ELSIE TU: Mr President, the Financial Secretary is to be commended for having attempted to hear all Members' views; and he has succeeded in making many taxpayers happier.

Unfortunately, those who make decisions at a high level are not always *au fait* with the real problems at the grassroots. While the Financial Secretary has attempted, not very satisfactorily I am afraid, to do something about the housing needs of a fraction of the sandwich class, he has failed to detect a much more worrying question of housing for those who are much worse off than the sandwich class.

His proposal first to assist about 3 000 of the estimated 13 000 sandwich class has not only displeased the remaining 10 000, but has probably exacerbated the housing problems of many others. I would guess that the \$2 billion allocated will go into other pockets than those of the sandwich class. I think this plan needs reconsideration.

I searched the Budget for some housing relief for those earning less than \$20,000 a month, but found none. Nor can I find any relief for those lower income families on the waiting list for public rented housing. I have said this before, but since I have never been heeded, I say it again — three-person families earning more than the \$9,500 income limit are left to pay one-third at least of their salaries to rent a room in a tenement. Four-person families earning more than the \$11,400 income limit a month are likewise excluded from anything but the misery of tenement accommodation at exorbitant rents. Until they reach the sandwich class with \$20,000 income, there is no hope of decent housing. Even temporary housing would be better than the conditions they are forced to live in.

Even those families who do come within the income limits are now most unlikely to get public housing, because there is none available, not even in the New Territories. The G-Waiting List is going backwards month by month. For example, those with a G-number 700 000 were eligible a year ago to be housed in Tai Po. Now they are eligible only if their number is less than G500,000. And if they are eligible they are just told to wait, and their wait could continue for years, even though they have already waited for six or seven years. No one has given a satisfactory explanation as to how a Waiting List can

go into reverse gear. Applicants are now desperate, and I am frustrated trying to deal with them. Public rented housing is our most neglected need.

I therefore suggest that if the Financial Secretary wants to help those in housing need, he could deal with this problem by making sure that the land available for public rented housing is provided with the necessary infrastructure to build on it. I notice that there is no problem about infrastructure for a housing estate, if the roads lead to Chek Lap Kok. The Government is not interested in other rented housing projects *per se*.

The sandwich class should include not only those who earn \$20,000 to \$40,000 a month, but also those who earn less than \$20,000 but are not eligible for public housing because of unrealistic income limits. Alternatively, all families earning less than \$20,000 should be eligible for public rented housing.

It is ironical that while the Financial Secretary recognizes the problems of those earning more than \$20,000, the Housing Authority counts a family "wealthy" if it earns twice the income limit, which could be less than \$20,000. The right hand does not know what the left hand is doing! To the one \$20,000 — means needy; to the other \$20,000 — means rich.

The second issue I wish to raise today is the MFN.

I am concerned that we are spending our surplus, some of it needlessly, before we know the result of China's MFN and GATT status, because that result affects Hong Kong.

The term "Most Favoured Nation" is a misnomer carried forward from the days when colonial powers vied with one another to exploit China and other third world countries for trade. It should have no place in the vocabulary of modern states claiming to believe in free trade. It is still a condescending term, and is being used by quasi-colonial powers to put economic and political pressures on developing countries.

One has only to examine the track records of some of the countries that enjoy MFN to see the hypocrisy of the advanced capitalist countries that are using this outdated method of interfering in the political systems of other countries.

Everyone in Hong Kong must have seen on television how often Israeli soldiers blow up the homes of Arabs, and use live ammunition on stone-throwing children protesting the lack of Arab rights in Palestine. Yet not only does Israel enjoy free trade with the United States, but can also receive large loans to build Jewish homes, on land grabbed from persecuted Arabs. And in case anyone imagines that I am anti-Semite, may I add that I am a member of the Inter-Parliamentary Council Against Anti-Semitism. Many Jews would agree with what I have said about deprived Arabs.

Take the case of Brazil. Small, homeless children have to hide in underground drains at night to avoid being shot to death by state police. Their dead bodies are found daily, and no action is taken against these perpetrators of crime against children. Yet the United States has good trading relations with Brazil, and some Americans make fortunes from coffee growing on land taken from the people, who now live in degrading poverty. Atrocities are apparently tolerated, so long as that country does not call itself communist.

Coming nearer home, Asian countries such as Thailand, India and the Philippines also enjoy free trade with the United States. Yet small children are bought and sold as sex slaves to satisfy the appetites of tourists, many of them American. Does one ever hear criticism about the appalling lack of human rights for children there?

In the United States itself, Mexican children are employed like slaves on some farms in the southern states. Is that not a violation of human rights? Is any Government action taken to stop it?

Recently, young Americans sacrificed their lives for Kuwait. Yet human rights are daily violated in Kuwait, and women are not even allowed to buy a driving licence in these Arab States which exercise no democracy, but do not call themselves communist. In recent weeks thousands of political prisoners were released from South Korea from the prisons. Yet South Korea has been under United States military protection for 40 years. Did the United States Government take any action on human rights there?

I value human rights as much as anyone. But let us not be hypocrites. If we cannot keep our own backyard clean, we have no right to take action against our neighbours for not cleaning theirs. I would like to see the happy state of affairs when all countries exercise human rights. But military dictatorships and violation of human rights are not the monopoly of communist countries. They are found in countries which take the name "democrat" in order to gain United States approval.

I am therefore strongly opposed to putting conditions on China's MFN status, and believe that China should be treated like all other trading partners. Let the Chinese people deal with their own affairs, and develop their own democracy in their own time, because sooner or later democracy must come, and I hope it will be democracy, and not just party government which puts party before people.

I am hopeful that the rights of workers here and in China will be protected by freedom to trade, and that the condescending colonial term MFN will disappear from the economic weaponry of the United States.

Mr President, I support the motion.

MR PETER WONG: Mr President, I join my honourable colleagues in welcoming the Financial Secretary's Budget for 1993-94 which is marked by pragmatism. The Financial Secretary's receptive attitude towards Budget proposals submitted by various organizations and political groups is indicative of an increasingly open and accountable government. However, looking from the financial and taxation viewpoints, there is still room for improvement.

The lack of clear long-term financial strategies in this year's Budget, which forecasts economic development up to 1996-97, is exemplified by a big shift in policy direction. By taking a U-turn to increase capital spending and tax concessions, the 1993 Budget has departed from the fundamental principle of striving for a balanced Budget as set out in the Basic Law.

Long-term plan

While I welcome the injection of \$900 million into the much-needed sewage strategy programme, and \$1 billion for the Wan Chai reclamation, no provision has been made for the funding of the second phase of the \$17.3 billion project. Given that the expenditure for the Environmental Protection Department this year will be \$1.29 billion or 1.2% of the total public expenditure, the Government has yet to demonstrate its full commitment to tackling our deteriorating environmental problems. At the motion debate on conservation last December, Members unanimously called upon the Government to formulate a conservation policy which I hope will be part and parcel of the review exercise on the White Paper on pollution soon to be published. I trust that the Planning, Environment and Lands Branch would positively seek and heed the advice of green groups when preparing that review. Apart from urging the Government to give conservation a higher priority in the allocation of funds, I would reiterate the need for subsidies to be given to the green groups whose concerted efforts in promoting conservation and environmental protection are indispensable and highly cost effective.

Another example of the Government's myopia is the long overdue comprehensive health policy needed to tackle the threatening soaring cost of medical services. At the motion debate on fee charging for health services last April, I called upon the Government to work out a reasonable fee scale which reflects social costs and benefits, whereby consumers would get improved quality of service for higher fees paid. The user-pay principle enshrined in a long-term health policy will make good economic sense, but the question remains — what is being done about it?

It is apparent that the Government has taken Hong Kong's phenomenal economic growth for granted — our parochial economic policies are lagging behind dramatic and unparalleled economic changes. Members of the Business and Professional Federation share a vision — that of making Hong Kong China's leading southern city and port and a competitive regional business centre. We have worked out an agenda for action which will soon be published. I believe that the Government should have a long-term vision of how

Hong Kong will be earning its living in 10 or 20 years time. I reiterate what I said at last year's Budget debate: "Only by formulating and sharing such a vision with Hong Kong people can we begin to formulate short, medium and long-term plans and strategies which are really responsive to current situations and challenges."

Public spending

In the field of public spending, the Financial Secretary has capitalized on the prevailing lower inflation, high growth and full employment. While the size and range of the planned capital works projects allocated a handsome but unrealistic sum of \$31.57 billion are impressive, to run a deficit Budget in a buoyant economy would set a dangerous precedent. Although we have been reassured that the revenue of 1993-94 comfortably exceeds the recurrent expenditure level, we have to take into consideration these factors — the prospects of a downturn in economy as a result of changes to China's MFN status; the infrastructure project which will come to a peak in two years time; and the negative effects of the US-HK dollar linkage. In fact, there has been a steady increase in the amounts spent in relation to GDP and I am not convinced that this will come back down at the end of the mid-term forecasts presented in the Financial Secretary's proposals.

Here, I must urge the Government to maintain the cap of public expenditure at a maximum of 20% of GDP beyond which excessive resources will have to be directed from the private sector. That cap should not become the norm. While Hong Kong compares favourably with western countries where public expenditure can absorb 35% to 50% of GDP, but after adjustment for national defense and interest on government debt as well as our lower social security expenses, we are getting comparable. A close look at the recurrent public expenditure shows that it has increased steadily from 69% of total expenditure in 1983 to 79% last year.

Mr President, ensuring that public liability is properly funded is as important as controlling public expenditure. Under the present cash accounting system, deferred pension benefits for civil servants hide the true cost until a later date. Accrual accounting, which keeps track of the changing value of long-term public assets and liabilities, not only enables administrators and legislators to see clearly the real cost of public services, but also shows whether government policies are sustainable. In other words, it provides a clear and accurate picture of the financial implications of public expenditure that goes beyond one year. I look forward to a report from the Treasury Department which is examining the pros and cons of the accrual accounting system that will make government departments more cost conscious, report more meaningfully and manage assets more stringently.

What Hong Kong needs is sustainable economic well-being and a slow down of inflation which tends to drive away investors, existing and new. To combat inflation, firstly, we have to relax restrictions selectively on labour

importation. Secondly, in the longer term, more land should be made available for housing development which will stabilize property prices. Thirdly, apart from speeding up the privatization process, more efforts should be made to increase private sector participation in the new airport project so that investors can be attracted to provide cost-effective services under a competitive environment.

The \$2 billion housing scheme for the sandwich class — a strategy adopted by the Government to fight inflation — is received with mixed reaction. We still have to see how this "quickest and simplest approach" to help first time home buyers to purchase their flats will prove to be fair and acceptable to all concerned. The quota of 3 000 families, which falls far short of the 46 000 families in need, ought to be increased to 5 000 and an interest free loan is preferred to their direct subsidy.

Taxation policy

Despite the rapid economic changes that have taken place in the last decade, there has been little thought given to Hong Kong's taxation system which again demonstrates the absence of long-term planning. Our existing narrow tax base tends to complicate revenue projection and expenditure planning, and any structural changes would automatically affect our tax stability. In order to maintain Hong Kong's prosperity and stability which rest on the principle of low taxation, the tax base should be broadened by adopting neutral, high-yielding and non-volatile revenue measures. It is in the broadening of the tax base that the Financial Secretary has let us down.

In maintaining a taxation system that meets the sophisticated needs and broad social objectives of our society, the basic principles of simplicity, neutrality and fairness must be upheld. The profits tax and salaries tax rates must be kept closely in line to avoid economic distortion. The proportion of salaries tax in the total direct tax yield, ranging from 19.4% to 33.9% between 1982 to 1989, has increased over the last three years, being 35.4% in 1990, 38.2% in 1991 and 35.7% in 1992. I shall keep vigilant watch on how the Government tries to maintain a correct balance between stable and volatile taxes in the coming year.

On the other hand, indirect tax — an effective means of raising stable revenue — has been relatively underutilized. Countries in the region such as South Korea, Japan, New Zealand and Singapore have enacted broad-ranging indirect taxes. Hong Kong should not dismiss this as a means of raising a stable stream of revenue. The stamp duty on listed shares, to be reduced to 0.3%, is about as low as we should go. The withholding tax on property transactions proposed by the Hong Kong Society of Accountants, which will serve as a dampener on speculations, merits the Government's serious consideration.

Monitoring function

Mr President, the huge surplus of at least \$20.5 billion of the year just ending comes as no surprise to Honourable Members who are all too familiar with the Government's propensity to underestimate revenue and over-estimate expenditure. Unspent budget allocations not only point at the lack of co-ordination and poor planning within the Government, but also implies a lowering of expected service standards. Further, with the delayed Airport Core Projects likely to affect the accuracy of this year's Budget estimates, the credibility of the Financial Secretary's forecasts is at stake. This brings me to the question of improving the monitoring of public finance.

I welcome the Financial Secretary's initiative of setting up the Public Works Progress Committee designed to instigate an overhaul of the public works procedures, practices and systems. The committee, which features the involvement of the private sector and a more unified approach to project design and implementation, holds out for tighter monitoring of funding procedures. However, caution must be taken to ensure that the committee will not degenerate into yet another cosmetic layer of bureaucracy. Indeed, I am doubtful if the committee will produce any concrete results before 1994.

Here, I would call on the Financial Secretary to produce a set of Budget forecasts on an optimistic, pessimistic and most likely scenarios adopted by the business sector. This is the only effective way to enable members of the Finance Committee to obtain an overview of the Government's financial position.

The 1993 Budget has gained a high score for giving "something for everyone". It has, however, lost points for its failure to tackle inflation, to broaden our narrow tax base and to ensure tight monitoring of public spending. Above all, it needs a long-term vision that is essential for maintaining Hong Kong's continued economic success.

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

MR ALBERT CHAN (in Cantonese): Mr President, the Financial Secretary has clearly given consideration to the wishes of the political groups and the community when distributing resources in the coming financial year. This is the right approach for an open and responsible administration to take. It was perfectly clear that the Administration, in its preparation of the last Budget, tried to manipulate it so that resources could be made available for the new airport project. To achieve that purpose, spending on services bearing on people's livelihood was curtailed, such as social welfare, education and health care. It is indeed heartening to see that, this year, the Financial Secretary will be able to spend some of the surpluses for furthering policies that will improve people's livelihood. Resources spent on improving the quality of life are not wasted. Rather, they should be regarded as investments made to show our care for the people. A basic principle for the distribution of resources is that it must

be done in the interests of the community at large but, above all, the needs of the disadvantaged people and the lower strata must be attended to.

On the whole, this year's Budget can be considered as progressive. However, the Financial Secretary is far from meeting the wishes of the general public in respect of personal tax allowance and subsidized kindergarten education. The Financial Secretary is proposing to raise the personal tax allowance to only \$56,000. In other words, anybody who earns more than \$4,700 a month will have to pay tax, even though this income level is hardly enough to support the minimum living standard in Hong Kong. The Financial Secretary should have raised the personal tax allowance to \$70,000. This would have enabled the people, particularly those at the grassroots, to partake of the fruit of Hong Kong's economic success. With regard to kindergarten education, the Administration has agreed only to expand the fee remission scheme. Yet, it will not gradually bring kindergarten education into the scope of fully subsidized education. I am very disappointed at these points. Colleagues of the United Democrats of Hong Kong (UDHK) will be discussing these points at length. In the following, I will focus on those parts of the Budget that deal with physical infrastructure and land use plans.

Spending on public works projects

The Government underspent on public works projects in the past few years. In 1992-93, the Government's actual expenditure on capital works projects was \$7 billion lower than its estimate budget. Recently, the Administration has stressed again and again that it would pay attention to this problem. Some remedial measures it has proposed include the establishment of a committee on work progress and an information management system for projects, and the employment of the "design and build" method in awarding public works contracts.

However, from the relevant departments' explanations on their underspending, one finds that, in many cases, underspending was due to delays in projects which, in turn, were on account of design changes. Will the proposed remedial measures be effective in correcting the problem of underspending on public works projects? I really doubt it. On the other hand, from the accounts of various departments, one finds that the Administration has invested a huge amount of financial and manpower resources in the port and airport development strategy. For instance, the Planning, Environment and Lands Branch will spend more than half of the funds allocated to it on the New Airport Projects Co-ordination Office. Will the fervent promotion of the new airport project drain the Administration's financial and manpower resources at the expense of other capital works projects? The Administration should take a good look at this question.

Underspending on public works projects, if not put right, will mean continuous delays in many projects, some of which may finally have to be abandoned. The Cash Balance Accounting method now adopted by the

Administration does not show where it has failed to spend the money that it should have spent on public works. As a result, delays in projects will show up as budget surpluses in the books. However, the risk is that the Administration may have deficits when the time comes for it to make huge disbursements as many previously delayed projects are completed more or less at the same time. The Administration must consider improving its accounting method for public works projects.

New airport core projects

In his last Budget, the Financial Secretary promised that the spending on the new airport core projects would not exceed 25% of the expenditure on capital works projects. According to the projections made in 1991-92, the spending on the new airport core projects would account for only 23% of the spending on all public works projects. However, this year, the Administration has raised it to 25.7%. The Administration has disclosed that tenders for many new airport core projects tended to quote lower-than-estimated bids. In addition, the Financial Secretary will appropriate extra funds this year for several major public works projects. It is justifiable, then, for one to expect that the ratio of the spending on new airport core projects to that on all public works projects should have fallen. Yet it has risen instead. The UDHK are very concerned about this rising ratio. And it behoves the Administration to explain how this has happened. It must also ensure that the spending on the new airport core projects remains under control.

Another matter is that this year's Budget has made no specific or thorough discussion of the new airport core projects. These projects with a price tag of more than \$100 billion will have far-reaching economic and social repercussions for Hong Kong. If the new airport core projects cannot go ahead or have to be delayed further, the investment that has already been made for them will have been wasted for nothing. Also, because the Provisional Airport Authority (PAA) and the Mass Transit Railway Corporation (MTRC) have already lost one year in arranging loans, the financial arrangements for the new airport and the airport railway may have to be revised. However, the Financial Secretary has made no mention of this matter. The Administration should not be resigned to fate. The UDHK think that the Administration should take it upon itself that, with the provision that people's living standards in Hong Kong would not be sacrificed, it will make use of Hong Kong's own economic and social resources to continue to carry out the new airport core projects. We would also like to urge China and the United Kingdom to reach an early agreement on financial arrangements for the new airport and the airport railway, so that PAA and MTRC may issue bonds and arrange loans to enable all projects to proceed smoothly, thus laying a sound foundation for Hong Kong's long-term economic and social development.

In the Budget, the Financial Secretary has disclosed that the Exchange Fund will be given the responsibility for the management of government bonds and that the Administration may issue bonds for statutory bodies through the

Fund. The UDHK think that the Administration should seriously consider issuing bonds as a means of financing the airport and the airport railway. This will not only lower the financing cost but provide the people with an opportunity to participate in building Hong Kong.

Capital Investment Fund

The Administration estimates that payment from the Capital Investment Fund in 1993-94 will be as high as \$19.7 billion, doubling the amount in the previous year. Through the Capital Investment Fund, the Administration will be investing in several major projects, including the sewage strategy programme and the Convention and Exhibition Centre expansion project. It is really hard to understand why the spending on these projects should be included in the accounts of the Capital Investment Fund. The Administration should provide more detailed information to explain what benefits these projects will bring us and whether investments on that front should come from the Fund. The Administration should not use the Fund at whim on wrong kinds of projects. Also, the Administration will unprecedentedly earmark \$7.5 billion for the Fund to meet extra commitments. We have no idea why the Administration has to do so though it cites the reason of confidentiality and the fact that it did not want to publicize the Fund's extra commitments before the release of the Budget. Still, we think that the Administration owes us a reasonable explanation as to why it has to take the special step of reserving such an amount of allocation for meeting extra commitments and why it does not in this case provide an itemized list while announcing the spending figure, as it does in other cases. To this day, the Administration is still yet to explain the purpose of an amount of \$1.5 billion in the sum for extra commitments.

Also, with the funding of the Capital Investment Fund, the Administration has set up various semi-official bodies including PAA and MTRC. The Administration declares that, when these bodies request funds, they have to go to the Finance Committee for approval, so Members of this Council, in principle, can exercise supervision over these bodies. As a matter of fact, however, the Administration often cites commercial secrets as a ground for refusing to divulge the internal financial operations of these bodies. I have repeatedly asked the Administration to disclose the budgets of the various departments of PAA as well as information on what fringe benefits the employees of PAA get and what compensation they will receive upon termination of service. The Administration has persistently refused to provide the information. By the same token, the Administration recently refused time and again to disclose any information about why PAA's Chief Executive Richard ALLEN resigned and the amount of the golden handshake. All this shows that the Legislative Council and the public cannot have a close supervision over the semi-official bodies. For this reason, unless the Administration does something positively about this situation, Members of this Council should tighten the control over future applications for funding from the Capital Investment Fund.

The needs of New Territories South

As a Legislative Council Member, I have a duty to concern myself with the interests of Hong Kong as a whole. Likewise, as a directly elected Legislative Council Member representing New Territories South, I certainly should concern myself with the problems of my constituency. I would like to talk about the Ting Kau Bridge project. This bridge is part of Route 3. It connects the Country Park section of Route 3 with the Tsing Ma Bridge and the northern section of Route 3. The UDHK have suggested that the Ting Kau Bridge should be completed at the same time as the Tsing Ma Bridge and the northern section of Route 3. Failing this, traffic between the northwest New Territories and the new airport will lead to a deterioration of traffic congestion in Tsuen Wan and Kwai Tsing. The Financial Secretary has given the green light to the injection of \$4 billion into the construction of the Country Park section of Route 3. But the completion date of the entire Route 3 project (including the Ting Kau Bridge) is still set in 1998-99. I would like to reiterate my request that the Administration must go ahead with the Ting Kau Bridge project and include it among the public works projects for 1993-94. In this way, the completion of the Ting Kau Bridge project will be synchronized with the completion of other new airport core projects.

Another thing is that the Administration is carrying out many large-scale reclamation projects in connection with the new airport core projects. The reclamation projects produce a lot of sludge which has to be disposed of at designated disposal sites as requested by the Administration. Yet, massive dumping of such large amount of sludge not only damages marine ecology but seriously affects the livelihood of fishermen who operate in Hong Kong waters. The Administration now admits that it only conducted environmental impact studies for individual projects rather than a comprehensive environmental impact study for all of the projects involved. This is why the total impact on the quality of water in Hong Kong, with all projects proceeding simultaneously, has not been anticipated. According to some affected fishermen, their catches have declined by as much as between 40% and 70%.

I have taken an active interest in the matter of compensation for fishermen. The Administration too, has promised to make a review of the existing guidelines for compensation. To this day, however, the Administration has yet to announce the new arrangements for compensation. Many of the fishermen are no longer young. They have no other skills. Nor are they well educated at all. It will be difficult for them to switch to new trades. Their life will be seriously affected unless they are properly compensated in time. I would urge again that the Administration should make an early announcement of the new guidelines for compensation. The amount of compensation should be comparable to the fishermen's actual losses due to decreased catches.

Mr President, large-scale infrastructure projects are essential to the community's development as a modern metropolis. Hong Kong should, on the basis of its own economic and social resources, draw up plans to gradually

design and carry out the necessary infrastructure projects including ports, roads and air traffic facilities. Nevertheless, in building these facilities, the Administration should consider the different needs of the different districts. Also, the projects must not be achieved at the expense of the life of any minority of people (particularly the low income groups). Members of all strata in our community should be able to share the fruit of Hong Kong's economic success.

The UDHK think that the infrastructure projects will bring long-term benefits for the community and that all social strata and all members, be them in this generation or the next, should make the same commitments to these projects. We do not agree that all the costs of the infrastructure projects should be borne by today's residents of Hong Kong. They should be shared reasonably between today's residents and tomorrow's (including the Government of the Special Administrative Region).

Mr President, I so submit.

THE PRESIDENT'S DEPUTY, MRS ELSIE TU, took the Chair.

MR VINCENT CHENG: Madam deputy, I hope the Financial Secretary will listen to what I say because he is going to like it. My speech will be short and full of praises. I welcome the 1993-94 Budget and would like to compliment the Financial Secretary for his efforts to try to take into account the conflicting demands of the community and this Council.

Although I have somewhat different views on some of the finer points, I find the overall fiscal strategy very acceptable. The Budget strikes a balance between maintaining a favourable business environment by improving economic infrastructure and fulfilling the Government's obligations to disadvantaged members of society. Hong Kong is fortunate to have a vibrant economy to afford such a Budget. While most countries are struggling with massive fiscal deficits and government debts, Hong Kong is able to reduce taxes, increase spending and at the same time maintain a healthy fiscal surplus and reserve. We should be proud of ourselves, and should maintain with vigour the economic policy that has served Hong Kong so well.

Since many of my colleagues have already spoken, or will speak, on different aspects of the Budget, I would like to confine my remarks to several areas which I feel strongly about.

First is on salaries tax concessions. I disagree with calls that the Government should give more salaries tax concessions this year. This is neither wise nor necessary. Understandably, politicians want to be popular, and nothing could make a politician more popular than promises of free lunches and free housing. I am therefore not surprised by calls for more tax concessions. Yet, the present salaries tax concessions will benefit more than 1 million taxpayers

and will cost \$2.6 billion in 1993-94 and almost \$17 billion up to 1997. Going beyond this would amount to fiscal irresponsibility.

I particularly disagree with the view that the income tax allowance should be further increased. I do not see why it would be a burden to a person earning \$60,000 a year who would only have to pay \$80 per year or \$7 a month for salaries tax under the new formula. For a married couple with two children earning \$13,000 a month, the salaries tax payable will only be \$16 a month. It really is mind-boggling to hear people saying that this would constitute a heavy burden to people at these income levels.

Indeed, if I have to criticize this Budget, I would say that the generous tax concessions border on fiscal or financial imprudence. These concessions will erode the tax base, and should the economy perform less well, we would have a problem.

One may argue that if we need belt-tightening measures in future, we could simply widen the tax net again. But given the present political structure and the absence of a government party, I have great doubts whether this Council would have the political courage to accept fiscal measures which are unpopular, unpleasant, but necessary rather than zeroing in on easy targets such as the standard tax rate and profits tax. We need a stable revenue source to support our present spending programmes.

I fully support the increase in spending on welfare, education and physical infrastructure. On education, we should spend more to improve the education system which has not been an area of success. A lot more needs to be done to improve education facilities in Hong Kong.

I am glad to see the Government's commitment to infrastructure development, although I am concerned about the Government's ability to proceed with those projects given the strained Sino-British relationship. Infrastructure development is crucial to the continued growth of Hong Kong's economy and will benefit the long-term economic development of China. At present, our infrastructure is barely adequate to meet the demand. Our airport is congested, traffic between Hong Kong and China is stretching our transport capacity to the limit. Our container facilities, which are heavily used for transshipment of goods from China, will not be able to cope with the demand and need to be expanded.

Given the urgent need to improve our infrastructure facilities, I find it perfectly acceptable to use part of the fiscal reserves to finance these spendings. After all, these are investment for the future, even though we cannot measure precisely their contribution to the economy.

My concern is not whether we can finance these projects. I have always believed that financial resources is never a problem for Hong Kong. The real challenge is how to manage the implementation of these projects. Last year's underspending and delays should remind us that we have to assess whether we have the machinery to carry out these constructions.

If we accept the need for public investment in improving Hong Kong's infrastructure and accept a high growth strategy, we have to accept some of the undesirable and yet inevitable costs which we will have to bear. One of such costs is inflation. I agree with the Financial Secretary that there is a trade-off between economic growth and inflation. We cannot keep the economy running at full capacity without the risk of a higher rate of inflation. From a macro-economic viewpoint, the Budget is likely to have a mildly inflationary effect on the economy. Factors such as the shift from a large fiscal surplus to a deficit, the crowding out of economic resources in the private sector by increased public expenditure, and the boost to the purchasing power of a large number of households are all unfavourable to the inflation outlook. According to some estimates, the change in fiscal stance could add one percentage point to inflation.

However, it would be wrong to label the Budget as inflationary; an additional percentage point increase in the CPI should not be regarded as such. After all the Budget could still be regarded as a balanced Budget since the forecast deficit is only equivalent to only 0.4% of the GDP. If history is any guide, we would probably see a surplus at the end of the next fiscal year. My concern is that since inflation is already running at just below 10%, any additional increase would push the CPI inflation into double digit. This may have a different psychological impact on the community.

We must therefore remain alert to the danger of inflation even though our hands are tied. I disagree with any tampering of the exchange rate system or the exchange rate itself. Inflation is not caused by imports. Changing the exchange rate would only have marginal impacts on inflation. It would also shaken people's confidence in our system. The cost far outweighs the benefits. Under the present political situation I do not support such a move.

We have a successful economy and obviously the Government's economic policy — whether we call it *laissez-faire*, positive non-intervention, minimum interference and maximum support, or the policy of no-policy — has worked. There is no reason for doubt and we should continue this policy. Despite the economic tensions we have with China, we will remain a successful economy. China's open-door policy has expanded Hong Kong's production capacity well beyond its natural limits. The success of the Chinese economy has also provided Hong Kong unprecedented opportunities. We should not allow the present political impasse to obstruct the economic co-operation between Hong Kong and the Mainland. We must find a way forward. The British and the Chinese Governments must resume talks over Hong Kong's political future. The Joint Liaison Group should also meet as soon as possible so that decisions can be made on some of the important issues, such as the airport and port developments. A

good relationship between Hong Kong and China is crucial to whether the projections contained in the Budget would be realized.

With these remarks, I support the Budget.

MR MOSES CHENG: Madam deputy, this year's Budget is exceptional in many ways and therefore warrants exceptional scrutiny. Many facets of the Financial Secretary's work will bolster social programs and assistance to the less fortunate that is long overdue, and I offer my praise for giving a fresh look at real needs of Hong Kong's people. Unlike much of the world, which finds itself dependent on third party aid and unable to meet most of its own needs, we can be proud and reflect over the fact that our hard work, efficiency and enterprise have afforded us the opportunity to invest in a greater society in successive years — a trend I believe must be sustained.

This year's Budget is exceptional not only in how much it dispenses, but in revenue projected through the duration of British sovereignty. It is unique to recent history that the Government is able to appropriate more and collect less, and this too calls for contemplative reflection. We should never lose sight of the reality that the needs of our people can only be met due to the continuing atmosphere of prosperous developments and opportunity growth in Hong Kong. It is necessary to invest in the people as our single most important resource. Yet, we must remember that the nature of responsible spending is prudent planning, which allows us to invest in generations to come. We need not be overwhelmed by the availability of funds or adopt a care-free, "live for today" attitude. Instead of being perceived as responsible leaders, some might think us to be acting like kids in a candy shop. But I believe Hong Kong is in dire need of enhancing much of its welfare activities. I am addressing the need for caution and prudence in all our planning, rather than the specific allocations of this year's Budget.

In reviewing the volumes that explain the numbers, I was amazed by the lack of information in some of the departments, the most outstanding example, as shared by many of my colleagues and myself, being the Judiciary. Despite the request we made last year the Judiciary Administration has simply provided no better information in support of their claim for provision. Neither can we speculate from the data which they are willing to disclose the solutions to the problems faced by them. I must therefore renew my call for more information and positive steps to be taken by the Administration to improve upon the situation again this year.

I have also found some of the explanations insufficient to cover my concerns of maximizing revenue through lean and efficient practices. To curb the growth of bureaucracy, across the board, there is only one sensible approach and that is to continuously monitor the effective use of resources. What may be commendable as an appropriation of funding of education or legal aid or elderly assistance could be reprehensible if we find out later that most of the money was

squandered through bureaucratic waste and procedures rather than helping the people it was allocated for.

While I commend the Financial Secretary for broadening consultations to arrive at this year's figures, within the Finance Branch itself, such expertise is too scarce to have them in a watchdog role over the numbers they compute for government funds. For example, when the Government loses a litigation case and is therefore ordered to pay out costs to the other party, no independent evaluation or audit has ever been exercised. Thus, there is no inherent means to check waste or rate human proficiency on the task. Professional work must be independently monitored if we are to avoid needless excess.

Furthermore, to maintain greater financial control and efficiency, we must monitor and regulate the fees that are paid out for professional work provided by private sector practitioners. Under the current system it can be expected that the Legal Department might pay significantly more than the Legal Aid Department for a comparable service. The price differential may be slight or extremely costly, when there should in fact be no differential at all. Without monitoring or regulation there is simply no way to curtail such waste. A comprehensive study should therefore be done for the implementation of a more uniform policy and rate for comparable services. A standard scale of charges must be devised so that the Government pays a more reasonable and predictable level of fees.

The move to greater automation and wider use of information technology represents a substantial price tag on the Government's spending for the coming year. It has long been hailed as the key to combating bureaucracy. I am a firm believer that this is true in principle. The problem is, when pragmatically applied to many departments, people in upper management remain improperly trained to fully appreciate and gain maximum benefits from the computerization of their organizations. No technology is cost-effective, if used incorrectly, at any level. While training to middle and low-end users is being provided, the leaders who are actually responsible for new solutions and innovative direction are often left in the dark. Training of upper management should be comprehensive and commensurate with new technology, so that we can modify old thinking to more innovation and efficiency.

A year ago, when I addressed this Chamber on the previous Budget, I put the greatest emphasis on the need for an increasing and more rapid rate of localization of the Civil Service, especially the Legal Department and the Judiciary. I am reasonable pleased with the responsiveness to these calls, but this year I want to stress that localization efforts should be carried out at all levels. It is imperative that we achieve an appropriate balance in the various sections of the Civil Service, especially those levels charged to interact with and accommodate the general public. Recently, I appealed to the Government to consider the problem of battered wives who reluctantly turn to the Legal Aid Department's matrimonial section, only to find 100% expatriate workers with no ability to communicate in Cantonese. Madam deputy, this is but one vivid,

significant example of the need to strike a greater balance; we must comb the corridors of government to find the many others to continue localization at a pace more beneficial to Hong Kong's future.

Finally, I want to remark on our obligation, rooted in our Chinese tradition, to properly attend to the needs of the elderly. Our parents and grandparents have worked hard throughout their lives and deserve to taste more sweetness from the fruits of their labour. If members of the older generation choose to retire across the northern frontier, or rejoin their families and friends in China, there should be no government-imposed inhibitions on them doing so. The minimal regulation necessary to verify that they are alive should satisfy the Administration. The 180-day limitations for allowances should be further studied to determine whether they are necessary at all. Families must be empowered to take care of their elderly. We owe much of our current prosperity to the sacrifices and toil of those who came before us, and it is only proper that we honour their contribution without impediments.

In ensuring that resources are put to best use, subventions to voluntary agencies should be kept under appropriate monitor so that comparable standards of services are being provided by the various agencies to the service recipients. The Administration should endeavour to set up standards of service so that a more uniform appraisal can be performed by those charged with the responsibility of evaluating such services.

Having addressed what I have termed "an exceptional Budget's exceptional need to examine efficiency in its fiscal responsibility", let me conclude, as I began, by praising the industry and hard work of our people, who have built a society that cares for the less fortunate and helps those unable to help themselves. This ethic is reflected in many of the new Budget's priorities, and should continue to be demonstrated in future. In order to always offer a helping hand to those in need, we must engineer an economy that provides prosperity and growth as well as opportunity for all who are able. Growth in the government sector should be held in check, allowing expansion only when accompanied by efficiency to insure that the people (and not bureaucrats or contractors) get their money's worth. The introduction and approval of limited deficit budgeting does not suggest that the Government is now wealthy enough to rest or become complacent. On the contrary, the shift away from savings should inspire us to unleash growth to even higher levels, so that we not only provide for ourselves today, but are able to take care of our families in future.

Madam deputy, with these remarks, I support the motion.

THE PRESIDENT resumed the Chair.

MR CHIM PUI-CHUNG (in Cantonese): Madam deputy and Mr President, the two of you can relieve each other, but you must also think of the Clerk to the Legislative Council. He, too, needs a break.

I have been very critical of the constitutional package outlined in the Governor's policy address delivered on 7 October last year. To the Financial Secretary's Budget, which is his second, I provisionally give a score of about 80 points. How have I arrived at this score? I give 10 points for maintaining Hong Kong's low tax policy; 10 points for appropriating \$2 billion for the sandwich class; 10 points for setting aside funds for the sewage treatment strategy; 10 points for keeping the inflation rate below the double-digit level; 10 points for granting tax concessions to public transport operators to benefit the elderly and the disabled; 10 points for cutting the stamp duty on stock transfers; and 20 points for raising personal allowance to \$56,000. Last but not least, the Financial Secretary heeded the views of many Legislative Council Members in the preparation of this Budget. For this, I give him five points. Therefore, this year's Budget merits a score of at least 85 points. I will make my comments below about the Budget.

Firstly, the deficit issue. There will be a budget deficit of about \$3.4 billion in the coming financial year. As a matter of fact, this so-called "deficit", like any of the other figures, is just a number game or a forecast. Many are very critical of this forecast. Actually, there is no need for them to have so strong feelings on it. Unlike many parts of the world or many leading countries which often have deficit budgets, Hong Kong, under its unique circumstances, has never brought in a deficit budget and always run larger-than-expected surpluses. In fact, the figures in Hong Kong's books, that is, the budgets, are indeed not small. The amount involved in the Budget is in excess of \$150 billion. The deficit is very small compared with this overall figure. There is no cause for concern. As we all know, one of the Hong Kong Government's most important sources of revenue is land sales. Under the present circumstances, I think that it will not be easy to sell more than 50 hectares of land. I am not very optimistic that it can be done. I hope that the Financial Secretary will revise his estimate in the light of this point. He has to do so because his entire budget will be upset if the proceeds from land sales fall short of his estimate.

Secondly, China's Most Favoured Nation (MFN) trading status, its effects on Hong Kong, and how Hong Kong must face the problem. I have made the point repeatedly that it is absolutely wrong of the United States Government to single out the Chinese Government and make the MFN status an issue. The world consists of buyers and sellers. The Chinese Government sells goods to the United States. This does not mean that it costs China nothing to produce these goods. For its part, does the United States not sell finished goods to China? Using trade as a weapon is merely an act of a successful or powerful economy to flex its economic might and turn it into a political or some other kind of influence. In the 1950s, after the Chinese Communist Party liberated China, it pledged to improve the living standards of the people. The time has

now come for it to redeem the pledge. It is better late than never, after all. It is better that the time came 30 years late than if it never came. People want peace in the world. I am strongly opposed to the United States Government's using the MFN trading status as a weapon and singling out the Chinese economy. China's economy is making steady improvement. The 1.1 billion or 1.2 billion Chinese people have a need and are entitled to better living conditions. The United States Government should help them by way of other means to attain its wish. It should not apply sanctions against them or intimidate them. I think that the United States will come round to it one day and do the right thing. Where Hong Kong is concerned, the Financial Secretary has said in his Budget Speech that the loss of MFN status by China would cost Hong Kong up to 70 000 jobs and up to three percentage points of our annual GDP growth. I, however, dare say that, given Hong Kong's present conditions and circumstances, we have absolutely nothing to worry about. Any step that the United States may take will be directed only against the products of the state-owned factories in China, not indiscriminately against anything produced by the people of Hong Kong, who have no state backing of any kind. Besides, Hong Kong is the most renowned champion of free trade and free competition. We have the greatest respect for world order. If the United States Government should dare to do any damage to Hong Kong, it will suffer also, particularly with regard to its trading status in the world.

Thirdly, arrangements for the new airport. As everybody knows, the Hong Kong Government will continue to rule Hong Kong as the representative of the British Government for the next four years or so and it will do its best to get, at least, part of the new airport project off the ground. The Governor said that the people of Hong Kong would get the greatest dowry since Cleopatra in the form of the project. However, in the absence of any agreement reached with China, the Financial Secretary, I am afraid, will not have the courage to ask the Finance Committee for the funding. Therefore, according to the Budget, the most that will be spent on the relevant works in the year after next is \$30 billion. As for the Memorandum of Understanding on the new airport, the Chinese Government has made it very clear that, acting on behalf of the future Special Administrative Region (SAR) Government, it is requesting that a reserve of \$25 be left for the SAR Government after 1997. The Hong Kong Government, which represents the British Government, could spend as much as possible and build as much as possible, after retaining such a reserve. However, one question is of great concern to the people of Hong Kong. How can agreement and understanding be reached with China so that Hong Kong may invest as much as \$30 billion in the year 1994-95? This question is of the utmost concern to the people of Hong Kong because, after all, we are not talking about building a concrete football pitch. In any case, I hope that the Hong Kong Government and the British Government will set an upper cost limit at around \$150 billion and then discuss this with China to find out if it has any other concerns. I also hope that the inflation rate will be kept below 12%. Then we will be able to complete the project at the \$150 billion price tag. Of course, if it finds that inflation goes up beyond that point, the Hong Kong Government certainly will not do business that will lose money. I believe that this is the wish

of some sections of the population of Hong Kong. I once said, "If the new airport is built, that will be good. If it is not built, that is not a big deal." At any rate, we must safeguard the interests of the people of Hong Kong.

Fourthly, Sino-Hong Kong relations. As everybody knows, in the past 12 or 13 years, it was China's open policy that prompted Hong Kong's businessmen and manufacturers to relocate some of their operations in China. This has enabled them to stand up to global challenges. It is basically thanks to China's open policy that Hong Kong has been able to make the achievement that it is now enjoying amidst the global economic recession and hyperinflation. We must make the British Government understand that, fortunately, Hong Kong, which has registered strong economic growth over the past decade or so, has not had to ask the United Kingdom, its sovereign power, to discharge any economic obligation or any other kind of obligation. I believe that the Asian-Pacific region will basically remain the centre of global economic activities in the next four years or so. China's open policy has made the Chinese market even more attractive, given its enormous population of 1.2 billion. In the past, the Chinese people's living standards and income levels were low and the Chinese market was a backwater. Now the Chinese people's income levels, particularly those of the private entrepreneurs, have risen significantly. As a result, China now becomes a huge market. Many countries are now keeping a close watch on, and participating in, the development of this market. Therefore, I hope that the Hong Kong Government will not only stand up for its own perceptions and interpretations in carrying out its policies but also pass the message to our present sovereign power, that is, the United Kingdom, so that the British Government may learn to make use of Hong Kong's relations with China to further the economic interests of the European Community and of the United Kingdom itself. By the way, the Australian Government has already made it clear that Australia's economic interests no longer lie in Europe or North America; they lie in the Asian-Pacific region. Therefore, it can be said that the Hong Kong Government is very privileged. It should seize the opportunity and make good use of its advantages.

Fifthly, I would like to talk about the sandwich class. In the Budget, the Financial Secretary has said that \$2 billion will be set aside for the benefit of the sandwich class. Undeniably, Hong Kong's sandwich class is a relatively unfortunate lot. Yet, I believe that not many of them will receive benefits from the \$2 billion that will be appropriated by the Administration for this purpose. At any rate, something is being done. I have learnt from the Secretary for Planning, Environment and Lands that the \$2 billion will be spent in the next two years such that about 3 000 families will be benefited. What concerns me is that the \$2 billion will not be spent directly on helping the sandwich class but will be spent in a manner that will indirectly benefit some property developers. Thus, the purpose of the scheme is defeated. Also, the Administration plans to ask the Sino-British Land Commission for more land grants so that more housing may be built for the sandwich class in 1995, 1996 and even beyond 1997. This will serve the purpose of looking after the interests of the sandwich class. However, I hope that the Administration will not mislead the community

in this matter. We must bear in mind that more land grants, or land grants in excess of 50 hectares, by the Land Commission require China's consent, or, in a sense, the consent of the future SAR Government. Therefore, it is very important that, before China's consent is obtained, the Administration should not make promises about things that are beyond its control, lest the people of Hong Kong be given false hopes or wrong impressions.

Sixthly, the future tax net. It is well known fact that Hong Kong's tax net is now relatively narrow. It will become more so when any Hong Kong companies will move their operations to various parts of China after 1997. The Administration, as a responsible administration, should take early actions to cope with this possible development and lay a foundation for our future tax net. I have been urging the Administration all along that the present tax exemption for so-called "off-shore" business should be reviewed and reassessed. In other words, I think that companies with off-shore business which file their tax returns in the territory should pay tax according to the local tax regime. This is to get a post-1997 tax net ready. Failing to do so, the Administration will stand to lose a lot of tax and, in turn, it means less tax receipts to the future SAR Government.

Seventhly, as the representative of the financial services sector, I am of course supportive of the Financial Secretary's proposal to lower the stamp duty by 0.1%. The Financial Secretary has made it clear that this proposal is made in recognition of a world-wide trend. I think that the Financial Secretary may also be aware that the stock exchanges around the world collect no stamp duty at all. I hope that, provided that this can be done without structurally damaging Hong Kong, the stamp duty will be lowered year after year until it is removed entirely. This will increase Hong Kong's global competitiveness and enable Hong Kong to maintain its position as a global financial hub.

Eighthly, I strongly support the pegged exchange rate. We have seen, at one point, one US dollar was worth as much as nine Hong Kong dollars or more. Because of political factors, the pegged exchange rate must be maintained. If it is repealed, one US dollar, I am afraid, may one day be worth a lot of Hong Kong dollars. I find some economists' criticism of the Administration in this respect is unfair. We must have a stable exchange system until the political situation settles down. In other words, it will be a different matter if something is done about the system after 1997.

Ninthly, the right attitude for the people of Hong Kong to take at this point in time. The people of Hong Kong are very successful for now. However, if they want to maintain their present living standards, they must not allow themselves to become "conceit", "impatient" and "complacent". We should all work harder for a better tomorrow. True, Hong Kong is the world's 10th economy in terms of international trade volume and has the world's 12th largest foreign exchange reserves. But we should not take our success for granted. We must bear firmly in mind that, what really count, if we want to

achieve greater successes, are the Administration's leadership and our own efforts. Thank you.

MR MICHAEL HO (in Cantonese): Mr President, I shall concentrate on the labour and health expenditures of the Budget.

The Financial Secretary's Budget could be said to have shaken loose the miserly approach of the past. It has proposed an injection of \$100 million into the pneumoconiosis compensation fund, \$10 million for the creation of a new fund to provide interest-free loans for employees or their families aggrieved by work-related injuries or deaths, \$1.1 billion for the construction of the North District Hospital and a \$50 million grant to the Hospital Authority to fund a research programme. I appreciate all these initiatives which will improve the people's livelihood. I am also very glad that the Financial Secretary has accepted Members' constructive opinions. I hope that he can do even better next year.

The proposed funding for the construction of a hospital in North District will bring about improvement for residents of the district who have long been suffering from an inadequate provision of medical and health services. I also believe the \$50 million grant for research should help the Hospital Authority in identifying the cost effectiveness of technologies in medicine, so that it may point towards a direction for development of those technologies suitable for introduction into Hong Kong, thus avoiding waste of resources in the form of development or research efforts that have not factored in the cost element. However, I can still see some major hidden setbacks in Hong Kong's development of health services behind these improvement programmes.

Although there is growth in health expenditure this year, I am disappointed with the Financial Secretary's reluctance to consider the United Democrats of Hong Kong's proposal of setting aside a sum of money to provide for the improvement of shortage of nurses on a year to year basis. What came into view last week when several Council Members and I visited the Queen Mary Hospital was a very crowded ward with 71 patients being taken care of by only one nursing officer, four registered nurses and several student nurses on duty. At first glance, there appeared to be sufficient hands in the ward. But if we took only the number of registered nurses present into account, then one registered nurse would have to take care of more than 10 patients. This is not an acceptable situation. Definitely, any improvement lies in an increase of manpower, that is, an increase in funding.

We are currently short of some 5 000 nurses. If we were to recruit 1 500 registered nurses more this year, we would need an additional \$270 million to pay for their salaries. However, this provision of funds is obviously absent from the Budget. The Administration may not have any additional resources to implement any package of proposals to recruit additional nurses that might be recommended several months from now by the

departmental group especially set up to deal with the question of shortage of nurses.

The total expenditure on medical and health care is given more than a 7% growth this year. Putting together the provisions for the Hospital Authority, Department of Health and Hospital Services Department, the growth in real terms of their expenditure is 8.7%. On the face of it, the growth rate of the Hospital Authority is not bad. But given that we lack a well defined policy on medical and health services, the Government has no idea of what kind of services to provide and how to calculate the expenditure needed by such services. Therefore, the Government has no way of knowing whether or not this growth is reasonable.

A report on primary health care services has been compiled by the Government. But a corresponding medical and health policy has yet to be formulated after the publication of this report. For example, the Government has made no categorical undertaking as to what commitment it will make in relation to these plans. Nor has it set any priority in respect of manpower and resource allocation for primary health care services and hospital services; nor has it defined the mutual complementary relationship between these two service areas. Besides, it has yet to decide the speed and scope of the development of these services. All of these will pose difficulties to the calculation of necessary expenditure and the setting of manning standards. One cannot help wondering if the expenditure estimate calculated for medical and health services by the Government could really meet the needs of the community.

The difficulties for the calculation of expenditure and setting of manpower establishment mentioned just now are clearly reflected in the Budget. Since its takeover of the administration of hospitals, the Hospital Authority has neither formulated an official manpower establishment nor a method of calculation therefor. There is also no clear standard as to the exact number of staff required for the provision of services at present. This is what worries people most. Since the Government's present calculation of funding is not done on the manning ratio recommended by the former Medical Development Advisory Committee (MDAC), the Hospital Authority has no choice but to give up using the ratio of the MDAC, claiming at the same time the ratio is out of date. However, the question is: Now that the old standard has been dropped while a new system has yet to be established, the Government therefore can only make a random allocation of funds wherewith to employ an insufficient number of nursing and medical staff. It is unacceptable that the Hospital Authority, which has a staff of more than 30 000 should operate without any funding criterion. I should like to stress here that a manning ratio must be formulated in accordance with a criterion and this criterion must be set in reference to the services we expect to provide and the speed and scope of the expansion of these services. In the absence of respective policy guidelines, the formulation of a manning ratio and calculation of funding which will satisfy the needs of the community have become impossible.

While the Government's willingness to commit more resources to meeting the needs of the public is heartening indeed, a responsible government must also have a long-term policy to assess the demand for service and the necessary provision of funds. I believe the people of Hong Kong expect to see the services improved in addition to allocation of more resources by the Government to build a hospital.

In respect of the aspect of labour, I will concentrate on the labour training scheme.

Last year, the Finance Committee agreed to inject more funds into the retraining scheme. In the view of the United Democrats of Hong Kong, this is something better late than never. The Government finally addresses the question of training for workers under the economic transformation of Hong Kong. In a feature of the *Economist* in November last year, it was indicated that under the trend of globalization and automation of production, the success of a region hinges on the supply of workers who have received high quality training. Hong Kong is now caught in this global trend in which the production of many low value added products is gradually shifting into Chinese cities which offer competitive production costs, thus leading to a disequilibrium of an over-supply of workers in the manufacturing sector and a shortage of manpower in the service industries. In face of this change the Government has all along failed to come up with a long-term positive labour policy that can cope with the situation. When a shortage of labour arose in the service industries, the Government started to import foreign workers. A more substantial commitment to the retraining scheme was only made this year. This kind of policy should be changed in the 1990s. Therefore I welcome the Government's injection of \$300 million into the retraining fund and the \$50 million grant for expansion of the new technology training scheme.

But in a longer-term perspective, the whole policy should first be directed towards solving the problem of retraining and alternative employment for manufacturing workers as an immediate objective, and then it should be gradually expanded in order to improve comprehensively the quality of the local workforce as a long-term objective. From this angle, there are deficiencies with the present training scheme.

First, the Government should increase the number of places in the retraining scheme from 10 000 to 20 000 a year. At the same time, for the scheme to achieve its intended results, the allowance for each participant should be raised from the present \$2,800 to \$4,000 so as to attract more manufacturing workers to take part in the scheme of their own accord. Although it will require an annual funding of \$450 million by the Government, it will bring substantial economic benefits. At the same time, in order to help retrained workers seek employment successfully, the Government should review the present policy of importing labour with a view to reducing gradually the quota for the service industries.

On the basis of the training scheme and the new technology training scheme, the Government should substantially expand on-job training to improve the quality of workers, which is the common responsibility of the Government and the industrial sector. Active intervention by way of funding and tax concessions offered by the Government is needed to induce enterprises to provide technical training for their workers.

I hope the Government can give consideration to further expanding on-job training in its planning of retraining and technology training programmes.

An expansion in the retraining and technology training programmes will, in the short term, solve the problem of disequilibrium of the labour market caused by economic transformation while, in the long term, it will enhance further the competitiveness of Hong Kong in response to the global trend of economic production. All this will be to the future benefit of the territory.

Finally, I would like to respond to a comment made by the Honourable Ronald ARCULLI just now. He expressed the wish that, in reviewing civil service salaries this year, the Government would have regard to who among the civil servants already enjoy housing allowance and who do not. He also said that he hoped the Government could take the lead, with the private sector considering whether they should follow suit. From this message, I detect a momentous implication. It would appear that the Government and the business sector are prepared to join forces to suppress the growth of wages in Hong Kong — a trend I deem utterly undesirable.

Mr President, I so submit.

MR GILBERT LEUNG (in Cantonese): Mr President, the Financial Secretary has made an unprecedented move by giving a title — "Building on Success" — to this Budget. But can we attain such goal conveyed by this title?

From the point of view of the general public, the title of the Budget is apt because the Budget for the coming financial year will enable the majority of the people of Hong Kong to share Hong Kong's economic achievement we made in 1992. The Financial Secretary has proposed to cut tax. He is keeping his promise of last year by raising the personal allowance and widening tax band. Furthermore, the Financial Secretary is also appropriating nearly \$17 billion for 12 new projects, either as current items or extraordinary items, ranging from infrastructure projects, environmental improvement, care for the old, the infirm, the disabled and the handicapped, to the promotion of sports and the performing arts. Almost nothing is left out. But will the people of Hong Kong be able to enjoy Hong Kong's economic prosperity for good?

The answer is missing from the second Budget of the Financial Secretary Hamish MacLEOD as it was also missing in the Budgets prepared by his

predecessors. There is no good prescription. Nor is there any guarantee. The people of Hong Kong can only place the matter in the lap of God and resign themselves to fate.

To "build" our future, the Government has proposed to spend in the new year as much as \$132.4 billion, up 21.2% from the revised figure for the out going financial year. Discounting the 9.4% inflation rate, we will still get an increase of about 12% in real terms. Public sector spending will be even more, at \$156.6 billion, up 12.5% in real terms from the revised figure for the out going financial year, accounting for as high as 18.5% of gross domestic product (GDP).

However, we must not simplistically and mechanically equate increased public sector spending with building Hong Kong's future. We must first find out if taxpayers' money is to be spent properly on worthwhile items. How much of the increased spending will go to expand the size of the bureaucracy? How much of it will really be used to build projects good for Hong Kong's economic development, to create wealth for the community, to improve people's livelihood? More importantly, public sector spending must be guided by clear and specific policies and serve the needs of these policies if it is to be meaningful and to achieve the objectives. Otherwise, increases in public sector spending are just number games that the Financial Secretary plays. Worse yet, it is quite probable that taxpayers' money will be wasted on worthless and useless projects.

Very regrettably, we do not see in either the Financial Secretary's first Budget last year or his second Budget this year that the Government finds it necessary to formulate an economic policy that looks beyond 1997 and a complementary fiscal policy. The Financial Secretary's philosophy of financial management seems to stick to the established practice adopted by his predecessors. It is the linear descendant of the *laissez-faire* policy of the 1950s and the 1960s and the positive non-intervention policy of the 1970s and the 1980s. In comparison with these past policies, it differs in degree but not in substance.

In a nutshell, the Financial Secretary's fiscal policy is totally conservative and reactive, demonstrating a knee-jerk response to Hong Kong's economic changes. If Hong Kong's economy performs well, as it did last year with a growth rate of 5% in real terms to reap a huge surplus, the Government will then increase spending to improve people's livelihood or cut tax to lighten people's burden. If the economy does not perform well, the Government will "trim the toes to fit the shoes", so to speak, by cutting spending or increasing tax to make up for the deficit.

It is exactly the Achilles' heel of the Financial Secretary's philosophy of financial management.

As we all know, the late 1980s marked the end of Hong Kong's golden age of fast economic growth. The structural dependency of Hong Kong's economy dictates that it cannot escape the effects of a global economic recession. Government statistics show that, since 1989, Hong Kong's exports have been increasing at an annual rate of under 1%. And they actually decreased in 1990. But for China's reform and open policy, and its sustained economic growth in recent years, which have boosted Hong Kong's re-exports significantly, Hong Kong's economy would probably have gone into recession. The fact is that, since the beginning of the 1990s, Hong Kong's economy has become more and more closely linked to China's economy. Not only has China replaced the United States as our most important trading partner, but Hong Kong people's huge investments in China have transformed the territory's economic structure as well. From figures cited by the Financial Secretary in his new Budget, it is clear that the relative importance of Hong Kong's manufacturing sector is declining steadily. As a percentage of GDP, manufacturing declined from 23% in 1981 to 16% in 1991. In contrast, the relative importance of the service sector has grown, so much so that it is now the most important sector. The service industries accounted for 73% of GDP and hired 66% of Hong Kong's working population in 1991. In other words, the days when Hong Kong could compete globally on the strength of cheap labour are gone. The growing importance of the service sector means that wages are bound to go up. However, no matter how fast wages rise, they will not be able to catch up with inflation.

Evidently, Hong Kong's economy has now entered a phase of low growth, high inflation and rising structural unemployment. To solve this problem fully, we must find out its causes and then prescribe the right remedy, rather than adhering to conventions, pursuing a positive non-intervention policy, playing by ear or acting reactively.

But what solution have we found in the two Budgets delivered by the Financial Secretary since assuming office? There is none at all, if I may say so.

Before the Financial Secretary made his new Budget speech, I had openly expressed concern. I said, "It is quite probable that the Financial Secretary's Budget will have an ulterior political motive, that is, to curry favour with the public and win their hearts, in addition to economic considerations. The Budget will thus become an economic card for use in Sino-British talks." Some colleagues in this Council reacted strongly to my remarks. However, they misunderstood what I meant by "politicization of the Budget".

In a broad sense, anything that has to do with the management of public affairs has to do with politics. The Budget is no exception since it affects the real interests of all social strata in Hong Kong and plays a key role in the redistribution of social wealth. This is common sense and indisputable. But, when I talked about "politicization of the Budget", I meant that the Financial Secretary's Budget this year would very probably be designed to give political support to Governor Chris PATTEN's plans and stratagems in the context of the

Sino-British row. A straw shows which way the wind blows. We note that the Government will generously appropriate \$2 billion for the sandwich class housing scheme, which indeed has far-reaching effects, but does not follow the usual practice of formulating a well-considered policy to go with it, and we can tell that the purpose of the scheme is merely to curry favour with the sandwich class. Will the scheme really solve the housing problem of the sandwich class? Will it backfire? Will the scheme indirectly drive up or send the property prices soaring again? The Financial Secretary has made no attempt in the Budget to answer these questions. Evidently, my concern is not unfounded. The Governor will now be bent on pursuing his own course of action. In total disregard of the whole community's wish for a resumption of Sino-British talks, he has defiantly gazetted his constitutional package, thus laying down a pre-condition which is an obstacle that has effectively landed the Sino-British talks in a new impasse and cast a dark shadow once again over the future of Hong Kong. If the Financial Secretary had not been "prescient" in terms of his design of a generous budget for currying favour with the public, the Government would now have found itself between hammer and anvil and the situation harder to tackle.

Therefore, in this Budget debate, we really should no longer fail to see the wood for the trees. That is to say, we should not be concerned ourselves only with tax increases or cuts with regard to individual items, rather we should ask questions and make suggestions concerning policies and general direction. We should urge the Government to put the interests of the 6 million people of Hong Kong above anything else and to lay a solid foundation for Hong Kong's smooth transition in 1997 and further growth in the 21st century.

In this connection, I would like to make some comments on four major problems in the Budget as follows:

1. Income disparity

Income disparity is actually a very serious problem in Hong Kong. Last year, the Government published a report on household income ratios in decades, based on the 1986 census and the 1991 census. The report shows the following. In 1991, the income of the bottom 10% of Hong Kong's low-income households accounted for only 1.3% of the aggregate income of the local population. The same ratio had been 1.4% and 2.3% in 1981 and 1971 respectively. On the other side of the coin, in 1991, the income of the top 10% of Hong Kong's high-income households accounted for 37.3% of the aggregate income of the local population. The Gini Coefficients in the context of Hong Kong were 0.43, 0.45 and 0.48 respectively in 1971, 1981 and 1991. This also shows that the situation was getting worse. If we are to look at this year's Budget on such a basis, then we must say that the Financial Secretary's proposal to raise the personal allowance by only \$10,000 and to widen tax band from \$20,000 to \$30,000 is clearly like a drop in the ocean. It does not really help to improve the distribution of wealth in Hong Kong. How can the man in the street share the fruit of our economic success?

2. *Inflation*

Since 1989, Hong Kong's inflation rate has been sustained at about a double-digit level. For a time, in April 1991, it went up to as high as 13.9%. That was shocking. The Government took a series of anti-inflation measures towards the end of 1991. Still, the inflation rate is close to 10% today. It is expected that the inflation rate will remain at the present level at least in the coming few years. Inflation is one of the most important factors affecting the distribution of social wealth. In other words, if the situation remains unchanged for the next few years, the wealth of the community in general will automatically depreciate by 10% per annum. The pegged exchange rate and the Interest Rate Agreement have put Hong Kong's deposit interest rate at a persistently low level. Against this backdrop, people are compelled to rush into the property market and the stock market. The results are the sustained high property price and the rampant speculation. The Financial Secretary admits in his speech that the service sector has become the predominant sector in Hong Kong's economy and that financial services are the most important elements of the service sector. He has added that the Government would secure "the stability and integrity of our monetary and financial markets through a strengthened regulatory framework." The fact, however, is that a lot of wealth changed hands during the past few years when Hong Kong's stock market took roller-coaster rides. The Financial Secretary has denied that an increase in public sector spending will fuel inflation, but he is obviously giving up on inflation. Therefore, in the next few years, come any political upheavals, the financial markets are bound to take roller-coaster rides. Speculators surely will create more waves at the first opportunity. Given its positive non-intervention approach, the Government will only lock the stable door after the horse has been stolen. It certainly is not likely to take precautions against possible adversity. I am afraid we are going to see events like the 1987 stock market disaster, the Carrean incident and the BCCI episode repeat themselves. When we come to such stage, social stability and people's livelihood will certainly be affected. Very regrettably, the Financial Secretary's Budget is so myopic that it has not taken these points into consideration, let alone making precautions and contingency plans. "Build" a future indeed! I really wonder what that is supposed to mean.

3. *Convergence*

Should Hong Kong's political system converge with that of the Special Administrative Region set up according to the Basic Law? This has all along been the biggest political controversy in Hong Kong. As a matter of fact, the more important thing is Hong Kong's economic convergence with China since it has a more direct bearing on the 6 million people of Hong Kong. Hong Kong's manufacturing is steadily moving north into China. This has become a trend. If the development of Hong Kong's services-led economic system fails to complement the economic development of South China, the rapid development of the Pearl River Delta, making up for lost grounds in the past will sooner or later greatly reduce Hong Kong's comparative economic advantage. The decline

of manufacturing has already led to structural unemployment in Hong Kong. If the service sector, which employs 70% of Hong Kong's working population, also comes under threat, our unemployment situation will get worse and there certainly will be more social unrest. To maintain Hong Kong's competitive edge, we must improve its productivity. For this reason, we can say that investment in human resources cannot brook one moment's delay.

4. *Crisis management*

The Financial Secretary is quite optimistic about the future of Hong Kong. In his economic forecast for Hong Kong for the next four years, he assumes that there will be a significant 5% growth in real terms each year. In fact, however, the worsening Sino-British relations have already cast a dark shadow over Hong Kong's economic prospects. It is really doubtful that stable growth can be maintained in the next four years. The Financial Secretary predicts that all Budgets from this financial year onward will be in the red. However, the deficits will have nothing to do economically with KEYNES' counter cyclical theory. They are not intended for stimulating the economy. The deficit budgets are the results of massive spending on the new airport and related infrastructure projects. Therefore, suppose that Hong Kong's economy is dealt a heavy blow by political changes which would lead to a drastic decline in public revenue from recurrent items (mainly profit tax and salaries tax) and from non-recurrent items (mainly land sales), it will then be really doubtful that the Government will be able to keep its reserve at a high level. It is indeed worrying, given such a real threat, that the Financial Secretary has failed to give it any serious thought in the Budget, let alone putting forward any contingency measures.

Lastly, I would like to note the inseparability between economics and politics nowadays. While debating the Budget, we simply cannot ignore Hong Kong's political realities. For the sake of smooth transition and convergence as well as the maintenance of social stability and economic prosperity, China and the United Kingdom should quickly set their differences aside and resume the talks. For our part, we the people of Hong Kong should work to remove the obstacles to the talks and create favourable conditions for the resumption of negotiations between China and the United Kingdom.

Mr President, I so submit.

DR PHILIP WONG (in Cantonese): Mr President, I always advocate that the Government's budget approach must be cautious and prudent in order to keep our finances on an even keel, with revenue and expenditure in balance, with no deficit and with no stimulant to push up inflation. While accommodating the immediate interests of all strata of the community, regard must be had to the long-term interests of the community as a whole and to the interests of a smooth transition. This is the job that the present Financial Secretary should do.

Since the 1950s, a succession of Financial Secretaries have basically observed a prudent fiscal policy and not the deficit budget policy of the Western countries. Hong Kong's sustained economic growth and increasingly sound financial situation demonstrate that this is an efficacious policy suited to Hong Kong's practical needs.

Such a policy, after being widely discussed over a period of four years or more, has been written into the Basic Law, where it has become the substance of Article 108 and other articles. Any sudden change of this policy at a time when the sovereignty transfer is close at hand will of course attract the community's attention.

The new Budget was announced at the beginning of this month. The community's reactions have been mixed. Some say that the Budget has regard to immediate interests but ignores long-term interests. Many of my friends in civic groups and in the business community have commented to me that the Budget speech is consistent with the Governor's constitutional package proposal in objective and in approach, that it may have a negative impact on Hong Kong's future development and that it must not be taken lightly.

Mr President, I think that the Budget speech is noteworthy on five counts:

The first point is that the words "Building on Success" in the title of the Budget speech convey the wrong impression of "giving benefits to the people". A small favour is granted in the area of social services spending as a sop to win the hearts of the people. The public's wish that the Government take action to improve the quality of life cannot be faulted, now that there is a huge surplus. The question is this: Under the banner of "Building on Success" hoisted by the Financial Secretary, who actually are to partake of the fruit of prosperity? With regard to the new airport, each consultancy contract, each design contract, each construction contract, is worth billions of dollars. How many of these contracts are really awarded to Hong Kong companies or consortia?

The second point is the sharp rise in public sector spending. For more than 30 years, despite variations of principles underlying the Government's fiscal policy, the invariable rule has been that public sector spending may not increase faster than the general trend of growth of gross domestic product (GDP). The Financial Secretary now forecasts that, as a general trend, GDP will grow at a 5% annual rate. But public sector spending in the new financial year will be \$132.5 billion, up sharply by 15.2% from the \$115 billion in the outgoing year. The increase will be larger still if one adds the \$19.7 billion of the Capital Investment Fund. The Financial Secretary says that the new year's total public sector spending, in real terms, is 12.5% higher than the revised figure for the outgoing year. Actually, the increase is bigger. From the Appropriation Bill, one sees at a glance that the spending on Government House will increase by 40%. Money that should be spent will not be spent. Money that should not be spent will be spent massively. This is a cause for concern. Has the Financial Secretary received instructions from his boss, telling him that

"if the money is not spent now, it cannot be spent after a certain date"? On one hand, the Financial Secretary says that the traditional fiscal principles are still "very useful". On the other hand, he throws these principles into the dust bin. It is difficult for him not to give people the impression that he is "saying one thing but doing another".

The third point is the deficit Budget. Financial Secretaries down the line have stressed that deficit Budgets are inappropriate to the economic situation of Hong Kong. When I meet with foreigners, I often say that Hong Kong is a very tiny city with no natural resources; so it must be prepared at all times for changes in external factors, in the way that people stock up grain so as to be prepared if there should be a famine. Hong Kong ran deficits only seven times during the 48 years after the war. They were due to global economic recessions, oil crises or financial upheavals. China's reform and opening up in recent years have enabled Hong Kong's economy to grow vigorously. There is simply no need for a deliberate, artificial Budget deficit. The Financial Secretary says that his deficit is "moderate". But he is already acting to widen the breach and to pave the way for deficit Budgets from next year until 1997, with tens of billions of dollars in the red. He also says that the deficit is "beneficial". I believe that the community will find this hard to understand. What the community finds easier to understand is former Financial Secretary Sir John BREMRIDGE's comment that Hong Kong's Budget deficit is "a wantonly wasteful but highly popular expedient".

The fourth point is the fuelling of inflation. Hong Kong's rate of inflation, being sustained at a high level, is already a serious problem that troubles the people, that adds to operating costs and that weakens economic performance. The Administration used to combat inflation by tightening public sector spending and by freezing charges for public services. This time, however, the Financial Secretary is not only giving up on inflation but producing a deficit Budget. All departments are to "crack-spend money". Consumption will be expanded. This is like pouring oil on fire. It is bound to induce a continuous rise in the inflation rate. The situation may just about get out of control before 1997. The Financial Secretary predicts that the average inflation rate for the next five years will be 8.5%. This is hard to believe.

Finally, I would like to talk about the fiscal reserve. I think that an ample reserve, achieved without lowering the quality of public services, is very essential if Hong Kong's strong position as a financial centre is to be maintained and if foreign investments are to be attracted to Hong Kong. It will also be an important safeguard for the future SAR's economic prosperity, financial stability and ability to deal with crises. The Hong Kong Government used to attach great importance to the reserve. Every year, the reserve represented a high percentage rate of government spending. In the current year, it has equalled about 70% or 80% of government spending. In the out going year, it equalled about 109.7% of government spending. However, beginning this year, the Financial Secretary will draw down the reserve. The prediction is that, in 1997, when spending will exceed \$200 billion, only \$70 billion or so in reserve

will be left, dipping to a low of 39% of spending. That will be the lowest reserve to spending ratio over many years. Concerning the financial arrangements for the new airport, the original British proposal was to nearly exhaust the reserve by 1997. Upon China's insistence, the United Kingdom then agreed to specify in the Memorandum of Understanding that \$25 billion in reserve would be left. The Governor's series of actions in breach of faith have led to the present Sino-British quarrel. As a result, there is uncertainty about the future. In addition, the inflation rate is in an upward trend. The Administration is ready at all times to "wash its feet without wiping them", to use the reserve to cover the contingent liability incurred on account of the new airport and related projects. From all of the above, it seems that the Financial Secretary's so-called \$70 billion reserve may be a "bad cheque".

Mr President, the closer we get to the delicate moment of transfer of sovereignty, the more must the Administration adhere to a prudent, fair and credible fiscal policy. I have raised the five points above for the sole purpose of safeguarding the interests of the community and preventing some people from using Hong Kong's accumulated reserve to set up obstacles in the way of smooth transition. I hope that this Council will closely scrutinize the Appropriation Bill and that the Administration will readily heed good advice and seriously consider and accept the views of the community.

There are many other questionable points about the new Budget. I should like to make use of this opportunity to ask five questions. I hope that the Financial Secretary will respond to them in his reply:

1. Some of Hong Kong's major projects straddle 1997. Because the Chinese side were not consulted about them in advance, and because China's approval has not been obtained, it is difficult to proceed with these projects. The Administration has now announced a sewerage project, on which \$7 billion or so will be spent before 1997 and \$10 billion or so after. There are many other projects that straddle 1997. I ask the Administration to tell this Council: Do you or do you not intend to consult the Chinese side about them?
2. I ask the Administration to give a detailed explanation to this Council concerning the plans of statutory bodies (for example, the Airport Authority and MTRC) to issue debt instruments or bonds on the secondary market for the Exchange Fund bills and bonds, providing details including the total amount of the issue, maturity dates and guarantees.
3. I would like to ask how the money raised from Exchange Fund bills and government bonds will be used and how supervision can be strengthened.

4. There seem to be recent indications that the civil servants are unhappy with the present situation and are fidgeting in their jobs. Why does the Financial Secretary avoid talking about the pension fund, which has an important bearing on civil servants' confidence and on the Government's efficiency?

5. In view of the poor state of law and order, I requested, during the March 1992 debate and during the question time last month, that more money be appropriated to boost funding for the disciplinary services. Why are appropriations showing negative growth instead in this regard?

Mr President, I so submit.

Suspension of sitting

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

Suspended accordingly at three minutes to Eight o'clock.