

# OFFICIAL RECORD OF PROCEEDINGS

Thursday, 25 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 EDWARD HO SING-TIN, O.B.E., J.P.

THE HONOURABLE RONALD JOSEPH ARCULLI, J.P.

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

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

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

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 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.

DR THE HONOURABLE HUANG CHEN-YA

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

DR THE HONOURABLE LAM KUI-CHUN

DR THE HONOURABLE CONRAD LAM KUI-SHING

THE HONOURABLE LAU CHIN-SHEK

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

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE PHILIP WONG YU-HONG

**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

**Second Reading of Bill****APPROPRIATION BILL 1993****Resumption of debate on Second Reading which was moved on 3 March 1993**

PRESIDENT: Council will resume and continue with the debate on the Appropriation Bill 1993.

MR MARTIN BARROW: Mr President, the Financial Secretary is to be congratulated on presenting what is probably the most popular Budget in recent years. It is a something-for-everyone Budget even, for the first time in its history, for the tourism industry.

*Inflation*

There are, however, some concerns and I would like to focus on inflation in particular. The Financial Secretary tells us that this is an issue on which no one can afford to be complacent, but he seems to conclude that it must remain in his difficult basket.

We know from various studies that our inflation is not "imported cost" inflation. Instead it is "domestic cost" inflation, caused, we are told, by the change in the nature of Hong Kong's economy from a manufacturing base to a service base. A contributory factor is the shortage of land and consequent high cost of housing and other property.

At present Hong Kong has a demand for its services which is so large that, despite some problems in the efficiency of our performance and rising cost, our services are regarded as adding value. But how long can this continue? I fear that time is running out for us more quickly than we realize and we may be being complacent.

The Financial Secretary refers to the labour shortage but concludes that he has not yet found a satisfactory solution to this problem. This is the fifth Budget debate in which I have spoken on this issue. I am sorry that once again I have to make the same points which are as pertinent now as they were in 1989. I applaud the introduction of retraining — but it will take time and even if all the unemployed were retrained, there would still be a labour shortage.

What we need is a sensibly regulated scheme which will eliminate bottlenecks by allowing sufficient imported labour to take up the lower skilled positions so that Hong Kong workers can gradually take up more skilled jobs. In this way, Hong Kong workers will be able to enjoy a higher standard of living both by being better skilled (and therefore better remunerated) and through removal of the constraint on economic growth caused by the shortage

of labour. The Government should look at the example of Singapore which adopted this strategy many years ago.

It is time that the Government took the time and trouble to convince the community why a more flexible policy for some sectors is needed. It must explain to those opposed to the schemes that the people who benefit in the short term from higher wage increases are the very same people who suffer most from inflation. As was illustrated in yesterday's Manpower Panel meeting, there is considerable confusion about the unemployment and underemployment statistics. I urge the Government to get to the bottom of the real position and make it clear to the community, including an explanation of the apparent mismatch in different sectors.

The argument is not just about inflation. Achievement of a high level of service standards is just as important, if we are to maintain our position as a tourist destination, as a regional headquarters and as a centre for international business. Remember we are competing with Singapore which, with a population less than half of ours, adopts a much more flexible policy.

Finally, let me make it absolutely clear that I am not suggesting indiscriminate importation of labour be brought into Hong Kong. The numbers are currently less than 1% of the workforce and I cannot believe that if limited to say 1% to 2% of the workforce, there could possibly be a negative effect on Hong Kong people. To reduce the impact on housing or medical services, it might be worthwhile investigating the proposal made last week by the respected international economist Sir Alan WALTERS that labour could enter from China on a daily basis. I would also reiterate that the Government must support other initiatives to relieve shortages, such as achieving a higher labour participation rate as well as overall productivity increases.

### *Tourism*

The recognition by the Government of tourism is welcome news. We trust that this will encourage the community as a whole to recognize the contribution this industry makes to our economic well-being. A former Financial Secretary once said, "We do not need tourists; they are just a load of back-packers; they bring no benefit to the economy." It has taken a long time for that misconception to be removed. Tourism is the third largest earner of foreign exchange for Hong Kong. I am pleased to say that recent analysis shows that the HK\$48 billion earned in 1991 took the industry nearly into second place, just fractionally behind electronics.

The extension of the Hong Kong Convention and Exhibition Centre will prove to be a marvellous asset for Hong Kong and can only enhance our position as the leading business and tourism centre in Asia. Some 28% of our visitors in 1992 came on business or to attend meetings, providing a segment of our visitor arrivals which tends to stay twice as long and spend three times as much money as the average visitor. I urge the Government to proceed with this

project without delay and demonstrate the "can do" efficiency which has been the cornerstone of Hong Kong's success for so many generations.

I also appreciate the long overdue decision to eliminate the so-called temporary tax on perfumes and cosmetics, items which are very popular with visitors and are important shopping attractions. It is also a relief that there has been no reference to a wholesale tax, which at this time of high inflation is an unrealistic option. There is disappointment, however, that the airport tax has continued at such a high level.

The allocation by the Government of funds for the Association's purchase of an office shows further confidence in the future of Hong Kong's tourism industry.

Having said that, however, I would point out that such a one-off allocation can be no substitute for a properly funded marketing budget which can support the Association's overall objectives. The Association's share of the Government's recurrent expenditure has fallen in recent years. The low level of increase in the Budget is disappointing and unrealistic when taking into account high inflation and the increased competition from other travel destinations. When it comes to long-term planning, I will be seeking the Financial Secretary's commitment to strengthen the Budget in future.

One last point related to tourism is the promotion of Hong Kong as a centre of art and culture in East Asia. It is disappointing that the Government having spent \$7 billion over the last 10 years, the recurrent expenditure on the arts is at such a low level. I hope arts policy can be a subject for debate in this Council following recent publication of the consultation paper.

#### *Regional competitiveness*

A key aspect of Hong Kong's competitiveness as a centre for foreign business to locate regional headquarters has been its taxation system. Accordingly, I am pleased to see that the Government is maintaining a low source-based taxation regime. However, I must express grave concern over the Financial Secretary's announcement with respect to the taxation of royalties. I share his view that he must move quickly and firmly to prevent the abuse of royalty deduction. However, the method he has proposed would not only attack tax evasion, it would also apply to legitimate payments for the transfer of technology and other intellectual property and, in doing so, impose rates of taxation on those transfers well in excess of taxation imposed by our regional competitors. I urge the Financial Secretary to rethink this proposal and find a way to solve the problem without throwing the baby out with the bath water.

#### *Conclusions*

Mr President, the Financial Secretary has clearly laid out the underlying objectives on which his Budget is based. "Minimum interference and maximum

support" has apparently replaced "positive non-interventionism" but the message, I believe and hope, is the same. There has, however, been continued encouragement by some Members of this Council and others to adopt a more interventionist approach.

In recent weeks we have seen proposals for a fair trade commission, for a review of our highly efficient railways and so on. I urge the Government to effectively argue the case against these interventionist suggestions. It will be a sad day for Hong Kong if we end up with a bureaucracy that retards our economic development, as that would deprive the Government of the very funds it needs to seek to continue to improve the quality of life for the people of Hong Kong.

While the Financial Secretary has referred to the intention to hold government expenditure to below 20% of GDP, I would like to have heard more about the follow-up to the very positive "efficiency" initiatives announced by the Governor on 7 October. Hong Kong's civil servants are some of the most able and dedicated anywhere in the world. All of us can have confidence in the people who will serve us into the next century. However, we need to redouble our efforts to promote efficiency. Sadly, bureaucratic steeplechases and slow decision making still exist in some parts of the Government. I know the Efficiency Unit is working on this but I urge the Government to give that unit increased attention and support. I know many departments argue that staff shortages are hindering efficiency. This may be true in a few areas but each and every department should look at simplifying its procedures. I would like to know, for example, how many forms and documents have been abolished since 7 October when the Governor announced his culture of service. Perhaps the Financial Secretary and other Secretaries could give us a mid-term report next week. On a related point, I recognize the existing difficulties on privatization initiatives but I hope the Financial Secretary can confirm that opportunities for privatization will not be totally lost sight of in the months and years ahead.

It is important, Mr President, that we do not overreact to concerns that the current political impasse will lead to difficulties on the economic front. The preoccupation in the community with constitutional matters has masked the many positive actions on both economic and social issues which the Government plans to take. We must keep up the initiatives announced in both the Governor's policy address and in the Budget. The projects announced are those that will bring economic benefits well beyond 1997 and are investments in Hong Kong's future productivity. A small forecast deficit, which on past performance probably will not happen anyway, compared with our huge surpluses of recent years should not be a concern to the community.

In conclusion, Mr President, our economic interdependence with the Mainland, which now accounts for 60% of our trade compared with just 12% at the start of the open door policy, will underpin our future. Southern China remains poised for economic take-off as it becomes the fifth and largest dragon

and concentration on the success of Hong Kong's vital role in this extraordinary growth remains the best way forward for the people of Hong Kong. Our economic contribution to the Mainland's modernization remains the best form of insurance to protect our future.

With these words, I support the motion.

MR MARVIN CHEUNG: Mr President, I must congratulate the Financial Secretary for a good Budget. He has certainly done a lot of homework, more so than any of his predecessors, in conducting an extensive consultation exercise over a long period of time before finalizing his Budget proposals. Whilst a number of my colleagues would still find areas where their demands have not been fully satisfied, one must recognize that our financial resources are not limitless and competing demands must be prioritized. By and large I think the Financial Secretary has done a reasonable job in addressing the aspiration of the community. However, I do feel that his job has been made much easier by good fortune. The economy of Hong Kong is expected to continue to be very strong. Government revenue is therefore expected to increase in line with the growth of our economy. Whilst I sincerely hope that our economy will continue to grow, I must ask what measures the Government have up their sleeves if our economy is not so successful.

The Financial Secretary has apparently ruled out the possibility of any major extension of the scope of taxation through indirect taxation. He has all but abandoned the idea of the introduction of a wholesales tax. By increasing personal allowances substantially, he has further reduced the already small number of salaries tax payers. Whilst all these measures are clearly politically popular, I would sound a word of warning to the Government and my honourable colleagues. As a previous Financial Secretary has stated in this Chamber, a substantial proportion of our tax revenue comes from a very small number of taxpayers. If anything were to happen to the profitability of these taxpayers, or if they chose to relocate their profit centres offshore, the effects on government revenue could be serious. I sincerely hope that the Government have some contingency plans to cope with this situation, if it ever becomes a reality.

It is always easy to increase expenditure when times are good but any reduction in expenditure will be extremely painful and unpopular if it becomes necessary to do so.

A number of my colleagues have criticized the Government for budgeting for a deficit implying that this will be a drain on our reserves. I think these criticisms are totally misguided. The amount of the forecast deficit is really insignificant representing only 2% of the forecast revenue or less than 3% of our reserves. The past record of the Government showed that revenue was invariably underestimated and that expenditure was overestimated. It will be of no surprise to anyone if the outturn for the year to March 1994 is a huge



surplus. The Hong Kong Government has made a commitment to China that the reserves in Hong Kong in 1997 will not be less than HK\$25 billion. Even if Budget deficits are incurred as set out in the Medium Range Forecast, there is every reason to expect that this promise will be honoured provided that there is no serious downturn in the economy. I therefore do not share the view expressed by some that the Government is acting irresponsibly in budgeting for a deficit. What I do feel is that all the Government's plans appear to be focussed entirely on the final reserve position at 30 June 1997. This implies that there is no forward planning beyond that date. Whilst it is entirely reasonable for the current Administration not to commit the future SAR Government on fiscal matters, it is surely not in the long-term interest of Hong Kong if there is no forward planning beyond 1997. I therefore urge that both the Hong Kong and Chinese Governments come up with some suitable arrangements to enable forward planning beyond 1997 to be undertaken well before the changeover date.

One final matter I wish to touch on is the proposal to revise the taxation treatment of royalty payments. Whilst I applaud the efforts of the Financial Secretary to stamp out what he considers to be blatant anti-tax avoidance techniques in respect of certain royalty payments made to overseas associates, I am concerned with the very broad-brush approach adopted by the Financial Secretary. Clearly the type of arrangements which the Financial Secretary is concerned with involves Hong Kong companies selling intellectual property rights, such as trademarks, to overseas associates and then licensing them back with the tax result of a full onshore deduction for the royalty payment whilst the associated overseas recipient only pays tax of 1.75% on the payment received. The Financial Secretary has therefore proposed that the overseas recipient should pay full profits tax at the rate of 17.5% on the royalty received. The measures adopted by the Financial Secretary would however not only have an impact on those Hong Kong companies involved in sales-and-license-back arrangements with which the Financial Secretary finds abusive, but will also impose the increased tax burden on totally commercial royalty payments made by subsidiaries of multinational groups to their parents for the right to use patents, designs, technology and trademarks in Hong Kong. Has the Financial Secretary carefully considered the implications of this added tax cost on such legitimate, non-tax driven royalty arrangements? Is the Financial Secretary aware that due to the existence of double tax treaties the maximum equivalent withholding tax in many other tax regimes is only 10%, that is, significantly lower than the 17.5% proposed by the Financial Secretary? Has the Financial Secretary considered the impact of this increased taxation on the importation of technology into Hong Kong? Has the Financial Secretary carefully considered whether multinational groups will obtain a full foreign tax credit for the increased Hong Kong taxes paid?

I am also concerned with the potential retrospective impact of the proposed amendments if they are introduced in the manner outlined in the Financial Secretary's Budget speech. The Financial Secretary indicated that the new legislation will apply where "a relevant payment is paid or credited by an

associate" and that the legislation will have effect from 4 March 1993. Does this mean that a subsidiary of a multinational that only pays or credits royalty amounts to its parent every six months will have to pay the increased 17.5% on the full amount of the payment even though a substantial portion of that liability may have accrued prior to 4 March 1993? I suggest that any proposed legislation in this regard should be very carefully worded so as to ensure that it contains no retroactive element.

Finally, the Financial Secretary's statement specifically refers to "royalties for the use of intellectual property" as well as referring without elaboration to section 21A of the Inland Revenue Ordinance. From my analysis of section 21A, it covers two types of payment. Firstly, it covers section 15(1)(b) payments which are for the use of or right to use in Hong Kong patents, designs, trademarks, copyrights or similar intellectual property rights. It is these types of payments which I would presume most people would interpret the Financial Secretary's Budget announcements as referring to. However, section 21A also covers section 15(1)(a) payments which are payments for the exhibition or use in Hong Kong of films or tapes or any sound recording or any advertising material connected with such films, tapes or recording. My first question is whether these section 15(1)(a) payments are also going to be subjected to a higher effective withholding tax. If this is so, my second question is whether the Financial Secretary is satisfied that his announcement was sufficiently detailed or clear to make it clear to the affected taxpayers that section 15(1)(a) payments were covered by his announcement. If there is any doubt in this regard, adversely affected taxpayers would have a legitimate right to feel aggrieved if the first time they realized they had an increased tax liability was when legislation was introduced, perhaps many months after the Financial Secretary's announcement was made.

With these remarks, I support the motion.

MR CHEUNG MAN-KWONG (in Cantonese): Mr President, today, while we are debating the Budget, Hong Kong is going through a most critical stage in the unfolding of its destiny. The Sino-British row over the political reform of Hong Kong has put a serious obstacle in the way of its economic development. The political row has implications for the economic and social development which is extremely vital to Hong Kong. When I am talking about economic and social development, I am referring to the airport core programme, the Home Ownership Scheme (HOS) for the sandwich class, and the Container Terminal No. 9 project, and so on. Indeed, none of these proposed development projects have anything to do with any political issue; they do not deserve to be made victims of the political row. However, it turns out that it is the interests of Hong Kong people which will have to be compromised at the end of the day.

As Hong Kong people, we once again find ourselves in a predicament; we can do nothing about our situation. History does not allow us to choose, to become masters of our own destiny, as it were. Even today while our debate on

the Budget is going on in all earnestness, I am deeply aware of the fact that, outside the Chamber of the Legislative Council, outside Hong Kong, there is a far more potent force which will direct the future of Hong Kong. Fortunately or unfortunately, depending on which way you look at it, this external force will come into play any time as and when it pleases the Chinese leaders to say whatever they fancy saying. That is the greatest tragedy of Hong Kong people.

Mr President, be that as it may, I still feel obligated to reflect the views of members of the public with regard to the Budget. I believe that the Budget, for all its intricate details, should be one for the people. The object of the Budget should be to enable more people to share the fruit of prosperity and to live more dignified and fulfilled lives. As an educator, I would first of all like to talk about the education of school children.

What I find most disappointing about the section on education in the Budget is its treatment of kindergarten education. The Legislative Council passed on 3 February 1993 the resolution to provide aid to kindergarten education. However, it has turned out that the Financial Secretary has only implemented the part of that resolution which is the easiest to implement. The Government has only provided an extra \$13 million to expand the kindergarten fee remission scheme. It has failed to implement the scheme to provide direct subsidy to the kindergartens so that the remuneration for their teachers can be improved, so that more teachers will be encouraged to receive training to alleviate the brain drain. I would like to take this opportunity to demand that the Financial Secretary should give a clear reply as to when the scheme, which has already been endorsed by the Legislative Council to improve the kindergarten teacher pay through subsidy, will be implemented, and when kindergarten education will eventually be brought under government subsidy so that all young children will be able to enjoy a better quality kindergarten education.

My second disappointment with the Budget is that there has been no noticeable improvement to the teaching and learning environment of the primary and secondary schools. The recommendation has been made in Education Commission Report No. 4 that all primary schools will switch to whole day schooling over a period of 14 years. However, no provision has been made in the Budget with regard to a phased introduction of whole day schooling for the primary schools. The Government estimates that there is no way whole day schooling will be introduced to primary schools over the next 20 years. Mr President, 20 years is a whole generation span. The implication here is that not only our primary school children today, but also their next generation, will still be studying in the bisessional primary schools. This is so ridiculous when one comes to think of it. It is just like the poor little turtle inching its way ever so slowly while being condemned never to reach the destination because it is heading in the wrong direction.

Insofar as secondary education is concerned, it would seem that no date has been fixed yet for the abolition of the floating class system. The Government has, under the pressure of educators, said that floating classes will be abolished for Forms I to V. Abolition, however, only means that floating classes are now practised at the matriculation level. The present situation is that of the 1 300 matriculation classes now in operation in Hong Kong, over 1 000 of them are in the floating mode, which is to say, over 70% of our matriculation classes are floating classes. It means that each day there are at least 30 000 students who have no classroom of their own and who have to carry their school bags with them as they float from one classroom to another. What is even more regrettable is the fact that the Government, due to financial consideration, is not at all prepared to change the floating class policy with regard to secondary education.

In addition to basic education, I would also propose that the Government should actively consider making funds available for the building of a future tertiary institution for teacher education which will be well equipped and have a campus of its own. The existing four Colleges of Education are lagging far behind the requirements of our educational development, whether in terms of geographical environment or scale of operation or basic facilities. The Colleges of Education have been faced with the problem of inadequate applicants in recent years. This problem has already reached crisis proportions with the decline in the standard of students enrolled and the high wastage rate. One fundamental and positive way to solve the problem would be the setting up of a new tertiary institution for teacher education in 1997. It is only by overcoming the constraints imposed by the original separate campuses with the availability of a new and unified campus, and by the offering of degree level courses, that the new teacher training institute will be able to compete with the other tertiary institutions.

Mr President, apart from the 1 million school children, I am also concerned about the plight of the sandwich class and the helpless and unfortunate people who form the grassroots of Hong Kong society. I mentioned in the debate on the Budget last year the pressure on the sandwich class and their misery. It may look as though the sandwich class have relatively better incomes. But the fact is that it is precisely for this reason they are not eligible to apply for HOS or public housing flats, even though they are not able to afford to buy private flats. Moreover, they have to pay heavy taxes. Each year, when the time is due for the payment of tax, they will have to try all means to find the money to pay up. For a lifetime of toil, all they can accomplish is the ownership of a flat which they can call a home of their own. Why is society so unfair to these people? Why are they not able to have a larger reward from society for all their efforts? When they one day look back on what they have been through, only to discover that their lifetime savings have been entirely spent on paying tax and home mortgage, I am sure they will feel keenly the absurdity and the privations of life.

It is for this reason that I hope that society as a whole will appreciate the fact that the sandwich class, and the home owners of HOS flats and public housing tenants alike, are the same victims of high property prices and the high land price policy. Over the past decade or so, there have been countless Hong Kong people who have been reduced to turning over all of their hard earned and hard saved money to the land developers, at great cost to their quality of life. This process has created a class of super rich people who among them have a monopoly on the property market of Hong Kong. The result is that the entire Hong Kong population, however much it may not look all that apparent, is literally working and toiling to contribute to the wealth and prosperity of these people.

If we look at the problem from the above perspective, we can see that the home purchase scheme introduced by the Government for the sandwich class, involving the use of \$2 billion for the benefit of 3 000 sandwich class households, is a scheme which has not been properly thought out. It is a scheme which is costly to implement and one which will achieve little real improvement to the situation. It will only benefit a small group of sandwich class people who are really lucky. The Government will, through them, channel the \$2 billion to the pockets of the developers. It is the latter group who will be the ultimate beneficiaries. The sandwich class as a whole have been made a scapegoat to bear the brunt of grousing from the grassroots people. The sandwich class have, through no fault of their own, been made to carry the blame.

In order to solve the housing problem of the sandwich class, one of the most fundamental solutions is for the Government to make available more land to build HOS flats for them. The flats can be sold as expeditiously as possible to the needy applicants by way of a pre-completion sale. Furthermore, the prices of such property should not be adjusted to the private market level. The Government should only add to the cost a small and reasonable profit in order to secure a small surplus wherewith to carry on bringing the benefits of the scheme to more sandwich class people. Mr President, it is suggested that this solution is not good enough to solve a very immediate problem, just as one cannot hope to put out a fire with water which takes a long time to come through. But I would consider that, instead of adding fuel to the fire which is burning so intensely now, which is to say, instead of using the \$2 billion to launch the scheme in the midst of the high land price and high property price policy, it would be far better for us to go for the distant water, as it were, which is to say, to go the straightforward way of building more flats immediately so we can put a stop to the rampant property speculation and extinguish the fire altogether which has been raging for all these years. At any rate, the water is just a couple of years away. Come to think of it, it would be worth waiting a couple of years. For, if after the waiting, one could be allocated a HOS flat built for the sandwich class, that would be a far better option than having to bear the burden, for a lifetime, of paying mortgage for a private flat. There is no particular need for immediate ownership.

The problem really is whether the Government has the courage and the determination to resist the opposition of the developers and to fundamentally change its high land price and high property price policy. The problem really is whether the Chinese and the British Governments are willing to co-operate, in spite of their differences and open argument over the issue of political reform, and give a higher priority to the issue of people's livelihood, whether, for example, the Land Development Corporation is willing to make available more land to solve the housing problem of the sandwich class. Mr President, Hong Kong people can see very clearly with their own eyes; they will tell which of the two governments is really working for their interests and it is that government which will win their hearts and minds. I would like to appeal to both China and Britain to separate their political row from the issue of economic development. Their row over the issue of democracy should be separated from matters concerning people's livelihood. The people of Hong Kong should not be made to suffer unnecessarily; they should not be made to make too great a sacrifice in terms of their quality of life.

Mr President, I would like to move on from the issues of school children and the sandwich class to an issue which I would specially like to mention, that is, the plight of the helpless and unfortunate people who make up the grassroots of Hong Kong society. Over the past decades, it is true that Hong Kong society has become more affluent as a whole. But there are still many people in our midst who have become victims of all sorts of misfortunes. They have been forgotten and forsaken; they have been segregated and condemned to live in the dark shadowy corners of our society.

Some of these unfortunate people are "caged" bedspace lodgers, others elderly street sleepers. There are over 200 000 patients of chronic diseases, mentally retarded, physically disabled and physically handicapped people and mental patients who are in the process of recovery. However, their will to live is being eroded by the bad living environment, their debilitating diseases and social discrimination. The question really is whether Hong Kong society has, as it is becoming more affluent, given any real help to these unfortunate people so that they can have hope and carry on with dignity.

Mr President, each time I receive the petition of these unfortunate people, each time I see the look in the eyes of these supplicants, I will invariably feel so ashamed of our slow response to their needs and of the meagre service which our uncaring society has been able to provide. Each year, it looks as though that the Budget has a larger provision for social services than that in the previous year. But the real problem is the low provision level which we started with. Given the large service area and the great many service targets, it would seem that our social welfare policy has been plagued with a congenital handicap of its own. I would like to appeal to the Government to increase the overall provision of resources for social services and to revamp its subvention policy. This is in order to enable the unfortunate and the helpless to obtain the bare minimum of care and attention which a human being deserves.

Mr President, the recent rejection by some public housing tenants of mentally retarded people and mental patients who are trying to reintegrate with society has given us a very important warning signal. It is something which we should all reflect upon. As society becomes more affluent, people have acquired a whole set of new values. This set of values emphasizes the personal endeavour to succeed but rejects the weak and the defenceless. I was told by an angry resident at Tung Tau Estate that the reason why he objected to mentally retarded people living in his block was that he had spent his lifetime savings on the decoration of his new flat and with mentally retarded neighbours his dream for a decent home would come to naught. Mr President, it is true that Hong Kong people work hard for a living and it is not easy at all to be able to have a home to settle down. However, is it legitimate for us to deprive the mentally retarded of their right to live like everybody else so that we may be able to fulfil our dream? Is it right for us to trespass on the right of the mentally retarded to dignity which they deserve?

Hong Kong society has already paid the price for achieving economic development. We have lost our tradition of giving ready help to each other; we have lost our compassion for those less fortunate than ourselves. While we are quite capable of donating money to faraway lands to give aid and assistance to starving strangers, we are not willing to accept as neighbours the less fortunate people in our midst who have been medically certified to be harmless. We are not willing to allow them to have the opportunity of social reintegration and living the life of a normal person. This is proof that not only has our social welfare system been inherently defective, but our society as a whole has also become quite defective — we have become incapable of showing compassion for our own kind.

In this regard, before I conclude my speech today, I would like to return to the issue of education, which also happens to be my profession. Education, whether it be school education or social education, is an enterprise which is as vitally important as it is most valuable. It is through the good influence of education that we will be able to preserve in our affluent society the precious values of humanity, the lofty sentiments and better things in life, such as the willingness to care for and help each other, human warmth and mutual respect.

Mr President, I so submit.

MR FREDERICK FUNG (in Cantonese): Mr President, since the publication of the 1993-94 Budget, public reaction seems to have been unanimously one of praise. However, the Association for the Promotion of Democracy and People's Livelihood and I would tend to share the view that the Budget is none other than another attempt by the Government to continue its traditional practice of a fundamental economic management concept. This concept puts emphasis on the improvement of economic efficiency but pays no heed to the principle of equitable distribution. Its approach to social policy is characterized by its tendency to produce misconceived solutions without any serious attempt to come

up with a radical answer to, for example, the housing problem of the sandwich class, and the need and desire of the grassroots of Hong Kong society for government assistance.

I would like to take this opportunity to articulate my position, and also the position of the Association for the Promotion of democracy and People's Livelihood, on social and economic policy. We agree that the practice of a market economy is a key factor contributing to the prosperity of Hong Kong. However, the *laissez-faire* economic policy which the Government has abided by through the years has also resulted in a great many injustices, and the unfair social and economic situation in which we find ourselves today. There are many trades which are monopolized by big corporations to the jeopardy of the interests of consumers. The gap between the rich and the poor has widened over the last couple of years. Meanwhile, the Government has seen fit to let the old ways dictate its policy. While apparently upholding the principles of a market economy, the Government has refused to play a more active role to solve the problems of the lower income people. With monopoly prevailing in the economic sphere and the public utilities sector, the Government has yet to make up its mind in terms of finding a solution to the problem of dominance of the market by a few consortiums. It is clear from the debate held yesterday that some Members were still not able to relate their arguments to the well-being of the underclass. They were still thinking that any improvement to social welfare would take us down the road to socialism. They were still thinking that an improved social policy would benefit the underclass and that would transform Hong Kong society into a welfare society. Anyway, I think we should all take a look at our welfare policy as well as social policy and we would find that cannot compare with the western capitalist countries in these respects, let alone embracing socialism. I fear that all this talk and labelling is but another attempt to prevent the middle and lower income people from sharing the fruit of our economic prosperity. At any rate, I would like to sound a warning that, if we should only encourage or request the Government to attach great importance to economic development and if we should pay no heed to the reform of our social welfare policies, then the consortiums would emerge as the greatest beneficiaries of our economic prosperity. In this regard, it can be anticipated that our society would become more and more individual-oriented, valuing personal profit above everything else. It is clear that nowadays in Hong Kong, there is less and less compassion for the less fortunate and the spirit of mutual help is also diminishing. The question is really whether we only want our next generation to become money grabbing robots and whether we want them to be cold and heartless. One wonders whether the rejection of the mentally disabled by the residents of Tung Tau Estate is just an isolated or casual instance. Will their attitude become the future social norm? I am sure nobody would wish to see that kind of attitude prevailing as the new norm. However, if the Government is only obsessed with improving productivity and not prepared at all to introduce more social reform to achieve greater social justice, then this discriminatory attitude towards the underprivileged members of our society would continue to erode our social fabric and become the attitude of the vast majority of Hong Kong society.



I would first of all like to talk about in what ways the tax system is not fair. The low taxation and the simple standard tax rate which the Government has always been stressing are not favourable to the middle and lower income groups, the sandwich class, and indeed to the development of small to medium sized firms. One direct result of this is the unreasonable distribution of the tax burden. Admittedly, the Financial Secretary has in the new financial year increased the personal tax allowance and widened the second tax band. However his failure to introduce drastic reform to taxation means that there is no way we could ever narrow the ever widening gap between the rich and the poor.

In this regard, the Association for the Promotion of Democracy and People's Livelihood and I have always advocated the abolition of the standard tax rate and the introduction of the principle of progressive taxation as a means of rectifying the anomalous rates of salaries tax and profits tax. A taxation committee should be set up to conduct a comprehensive review of our taxation system. Meanwhile, there is a need for the personal tax allowance to be increased to \$72,000. The percentage increase proposed for the personal allowance has been arrived at taking into consideration the rate of inflation since the beginning of 1990. And increased personal allowance will enable more low income earners to get off the tax hook.

Turning to inflation, I, together with the Association for the Promotion of Democracy and People's Livelihood, am very disappointed that, despite the high inflation which has been going on for such a long time, the Financial Secretary has failed to come up with any long-term measure to deal with it. High inflation has hit the lower classes badly and seriously affected the ability of the future Special Administrative Region Government to govern Hong Kong after 1997. It is for this reason that we have no other option but to advise the Government that it should consider the following anti-inflation measures so that an interim five-year anti-inflation target can be set for the reduction of the rate of inflation to 6% each year.

I can offer seven points which the Government may want to consider.

1. A central bank should be set up with combatting inflation as one of its chief functions.
2. The pegged rate to the United States unit should be abolished. The Hong Kong dollar should instead be pegged to a basket of foreign currencies. This will strengthen the ability of the interest rate mechanism to combat inflation.
3. Provision of land should be increased in order to combat property speculation. A capital gains tax should be imposed on the resale of residential flats yet to be completed. This will take the impetus off the upward spiral of property prices.

4. The retraining programme for workers should be stepped up in order to improve the productivity of our labour force.
5. The overall spending of the Government should be controlled and the efficiency of the civil service be improved.
6. A wage policy should be introduced and the right of employees and trade unions to collective bargaining recognized. This will uphold the principle of fairness on the one hand and reduce the wage-induced inflationary pressure on the other.
7. Tariff increase by the public utility companies should be controlled and indirect tax increase should be reduced.

Meanwhile, it is admittedly true to say that, over the long term, the new airport project proposed by the Government will be able to enhance the economic competitiveness of Hong Kong and this will in turn translate into economic benefits for all strata of society. However, it is also clear that, during the period of construction, the direct beneficiaries will be the big developers and builders, the banking corporations which have huge assets, the importing merchants and the consultancy companies, and so on, who will be participating in the project. It is for this reason that I believe that it is not too unreasonable to ask that big enterprises should contribute to some of the capital outlay for the infrastructural projects. In this regard, I would like to propose at this point that the Government should impose a 2% additional tax on companies which have an annual net profit of over \$50 million. The extra revenue generated from the tax should be entirely devoted to the spending on infrastructural projects. My proposal will generate a windfall of \$2.5 billion for the Government.

Insofar as other aspects of social policy are concerned, it is also clear that the Government has failed to extend a helping hand in any positive way to alleviate the plight of the middle and lower income people. For example, if we look at the retraining programme, we will see that, despite the huge surplus of over \$20 billion held by the Government, despite our excellent financial position, we have only a meagre \$300 million set aside for the retraining fund as a merely symbolic gesture. Other than that, the Government has not discharged its responsibility in terms of helping workers who have lost their jobs as a result of our economic transformation.

According to the forecast made in the *Report on Manpower Resources in the 1980s* put together by the Education and Manpower Branch officials, Hong Kong will have by the year 1996 close to 84 000 workers whose educational attainment is only up to junior secondary, or even primary level. This group of workers will face difficulties in finding employment, in the face of the rapid technological innovations and social changes. It will not be easy for them to find a suitable retraining programme to learn the new skills and technology which they need in order to make a living. It is estimated by the Association for the Promotion of Democracy and People's Livelihood that each

year there will be more than 20 000 people who need to undergo government retraining to get employment. The Budget has failed to make any specific commitment with regard to whether capital will be injected into the retraining fund every year. If capital is only provided this year, then this would certainly be hopelessly inadequate in terms of solving this enormous problem. We feel that the capital injection should become recurrent government spending and the injection should be increased to \$400 million.

Both I and the Association for the Promotion of Democracy and People's Livelihood are strongly opposed to the attempt made by the Financial Secretary in his Budget speech to attribute the main cause of inflation in Hong Kong to the shortage of labour. That is an attempt to justify the continued massive importation of foreign labour, which is in itself an unreasonable policy. In this regard, I would consider that the labour importation scheme is a misguided policy which has got the priorities wrong. It is incapable of solving the problems of unemployment and underemployment faced by more and more manufacturing workers in Hong Kong. Moreover, it forestalls the effective development of the retraining program, resulting in a waste of resources.

With regard to social welfare, both I and the Association for the Promotion of Democracy and People's Livelihood consider that the government policy leaves something to be desired. Whereas the Financial Secretary has indicated that the existing public assistance scheme will be further improved and that the future Comprehensive Social Security Assistance Scheme will, when it is implemented, bring benefits to more people, the government policy still falls far short of the goal of enabling the beneficiaries of social welfare to live in dignity.

According to the internationally recognized basic expenditure level of a household on public assistance, the entitlement of each recipient should not be less than one third of the median wage, and the entitlement of a household with two members or more should not be less than one half of the median wage.

It is estimated that the median wage for September 1993 is \$7,481, which is to say that the basic entitlement of the public assistance recipient should not be less than \$2,500. Meanwhile, under the Comprehensive Social Security Assistance Scheme, the standard entitlement of an elderly single person is \$1,550 and that of an adult is \$895. These rates are a far cry from the international standard. In this regard, if the Government would only be willing to allocate an additional \$70 million, this would already be enough for the elderly single person to live in dignity, that is to say, for him to be able to visit his friends and relatives in other districts, for him to be able to participate in community activities, to purchase a radio and enjoy the pleasure of reading newspapers. Put in another way, this scheme is not to be included in any other scheme at all. It would enable its beneficiaries to live a normal and simple life, which, I think, is only fair. Meanwhile, the Government appears to be quite willing to help the sandwich class to find a way to solve their housing problem. It has quite generously allocated \$2 billion for this purpose. At any rate, we are

hoping that, in keeping with its spirit of generosity, the Government will not lose sight of the need to improve the living conditions of the lower income people. It is not for the Government to be miserly to the lower income people because, together, they have also made their fair share of contribution to the economic prosperity of Hong Kong.

Lastly, with regard to housing, I am very disappointed that the housing policy put forward by the Government addresses only the needs of the sandwich class. One wonders whether the Government has given any thought to the fact that the overall housing policy still leaves much room for improvement, while the Government, under pressure from various quarters, is engaged in finding a solution to the housing problem of the sandwich class. It may well be the case that the present housing problem of the sandwich class will be alleviated to a certain extent by the interim measures of the Government. However, if the Government fails to look squarely at the consequences of the spiralling property prices, if it will do no more than introduce measures which control symptoms rather than cure the disease, then a few years down the road, it will have to deal with another group of sandwich class people who may have even higher incomes than the present group, but who will nevertheless need government assistance because they cannot afford the even more exorbitant property prices. I would like to ask for how long the Government is prepared to continue to assist the sandwich class in meeting their housing mortgages. Will this home ownership scheme be further expanded? That is a problem which I am very concerned about. If the Government will not seek a radical solution to the problem of high property prices, if the Government is not prepared to deal with the problems arising from its high land price policy and consider doing something about property speculation, then there is no way the housing problem could ever be solved. However, I and the Association for the Promotion of Democracy and People's Livelihood are hoping that the Government will give more consideration to the lower income people, solve the housing problem of our "caged" bedspace lodgers and the over 180 000 people on the Waiting List for public housing. I am sincerely hoping that the unreasonable financial arrangements between the Government and the Housing Authority would be abolished. For example, the arrangement for the Housing Authority to pay interest on injected capital and to pay dividend should be scrapped. That would enable the Housing Authority to have more capital available for the construction of public housing projects and improve the living environment of public housing estates. This way the lower income people will be able to enjoy the benefits of public housing and a more decent living environment as soon as possible. If I had been a Member of the Legislative Council for the past 100 years, I am sure I would have for all these years had to vote against the Budgets presented by all the Financial Secretaries. The reason is that each year, the Budget reflects essentially the same principles and the same set of values. This year is the 101st year. I tend to look at this Budget of Mr MacLEOD's, compared with the Budgets of all the other Financial Secretaries before him, in the following way. It looks as though Mr MacLEOD is quite generous, as misers go; but he remains a miser nonetheless. His Budget does not represent any significant departure from the general principles which have guided the

Budgets of his predecessors. It is for this reason that I have yet to be convinced to vote for his Budget.

I so submit.

MR TIMOTHY HA (in Cantonese): Mr President, by its conceptual framework and specific proposals, the 1993-94 Budget may be said to be an vigorous balancing act which has taken into account the needs of various quarters. I think that it is praiseworthy of the Financial Secretary to have widely consulted public views before putting together his Budget. I hope this practice will become a standard procedure which all future Financial Secretaries will have to go through when formulating their Budget proposals.

With regard to the issue of a deficit budget, it would seem that it has given rise to quite some misgivings and criticism. But as far as I am concerned, I would consider that it is practicable for us to have a moderate deficit which is well justified by solid data and sound reasoning. The financial management style of the Hong Kong Government has always been characterized by its conservative and prudent approach. The result of this approach has been the accumulation of surpluses over a long period of time and the availability of considerable reserves for present use. Indeed, the Financial Secretary has already made it quite clear that the reason for producing a deficit budget for the next financial year is in order that the record fiscal reserves will be utilized for the creation of long lasting economic and social benefits. I support this approach which is not only in keeping with the economic principle but also relatively forward looking.

With regard to the opposition voiced by the community to the deficit budget, there are two points which have been made by economists and which I think we would do well to consider.

- (1) As a matter of fact, in the 48 financial years which have elapsed since the end of the Second World War, the Government has produced altogether 22 deficit budgets. In the 1950s and the 1960s, there had been a record succession of 14 deficit budgets introduced by the Government to finance the increased spending on social and infrastructural projects. In this regard, the 1993-94 Budget with a deficit of \$3.4 billion in order to finance the 10 major projects for our community should not be taken as a sudden departure from the established policy of the Government.
- (2) The number of deficit budgets has been admittedly large in the post-war years. However, as it turns out on close of accounts, the result of deficit budgetting is frequently, and rather ironically, a surplus. This unique phenomenon is for the most part attributable to the prudent style of financial management. There has been a tendency to overestimate expenditure and underestimate revenue. Given that

the deficit forecast for the next year is a modest one, given that there are many items of expenditure which have been overestimated, and given also the high possibility of slippage in the completion of works projects, I would expect that there is still a strong probability of a surplus at the close of the 1993-94 financial year.

After making some general observations on the Budget, I would like to move on and focus my discussion mainly on the part of the Budget relating to educational development.

With regard to the progress of educational development in Hong Kong, the present situation is that the demand for universal education has basically been satisfied. We are now moving into a stage where we are more concerned with the pursuit of high quality education. The question which must be answered today is: How are we going to make sure that our next generation will be able to obtain good quality school education? Of the many factors which have a bearing on the quality of education, it goes without saying that the quality of teachers is the most influential factor. It can be said that the Education Commission Report No. 5 (ECR5) which was published last year with the main focus on the issue of the teaching profession has an excellent understanding of the crux of the problem the development of education in Hong Kong is faced with. Some of the key recommendations made in the ECR5, such as the increased provision of teachers, the gradual improvement of the teacher to student ratio in primary and secondary schools, the improvement of teacher training, the long-term goal of upgrading primary teachers to degree holders, and so forth, have wide public support. It is an encouraging sign that all of these recommendations will be implemented initially in the next financial year with the necessary funding for education already earmarked in the Budget.

It is true that hopes are raised by the blueprint for reform. But anyone with any familiarity with the reality of the education situation in Hong Kong will see a quite different picture. In presentday Hong Kong, the appeal of the teaching profession has been declining. While there are still college graduates entering the teaching profession, it is a fact of life that the wastage of teachers has remained high. Over the past three years, the wastage rate of primary teachers has been between 9% and 10% and that of secondary teachers between 11% and 12%.

In the face of the twin and interrelated problems presented by the declining enrolment of the Colleges of Education and the shortage of teacher, it would appear that the government solution is one which attempts to, firstly, lower the entry requirements of the Colleges of Education; and secondly, accept and recognize as qualified teachers holders of non-standard qualifications who have nevertheless passed some form of qualifying examination. Either way it would appear that this is but an expedient that reality necessitates. The past several months have seen a very intense debate over the issue. Indeed, why are we not taking more positive steps in finding a solution to the problem? For one

thing, we should think of ways to make teacher training an attractive option for good quality school leavers. For another, we should think of ways to enable teachers to become more dedicated to their profession such that they can use their potential to the fullest and perform their best.

It is in light of the two above mentioned problems that the improvement of the status of teachers and their terms of service are vitally important measures. It goes without saying that in a highly competitive society such as Hong Kong where there is such a great demand for talents the growing trend is for medical benefit, housing allowance and pension to be included in the employee's standard fringe benefits. Teachers of aided primary and secondary schools are not adequately provided for in terms of many of these benefits. The Government in devising the fringe benefits for the employees of the Hospital Authority has undertaken that it would give consideration to a similar employment package for school teachers. It has also undertaken to narrow the gap in respect of service terms and fringe benefits between teachers in aided schools and their counterparts in government schools. Admittedly, the Budget for the next financial year has taken the first step in respect of offering housing benefits, a right move which all of us have been waiting for in much the same way as sufferers of drought would be waiting for the cloud which would bring them rain. The housing initiative is a property mortgage aid scheme for the benefit of the employees of the subvented sector. However, the scheme has a limited quota only and its beneficiaries include three categories of employees, namely, teachers, social workers and health care personnel. According to the information which has been released so far, the scheme will require its applicants to meet certain requirements in terms of salary point and length of service. It is estimated that the number of beneficiaries will be no more than 1 800. In real terms, the benefits enjoyed by each qualified employee will be less than half those to which the employees of the Hospital Authority are entitled. Looking at the scheme as a whole, I can see that only a meagre \$48 million has been allocated for a target group of close to 50 000 teachers and social workers. It is only apt to say that the scheme is as likely to bring real benefits to its target group as it is to extinguish a cartload of burning firewood with a cup of water.

Although there are far more monks than there is porridge for them to share, if I may use another Chinese idiom here, the very fact that the Budget for the next financial year has been able to address the housing need of school teachers would suggest that a policy breakthrough has been made. I am hoping that this is the first step in a series of improvement measures. With regard to the next item on the priority list, it is without doubt medical protection for the teachers. Even though the Government may not be able to provide subsidy for general medical consultation and dental care, the least it could do is to take care of the hospitalization bill. It is up to the Government to make a commitment to the teachers to this effect. As a matter of fact, insofar as many private firms and other educational institutions, such as the technical institutes, universities and polytechnics are concerned, it is becoming very rare indeed for their employees not to be entitled to medical benefits. The substantial contribution

which the primary and secondary teachers have been able to make to Hong Kong society is highly visible. Medical benefits should be a basic protection which our teachers very well deserve. It goes without saying that we demand that in the not too distant future a complete package of fringe benefits should be devised for our teachers in order that the status and morale of the teaching profession as a whole will receive a boost. Having said that, given our limited resources which would only allow us to proceed gradually, the most urgent task before us is to have in place a medical protection scheme so that a safety net will be in place for our teachers in order that they will not be completely unprotected should they fall victim to disease.

The Financial Secretary has made reference to the economic achievement of Hong Kong in his Budget speech. He mentioned that in terms of *per capita* Gross Domestic Product (GDP), Hong Kong has already surpassed Spain and New Zealand and is indeed about to catch up with Britain and Australia. His forecast for 1993 is that Hong Kong may even have the chance of surpassing Britain and Australia and getting close to Italy and the Netherlands. The question I would like to raise at this point is: What is the level of investment in education in these countries which have similar economic achievement as we do? If we want to conduct a cross-nation comparison of this nature, one index which we can use is the percentage represented by educational spending in the Gross National Product (GNP), or the *per capita* GNP. According to a 1991 education report published by the United Nations, in the year 1988-89 the percentage of education spending in the *per capita* GNP was 7.3% in the Netherlands, 5.5% in Australia, 5% in the United Kingdom and 5% in Italy. All of these countries have a *per capita* GNP which is slightly better than Hong Kong. Meanwhile, the percentage of education spending was 6.1% in New Zealand, 3.4% in Singapore and 3.2% in Spain. All of these countries have a *per capita* GNP which is slightly less than Hong Kong. Insofar as Hong Kong is concerned, the budgeted percentage in that year of education spending was only a mere 2.8% with the final outturn being 2.6%. Whereas there has been growth in public education spending in recent years in Hong Kong, it has so far failed to achieve any breakthrough in terms of our *per capita* GDP. It has remained under 3%.

My purpose of quoting the above percentages is in order to highlight to the Financial Secretary and the public at large a fact which we cannot afford to overlook. Put simply, compared to countries which have enjoyed similar economic achievement as Hong Kong, our public education spending is apparently on the low side. Admittedly, economic pattern and education system tend to vary from country to country since a country tends to develop its unique characteristics. It is also true that a simple comparison such as this may not form the basis of any conclusive generalization. But the comparison serves at least to remind us of the special characteristics of our educational development and give us some indication as to where our problems might lie.

It appears that the Government has in recent years been quite ambitious in terms of reforming our educational development. On the one hand, tertiary education has been expanded on a grand scale in terms of tertiary places and on



the other hand, commitment has also been made in terms of upgrading the quality of basic education. It goes without saying that vast resources are needed to implement reform to both basic and tertiary education. How the fiscal policy is going to cope with these development plans is indeed an issue which should be carefully thought out.

The proposals made in the Budget this year have been based on the rosy economic outlook for Hong Kong. The Financial Secretary believes that the economic miracle achieved by Hong Kong will go down in history to rival the achievement of Germany and Japan after the Second World War. It is natural for me as an educator to ponder in which way, given our much improved economic circumstances, we should play a more positive role in terms of education development. What I am trying to say is that Hong Kong is a place which relies most heavily on its manpower resources and that, in the face of all sorts of changes which await us during the transition period, there is all the more reason for us to eschew a cheeseparating approach in terms of making long-term investment so as to maintain our high educational standard and enable our next generation to face the future without fear.

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

DR HUANG CHEN-YA (in Cantonese): Mr President, after accumulating a surplus of \$40 billion over the last two years, the Government has shown its willingness to accept public opinion this year and seen fit to allow real growth in spending in the areas of welfare and health and education. It has given up its past style of financial management, a style which is characterized by the exclusive pursuit of economic growth to the neglect of people's livelihood. It is an encouraging sign that there has been a policy change. However, the United Democrats of Hong Kong (UDHK) still believe that the Government is capable of doing better but it lacks the will to do it. It has yet to make its best effort towards the goal of economic growth for Hong Kong and improvement of the well-being of its people. It is for this reason that the UDHK request the Financial Secretary to give us a positive response after listening to our views. We are hoping that he will not use deficit as his shield again to fend off any request for making further improvement. Is the Government incapable of presenting an even better Budget? Some Members already made the point yesterday that the Government should revert to its old practice of bygone years. Put it another way, while the Government is in no position to improve the well-being of Hong Kong people in the event of an inadequate surplus, it is in no better position to do the same in the event of a larger surplus for fear that any spending to improve the lot of Hong Kong people will leave it with no money to spend in the year which follows. This attitude may just as well be summarized in the following sentence: While you are expected to bear the economic hardship, you are not expected to benefit from the economic prosperity. The UDHK cannot subscribe to this kind of attitude.

We do not think that the Government is over-spending this year. If it is felt that the Government is profligate and adopts a "live-for-today attitude", then I would like to ask: What cuts should be made in the government spending? The global economic competition is so keen that one risks lagging behind by simply failing to keep pace with one's competitors. It is clear that our neighbouring cities are only too anxious to take our place in the league of the four Little Dragons of Asia. Southern China is rapidly developing port and airport facilities of their own. Shenzhen is planning to build a grand exhibition centre. The Guangdong province is encouraging the development of high technology industry. Taiwan has its own national six-year plan to enhance the overall competitiveness of its commercial and industrial sectors.

In the face of such intense competition, I would like to ask Members who criticize the Budget for its extravagance whether they take the view that Hong Kong should not have a new exhibition centre, whether we should instead leave it to Shenzhen. Do they, for example, take the view that Hong Kong should not have highways built in the New Territories West, that Hong Kong should not have its own port and airport facilities, that Hong Kong's place should be taken over by other cities in the Guangdong province? If, however, some colleagues believe that the Government should make the financial arrangements for the economic growth of Hong Kong, then I think they should make their views known in unequivocal terms, instead of talking in an obscure manner. In any case, I have to warn them that if we really cut back on our infrastructure spending, then our economic outlook would certainly suffer a severe blow.

Critics of this Budget for its extravagance will only achieve the effect of sacrificing the economic growth of Hong Kong and lend support to the Financial Secretary's refusal to make greater effort to improve the well-being of Hong Kong people. The UDHK have always taken the stand that the Budget should attach equal importance to economic growth and improvement of the well-being of Hong Kong people. The UDHK have always been opposed to the practice of blindly cutting essential government spending for the sake of cutting government spending; we are equally opposed to the demand, on the pretext of economic growth, that the Government should refuse any improvement to the well-being of its people in spite of its huge surplus.

Some colleagues would of course say that they are not opposed to government spending which contributes to economic growth, but I would like to ask them, when they say that such spending is not essential, what sort of spending they have in mind for slashing. Could it be that the increase of public assistance to \$980 has actually been regarded as extravagant spending? We, the UDHK, believe that such increase of public assistance has not been large enough. Could it be that the building of the hospital in the North District, and the sewage treatment scheme, which will ensure the health of the public, have been regarded as over-spending? It is up to the critics who think that the Budget is over-spending on welfare to come up with concrete proposals and evidence to substantiate their allegation. They should refrain from making empty

allegations. As a matter of fact, the recurrent spending this year is still in step with inflation and economic growth. In terms of cash income and expenditure, we are still able to maintain a surplus situation. In this regard, there is no question of any extraordinary increase of welfare spending.

To a certain extent, the Government has itself to blame for being alleged to engage in over-spending. The deficit which has appeared in the Budget this year has been due to the transfer of \$18 billion from the capital fund (non-recurrent item) to a separate account and the writing off of that transfer as money spent. As a matter of fact, there is no question of the sums committed to the sewage treatment and the building of an extension to the Convention and Exhibition Centre being entirely used up over the next year. And if we exclude the sums which have been so committed, then there is no question of a deficit at all. Put in another way, the Government is only juggling the sums in its accounting in such a way so as to create the impression of a spendthrift when in fact it is still very much the same old miser it has always been. Meanwhile, insofar as accounting is concerned, the Government has never seen fit to reveal the value of its assets. As a result, any construction and purchase of property, and other spending on public assets, would be regarded as net consumption. This has created a public misconception of the financial position of the Government. I hope that the Government will, in the next year, follow the example of other countries in the world and switch to the accounting practice of the private sector. This way the real financial position of Hong Kong will become more transparent and more easily monitored by the public. This way the public will not be so easily kept in the dark or misled.

There are two different kinds of deficit budgets. The deficit budget may be one which seeks to meet the expenditure by raising loans. We are opposed to this kind of financial management which literally encourages the use of money on credit, money which has not been earned. We think that it is a dangerous and unhealthy way to go. However, we have a different view to those who think that it is inappropriate to use surplus accumulated in the past to finance the deficit which may arise in the cash flow. If you say that the surplus should never be used, then our reserves will only keep on accumulating and no improvement will ever be made to people's livelihood and economic growth.

Some Members worry that Hong Kong does not have adequate reserves and consequently we will not be able to pay for our huge budgetary commitment this time. As a matter of fact, the World Bank has conducted a comparison between the level of reserves and the size of imports in order to determine whether a country/city has an adequate supply of reserves. It has found that Hong Kong has enough reserves to pay for her imports for up to three months. The ability to pay for imports with reserves varies from 1.6 months in the case of the United States, two months in the case of Germany and 2.4 months in the case of the United Kingdom to 3.6 months in the case of Japan. Hong Kong has obviously enough reserves. There is absolutely no reason why inadequate reserves should ever become a reason for the

Government to refuse to commit itself to the improvement of people's livelihood and economic growth.

Some Members feel that we may not be able to achieve a 5% economic growth because the row over the political system has not yet been resolved. But will the political row have a bearing on the economy of Hong Kong? Hong Kong will become a part of China in four years. There is absolutely no reason why China would be so stupid as to cause damage to Hong Kong simply because she is not on good terms with Britain. It is because any such damage would only adversely affect China's own economic prosperity. The tendency to believe that China would not talk sense, to believe that China would damage Hong Kong over the issue of political system, is only the result of a real lack of respect for, and understanding of, China. People who think like that might appear to follow the wishes of China but they are really contemptuous of, and hostile to, China; they think that China is hopelessly stupid. These people are only finding a pretext to oppose democracy. They are trying to use the China factor to threaten the development of democracy. We cannot accept this attitude; consequently, we do not see why our estimated economic growth should be adjusted downward. As a matter of fact, the world economy is in the process of recovery from the trough of recession. Unless the Chinese economy becomes overheated and gets out of control, unless there are personnel changes in the political arena, we feel that the Hong Kong Government will not end up with less revenue than it has estimated. It is for this reason that we believe, let me say it again, it is not that the Government does not have the capability to improve our livelihood and economic growth; rather, resolve is what is lacking for the Government to do what is necessary.

I would like to move on to present our analysis of the sort of impact the Budget will have on economic growth and improved social well-being. The Financial Secretary has observed in his Budget speech that there is no inexpensive and sure-fire remedy for inflation. But he has reiterated that, given the constraints of labour and land, the Government has already taken the right measures to alleviate inflation as far as possible, and indeed the Government is already getting quite near to the target of achieving what can possibly be achieved under the circumstances. I am quite shocked that the Government should confess that it is quite powerless to fight inflation while professing at the same time that it has done all it could have done. It is mentioned in the Budget that a retraining programme will be in place to alleviate the problem of labour shortage which has arisen as a result of our economic restructuring, and that a 70% mortgage rate will be applied together with stamp duty as measures to stabilize property prices. With regard to the retraining of workers and the stabilization of property prices, we think that in respect of the former the Government has not done enough and in respect of the latter, the measures taken are good for the short term only and so the core problem has yet to be addressed.

On the issue of the retraining programme, Mr Michael HO has already given a detailed analysis of the problem, so I will only offer some brief

observations at this point. The UDHK have always taken the view that the target number of workers should be increased to 20 000 so that our redundant workers with junior secondary education or under could receive retraining and contribute to the alleviation of labour shortage in the service sector. This move will not only result in our redundant manpower resources being made the best use of, it will also improve the quality of the service industries and help to further reduce inflation. With regard to the stabilization of property prices, it is certainly true that the 70% mortgage rate and stamp duty will hit the speculators but the real home buyers, who find it most difficult to buy their own accommodation, are also hit in the process. As a matter of fact, the Government should find a long-term solution in the way of increasing land supply because with increased supply there will be no question of property prices rising to exorbitant levels. In terms of hitting property speculators, the UDHK have always taken the view that a capital gains tax should be imposed. This will not only fight the speculation of property but actually has the advantage of not hurting the real home buyers. The capital gains tax is the best solution to the extent that it does not hurt the real home buyers and is to the benefit of all.

In order to fight inflation, the Government should, in addition to expanding the retraining programme, increasing land supply and imposing a capital gains tax, also freeze public service charges and control the increase of tariff by public utility companies, so that it will not take the lead to aggravate the inflationary trend.

Looking at the Budget from an overall perspective, it can be said that it still does not provide quite enough care for people who cannot help themselves, the grassroots and the middle class. As far as the people who cannot help themselves are concerned, public assistance is still too low. It does not provide enough care for the chronically ill. As far as the grassroots are concerned, the personal tax allowance is still not set at a reasonable level. The retraining programme is still not quite up to the right scale. The Housing Authority is still obligated to turn over its dividend to the Government, an arrangement which is a hindrance to the further development of public housing. The ratio of school social workers to students is still not adequate. The shortage of nurses is still a problem which has not been properly resolved. As far as the middle class is concerned, although the Government has at last addressed their housing problem and allocated \$2 billion as an interim measure to solve it, the proposed solution still has many shortcomings which Mr LEE Wing-tat will go into details later on.

The UDHK have always taken the view that wealth should be invested in people. That is the philosophy which underlies our understanding of the issue of personal tax allowance. We believe that the people should not be made to bear social obligation until they are quite capable of taking care of themselves. It is in this spirit that the personal tax allowance should reflect personal needs. According to this principle, the personal tax allowance for the coming financial

year should be \$70,000 instead of the \$56,000 proposed by the Financial Secretary.

There is no doubt at all that Hong Kong is in the process of economic restructuring with the contribution of the manufacturing sector to the Gross Domestic Product (GDP) declining from 23% in 1981 to 16% in 1991. In 1991, the contribution of the service sector to the GDP was 73%, far more than the manufacturing contribution. It is against this background of economic restructuring that the Government should adopt a more positive policy towards the service sector in order to promote its development and enhance its quality. It is unfortunate, however, that the Government is not quite willing to heed this advice because it thinks that Hong Kong is already the financial centre of the Far East. Up till the present moment, the Government does not have a department charged with the special responsibility of promoting the development of the service sector. The relocation of Hong Kong's economic activities to the north is not only limited to the manufacturing sector. There are signs of some service industries moving out of Hong Kong. For example, just a couple of months ago, Cathay Pacific Airways already had plans to relocate its auditing department to Guangzhou and its data control department to Sydney. These are dangerous signs which the Government should beware of, and it should take a square look at the development of the service industries.

The issue is all the more immediate when we come to think of the fact that the service sector is the one which is hit most by inflation. The Government should study the possibility of enhancing the productivity of the local service sector to attract investment in Hong Kong by overseas service industries and the possibility of diverting manpower resources from the manufacturing sector to the service sector through the retraining programme so that Hong Kong will have quality service personnel. The Government should look at these possibilities and formulate policies for implementation.

High technology is another major area of development for Hong Kong industry. It is unfortunate again that the Government has failed to give adequate attention to this respect. In order to encourage research and development in the private sector, the UDHK propose that the Government should offer tax concessions to those companies with capital committed to research and development. According to the analysis which I have given above, it can be seen that in terms of improving people's livelihood and economic growth, the Government has the capability, but not the determination, to do a good job and that it is up to the Government to make a greater effort towards achieving the twin goal. It should not deceive itself that it is no longer the same old miser, just because it has been called Santa Claus. Mr President, insofar as Hong Kong people are concerned, the era which requires everyone to share only the economic hardship but not the economic prosperity which such hardship achieves should come to an end.

These are my remarks.

MR SIMON IP: Mr President, while financial secretaries in major industrialized countries are troubled by low economic growth, unemployment, fiscal deficits and rising debts, they look enviously at Hong Kong. An economic growth rate of 5% per annum, low unemployment, a large fiscal surplus and sizable reserves have enabled tax burdens to be reduced and funds to be injected into a number of projects long awaited by the community. This favourable situation is the fruit of the hard work of the people of Hong Kong and the strong economic growth in Southern China.

Although the Financial Secretary has projected deficit Budgets for the next four years, the financial strength of the Government will remain in good shape, with anticipated fiscal reserves of \$78 billion in 1997.

The Government has taken advantage of our excellent financial condition this year to embark on a number of new initiatives. *Ex-gratia* payments to AIDS patients and pneumoconiosis sufferers, additional funding for the sewage programmes and transport infrastructure are all welcomed.

However, there are still some deep-rooted problems in certain areas, where greater financial commitments are needed.

These include:

1. *The Judiciary*

I am very concerned that the estimate for 1993-94 will only exceed the revised budget for 1992-93 by \$9.8 million, a mere 2.3% when there have been widespread criticisms of the Judiciary's lack of facilities and the very long waiting time before cases are heard. Complaints have been received from members of the Judiciary, legal practitioners and court users which have not been addressed. The situation is set to deteriorate in the coming year. In some cases the waiting time for cases to be heard exceeds the targets set by the Chief Justice by a multiple of three. These targets are described in the estimates as the maximum acceptable time that a litigant waits for his case to be heard. This is an express admission that any waiting time beyond the maximum is unacceptable. It provides useful material for any defendant who has been the victim of delay to make an application to dismiss or stay the prosecution pursuant to Article 11 of the Bill of Rights which guarantees that every criminal charge shall be tried without undue delay. Successful challenges will bring the Judiciary and the legal system into disrepute. This must not be allowed to happen and the problem requires urgent attention. I am convinced that the appointment of a senior administrator with proven administrative experience and management skills is the key. The introduction of modern technology in the court room is urgently needed and court buildings generally require substantial upgrading.

The Governor has repeatedly stressed the importance of the rule of law and the legal system. Moves must be made now to lay down performance pledges and sufficient resources must be made available to implement them in order to preserve the majesty of the law and the dignity of our courts.

## 2. *The Legal Department*

It is disappointing to note that the localization target set by the Legal Department in 1987 has not been met. Only 18.9% of directorate level officers are locals against the target of 30%. Discriminatory terms and conditions should be removed to enable locals and expatriates to be recruited on an equal basis. With only four years remaining until the transfer of sovereignty, a clear strategy must be devised to recruit or promote locals to the top level of the Department. Recruitment from the private sector should be considered by devising attractive remuneration packages to suit the importance of the posts.

## 3. *The Legal Aid Department*

In last year's Budget debate, I expressed the view that the "net financial resources" limit ought to be reviewed periodically to prevent the limit being eroded by inflation. I take this opportunity to urge the Government again to impose a statutory requirement for periodic reviews. Moreover, a study should be undertaken to ascertain how many cases, both criminal and civil, failed the means test but which would have satisfied the merits test. The result would show the number of deserving cases for which legal aid had been refused on financial grounds alone and appropriate measures should be taken to raise the threshold of eligibility.

Funding for the Duty Lawyers Scheme should also be kept under constant review. The Government should not exploit the generosity of the legal profession which is running the Scheme on a semi-charitable basis.

Finally, I again emphasize the importance of separating legal aid from the Government by creating an independent Legal Aid Authority governed by its own Ordinance. The reasons for this are well known and I urge the Government to take positive action.

## 4. *Education*

Our economic success will not endure if we cannot provide a first rate education for our young. As a percentage of GDP, our expenditure on education lags behind most developed countries. This is a reflection of insufficient investment in kindergartens, primary and secondary schools. These are areas requiring greater attention.

Teacher education is a crucial factor in better education. I am glad to see the adoption of the Education Commission Report No. 5 and the formation of the Institute of Education by October 1994. As the chairman of the Provisional



Governing Council of the Institute, I hope the Government will provide all necessary funds and resources to the Institute to upgrade teachers' education by improving pre-degree courses and introducing as soon as possible degree courses in accordance with the wishes of ECR5 and the Executive Council. The lamentable condition of some of the existing colleges of education is a disgrace. New campuses are urgently needed to dignify their description as tertiary institutions.

I now turn to inflation which is at the top of the priority list. The Government cannot continue to turn a blind eye to inflation because it eats away savings and pensions, outstrips wage increases in the manufacturing sector, and erodes the competitiveness of our industries and businesses. It is true that our strong economic growth can tolerate a degree of inflation, but that is no reason for inaction.

Shortage of labour is one of the root causes of high inflation. Retraining of workers is one way of tackling the switch from manufacturing industries to service industries. The quota for retraining only 10 000 workers in 1993 is inadequate to meet demand. I urge the Government to expedite and inject more funds into the Employees Retraining Scheme. I also believe the Labour Importation Scheme should be constantly reviewed and quotas increased as appropriate.

Moreover, as a long-term solution, the Government must increase the supply of land for residential use. Market mechanism will then operate to bring property prices back to more affordable levels once supply and demand reach an equilibrium. In the meantime, the 70% mortgage ceiling should be reviewed since it hits genuine end-users.

To conclude, what we have is a Budget which is generous in meeting certain demands from the public, made possible by our large surplus and reserves. But this Budget has not provided far-sighted solutions to a few long-standing problems. I hope the Government will formulate long-term policies and allocate the required resources to solve those problems. That said, Mr President, I support the Budget.

DR LAM KUI-CHUN: Mr President, the Budget for 1993-94 is a product of the rich harvest in 1992-93. It reflects, as it were, an anticipated period of economic fair winds, fine weather and smooth sailing. It promises a "carnival of sea food" for virtually all on board. Mr President, creation of wealth to improve the livelihood of all in Hong Kong is one of the shared values of the members of the Co-operative Resources Centre.

Overall I conclude that this is a reasonable Budget.

Having said that, I need to make several points of concern:

In welfare, the big programme of the budget is the new Comprehensive Social Security Assistance Scheme. It hands out the equivalent of 91% of the projected average manufacturing worker's wage per recipient, including the non-worker. Many of these are able-bodied and capable of full-time work. This generosity contrasts sharply with the absence of additional allowances to the elderly or disabled, who lack the capacity to earn. It is a question of the unwilling versus the unable.

Mr President, Hong Kong has no natural resources. What it has is acquired through hard work of its people. In analogy, we are not partying on a luxury liner with autopiloting. Rather, we are on a clipper on which all hands must work to keep it moving at good speed. If an able-bodied person chooses to just watch the waves glide by below his cabin window, he should rightly receive less than he who hauls the sails or scrubs the deck. The problem with too good a social security system is that it kills the incentive to work. Paying the non-worker 91% of the worker's wage is unfair to the worker. The business community has voiced its concern. I know of the previous situation in Sweden where social security was so good that some of its workers chose to take the unemployment package to holiday in cheaper countries such as Mediterranean Spain. Hong Kong cannot afford this kind of luxury. The Government should train and encourage the able-bodied to contribute to the smooth sailing of our clipper. Current workers whose trades have been displaced and who have undergone retraining are complaining that the level of retraining is not sufficient to enable them to earn their previous wages in new jobs. At present about 30% of retrained workers remain unemployed. Instead of handing out appetizing free lunches, the Government should use the resources to further expand the Workers' Retraining Fund. The right attitude must be to help those who help themselves.

On the other hand, the elderly and the disabled in our community through no fault of their own do not have the capability to earn. The elderly in their younger days have contributed to the prosperity of Hong Kong. Our generosity to them measures the compassion of our community. If the chief purser of our clipper is laying out a feast of lobsters and *sashimi* for all, he should make sure that the weak can get their fill. I believe the percentage increase of subsidy to the elderly and the disabled should exceed the increase of public assistance to the able-bodied, at least sufficient to enable them to make decent living. In this time of high cost of living and high inflation. I expect it will be long before the Special Needs Allowance catches up with expectation. As a way out, I repeat my call to allow those who so choose to retire without restriction to their allowances to their native places in China. If the Government still worries over potential torrents after opening the floodgate, let me point out that according to a survey, no more than about 4.3% of the elderly population intends to retire to China with their allowances. From these, the Government also saves the big bill on their housing and health care.

On health care, the Government glorifies the 7.8% "real growth" in the Budget. Added to a general inflation rate of about 9.5%, the total growth amounts to 17.3%. The Hospital Authority gave me a medical inflation rate of 18.7% for last year. So, the total growth rate of 17.3% is 1.4% short of keeping up with inflation in the health-care field. The Hospital Authority must come up with some additional revenue next year to maintain its quality of service. Universal medical insurance is not the answer, but I shall leave the debate to another forum.

In the Budget, the main medical news is the North District Hospital. To build the hospital is right. To choose to do it now is wrong. By calculation from population size, the demand for hospital beds in New Territories North by the year 2000 is only about 900. When the new 608-bed Nethersole Hospital opens in Tai Po in 1996, the shortage will be reduced to less than 300. How can this 300 be compared with a shortfall of 5 361 infirmaries beds all over Hong Kong? The shortfall in infirmaries is so severe that care-and-attention homes running infirmary units for some years as stop-gap measures are now facing the unpleasant reality of having to run them permanently and perhaps in increasing numbers. Such homes have neither the expertise nor the manpower to run such units. Surely at this juncture, the sensible decision is to build more infirmaries in priority over the North District Hospital. I realize that political pressure has been brought to bear on the Government over building this hospital. I am forced to conclude that in arriving at this decision political pressure has prevailed over good sense in management.

For the Hospital Authority, a glaring mal-distribution of its funds is begging to be redressed. Few countries in the world have such a large proportion of its funds (ours at 81% compared to around 60% for most countries) appropriated to staff emoluments and oncosts. Taking into account Taiwan's 1.9 nurses per 1 000 population, Japan's 3, and Singapore's 3.2, Hong Kong's 4.9 is ample supply. One cannot honestly say there is a shortage of nurses in number in this city. Yet, the nurses keep crying out for more manpower. The problem must lie with the way work is being heaped on the nursing staff. It is about time the Government examines the one-line vote given to the Hospital Authority and lightens the non-nursing load for nurses, so as to free resources to add to the meagre 19% accorded to medicine and equipment.

Finally, a word on deficit budgeting. Prudent finance management reserves deficits to ride out economic downturns. The traditional Chinese saying was quoted twice yesterday: "Store grain to ease famine." Last year, the Administration went to extra lengths to build up what it called a "cushion against contingencies of the next five years." This year, no contingencies are expected. Instead, a bumper crop is predicted. There should be enough revenue to enable the Government to embark on most of its planned programmes by simple harvest from economic growth. Larger surpluses are generally for reinvestment to boost future growth. Yet, the Government chooses to spend the reserves systematically and consistently, year after year till 1997. If this is not deliberate overspending, nothing is. Mr President, deficit

budgeting does not go down well with the local population, especially when the Financial Secretary's vision appears to end at 1997. This is especially disconcerting when economic growth hangs precariously on good relationship with China (which is being destroyed) and renewal of China's MFN status by the United States (which is perennially threatened). We may yet come to a lean year which we do not have the reserve to ride out. On our proposed voyage in fair winds and fine weather, many on board say they smell something fishy.

Mr President, aside from the above reservations, I support the motion.

MR LAU CHIN-SHEK (in Cantonese): Mr President, there is no doubt at all that the Financial Secretary's Budget this year is more welcome than his Budget last year. However, I think that, to the lower income people, the Budget offers very limited improvements. If not exactly improvements at a snail's pace, they are at best improvements at a turtle's pace. Still, I hope that the Administration, as a golden snail or a money turtle, will understand the deficiencies of the Budget as perceived by the lower income people. At the same time, I look forward to the Administration taking a bigger step forward.

Last year, while this Council was debating the 1992-93 Budget, I noted that the Administration's philosophy for money management placed undue emphasis on the so-called prudent financial management principles which include "balanced budgeting," "reserve accumulation" and "debt avoidance"; that it gave no consideration at all to the function that fiscal policies are meant to have in "redistributing social resources" and thereby narrowing the gap between the rich and the poor. In its philosophy of government, the Administration gave top priority to the promotion of economic development, with the result that "economic policy" very often had precedence over "social policy" and the disparity between the rich and the poor accelerated.

Now, a year later, after we have carefully read the new Governor Chris PATTEN's first policy address *Our Next Five Years: The Agenda for Hong Kong*, and Financial Secretary Hamish MacLEOD's second Budget *Building on Success*, it is clear to us the Administration's philosophy of government and money management has not changed significantly. In fact, if this year's Budget can be called an improvement, the reason is simply that it is giving some respite to the lower income people who have been chafing under the crushing yoke the ways of the Administration have brought upon them in the last couple of years. There is now some pacification of the disaffected public. In regard to the principles of money management, the proposed spending increase on items to do with people's livelihood means nothing more than a slight loosening of the purse strings now that the Treasury is "awash with money" as a result of past years' overly conservative financial policies (for example, the policy to cut the spending of all departments by 1%), slippage in public works projects in the Airport Core Programme and underestimation of revenue. The spending increase proposals have not at all arisen from any change in the philosophy of money management.

In the following, I will attempt to raise questions in three areas. The first is the deficiencies of this year's Budget where it bears on the lower income people. The second is the impact on the wage earners of the economic development strategy outlined by the Financial Secretary when moving the Second Reading of the Appropriation Bill. The third area that I will go into concerns resources available for dealing with labour matters.

In this year's Budget, it is proposed to raise the personal salaries tax allowance from \$46,000 to \$56,000. This undoubtedly is in response to a strong demand raised in this Council and by the community in general last year. However, as colleagues in this Council have noted in their speeches earlier on, the new level of personal allowance is still not enough.

In fact, according to figures in the supplement to the Budget, the number of taxpayers in the new financial year of 1993-94 will be 1.6 million, up from the present 1.45 million. After deducting the number who will not be liable to tax, thanks to the tax concessions, the number of taxpayers will be 1.34 million, up from the present 1.33 million. In other words, more people in the middle to lower income groups who previously were not liable to tax will now be liable. Clearly, the Budget this year fails to propose a sufficient increase in personal allowances; it will drive an increasing number of people in the middle to lower income groups into the tax net.

The rate of increase in the personal tax allowance proposed by the Financial Secretary this year is about 22%. It is in fact just enough to make up for the cumulative inflation of the past years when the personal tax allowance failed to be increased. If full adjustments had been made for inflation, the personal tax allowance would have risen from \$10,000 to \$55,172 over the 20 years from the 1973-74 financial year until now, whereas the Financial Secretary will now raise it to \$56,000. One can thus say that the proposed increase in the personal tax allowance is barely sufficient to catch up with the cumulative inflation of the past 20 years. However, it should not be forgotten that an annual salary of \$10,000 could be regarded as a "quite good income" 20 years ago, whereas an annual salary of \$55,000 (or a monthly salary of about \$4,600) today barely qualifies the earner as a member of a middle to lower income group. Clearly, the way salaries tax is assessed and levied has increasingly disadvantaged the lower income groups over the past 20 years. In fact, if the living standards of the middle to lower income groups are to be effectively prevented from declining, if living conditions are to be improved in real terms via salary increases, then one must look at the median salary figure. The Hong Kong Confederation of Trade Unions thinks that the personal tax allowance should be raised to \$72,000. Only this will enable a couple with two children and earning an income below the median salary to remain just outside the tax net. Then, families in middle to lower income groups earning just enough to make both ends meet will not be liable to salaries tax, which affects their living standards.

I think that the Administration must review the principles for setting the personal tax allowance and introduce a tax policy that is advantageous to the middle to lower income groups. In the short term, the Financial Secretary should heed public opinion and raise the personal tax allowance further.

In regard to the expenditure estimates, one comment heard is that the spending on social services (social welfare, education and health care) will increase sharply. Some people are worried that the policy of tailoring expenditure to revenue is being changed and that Hong Kong will become a "welfare state." To me, these comments are fallacious.

In the coming year, current spending on all social services will increase, in real terms, at a rate that is faster than the predicted 5% economic growth rate. However, if we look at the growth rate of total "public spending," which includes spending on recurrent and capital items, we will see that the average rate of increase will be 12.5% but that, in most cases, in real terms, the growth rate of spending in the area of social services will be lower. For example, the spending on social welfare will increase by only 9.2%, while the spending on education will increase by a mere 4.7%. Try and ask yourselves. Is this a sharp increase in spending on social services?

In addition, I am quite worried by how slowly spending on social services will increase in the next few years. Will the rate of increase fall below that proposed in the Budget for the coming year? My worry is not without grounds. A case in point is the spending on social welfare. According to the Governor's policy address last year, current spending on social welfare will increase by 26% in real terms over the four years from 1993-94 to 1996-97. This means an average annual increase rate of only 5.9%. In 1993-94, a 15% increase in real terms in Public Assistance is the reason why the recurrent spending on social welfare will increase by 7.8% in real terms. Therefore, looking ahead at the next few years, I find that the spending increase in real terms in the social welfare area will probably lag behind the rate of increase for 1993-94.

In fact, I am quite surprised why the Medium Range Forecast appended to the Budget this year, unlike in past years, fails to set forth the trend of increase in public spending programmes in the next few years. This causes worry that the increase in spending on social services in future years may be less than that in 1993-94. I ask the Financial Secretary to provide this Council, on or before next Wednesday, with the missing figures for percentage increases or decreases (in real terms) in spending in the various programmes, covering the period from 1992-93 to 1996-97. Failing this, I believe that colleagues in this Council, as well as the community in general, will have no way of telling from the Administration's Medium Range Forecast exactly how big the commitment to social services is.

More than 50 colleagues in this Council recently signed a joint request to have the date of the introduction of the social security scheme moved forward. I would like to talk here about the deficiencies of this scheme.

The policy address, as well as the Budget, proposes to raise the basic rate of Public Assistance by 15% in real terms. This is far below the rate of increase called for by civic groups. At the same time, it will be a one-off increase only. If we look at a family of four who are recipients of Public Assistance, we will see, after some calculation, that, beginning July this year, this family will receive Public Assistance at the basic rate of \$670 per member per month. The Public Assistance Programme allows each member an average of \$16.8 a day for food and only \$0.80 a day for transport. Try and ask yourselves. How can \$0.80 a day be enough for transport?

Mr President, as he did last year, the Financial Secretary is again citing in his Budget this year exciting figures that purport to show how satisfactory Hong Kong's economic growth rate is, how high the *per capita* GDP is, and so forth. However, I often ask myself: What do these figures mean to the lower income groups?

In his Budget this year, the Financial Secretary goes farther and voices strong support for the structural change in Hong Kong's employment profile from one of manufacturing-based to service-based. But the Administration fails to make clear that Hong Kong's so-called "economic restructuring" is not the result of improvements in manufacturing productivity and technology but the result of "geographical redistribution of jobs" in the wake of manufacturers' relocation of production lines northward to China. At the present moment, the workers of Hong Kong are facing all kinds of difficulties. External factors are threatening their rice bowl. The northward relocation first of manufacturing and now of support services and the scheme for the importation of foreign labour — these are seriously affecting Hong Kong workers' employment opportunities and bargaining position. In addition, there is the pressure of high inflation and slow wage increase. Workers are not partaking of the fruit of economic success at all. Instead, their living standards have been deteriorating. I make a prediction here that Hong Kong's unemployment rate will rise sharply in the next few years!

In fact, a very tiny portion of Hong Kong's economic growth in recent years is due to higher local labour productivity. Over the long term, I think that this will pose a potential threat to economic stability. Therefore, the Administration must implement training plans for the development of human resources, thus improving the skills of local workers and increasing the value of local products. Only then will there be a foundation for the long-term stable growth of Hong Kong's economy.

I repeat that I am opposed to any so-called economic growth or any illusion of prosperity that is the result of local workers being exploited or made to sacrifice their interests.

Lastly, I would like to talk about the spending increase in the coming financial year on labour matters (that is, in the area of employment). Very unfortunately, the Secretary for Education and Manpower has said, in response

to my questions, that the spending increase on labour matters will be just 0.5%, that is, five parts per thousand!

Because time is running out, I do not intend to repeat in detail my suggestions concerning the spending on labour matters. I will confine myself to expressing the hope that the Administration will take a square look at the following matters where improvements are needed:

Firstly, the Retraining Programme. Last year, the Administration made a one-time injection of \$300 million into the Retraining Fund. Since then, it has made no further commitment. This is unreasonable. I think that the number of people to be retrained, as well as the relevant allowances, must be increased. Retraining courses must be linked to the job categories in which foreign workers are to be imported. The hope is to terminate the labour importation policy as soon as possible.

Secondly, the efficiency of the Labour Tribunal. I think that the recommendation of letting the Labour Department adjudicate simple industrial disputes, which will help to reduce the workload of the Labour Tribunal, should be implemented expeditiously. Such a move should not have to wait until next year. In addition, the Administration must expeditiously appropriate funds to enable the Judiciary to add two Labour Tribunal courts and hire more staff, the purpose being to shorten case-processing time. Still, I am extremely incredulous of what the representative of the Judiciary told the Finance Committee last week. Reaching the goal of one-month case-processing time in the coming year? This is utter fantasy.

Thirdly, assistance to victims of work-related injuries. In principle, the rate of compensation for pre-1981 victims of pneumoconiosis should not be less than that for post-1981 victims. Failing this, we will have "one lung disease, two systems." Compensating victims of the same pneumoconiosis disease at two entirely different rates is unfair. Also, the basic rate of assistance to injured workers and their dependants should be increased, so that those who need help will receive it in an adequate amount. (At present, there are more than 250 industrial fatalities and nearly 100 000 work-related accidents a year. The most conservative estimate is that about 1 000 cases a year need assistance. If \$10 million is distributed evenly among them, each case will receive less than \$10,000.)

Fourthly, this Council has already passed a motion urging the Government to set up a Central Provident Fund. Therefore, the Financial Secretary must make a provision in his Medium Range Forecast for the funding of such a scheme.

Mr President, I so submit. Do I support the Budget or not? That will depend on the Financial Secretary's response!



MISS EMILY LAU (in Cantonese): Mr President, like many colleagues, I am quite happy with the Financial Secretary's Budget and very supportive of his decision to appropriate large sums of money for health care, education, welfare and environmental protection. I am deeply convinced that the community should be able to partake of the fruit of economic prosperity. Personally, I think that the salaries tax personal allowances proposed by the Financial Secretary are acceptable. However, I would like to make a suggestion to the Financial Secretary here. Instead of having colleagues ask for a 10%, 20%, 30% or 50% increase in salaries tax personal allowances each year, I wonder if the Administration would consider drawing or setting a poverty line, such that those whose income falls below this line do not have to pay tax. I feel that this will be the more logical thing to do and it will contribute to a more meaningful discussion of this particular issue. An alternative would be to let Members of this Council debate and ask the Administration to raise the personal tax allowance by 20% or by 40% from a base figure. Such a debate would be meaningless, though I hope that the Financial Secretary will consider my suggestion and give us a response next week.

Mr President, like my colleagues, I find inflation, which devalues the money in the hands of the public, to be the most worrisome problem with the present Budget. The Financial Secretary may decide now to spend vast sums of money, but the public will soon find themselves empty-handed as the money that they have depreciates rapidly as a result of inflation. In his Budget Speech, the Financial Secretary fails to propose any solution. He merely says that, if we want to contain inflation, we must sacrifice economic growth or even do things that will cause many to go bankrupt and workers to lose their jobs. Is that the only way to contain inflation? I hope that the Financial Secretary will give the matter some deeper thought. During the present two-day debate, many colleagues already offered their comments on the matter. Personally, I feel that an important way to control inflation is to control public spending. True, as I said a moment ago, I am supportive of the Government's spending on a wide range of welfare services. Still, I hope that the Administration will continue its hard work to control spending on the bureaucracy. Mr President, during the three days of the special Finance Committee meeting last week, I heard many colleagues say that the utmost should be done to encourage government officials to spend more money, which they said they would support. They further said that, if government officials needed money, they should be able to appropriate it. Listening to them, I was very amazed and I could not help shaking my head. Of course, some items deserve funding. But, as Legislative Council Members and Finance Committee members, must we encourage government officials to spend as much of the taxpayers' money as possible? Will that be a responsible attitude on our part? I doubt it and I do not agree. I would like to send a message to the Administration. Not every Legislative Council Member is so "generous". Not every Legislative Council Member will vote to approve whatever request for money that comes before the Council. I will make some critical comments about this later on.

Mr President, yesterday, some people said that the Sino-British row might affect Hong Kong's economic prospects, and they called on the Chinese and the British Governments to resume talks soon. I believe that many citizens want to see the talks resumed. Nor am I an exception. However, I believe that the resumption of talks is not our only objective; nor is it our most important objective. The most important objective is a democratic and free future for us, a future that China and the United Kingdom can build for us through talks. I also hope that Hong Kong people will be able to participate fully in the talks. Many people in Hong Kong may be hoping that the Chinese and the British Governments will resume talks. But, as the Administration surely understands, even more people in Hong Kong are afraid that they will be sold out yet again by the Chinese and the British Governments and that our interests will be brushed aside. This, then, is very important. It should draw our closer attention even as we strive for the resumption of talks. Another point to note is the credibility and authority of the Government of Hong Kong. Will the Government of Hong Kong find it expedient to give up everything in the interests of the talks? Will it willingly become a lame duck and lose its dignity? Should such things happen, how then, may I ask, would the Hong Kong British authorities be able to rule Hong Kong during the coming four years? I think that this is a very complex question. The Government must consider its credibility and authority as the ruling power. It must consider the wishes of the community. It is not simply a matter of resuming talks. Suppose that the talks are resumed. If the positions of the two sides have not changed, what will the result be? If the talks are held for a few weeks and then break down, what benefit will Hong Kong have gained? So I hope that the Chinese and the British Governments will think again. But the most important thing is that, if talks are resumed, their outcome must be acceptable to the people of Hong Kong and to this Council.

Mr President, a moment ago, I mentioned the spending of public money by the Government. I think that, in some cases, money that should have been spent has not been spent. The result is delays in many works projects. Projects worth a total of \$3.6 billion have not been completed because of this. As the Financial Secretary has told us several times, he himself is unhappy with the situation. Some among us think that the Government should set some money aside for the airport project. The Government has now made a big decision. The Secretary for Works, too, will be working hard at this. I hope that he will give a briefing soon and tell us how the particular problem will be prevented from arising again in the new financial year.

Mr President, I am very supportive of the fight against environmental pollution. Another thing is that the principal problem facing the Government is how to dispose of sewage. I hope that the Government will devise a plan soon to deal with matters including "making the polluter pay". I know that some colleagues in this Council do not think so. Some even think that the business community should pay more, while others will not have to pay. Such a view is very controversial. In the true green spirit, if there is a pollution problem, everybody should chip in to have it solved. I hope that the Administration will

appreciate this point and will preach it to the public. It should not yield to the pressure of some. At the same time, I hope that the Administration will review the fines and prison terms as provided for in the various anti-pollution Ordinances. I feel that the present penalty provisions are very inadequate and that the courts often pass rather light sentences. Our Environment Panel has made a study. Generally, the fine imposed is 10% of the maximum penalty. Such light sentences passed by the courts are not effective as a deterrent. I believe that, if 10% of the maximum fine is \$100,000 or \$200,000, people will be doubly careful not to pollute the environment. I call on the Government to be vigorous and swift in enforcing the anti-pollution Ordinances.

Mr President, I am supportive of housing assistance to the sandwich class. I agree with colleagues and I hope that the Government will subsidize the sandwich class with low interest housing loans or interest free housing loans, lest middlemen stand to make a profit. If somebody resells his home shortly after buying it, the Government should collect a capital gains tax from him in addition to calling in the loan. Mr President, as the saying goes, "Scarcity is not a problem; uneven distribution is." I hope that the Administration will take a cautious approach to the matter and will not favour only several thousand people or only a handful of people. Of course, if too much needs to be distributed, there may not be sufficient funds. Still, I think that the Government should absolutely refrain from creating class contradiction, as other Members of this Council have warned. I feel that that is not called for.

Mr President, this Council has often noted the great shortage of medical facilities in New Territories East. The shortage of hospital beds is a particular problem. This problem is the most serious at Tseung Kwan O. As we have often noted in this Council, the residents of Tseung Kwan O are feeling betrayed by the Government. Since they moved there, they have had neither MTR service nor hospital. As far as I can tell from the government plans that I have seen, the Administration is not planning to build a hospital at Tseung Kwan O in the short or medium term. It will expand Haven of Hope Hospital at the most, but Haven of Hope is not a full-service hospital. Therefore, I wonder if the Administration will accept a compromise solution and, in the short term, provide the residents of Tseung Kwan O with a full-service clinic. Such a clinic will remain necessary even after a hospital is built in the future. Since it is not possible to build a hospital for the residents of Tseung Kwan O soon, will consideration be given to providing them with a full-service clinic? I hope that the Financial Secretary will give the matter due consideration.

Mr President, as I said a moment ago, some money should not be spent. Recently, the Trade and Industry Branch proposed the creation of a D8 post for the Ambassador for Economic and Trade Affairs to the United States. The post is meant to be filled by Mr Barrie WIGGHAM, departing Secretary for the Civil Service. We now have in the United States a trade officer, who is stationed in Washington. His position is D4. The Administration is now proposing to upgrade the position by a four-step jump to D8. It will carry a monthly salary of \$120,000. Also, I have heard that the Government intends to

buy a mansion in Washington and to hire four servants for this new ambassador. I believe that the Administration should tell the public its reasons for this proposal. We all know that the United States is a very important trading partner of Hong Kong and that many kinds of talks need to be held with it. Still, is it necessary to upgrade the position immediately from D4 to D8? I have seen some documents referring to this new post. One of them says that the move is being made in preparation for the transfer of sovereignty later on. If the transfer of sovereignty is a consideration, then will it not be more appropriate to send a yellow-skinned person to represent us? I certainly am not indulging in racial discrimination. Yet the proposals about the post are giving me too many ideas. Also, should the person that we intend to send to fill the position be familiar with trade talks? Should he be an expert on lobbying? Or is it the deliberate intention to create a post because somebody is without a job or has been promised such a job? I hope that the Administration will let us know the details. Mr President, when I was criticizing the Administration's creation of the D8 post at a meeting several weeks ago, I said that the Administration treated taxpayers' money as if it were something found in the street. Some days ago, the Monetary Affairs Branch was split; a Monetary Authority was set up and an additional Secretary post was created. There used to be one D8 officer. But now there are two. It is as if the fabled Monkey God pulled out a body hair and turned it into an exact copy of himself. I believe that taxpayers' money is money that is hard earned by the public. Members of this Council will support the creation of new posts that are really needed. But should we support the creation of posts that are not immediately needed? I hope that the Administration will think again.

Mr President, some colleagues put forth suggestions concerning a senior citizen card. I, too, would like to talk about this matter here. The bus companies want to give privileges to senior citizens who ride the bus, but how bus drivers are to tell which rider is 65 or older. I have had discussions with officials of the Social Welfare Department. In their estimate, there are roughly between 600 000 and 700 000 people in Hong Kong who are 65 or older. The making of senior citizen cards will cost about \$40 million or perhaps more. I hope that the Government will pay this amount to make senior citizen cards. I also hope that the other service trades will give privileges to senior citizens.

Mr President, there is another point that I would like to raise. Beginning in the middle of this year, the Immigration Department will be calling on the public to replace their passports, to turn in their British Dependent Territories Citizen passport in exchange for the British National (Overseas) passport. A time limit will probably be set for this operation, such that those who fail to replace their passport within the set time will forfeit their chance to obtain the new passport. I take a very serious view of this matter. The Nationality Subcommittee will hold a meeting next week to discuss it. I would like to tell the Administration right now that the nationality issue is a very important and very delicate one. A decision before June 1997 to deprive citizens of their right to obtain the British Dependent Territories Citizen passport is something that, I believe, should be carefully thought over by the Administration. However, the

Administration probably does not intend at all so to do. I hope that the Administration will make a solemn statement to clarify the matter.

Mr President, what angers me the most about the Budget this time is the part concerning the Judiciary. As several colleagues have already noted, it now takes 100 days before a case can be heard by the Court of Appeal, 240 days before a case can be heard by the High Court and more than 200 days before a case can be heard by the District Court. The judges of the High Court practically get no help at all in terms of basic facilities. What are these facilities? They include a sound-recording system. The Government already appropriated the money for this several years ago. But, as far as I know, the equipment is not used at all; it is just put aside and not being used. In some cases, court judgements, after being written in long hand, have to be typed, and typing takes several days. Are we still living in the Stone Age? Some lawyers ask: Why are the High Court judges not provided with well-trained steno-typists? Mr President, at the Finance Committee meeting last week, the Registrar, Supreme Court said that the Judiciary did not have stenographers who could take notes at 140 words per minute. Thereupon, I put a question to Mr John CHAN. His answer was that the Vocational Training Council at one time offered a training course on stenography but that it was cancelled for lack of demand. He said that training could be made available quickly if needed. I hope that the Administration will take a square look at this problem of the Judiciary. Perhaps, as the Honourable Simon IP said a moment ago, the Judiciary should be provided with a senior administrator who would do away with whatever were old, bad and wrong and begin anew to build a high-level management structure, which would of course be subject to supervision by the Legislative Council and the public.

Mr President, lastly, I would like to mention that, when the Finance Committee met for three days last week, all sittings were poorly attended. The time of many Members and government officials was therefore wasted. I hope that Members will review this situation and do better in the coming year.

With these remarks, I support the motion.

DR CONRAD LAM (in Cantonese): Mr President, the United Democrats of Hong Kong (UDHK) have always maintained that it is the responsibility of the Administration to provide a good medical service to the public both in quantitative and qualitative terms. I have to stress that every dollar spent on the medical service is for saving lives and alleviating pains. The money is not being lavishly frittered away. In the 1993-94 Budget, there is a 7.8% real growth in the recurrent expenditure on health services, which is 2.6% higher than the 5.2% real growth in total recurrent expenditure, reflecting that the Administration has not neglected the importance of medical and health services. Camp beds have disappeared from the wards of certain hospitals; waiting time for patients has been shortened; those who have been infected with HIV through transfusion of contaminated blood products in Hong Kong prior to 1985 will be

given *ex-gratia* payments and a sum for support services; the industrial workers who have contracted pneumoconiosis before 1 January 1981 will be included in an *ex-gratia* scheme which will be set up with a \$100 million government grant; there are also other plans like the construction of the North District Hospital, a grant for the Hospital Authority to fund a medical service research programme and so on. All these are the results of the Administration's positive responses after listening to the public plus the concerted efforts of the officials in the authorities concerned. They also show that the disagreement between the Chinese and British Governments on the direction of political reform will not and should not lead to the neglect of the important question of the people's livelihood.

On the premise of improving the efficiency of the medical services, all the staff of the Hospital Authority, regardless of rank, are subject to enormous working pressure. Doctors and health care professionals are leaving the public medical services team at an annual rate of 8.5% and 10% respectively. According to a survey conducted by an association of government doctors, 30% of the senior and consultant doctors will quit in the next three years, and 55% of the total number of doctors will do the same in five years' time. This situation must not be overlooked. As the Secretary for Health and Welfare said, "We cannot provide any medical services without the necessary staff to operate them." We would not wish to see some hospitals and sanatoriums failing to go into full-scale operation or even postponing the date of commissioning. While visiting a number of hospitals under the Hospital Authority, the Health Service Panel of this Council discovered that the staff of these hospitals were generally working under pressures of varying intensity and were disgruntled. This may directly or indirectly and sooner or later affect the quality of the medical services. Besides, nearly all the professional staff newly recruited in 1993-94 have been posted to some new hospitals or clinics, and cannot offer any assistance to relieving the working pressures to which the staff of existing hospitals are subject. It is therefore necessary for the Administration to review and improve the situation in this respect.

Despite that the Administration is building new hospitals and expanding the services offered in some existing hospitals with the result that there will be an additional 950 beds in 1993-94, it has also reduced the number of beds in the long established Queen Mary Hospital from the expected 1 800 to 1 500. Will the Financial Secretary inform us how much of the taxpayers' money has been wasted in the renovation works for such addition and deletion of beds? More importantly, how many patients have been unnecessarily affected by such works, for example, through a delay occasioned by rescheduling of surgical operations? The Administration must find out the true reason for having over-provided beds. Are there really not enough patients, or not enough doctors and nurses? Or is it due to lack of co-ordination of financial resources? Or is it because of a wrong estimation of the regional need? We must avoid committing the same error! The professors at Queen Mary Hospital have also pointed out that it is surprising that the hospital, being the largest one on Hong Kong Island, should have no geriatric ward service. With the growing need for geriatric services in

tandem with the growing size of our aging population, such reduction of hospital beds is really a waste of resources. Currently speaking, one-third of private homes for the aged are located in Yuen Long and Tuen Mun. But among the four geriatric wards in the Tuen Mun Hospital, only one and a half can provide services. The day hospital for the elderly is also inoperative due to lack of resources, and every day patients have to be carried a long distance by ambulance to the South Kwai Chung Day Hospital for treatment. Due to traffic congestion, each journey will usually take more than two hours, and 34% of the patients, being unable to stand the long and tiring journey, give up treatment. The Administration must face squarely these problems to avoid wasting resources and turning the useful beds into expensive decorative pieces. The Administration should especially pay attention to the staffing situation in geriatric services, because without sufficient staff, the newly completed Shatin Infirmary and Convalescent Hospital will be unable to attain full-scale operation. Due to shortage of infirmary beds, the Administration is considering the arrangement of transferring patients to be accepted originally by infirmaries to care and attention homes. Although this can cope with the problem of insufficient infirmary beds in the short term, care and attention homes are not comparable to infirmaries in terms of medical equipment and quality of the medical and health care staff. Moreover, care and attention homes are equally short of beds. I suggest that the Administration should increase as much as possible the number of infirmary beds, and take corresponding measures in management and manpower planning in order that sufficient staff can be provided for the infirmaries.

The Financial Secretary has allocated \$2 billion to help 3 000 sandwich class families improve their housing situation. Has the Administration also considered how medical services for the entire sandwich class can be improved? For example, the Administration may encourage them to take out medical insurance policies by making the premium paid tax deductible; the Administration may co-operate with private medical practitioners to provide sandwich class people with medical services (including clinic and hospital services). In fact, from the cost-effective point of view, the cost of the clinics and hospital beds in the public sector is far higher than that of the private clinics and the beds in private hospitals. The Administration should conduct in-depth studies on how to make use of the medical professionals and their resources outside the public medical sector, in order to provide to the sandwich class another choice of medical service at a cost lower than the existing level. If there can be a proper mechanism for monitoring such medical service provided on the basis of the co-operation of the public and private sectors, the Administration will be able to relieve to some extent its heavy burden of medical services.

The Financial Secretary said in his Budget, "we recognize a duty to care for those in need, particularly those who are the victims of life's special tragedies". Chronic patients should be included in this category. Physically handicapped persons are now entitled to at least a certain level of protection by the Administration, but chronically ill persons, who have equally lost their

working capacity, cannot benefit from any governmental assistance. The UDHK suggest that the Administration should subsidize the activities of the mutual help organizations of these chronically ill people, consider reviewing the current policy of public assistance, and include all those suffering from failure of organic function within the coverage of social security by providing them with allowances or other assistances. In addition, health care centres for certain chronically ill persons should be set up as soon as possible.

The UDHK welcome the Administration's move to strengthen the services for disabled persons, such as the increase of residential and other facilities. Recently, some members of the public reacted quite strongly against the establishment in their neighbourhood of a hostel for the mentally handicapped and a rehabilitation centre for the mentally ill persons, which reflects that the Administration has not done enough on promoting the concept of community care and on health education. The promotion of community care cannot be achieved simply by organizing a variety show featuring many "showbiz luminaries" in the Hong Kong Coliseum. It is a long-term and very gradual process of education and promotion. The UDHK suggest that the Administration should allocate more resources to implement the rehabilitative education work promised in the Green Paper on rehabilitation policies. Such work should be community-based, and to be undertaken by social workers on a step-by-step basis. The UDHK also suggest that while the Administration has allocated funds for the education and publicity concerning AIDS, it should also promote this important concept of community care.

*The Report of the Working Party on Primary Health Care 1990* has included the following two suggestions:

- (101) the establishment of a Health Service Research Fund;
- (102) following in-depth studies the Administration should make a statement on the economic policy of our future medical and health care services.

Can the Financial Secretary tell us how he intends to deal with these two proposals?

Finally, I would also like the Financial Secretary to enlighten us with regard to a problem about which Members of this Council and the public are concerned, namely, what effects the current political development and the Sino-British row will have on the Budgets for the next few years.

Mr President, I so make my submission.

DR TANG SIU-TONG (in Cantonese): Mr President, the Financial Secretary has, on the one hand, proposed in the Budget a number of salaries tax cuts which will bring benefits to 90% of the existing taxpayers and, on the other



hand, announced some additional items in the context of recurrent and capital expenditures to improve services such as social welfare, medical and health, education, environmental protection and housing. This is a very interesting Budget. All of us hope that the Administration can perform its duties efficaciously and solve our social and economic problems. The proposals in the Budget and the economic situation in Hong Kong are closely related to each other. Whereas these proposals are put forward on the basis of Hong Kong's present economic strength, they also depend on Hong Kong's future economic growth for their successful implementation. On Page 8 of the Budget, the Financial Secretary has said, "So our prospects for 1993 are extremely good. I am confident that we shall continue to flourish as we approach the 'Asian Century'. But we can never take success for granted. It is far from inevitable. Our continued prosperity depends on maintaining the right environment for business growth." I very much agree with such a view. However, because of the Patten package, the Sino-British relationship has now reached an impasse and the Sino-British Joint Liaison Group has not met for quite a while. As the call for starting a new kitchen is causing a clamour, Hong Kong's economy is destined to meet greater challenges and difficulties down the road. For these reasons, the Administration should be doubly careful in its consideration of the proposals before they are put forward in the Budget and establish a mechanism to carry out regular reviews of the financial management of all departments and bring their operation in line with the public financial strength so that the desired targets can be met.

Regarding all the issues covered in the Budget, one finds inflation the most worrying. Yet it seems that the Administration fails to come up with any effective measures to solve this problem. The Financial Secretary has only mentioned in the Budget that "Inflation is an issue on which no one can afford to be complacent, in the Government, in business or in the community." These are nothing but hollow words. In these years, inflation has been our No. 1 enemy and posed serious threat to people's living standard. Under such circumstances, the Administration should consider reducing public expenditure, improve its efficiency, keep the fare and charge increases by public utilities at a reasonable level and strengthen the retraining programme for workers to enlarge the working population. Furthermore, the Administration should also increase the supply of land to keep the property prices down. This could help to ease inflation pressure. However, the Administration, on the contrary, has proposed a deficit Budget by using our reserves as well as a number of measures to cut salaries tax. These measures will certainly stimulate inflation. And we may also expect a succession of requests for fare and charge increase from public transport operators such as bus, taxi, MTR and ferry. Rent, rates and whatnot will also go up. Who knows when our people could see the end of such increases. According to the Financial Secretary's estimate, this year's inflation rate is going to be around 9%. Yet, things appear that the inflation rate in the coming two to three years will be as high as a double-digit figure. To low income people, there is every likelihood that the tax payment as a result of tax cuts would be inadequate to cover the loss incurred by price increases. In this connection, only by effectively holding down inflation can the Administration

really achieve the aim of storing wealth in the hands of its people with the introduction of deficit Budgets. If the Administration cannot successfully stem inflation, this will rock the community's confidence in Hong Kong dollar. Furthermore, the double-digit inflation will erode our currency's purchasing power and undermine the Administration's ability to rule after 1997. The British Government has promised to leave a reserve of \$25 billion to the SAR Government in 1997. Suppose, with such a sum of money, we may buy a shaddock today, I am afraid we can only buy a tangerine in 1997. We have to wait until 1997 to see whether this arrangement is a plot or a sensible decision. As a Councillor with a mandate from the people, I really cannot help sleeping in cold sweat at midnight when this idea comes to my mind!

As regards physical infrastructure, I, as an elected Member representing New Territories West, am very happy to learn that the Administration finally looks squarely at the traffic problems in this region. Over the years, the Transport Department, being so good at shadowboxing in this respect, has virtually done nothing at all to improve people's plight. Now it is proposed in the Budget that a sum of \$1 billion is earmarked for improving the Tuen Mun Highway and another \$4 billion is to be allocated to the construction of Route 3 (Country Park Section) in partnership with a consortium. Such a project will go a long way towards solving the traffic congestion in northeast New Territories and relieving the pressure built up as a result of the drastic increase in freight transport between China and Hong Kong. I think the proposed allocation is really commendable. The construction of a new "climbing lane" for slow-moving traffic to improve traffic in the Tuen Mun Highway will certainly ease the existing difficult situation. Yet, though the Government may make the best efforts to reduce the inconvenience to the public by, say, carrying out works at night time only, when the construction is under way, the traffic flow will inevitably be affected and traffic congestion get worse. I propose that it would be advisable to divert this sum of \$1 billion to the Route 3 project so that the total investment in the project would amount to \$5 billion, thus enabling it to be commenced and completed earlier than scheduled. This is certainly more effective than making haphazard attempts to upgrade the Tuen Mun Highway. I deeply regret to find some Members selfishly put forward the proposal of giving priority to the construction of Route 3 (Kwai Chung Bridge Section). They simply disregard the overall situation. Bearing in mind the increasing freight transport between China and Hong Kong, I think that a mass transit system such as railway links should also be constructed as soon as possible. I am so pleased to learn that, according to a recent study on Hong Kong's railway transport network, the railway links which run from north to south in New Territories West are placed on the top of the priority list. In fact, only a mass transit system, such as a railway, can really solve the long-standing traffic woes in New Territories West. Recently Zhuhai proposed the construction of a bridge linking Zhuhai and Tuen Mun, which will serve as another link to the Pearl River Delta. Such a proposal should, in fact, be included in our future development strategies and merit the Hong Kong Government's positive response.

The Budget, apart from physical infrastructure, also touches on the incentives given to our industrial and commercial sectors, which I think are still not enough. Since the uncertainty about Hong Kong's future and the row over the political reform have already discouraged some investors, the Administration should, during the transition period, reinforce and promote the roles of the industrial and commercial sectors. For instance, the Administration should formulate special measures to assist in the development of small and medium sized enterprises and encourage them to purchase their own plants and modern equipment and, at the same time, assist the industrial and commercial sector's research and development of high-tech products and create in Hong Kong a better environment for industries and business.

I would also like to talk about the housing scheme for the sandwich class. The Financial Secretary has proposed to make an allocation of \$2 billion over the next two to three years to fund the scheme which would directly help 3 000 families to purchase their own flats. This policy has already aroused much criticism. It is regarded as an investment of high cost but low returns and would indirectly send property prices soaring. The Administration, as I see it, is actually doing some evil deeds with good intentions. How can we make the best use of the fund so that more people could be benefited? Many people have already put forward various proposals on this front. My suggestion that the Administration should set up a special working group with its members from all parties concerned, especially the sandwich class, to participate in the planning. As two heads are better than one, I believe the setting up of such a group would make it easier for us to identify an effective way to benefit more people.

Furthermore, the Financial Secretary is moving in the right direction by making allocation for the construction of the North District Hospital. However, the shortage of medical staff, which has aroused the community's concern in recent years, still leaves unsolved. I would like to urge the Administration again to deal with this problem head-on. The Administration should, to make hay while the sun shines, formulate some concrete plans as soon as practicable. Otherwise, the North District Hospital may meet the same fate of other hospitals in that its operation will be curtailed by the shortage of medical staff and it cannot serve the patients properly.

As for the welfare aspect, it is a pity that the Government has failed to make any specific commitment to the retirement protection scheme. Neither has any final decision been made on the Double Rent Policy concerning the "well-off" tenants despite the fact that this Council has made it clear that it is opposed to the policy. Meanwhile quite a number of public utilities are willing to offer concessions to the elderly of 65 or above. Nevertheless, the companies have expressed concern that their overall commercial operation would be obstructed since it would take some time for their staff to check the elderly's identity documents when concessionary schemes are in effect. I support the idea proposed by many other Members, that is, the Government should issue a kind of "senior citizen card" to enable the staff of the institutions offering

concessions to conduct efficient check on the eligibility of the elderly. And this would also save the elderly much trouble.

In conclusion, I find some proposals outlined in the Budget encouraging, but some discouraging. It is encouraging because some proposals will benefit people of different social strata. It is discouraging because the drastic reduction in tax and Budget deficit will fuel inflation and drain our reserves. What is more, the Budget was prepared on the basis of many optimistic presumptions. Given the present impasse stemmed from the Sino-British row, I urge the Administration to carry out regular reviews of its relevant policies to ensure that they are financially feasible. In order to meet the targets set out in the Budget, to ensure Hong Kong's smooth transition in 1997 and to maintain its stability and prosperity, I urge the Administration to strike a balanced development in terms of politics, economy and people's livelihood.

Mr President, these are my remarks.

MR LEE WING-TAT (in Cantonese): Mr President, many people think that this year's Budget is a money shower meant to curry favour with all strata of society and all political parties. Is that true? Undoubtedly, this year's Budget is a considerable improvement on last year's. But it is also provoking many contradictions between various strata of society. The average low income person is likely to ask: What will the Budget do for me? There are people living in squatter huts, temporary housing areas, "cage" apartments or private rental housing for which they pay painfully expensive rents; people whose names are on the public housing Waiting List; and people who want to buy Home Ownership Scheme flats but who are disappointed every time because they fail to get drawn in the balloting. These kinds of people, too, are likely to ask: How much of the money in the Budget will be spent on improving my life? Is the \$300 million or \$400 million a year all the money that is earmarked for clearing or improving squatter areas?

The lower income people, who live a hard life and who cannot partake of the fruit of the commonly created wealth even when there is a budget surplus, are of course unhappy with the proposal to use \$2 billion for directly subsidizing the sandwich class. Nor can this contradiction be resolved by the Government's withdrawal of this \$2 billion proposal. What is the most important is that the Government must make a true commitment to solving the housing needs of the public.

What must the Government do before the United Democrats of Hong Kong (UDHK) will concede that it is making a commitment to solving the housing needs of the public? Firstly, the Government should approve additional land grants for public housing and Home Ownership Scheme housing. Secondly, the Housing Authority should be relieved of its burden of paying annual interests and dividends to the Central Government. Thirdly, the present Long-Term Housing Strategy which gives a dominant role to the private sector

should be replaced with a strategy emphasizing a combination of public housing and Home Ownership Scheme housing. Fourthly, actions against speculation in, and for cooling, the property market should be continued; a tax on property transactions should be introduced; and the prices of Home Ownership Scheme housing, including Home Ownership Scheme housing for the sandwich class, should not be linked to market prices. I hope that the Financial Secretary will, in his response next week, give us some idea about new financial arrangements between the Central Government and the Housing Authority and about a capital gains tax on property transactions.

The \$2 billion subsidization scheme for the sandwich class is no more than a consolation prize awarded to a minority of families. The scheme simply fails to address the crux of the housing problem. It is not the right prescription. Nor is it a surgical operation to remove the causes of the distortion and inequality now found in the property market. How can it ever solve the problem?

Now that housing prices have eased just a little bit, property developers are repeatedly urging the Government to relax the mortgage ratio. In so doing, they use the high-sounding rationale of helping the middle income people buy their own homes. If the Government should listen to them, housing prices would start climbing again and it would become even more difficult for the middle and the lower income people to buy their own homes. UDHK think that the Government should take the following measures to continue keeping housing prices down. Firstly, the Government should continue to monitor closely the cooling effect of the 70% mortgage ratio and the stamp duty on the property market and consider what further actions may be taken to keep housing prices down. For now, the only action that the Government should consider is relaxing the mortgage ratio for a limited number of approved first-time home buyers among sandwich class families. Secondly, the Inland Revenue Department should compel property speculators to pay capital gains tax. Thirdly, insider buying where flats are about to be offered to the public should be further restricted. This will enable end-users to buy their homes directly from the developers. There will then be less speculative buying and selling.

With regard to long-term actions on housing for the sandwich class, we think that they should include additional Home Ownership Scheme housing units for the sandwich class. Up to 20 000 such units should be built before 1997. A maximum effort should be made to offer a first batch of 10 000 such units in advance of completion to the sandwich class before the end of this year, that is, 1993. This supply increase will help to balance the market and keep housing prices down. At the end of 1993, after the advance sale is completed, the property market should be looked at again. Then a decision should be made as to whether the scheme should be implemented in full in the next few years.

UDHK's suggestion is intended to let more members of the sandwich class receive the benefit. In contrast, the Government's target, as outlined in the policy address, is to benefit only 13 000 sandwich class families, but even this target will be hard to meet under the terms of the scheme. According to the Secretary for Planning, Environment and Lands, in the next three years, only 3 000 sandwich class families will benefit from the short-term plan, and the building of the first batch of 5 000 units of Home Ownership Scheme housing for the sandwich class probably will not be completed until 1996-97. Thus, only 8 000 sandwich class families will benefit before 1997. This is short of the 13 000 mark by 5 000. For a better solution of the problem, more land grants must first be approved for the building of Home Ownership Scheme housing for the sandwich class. The present Sino-British political row should not affect bilateral co-operation on matters relating to people's livelihood. We urge the Sino-British Land Commission to meet soon to approve land grants for 1993-94.

A recent suggestion of the Professional Association of Real Estate Agents will precipitate a demand for 12 300 units all at once in the 1993-94 financial year. We oppose that suggestion. It is bound to create an artificial price support for housing. I will now explain UDHK's position concerning how the \$2 billion can be spent more effectively and more fairly.

UDHK do not agree that \$2 billion should be used for directly subsidizing the sandwich class. UDHK have great reservations because \$2 billion can help only 3 000 families. UDHK think that the short-term plan should benefit a larger number of families in a way that would least stimulate the private sector housing market. UDHK's analysis shows that the greatest difficulty of the sandwich class in home buying is that they do not have enough savings to meet the downpayment. Therefore, our plan has the following features. Firstly, direct subsidization should be replaced by a scheme to provide interest-free loans for meeting the downpayment. Secondly, each family should be allowed to borrow the amount of the needed downpayment or to borrow up to \$300,000 for meeting the downpayment. Thirdly, beneficiary families should not have to repay the government loans during the first three years. Fourthly, beneficiary families should repay the government loans by monthly installments over 10 years beginning from the fourth year. Fifthly, so as to have the least stimulative impact on housing prices, the implementation of the scheme should be spread over three years, during each of which 2 200 families will be approved for assistance. Each year should be then divided into four periods, during each of which 550 families will be approved. Sixthly, so that resale may be controlled, any private sector housing unit purchased under the scheme, if resold within the first five years, can be sold back only to the Housing Society at the original price or at a price that is lower than the market price. If it is resold after the fifth year, the principal and the interest of the loan should be paid back to the Government. This will restrain speculation. Seventhly, the scheme should be reviewed one year after it is implemented.

Mr President, I am concerned as to how the Housing Society can be made accountable to this Council when implementing this scheme. The Housing Society has but very remote ties to the Government and even more to this Council. Also, its staff does not come under the civil service establishment. So we request that the Housing Society should consult this Council before it signs any agreement.

Mr President, during the debate this couple of days, many colleagues talked about the housing problem of the sandwich class. But few touched on the issue of public housing, which affects the interests of over 3 million people. The explanation for this is simple. The Housing Authority became financially independent in 1988. It does not have to submit requests for funds to this Council. This Council's control of the purse strings is a means whereby to monitor government departments. But this does not apply to the Housing Authority.

But the Housing Authority is often criticized for its various policies, including policies on rents, on well-off tenant families, on redevelopment and on clearance of squatter areas. I believe that most of the complaints received by this Council's Complaints Division are complaints about public housing. Two days ago, the Executive Council rejected for the second time the public housing sale scheme approved by the Housing Authority. This is an indication that even the highest policy-making body is unhappy with the policies drawn up by the Housing Authority. Today, the Housing Authority has approved a decision to continue the policy in respect of well-off tenant families. This is blatant disrespect for the decision of this Council. I hereby express displeasure and regret.

Improvement of the public housing policy must begin with changes to the composition of the Housing Authority and changes to make it accountable to the public. At present, all members of the Housing Authority are appointed by the Governor. They are accountable only to the Governor. It is really doubtful that this manner of composition will produce a Housing Authority where all strata of society are evenly represented and which is accountable to the public. We can say that this objective will not be served by the policies of a Housing Authority that is composed in this manner.

Because the Housing Authority is not a policy branch of the Government, the Legislative Council can question its policies only through questioning the Secretary for Planning, Environment and Lands. This is too indirect. It simply does not make the Housing Authority accountable to the Legislative Council which has an element of popular representation. Experience shows that this Council is much better able to change the Financial Secretary's policies than it is to change the policies of the Housing Authority.

UDHK suggest that the Housing Authority should be reformed in two directions.

In terms of composition:

- (1) The Housing Authority should include members who are elected by Legislative Council Members from among themselves.
- (2) Members appointed by the Governor should be subject to confirmation and approval by the Legislative Council.
- (3) The chairman of the Housing Authority should be a popularly elected Legislative Council member and he should be elected by members of the Housing Authority from among themselves.

In terms of accountability:

- (1) A study should be made of the introduction of certain changes to enable the chairman of the Housing Authority, as well as the chairmen of the subcommittees under the Housing Authority, to attend the Legislative Council's formal sittings and panel meetings, where they will directly explain policies to, and answer questions from, Legislative Council Members.
- (2) All policies made by the Housing Authority should be subject to debate in the Legislative Council. UDHK believe that suggestions similar to the above should also be considered for the other statutory corporations. We believe that an accountable Housing Authority will emerge only if the proposed changes are made.

Mr President, I so submit

MR ERIC LI: Mr President,

*I. Budget: a tool to confidently plan*

Budget is essentially a planning tool to assist effective management. Last year, I urged the Government to plan confidently ahead. As a matter of fact, how can anyone be less than confident when Hong Kong sits right at the centre of a booming Southern China. We have fiscal reserves filled to the brim and money is still rolling in. In reality, Hong Kong attracts the envy of the world. To preach gloom and doom in this bright weather seems to me a touch far-fetched.

Honourable Members appear generally impressed by the openness of this year's budgetary process. We have had plenty of chance to complain and to make constructive suggestions during the period of its compilation. For me, I have saved little comments till today. A quick reflection on some key points I raised would show that a good deal had already been answered.



- (1) Last year, I complained that Policy Secretaries had been unable to plan firmly ahead. The then central resource allocation exercise had made it difficult for them to make long-term financial commitments and therefore rendered them easy preys for politicians. The Government has now firm plans in most policy areas up to 1997 and Secretaries are delegated with the necessary financial authority and responsibilities.
- (2) In view of the increasing cross-border activities, I urged the Government to review the use of GDP as the only measurement of our economic growth. The Government is now studying the feasibility of compiling GNP statistics.
- (3) Based on an assertion that GDP would tend to underestimate Hong Kong's real economic capacity, I submitted that the ceiling of total public expenditure previously set at 16% could be increased. The Government is now adopting 20% GDP as the ceiling to be observed in the Medium Range Forecast.
- (4) In the handling of the hard earned savings entrusted to him by the people of Hong Kong, I pleaded with the Financial Secretary not to keep his cards close to his chest and decide to make up his own rules as he plays his hands. He had now given us ample opportunity to jointly make up the Budget rules and, hopefully, this Council will now play as a team and give it unanimous support.

## *II. Build on success*

This year, the Financial Secretary has rightly shown confidence. He actually wanted to lead us to build on success. Success does not happen by chance. It takes clear sighted vision, good planning and hard work. The Medium Range Forecast provides us a glimpse of that vision.

The Medium Range Forecast was first introduced in the year 1986-87. For the first five years till 1991-92, it gives a forecast of the Government's consolidated cashflow for the coming four years. Last year, an extra year was added to cover the year 1996-97. It was this page under Appendix A that I had first turned to on receipt of a copy of this year' Budget speech. I was of course hoping to find the forecast for the magical year of 1997-98. There is not to be; time has stood still when it reached 1997. Furthermore, an overview of these forecasts hardly tell a story of success. With cashflow deficits year after year, it looks more like an array of bills for enormous building costs. Could this be the unfair way the Government chooses to present its accounts or is our brave Financial Secretary, perhaps not brave enough after all, to predict Hong Kong's real success after 1997?

*III. Need for long-term financial strategies*

I am not cynical about the worthiness of the long-term capital projects unfolded by the Budget speech. The point to make is that the lack of long-term vision in this case seems to be reinforced by a lack of clear long-term financial strategies. The 10 new initiatives costing \$20 billions give a strong impression of short-term, one-off decisions. Honourable Members before me have been quick to point out that issues such as the stability of tax base, inflation, housing and capital works programme are all guided by short-term considerations. The Financial Secretary has clearly exposed himself to an accusation that he might have been too ready to sacrifice the long-term economic interests of the economy as a whole in order to accommodate short-term political priorities. I shall endeavour to demonstrate.

*IV. Stability of tax base*

With the much publicized narrowing of the tax base, we are now increasingly dependent on profits tax, stamp duty on shares and property dealings, and salaries of highly paid employees (probably much of their pay is performance-bonus related). These taxes, direct or indirect, are all highly volatile in nature. The yield from these taxes would ride high and low with every economic up and down turn. Although there is no immediate threat to our financial position owing to the present buoyant state of the economy and a healthy level of reserve as buffer, research work must start early to identify a more stable source of revenue in the medium/long term. While still on this note, I would also like to take the opportunity to again sound warning to those who wish to keep pinching the Government's fees and charges. This strategy may bring short-term political satisfaction but would seriously undermine the entire revenue base of the Government. To excessively erode this highly stable, simple and efficient revenue source can potentially throw our tax structure back to primitive dark ages and accelerate the long-term need for another, perhaps even more regressive, indirect tax in its place.

*V. Sandwich class housing*

The interim scheme proposed is evidently a quick fix. Property developers will probably benefit under the scheme as much as the sandwich class. Honourable Members have already argued correctly that the \$2 billion injection could go much further if there is a proper long-term strategy.

*VI. Inflation*

Again much had already been said. If nothing can be done about inflation then the relief from inflation ought to be more wide-ranging and long-term solutions ought to be explored. I refer particularly to two groups of vulnerable members of our community besides those already receiving social security payments.

- (1) Welfare customers: to save repetition, I would fully support the comments made by the Honourable HUI Yin-fat and, in particular, his suggestion for the Government to beef up the Lotteries Fund. I have made similar appeals consistently over the last two years. A one-off lump sum injection will not ensure continuous, let alone progressive, improvements of social welfare services over the long term.
- (2) Retirement funds: retired elderly persons dependent on fixed income and savings are fully exposed to the undesirable effects of inflation. The Government must look earnestly to the setting up of compulsory retirement schemes as the long-term solution.

*VII. Capital works programme*

The massive capital works programme has its superficial appeal at first glance. The construction industry has been practically starved for the past few years of government works projects. However, in my humble opinion, a sudden massive injection is not a good idea. One cannot correct a mistake by committing another mistake the other way as compensation. An abrupt shift in gear can create a dramatic "stop-go" cycle on the industry. It places severe strains on scarce resources such as labour and affects the quality of works. After the fury of this "catching up" exercise, it would again leave the industry to make painful adjustments in order to wind down the over-capacity. Surely, it could be done in a more even-handed manner if works are spread out according to capacity which would help the industry to sustain steady growth, relieve the economy of inflationary pressure, and provide better quality of works.

*VIII. Government must approach JLG in co-operative spirit*

The task of Medium Range Forecast in the coming years and the need for long-term strategies make it impossible not to plan beyond 1997. The Government has no way to duck these issues. We need more than a crystal ball to straddle 1997 but a good deal of patience and diplomatic skill. We must approach the Joint Liaison Group in a co-operative spirit. We need our Financial Secretary to hammer out resilient long-term policies with the Chinese Government for the long term good of Hong Kong.

*IX. Surplus or deficit: fancy dress party*

I set the theme for last year's speech on a "sandwich" party in this Council, a party to celebrate the bulging billion dollar Budget surplus in moderation. Sandwiches were in the hearts, minds and speeches of Honourable Members. This year we have another party. The Honourable David LI thinks that it is Christmas party in March. But I think it is only a fancy dress party where everyone is not quite what they seem. Underneath that red cloak costumes is not Santa but still a truly shrewd, creative Scottish accountant.

Some critics are obviously concerned with the idea of a deficit. In my view, it is only another operating surplus dressed as a temporary deficit.

- (1) In a written reply to my question, the Government states that some \$10.5 billion of the 1993-94 expenditure relate to the 10 one-off new initiatives. In the normal operating sense, the recurrent revenue next year still exceeds planned expenditure if these extraordinary items are excluded. In other words, if generally accepted accounting principles are followed, the costs of these new initiatives should be shown below the surplus line as transfer to various funds. It could even be argued that these are little more than special dividends paid out of the 1992-93 windfall surplus. No matter which route we take, the reality is that these \$10.5 billion are mostly transfer of reserves to trading funds and other funds held by statutory bodies. It has simply vanished from the government books to other discreet pockets where the Government still maintains full or partial control. If we accept the one-off extraordinary nature of these transfers, the 1993-94 Budget should show an operating surplus of some \$7 billion before these extraordinary items.
- (2) An analysis of past years' Budgets after the Second World War also shows that the Government has budgetted for a deficit 21 times. They were right only five times. Even my nine-year-old daughter, Po-yee, can easily work out that this is pretty poor score. Given the natural prudence of the Government's prediction, there is about a one-in-four chance for this modest deficit to materialize.

*X. Get on with business*

It is always easy to nitpick on government Budgets. But it is definitely more in keeping with Hong Kong's pragmatic and positive style to support it for its overall reasonableness and then urge the Government to get on with business and to deliver the goodies.

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

MR MAN SAI-CHEONG (in Cantonese): On 3 March, Financial Secretary Hamish MacLEOD unveiled his Budget. Some newspapers thereupon commented that he was generously giving away money and that his deficit budgeting was contrary to tradition. Even "the exalted officials of the north" found the sight unbearable and made various remarks about what Hong Kong should do under the circumstances. Some people even related the Budget to the constitutional package and said that the Financial Secretary's generosity in giving away money served a political purpose. However, whether or not there is a political purpose, an overall look at the Budget does not show that money is being generously given away. My reason for saying so is that the Administration is neither using tax and public spending as a tool to correct the

disparity of wealth nor sharply improving the lives of the people. Citizens still must live with high housing prices and high rents. Low income groups still must pay tax. Social services will still be inadequate because of insufficient social workers and insufficient medical and nursing staffs. Therefore, the Budget this year is barely satisfactory.

Firstly, with regard to the personal tax allowance, if one looks only at the figures, it seems that the 22% increase is a very big increase. However, if one takes a second look, one finds that an annual salary of \$56,000 equals a monthly salary of \$4,700. Even single persons earning between \$4,000 and \$5,000 a month will have to pay tax. This is really very disappointing. Given Hong Kong's present living standards and high inflation rate, I doubt that between \$4,000 and \$5,000 a month is enough to meet the basic cost of living. Therefore, the proposed new personal tax allowance is really too low. Even a personal tax allowance of \$70,000, as proposed by the United Democrats of Hong Kong (UDHK) for the next financial year, will represent only a moderate increase. The Government now has a \$20.5 billion budget surplus from the passing year and a reserve of \$119.6 billion. It really has no justifiable reason for not raising the personal tax allowance to a reasonable level, no justifiable reason for making low income people pay tax.

The quality of life will be lowered because of the housing problem. Hong Kong is one of the four little dragons of Asia. Its economy is booming. Its exports are strong. But its citizens are not partaking of the fruit of economic development. To buy a home of between 500 and 600 sq ft, a citizen has to exhaust his past savings to meet the downpayment, and then he must use the greater part of his income to meet the monthly mortgage payments. Is this the way to partake of the fruit of Hong Kong's economic growth? Why have we failed where Singapore has succeeded? Nor must we forget that public housing rents are going up all the time, that the prices of Home Ownership Scheme housing are linked to market prices and that housing prices in the private sector are still at a very high level. All the citizens of Hong Kong are troubled by the housing problem. The Budget now proposes the use of \$2 billion to help 3 000 sandwich class families to buy homes in the private sector housing market. Concerning this proposal, colleagues in this Council have already made many valuable comments. Three thousand is less than 10% of the total number of sandwich class families who do not own their homes. How will the Financial Secretary solve the housing problem of the rest of the sandwich class, who account for more than 90%? Merely making \$2 billion available will definitely not absolve the Government of its obligations towards solving the housing problem of the sandwich class. If the housing problem is to be solved, the Government should change its long-term housing strategy to one which is to be led by public sector housing development providing a variety of choices. In fact, if the Government uses the \$2 billion to build homes and then sells them to sandwich class families, that will probably be more economical than this grotesque subsidization scheme and more helpful towards solving the public's housing problem. Therefore, the Government has an inescapable responsibility. It must play a more active leading role in increasing the supply of housing.

Over the long term, this will be the only way to help the public to have happy homes in addition to enjoyable jobs.

In his Budget this year, the Financial Secretary makes no additional commitment to research and development. Hong Kong's economic development will suffer greatly as a result. Hong Kong's economic structure is changing rapidly. Most labour-intensive industries have been relocated to southern China. Hong Kong's tertiary industry, including services and high technology, is not yet taking off; it is still behind that of South Korea, Taiwan and Singapore. After many years of waiting and urging, there is still no news of ground breaking in the Science Park project. In Hong Kong, research and development in science, as well as education and training, appears to be something that makes no difference, whether present or absent. It is no wonder that the business community does not allocate much money to research. Even the Government is myopic. Even the Government is giving research, development and training a very low priority. Hong Kong's future competitiveness will be further reduced and weakened. Hong Kong will be lagging farther behind Taiwan, South Korea and Singapore. It will even be overtaken by Malaysia and Thailand.

Apart from inadequate research, education and training, basic education, too, is undernourished in Hong Kong. 90% of the children between the ages of three and six are going to nurseries or kindergartens. Therefore, child education is an essential in Hong Kong. In fact, "the child is the father of the man". Intellect and intellectual capacity are largely formed during childhood. As Hong Kong's economy grows, the quality of child education should be improved. The Financial Secretary's commitment to child education this year is surprisingly scarce. He will only expand the fee remission scheme and enable an additional 32 000 families to become eligible for the benefit under the scheme. Why, then, does he not touch at all on such issues as kindergarten teachers' low pay and the failure of the quality of child education to be raised? When will the Government ever bring kindergarten education into the scope of fully subsidized education and thus enable the quality of child education to be raised? Children will inherit the future society. There may be very gifted children among them. Will their creativity, thinking ability and character formation not be permanently impaired?

An overall look at the Budget shows that the Financial Secretary is still very conservative in money management. The moderate budget deficit will not provide a strong stimulus to economic growth. Nor will it enable improvements of a breakthrough kind to be made in solving the long-standing problems affecting people's lives, such as housing and education. Therefore, the Financial Secretary has not stepped out of the bounds of a conservative philosophy for money management. Deficit or no deficit is not a big issue in foreign countries. Public spending and taxation are a fiscal policy tool. The most important thing is whether the objectives of higher living standards and economic growth will be achieved. This year's Budget is still some distance from these objectives.

I would like to talk about whether the Government is making sufficient commitments to feminine rights and to the arts. Women have always been half of Hong Kong's population. They have an important influence on social and economic development. Yet, socially important as they are, they are given a low priority in the Government's distribution of resources. In fact, women are facing many kinds of problems, including problems that we have talked about, such as wife abuse, unequal pay, the need to reconcile career and house work and the need for help in child care. However, in the distribution of resources, the Government belittles child education, child care and so forth. As a result, women are under heavy double pressure from career and house work. In its financial planning, the Government should stop neglecting the importance of women.

Concerning money for the arts, the Financial Secretary will in the coming financial year inject an additional \$30 million into the Sir David Trench Foundation for promoting performing arts. But the Budget does not say how this money will be used or in what way or at what time money will be given to art groups. The question is this: The money does not belong to the Council for the Performing Arts (CPA). Yet the Government will distribute it according to the recommendations of the CPA. Will this lead to a situation where the CPA is partial to some mainstream art groups? How will the Government make sure that the money will be spent cost effectively to provide real benefits to more art groups? The Government recently published *A Review of the Arts Policy*, proposing the establishment of an Arts Development Council. But has the Government set aside the money to enable the Arts Development Council to replace the CPA? Will the two councils co-exist and vie for the limited funds for the arts? In fact, I hope that the Financial Secretary will give some thought to the absence of clear criteria followed by the CPA in allocating funds to the art groups; it should give some thought to letting a multi-media Arts Development Council, capable of attending to the needs of performing arts, visual arts, literary arts and cinematic arts, replace the CPA. The Arts Development Council will then be responsible for allocating money to the art groups. This is the only way to avoid function duplication and prevent the bureaucratic structure from becoming bloated. Also, the Arts Development Council will use a fair, simple, open and flexible procedure to handle subsidies, thus giving all art groups a rule to follow when requesting subsidies. Only this will be consistent with the principle of cost effectiveness and the principle of accountability to the public and to the Legislative Council.

Also, I am very unhappy with the meagre amount of money that the Financial Secretary will appropriate for Radio Television Hong Kong (RTHK). The Government's funding for RTHK during the past three years, after adjusting for inflation, declined by 16% in real terms. Staff was cut by 12%. The production of weekly programmes was cut from 12 hours to nine hours. The Government's funding for RTHK in the coming year will be just as it was in previous years. There will be a nominal 2.1% increase. But we know that, after adjustment is made for inflation, the growth will again be negative. As a result, RTHK will definitely not have sufficient resources for making high-

quality TV programmes for the people to watch. Ultimately, the public will be the victims.

The Budget this year is like that of last year in that its most regrettable failure is the Government's failure to say a single word about the corporatization of RTHK or about setting aside any money for the corporatization exercise. Corporatization will make the operations of RTHK cost effective and improve the efficiency of its management. It has been a long time since the Government first proposed the corporatization of RTHK. But it has been dragging its feet ever since. As a result, after all these years, the proposal to corporatize RTHK has still not been put into practice and RTHK is still suffering heavily from inefficiency, red tape and low morale. RTHK is operating contrary to the principle of cost effectiveness. I hope that Government will quickly corporatize RTHK and thus correct the many flaws now found in it.

Mr President, I so submit.

MR STEVEN POON (in Cantonese): Mr President, a good government must have a sound fiscal management system. But the Hong Kong Government failed to prove that it had such a system in place, judging from its performance in the past year.

The Financial Secretary has indicated in paragraphs 41 to 54 of the Budget that the surplus for 1992-93 would be \$13 billion more than the forecast estimate. The error is so astonishingly gigantic that it suffices to reveal the imperfections in the Government's fiscal management. It has not been mentioned in the Budget that the surplus for 1991-92 was already under-estimated by \$7.2 billion, making the aggregate error amounting to \$20 billion in dollar terms. Such a fiscal management is hardly unsatisfactory.

In terms of revenue, the figure was \$7 billion higher than the estimate for 1992-93. This windfall was generated by increased levels of economic activities, such as revenue from profits tax and stamp duty. I am really at a loss as to why the Government would make such a gigantic error in its forecast of our economic activities. Each year the Financial Secretary sets forth his economic forecast with the aid of a lot of figures and diagrams in the Budget. Two booklets are also published to analyse the outgoing year's economic base and the coming year's economic outlook. It gives one the impression that the Government has collected much information to gauge future economic activities and is capable of making accurate predictions. Yet, as a matter of fact, the gigantic error in the forecast of revenue proves that these are all illusions.

In terms of expenses, the error mainly stems from capital works expenditure and the scale of error is shocking. It was forecasted in the last Budget that the expenditure on capital works this year would come to \$31.8 billion. However, the Financial Secretary has now revised the amount of



the expenditure to \$23.8 billion, a difference of \$8 billion, or an error of 25%. In other words, for every \$100 the Financial Secretary sought for public works from this Council last year, only \$75 are indeed necessary. Such a forecast is very disappointing. It is obvious that the Government's fiscal management mechanism is a failure.

In paragraph 46 of the Budget, the Financial Secretary has pointed out that "underspending means ..... some desirable projects will not be ready on time". I agree with him but he has merely described some of the repercussions brought about by the fiscal management problems on the community.

May it be a country, a region or an enterprise, it is always the case that the financial resources are limited but the demands are insatiable. The financial demands of every department and every project will certainly be greater than what the limited resources available can afford. This would naturally call for the establishment of priority whereby financial resources would be allocated. The more important projects will be accorded with higher priority and allocated more money whereas the less important projects lower priority and less money.

But this allocation process depends on an accurate projection on financial resources and the financial demands of individual development projects. Otherwise, chances are that desirable projects may be withheld due to an underestimation of financial resources and the development projects may have a wrong order of priority as a result of erroneous forecast. At the end of the day, the public do not get the facilities and services they deserve.

The error in fiscal management on the part of the Government last year has brought about the following results: the general public have not got the facilities and services they deserved but they have paid more tax than what is necessary.

Mr President, the North District Hospital should have in fact started construction earlier. An error in estimate of our financial resources put the project off again and again. As a consequence, we have to start construction hastily in order to have it completed before 1997.

As for the new airport projects, the Government, for financial reasons, has only made available part of the fund for the new airport and the airport railway. This has necessitated raising enormous loans and drawing up the so-called "contingent liability" plan. As a consequence of such financial restriction, the two related projects cannot proceed further. In fact, if the Government made an accurate forecast in the first place, we would have no difficulty whatsoever to inject an additional capital of \$20 billion into the new airport and airport railway projects. However, up to now, the new airport project has developed from a financial issue into a political one as a result of the Sino-British political row which does not have an immediate solution in sight. The golden opportunity for finding an early solution to the problems pertaining

to the airport project has slipped through our fingers largely due to the Government's error in financial forecasting.

Much has been said in the Budget about remedies. And most of the attention focuses on how the Works Branch has efficiently implemented the relevant projects. I feel that this only deals with the tip of the iceberg. The crux of the problem is inaccurate financial forecast which has led to a misguided allocation of financial resources. Where financial supervision is concerned, the Government has shown no concern as to whether it is feasible for the projects to be completed on schedule. In other words, the supervision of the projects is not conducted in a meticulous manner. I urge the Government that apart from implementing the measures set out in the Budget, it should carry out an overall assessment and revamp our fiscal management so as to rectify the present situation as soon as possible.

Mr President, I finished my first reading of the Budget with a feeling of grief. I grieved for Hong Kong people. In his Budget last year, the Financial Secretary made a five-year financial forecast. The Budget this year makes only a four-year forecast up to 1997. The next year, the Budget will only make a forecast for three years and the year after the next, only two years.

The Hong Kong Government's administration will come to an end in 1997. However, 1997 is merely a date when the transfer of sovereignty will take place and Hong Kong's economic development has nothing to do with such a date. While the North District Hospital is under construction, Hong Kong still needs to construct other hospitals. There are other trunk routes on the construction list after Route 3. All such projects will straddle 1997. The Railway Development Study Report now being drawn up will cover MTR East Kowloon Extension, MTR Tseung Kwan O Extension, LRT network and the freight train service between Hong Kong and China. After all, Hong Kong simply cannot stop its infrastructural projects in 1997. The Financial Secretary's Budget makes no forecast beyond 1997. Does it imply that we can only expect partly constructed bridges and highways or that new hospitals may have half an operating theatre available because the contracts are only awarded up to 1997? I am sure that this is not what Hong Kong people wish to see.

The Sino-British Joint Declaration was reached on the basis of the willingness of Hong Kong's two sovereign states to co-operate with each other. Without this willingness to co-operate, there is virtually no need to conclude such a Joint Declaration. Hong Kong people accept the Joint Declaration on the belief that both the British and Chinese sides will co-operate sincerely to achieve a smooth transition of power so that our prosperity and stability may be preserved.

To realize this belief, we cannot afford to have our economic development and infrastructure construction stalled. The year 1997 should not be regarded as any deadline. And our Budget should also look beyond 1997.

Mr President, to Hong Kong people, the Sino-British row has already reached an intolerable level. Surely, we hope that both sides will put aside their differences and return to the track of co-operation based on the Sino-British Joint Declaration. I am looking forward to a Budget next year which is endorsed by both China and the United Kingdom and looks beyond 1997.

These are my remarks.

REV FUNG CHI-WOOD (in Cantonese): Mr President, I speak on behalf of the United Democrats of Hong Kong (UDHK) on environmental issues in the context of the Budget. From the press reports and the text of the speech made by the Secretary for the Treasury at a press conference on 26 February, the message we got was that the Government would substantially increase the expenditure on the environment in the coming year. However, when I study the figures thoroughly, I find that the growth of expenditure on environmental programmes cannot be said to be substantial at all. When speaking of growth in real terms, the growth this year represents only a 14.1% growth from last year, barely outstripping the 12.5% growth in total public expenditure.

Since 1989, the growth rate of annual expenditure has even been on the downward trend. It has dropped from 130% to 23.9% this year. The expenditure on environmental programmes remains the smallest component among all the components of total public expenditure. Last year, the Government estimated that the expenditure on environmental programmes this year will take up 3.3% of total public expenditure. However, much to our disappointment, the Government finally revised the rate to 2.6%, that is, \$4,050 million. If the Government cannot attain the target of 3.3% this year, what criteria is the Government basing itself on to forecast that the expenditure on the environment in the coming few years will also account for 3.3% of total public expenditure? Although the Governor made it a publicity point in his policy address last year that in the coming five years the Government would carry out large-scale environmental works, nevertheless, as shown from the above figures, what is being done by the Government with regard to the environment is still far from satisfactory.

I would like to point out that the overall expenditure account in respect of environmental programmes is arrived at through consolidating various expenditure accounts of a number of government departments including the Agriculture and Fisheries Department, Civil Engineering Department, Drainage Services Department, Government Laboratory, Planning, Environment and Lands Branch, Marine Department, and lastly the Environmental Protection Department of course. Similar to other programme areas, expenditure on environmental programmes is spread among various government department accounts. Although there is surely a need for such an arrangement, it is not easy for us to grasp quickly and clearly the overall expenditure in a certain programme area, such as the environment.

On the other hand, what criteria exactly does the Government use to define which expenditure comes under the environment category and which does not? I hope that the Government can explain that in detail in future. Following from this, the Government's claim that recurrent expenditure in the environmental programme area this year will amount to \$1.3 billion representing a 42.8% real growth may appear, on the face of it, that the Government has put in a lot of resources to improve the environment, which actually is not the case.

For example, the growth in recurrent expenditure of the Environmental Protection Department this year is 85%. Apparently, it is an encouraging message. Upon close examination, however, we find that the Budget states: (1) an expenditure of \$460 million on landfill sites which was originally reflected in the accounts of the Civil Engineering Department, has now been shifted to the accounts of the Environmental Protection Department this year; (2) the growth in expenditure includes the \$240 million in operation costs of the new chemical waste treatment plant; (3) the operating costs of the new refuse transfer stations are \$140 million. All of the above contributes to the huge increase in the recurrent expenditure. Although there is an 85% increase, the only new facility that can really alleviate the pollution problem is the chemical waste treatment plant. Therefore, I earnestly request that the Government consider listing out all the relevant items under each programme area in the next Budget, so as to make expenditure estimates of each programme area clear at a glance and to reduce the chance of misleading people.

The UDHK will definitely not hold the simplistic view that the increase in allocation of funds can solve the entire pollution problem. We still believe that having sufficient resources is the prerequisite for the success of environmental protection work. However, the co-ordination and co-operation among government departments are also very important. The infrastructural works are being carried out on a tight schedule. The various government departments and the Environmental Protection Department lack swift and effective co-ordination. The crux of the matter is that other departments may not be willing to listen to the officers of the Environmental Protection Department. This phenomenon is demonstrated in the large volume of dead fish brought about by the earlier-than-planned completion of the West Kowloon Reclamation Works last year. The existing manpower deployment of the Environmental Protection Department in fact does not provide for sufficient staff to monitor all the infrastructural works. I am not optimistic about the effects of the infrastructural works on the environment. Therefore, the UDHK propose that the Government should deploy more manpower to step up monitoring of the infrastructural works and equip the Environmental Protection Department with more powers.

I will by way of response address the various environmental issues as follows.

The stand that the UDHK take on environmental protection has always been: The Government should not neglect environmental protection while pressing ahead with economic development. We do not agree that we should sacrifice the environment to economic development. From the expenditure of overseas countries, we learn that if we do not improve and protect the environment early enough, the consequences of environmental pollution will be borne by each one of us. In fact, right now we are bearing the consequences of pollution which include air pollution that leads to more and more Hong Kong people having nasal allergic problems. At the same time, the water quality is deteriorating, fishes are polluted and the ecological system in local waters is seriously damaged.

The UDHK find it regrettable that the Government should defer until 1997 the declaration of the entire Victoria Harbour as a water quality control zone. It is because this water quality control zone policy should have been implemented in 1993. The Government denies that the postponement is due to shortage of resources. If not, then where does the problem lie? The UDHK welcome the additional injection of \$1.9 billion by the Government into the Strategic Sewage Scheme. However, the commerce and industry sector is the main culprit which brings about water pollution. The UDHK propose to the Government that the profit-yielding commerce and industry sector should be required to pay a sewage disposal charge as soon as possible so as to help alleviate the pollution problem.

Regarding solid waste treatment, since the publication of the Waste Disposal Plan by the Planning, Environment and Lands Branch in 1989, the Administration has not implemented the Plan well enough. In particular, the problem of improper dumping of building debris on landfill sites has not been resolved. Not only does this problem cause a waste of public funds, it also causes a waste of the precious space of the landfill sites. It is indeed disappointing.

Concerning air pollution, when I asked the Administration about the concentration of sulphur dioxide, I was told that the sulphur dioxide concentration in Hong Kong has dropped from 33 microgrammes per cubic metre to 18 microgrammes per cubic metre. At present, there are only three air quality monitoring stations in Hong Kong. Therefore, the data they recorded is actually not representative in any way. The UDHK urge the Government to install additional air quality monitoring stations in busy roads and densely-populated areas and also to step up inspection.

Finally, being an elected Legislative Council Member from New Territories North and a member of the UDHK, I have always been fighting for funds for the North District Hospital. The UDHK are glad to see that the request of the North District residents is met by the Budget by the allocation of

\$1.1 billion to build the North District Hospital. We hope that we can monitor the construction of the North District Hospital as well as its future quality.

Mr President, I so make my submission.

MR HENRY TANG (in Cantonese): Mr President, this year's Budget undeniably stirs up no controversy whatsoever and is quite in conformity with the common aspirations of our people. Many colleagues are of the view that the Financial Secretary has, by way of capital expenditure and tax concessions, generally achieved the objective of sharing the "success" as it is explicitly stated in the title of the Budget, "*Building on Success*". I concur that the Government should, when we have a huge surplus as a result of robust economic growth, return the people in an appropriate way what indeed is the fruit of their hard work so that those who have contributed to the development of our society can enjoy their hard-earned success made over the year. This is indeed a correct way of using what is taken from the people in the interests of the people.

Yet, I would like to highlight the point that a Budget not only should deal with the fiscal arrangements in the coming financial year but also have a greater role, that is, the preparation of the Medium Range Forecast and even the development of some long-term development strategy. However, it is a pity to note that in the Budget the Financial Secretary merely cries for "building" the future. But how should we build the future? How can we ensure that our economy could make further progress and that the territory's competitiveness in the international market could be enhanced? The Government has shamefully done very little in that direction. The Financial Secretary, who is a career civil servant, does not have any idea and experience about investment and money-making. This could probably explain why he failed to realize the fact that one must invest a small sum if he wishes to earn a fortune and, in this Budget, only put forward money spending proposals. Although the proposed expenditure is justified, the Budget fails to put forward any long-term economic plan.

First of all, the Budget is similar to the Governor's policy address delivered in October last year in the sense that all the measures and plans outlined only cover the period up to 1997. This is indeed a point I find so difficult to understand. Hong Kong, which will become a Special Administration Region after 1997, will be ruled by Hong Kong people. And we can naturally follow the existing economic policies. However, I note that the Hong Kong Government has now thought fit to set 1997 a deadline. For instance, where previous Budgets are concerned, there had all along been the practice of making a five years' economic forecast but in this year's Budget there is only a four years' forecast. I wonder whether there will only be a three years' forecast next year. And I am afraid that the Budget to be published in March 1997 will only give a four months' forecast. It is true that the British authorities have to withdraw from Hong Kong in 1997. I am very disappointed if the Hong Kong Government takes the same attitude in its preparation of the

Budget. If so, I doubt how much commitment this Government will make to the 5.8 million people in Hong Kong.

Mr President, the Financial Secretary is optimistic about the economic prospects for the coming financial year and I agree with him that the economic growth will be stronger than last year. I also share his view that there are storms brewing on the horizon where our economy is concerned such as trade sanction since the renewal of China's MFN status is still very much in the balance. Yet, these are merely some isolated examples. I am still optimistic about the renewal of China's MFN status this year or next year. Nevertheless, does it indicate that Hong Kong's economic outlook will be bright and rosy all the way through? Does short-term prosperity mean long-term stability? It is indeed too reactive of a government if it fails to size up the situation, show great foresight and assess the future cautiously but would only take stop-gap measures.

In the long run, Hong Kong's economic outlook is threatened by some latent problems, namely, China's open economy and the impact on Hong Kong brought about by the forthcoming direct links between China and Taiwan. It is definitely encouraging to see China embark on a further intensification of its economic reforms and evolve to market economy. However, from Hong Kong's point of view, the territory's important role as an entrepot, by and by, will be seriously undermined. Among the sources of income from foreign trade in recent years, our entrepot trade has all along registered the most impressive growth. And it is China which has remained our No. 1 trading partner on this front. Furthermore, over 70% of trade between China and Taiwan has been done through Hong Kong. The number of Taiwanese tourists going to China via Hong Kong for the purposes of sightseeing and visiting relatives is also on the increase. Once the two sides of the Taiwan Strait successfully establish direct links, how much this will cost Hong Kong in its proceeds from entrepot trade and the tourist industry? Although Hong Kong has become the port with the highest container throughput in the world, it is facing keen competition from Shanghai and some other coastal provinces and counties in China, where active measures are being taken to construct deepwater container terminals, as well as Taiwan's Kaohsiung where its container terminal is undergoing expansion. If our Container Terminal Nos. 8, 9 and 10 cannot come into service on schedule, it is estimated that Hong Kong will have to run the risk of losing more than \$4 billion in the year 2006. The aforesaid economic threats may seem too remote to warrant urgent solution. But, Mr President, Hong Kong's long-term economic development would be in trouble if we do not do something about it and draw up plans in advance to improve our own investment climate and conditions.

On the other hand, Hong Kong's unemployment and underemployment rates, as compared with other economies, have been remaining at a low level. But, in the long run, we definitely cannot be too optimistic. At present, although businessmen relocating their operations across the border are still mainly those engaged in the labour intensive manufacturing industry, it is

expected that, in the near future, service industries such as airlines, consortia, the accounts department in banks or other non-counter departments would also tend to follow suit and speed up the process, given the plentiful and cheap labour in China. For this reason, the unemployment rate in Hong Kong will be adjusted upward along with the maturity of our economy. Mr President, obviously it would be difficult for the Government to tamper with the way our commercial and industrial enterprises operate as Hong Kong is a free market. But if high unemployment rate is prevalent not only in the labour sector but also among the professionals, the Government must not turn a blind eye to this situation. I have all along strongly advocated the retraining of workers to upgrade their technical skills. However, we have not heard any further positive moves from the Government since the proposed injection of \$300 million into the Retraining Fund was unveiled in the policy address last year. The officials concerned think that such an amount is already sufficient for the retraining of the existing 40 000 to 50 000 unemployed workers. Yet, please do not overlook the point that the future unemployment rate is extremely likely to go up. In this connection, workers must maintain their competitiveness by acquiring new skills so as to be more well-placed in the job market. This will depend on the Government's co-operation with the parties concerned. And it would be too late for the Government to take remedial measures when masses of unemployed people bring their grievances to Government House. The Government seems to be at its wits' end when it comes to deal with the current high inflation rate. When the number of unemployed workers shoots up and outcry of grievances is heard everywhere, there will certainly be social instability, which is a situation all of us would not like to see. In order to maintain Hong Kong's stability and prosperity, the Government should no longer shilly-shally or be half-hearted in carrying out the employee retraining scheme. I believe no Member will object to the Government's generous funding of the employee retraining scheme.

Mr President, I would support the Budget. Nevertheless, I also call upon the Government to look squarely at the obstacles hindering our long-term economic development, formulate an effective industrial policy and line up some contingency measures. A short-sighted government will only be caught in its own trap.

MR FRED LI (in Cantonese): Mr President, I am very sorry. Mr TIK Chi-yuen and I just went to the outside of Government House. This is why I am late. Mr TIK Chi-yuen is still on his way to this Council. Mr President, to refresh my memory and to get new inspiration, I recently re-read the text of my speech of March 1992 in last year's Budget debate; I also re-read the Financial Secretary's reply. I found that, a year ago, the Financial Secretary's revised Budget did not give a positive response to the whole string of issues I raised: the structural transformation of the economy, the aging population, the high inflation rate and so forth. His Budget this year is again silent on those points.



My speech now will consist of three parts. The first part is some comments on tax matters. The second is an analysis of social welfare spending. In the last part, I will talk about my perception of the objectives of the Administration's fiscal management.

Firstly, concerning tax matters, in the area of tax concessions, the Financial Secretary has proposed to raise the personal tax allowance from the present \$46,000 to \$56,000 a year. In the area of tax bands, his proposal is to broaden the second and third tax bands, after deducting the tax allowance, from the present \$20,000 to \$30,000. We of Meeting Point are not happy with these proposed increases.

In fact, before the Budget was unfolded, the community had been generally calling for a higher personal tax allowance in the region of between \$65,000 and \$72,000. Meeting Point had commented that consideration should be given to both the median salary and the inflation rate in setting the personal tax allowance level. Given that the median salary is now far above \$6,000 a month, the adjustment proposed by the Financial Secretary is clearly not enough. Similarly, Meeting Point finds that this would bring no significant relief to the tax burden on the middle income groups. In private sector, basically, it is quite common for an employee's annual salary to equal 13 times his monthly salary. So, if one's monthly salary is \$19,843, he will have to pay tax at the highest rate, that is, the 15% standard rate. This shows that, actually, the progressiveness is still not enough.

Meeting Point thinks that it is necessary for the Administration to tackle these problems head-on, which were often noted by past Financial Secretaries in the past few years. For instance, because of the structural transformation of our economy, Hong Kong needs to broaden its tax base and increase tax items and to review the fairness of the tax burden, weighing it against the availability of social services. Yet there is no mention about these problems in the Budget this time. On the contrary, the Financial Secretary has stressed the need to stick to a simple tax system. We think that this shows a lack of vision. We are disappointed at it.

The Financial Secretary has announced that there will be deficit budgets in the future (contrary to expectation, we are not disappointed at this); and he has promised to appropriate funds for certain long overdue projects which bear on people's livelihood, such as the North District Hospital, infrastructure projects for improving the transport situation in Northwest New Territories as well as some projects for environmental improvement. Councillors of Meeting Point have been striving for these projects for years. And Meeting Point welcomes the appropriation of funds for these projects.

Secondly, concerning social welfare, I support the proposal put forth by Mr HUI Yin-fat yesterday, that the Government further reduce its current share of the proceeds of 30% from the sale of Mark Six, thus leaving more money in the Lotteries Fund for social services.

In addition, I wish to raise a few more points that are also of concern to those who work in the social welfare field. (1) We have held many discussions on the issue of school social workers (SSWs). The ratio of one SSW per 2 000 students will not be attained until 1997. We are still very far from the goal of one SSW per school. (2) Each social worker who specializes in handling domestic problems will still have to deal with more than 70 cases at any one time. (3) The issue of standard pay for domestic assistants, whose jobs are thankless, has remained unresolved for many years. The Social Welfare Advisory Committee has already made a decision, but the lack of funds still prevents it from being put into practice. (4) A promise was made many years ago to appropriate funds for building seven youth centres by 1993-94. Then, two or three months ago, it was suddenly announced that funding for this would not be made. Many of such policies which have been approved are held up for lack of funds. What I have mentioned just now is that even inexpensive ways of improving social services have been rejected. How can we say that we are "building on success", as the title of the Budget suggests?

Lastly, I would like to make some macro-level comments on the objectives of the Administration's fiscal management.

In Paragraph 3 of his Budget, the Financial Secretary Mr MacLEOD notes that he has five objectives in managing our financial and economic affairs. I would like to comment on the first two:

- (1) The business environment should be as positive as possible, with minimum government interference and maximum support.
- (2) The Government's policies and programmes should balance economic realities and the public's aspirations.

For his first objective, Mr MacLEOD clearly has a market economy in mind. His policy is market-oriented. That has been the financial and economic policy upheld by the Government of Hong Kong since the beginning of its modern history, a policy unreservedly partial to the marketplace.

The second objective refers to "the public's aspirations". Mr MacLEOD knows that it is necessary to stop the public's aspirations from rising endlessly and unrestrainedly. So he makes it clear that "economic realities" must also be given consideration. A "balance" is to be struck within such a framework. As for the marketplace, nothing at all is introduced so that a balance can be achieved. Not only must there be "minimum interference", but there must also be "maximum support". That it is a market-slanted policy and nothing else is quite clear.

In fact, the Government of Hong Kong must contend with two huge forces that are mutually contradictory. (1) There is a political force for social equality and justice based on civic awareness. (2) There is an economic force in pursuit

of affluence and growth based on private property. These are the two mutually contradictory forces.

Capitalist free economy based on private property aims at achieving maximum economic growth at the fastest pace. While doing so, it in fact would deal a heavy blow at, and do huge damage to, the social system. For instance, the poor become poorer, and the rich, richer. (Our Gini Coefficient could bear witness to this observation.) The environment becomes polluted. The family system gradually breaks down.

Under these circumstances, the Government must assume a role of active interventionist. It must allocate resources, regulate market activities, provide social security, improve education and protect the environment.

We often talk about "stability and prosperity". It is our hope that both social "stability" and economic "prosperity" could be achieved at the same time. However, a market economy, where economic "prosperity" is promoted, may precisely be the force most damaging to social stability. Stability and prosperity are mutually contradictory. It is in fact very difficult for them to co-exist. To have both and keep them in balance requires a high degree of intelligence and skillful handling. It does not appear that Mr MacLEOD or any of his predecessors has done a great deal in this connection.

At times we feel proud. In terms of *per capita* GDP, we have almost caught up with some developed economies such as the United Kingdom and Australia; we have already overtaken Spain and New Zealand. In terms of foreign currency reserve, we are the 12th largest in the world. These are impressive accomplishments.

However, according to some academic researches, shocking social realities are hidden behind these vaunted figures. For instance, applicants for public assistance have risen by as much as 46% over the past 10 years. Among them, elderly people cases have risen by 44%; single-parent family cases, by 77%; and mentally patient cases, by almost 300%. The figures show that the rate of public assistance is far less than the standard international definition of poverty, which is 33% of median monthly salary. For 1992, and I stress that I am talking about 1992, the rate of public assistance should already have been \$2,000. Very regrettably, however, we will not launch the Comprehensive Social Security Assistance Scheme until 1 July 1993, and even then each elderly person will receive only \$1,550 (not including rent).

At this time, we must not continue to let the marketplace run wild and dominate everything else. We must begin computing the social cost of the non-intervention policy.

I think that, to keep the capitalist system in place for another 50 years, we must take a hard look at the devastating force of the free market economy. We must next redefine our economic growth goals and make early plans for

bringing in check-and-balance measures. We should once again put the issue of distribution and redistribution of total resources on the agenda for discussion by this Council or by the community at large. Among the issues to be discussed are the ratio of social welfare spending to total public spending (the ratio now fluctuates at between 5.96% and 6.1%) and the tax system. Meeting Point often stresses that the tax system must be reviewed more thoroughly. Only then will we be able to achieve stability and prosperity.

Yesterday, Dr LEONG Che-hung of Meeting Point laboured health care, physical infrastructure, public works underspending and environmental protection. Later today, Mr TIK Chi-yuen will be analyzing education spending, retirement protection and community services in New Territories North, and Mr WONG Wai-yin, on transport, law and order, housing and welfare services for the elderly.

Mr President, I so submit.

MR JAMES TO (in Cantonese): Mr President, I would like to talk about a number of issues. I will first of all talk about public security.

Hong Kong is an international city which has been the result of rapid development. Like other cities, it has sustained increased pressure which comes with development, in the way of social security and public order. The Government has repeatedly stressed that the serious crime rate in Hong Kong is lower than that in other countries and cities, and Hong Kong can be said to be a relatively safe place which we should be proud of. However, the question is whether this is in fact the case.

According to a survey conducted several years ago on crime victims, only a quarter, perhaps just a fifth, of these victims bothered to report their cases to the police. Also, as I have said on other occasions, the crime detection rate of Hong Kong is not high. The reason is that the detection rate is arrived at after taking into account the total number of reported crimes. It is possible, for example, that whereas the detection rate for police assault is 100%, the detection rate for other categories of crime, like robbery and burglary, could be something like 10% to 20%. In this regard, we could obtain the analysis that the detection rate for criminal cases requiring intelligence and investigation could be quite low. It is for this reason that we cannot afford to be complacent and dismiss the seriousness of the crime situation. Notwithstanding this, we can see in the Budget that the increase in spending on public security has been very modest indeed, with real growth amounting to no more than 1.6%. I wonder whether such a modest growth is enough to enable Hong Kong to cope with the prevailing crime situation.

With regard to my written question about whether our customs officers have enough patrol boats to use in their law enforcement action against smuggling, the official reply has been most ambivalent. It did not reveal until

the last that a patrol boat from the marine police was on loan to the Customs and Excise Department in March. I could not but ask what is the magnitude of the shortfall between the resources allocated to the various departments on the one hand and their actual needs on the other. What is more, when I asked what were the items not approved by the Government in terms of the police application for operational funding, the Commissioner of Police only gave me a list of insignificant items apparently in an effort to understate the situation. I worry that the upper echelons of the Police Force are only too eager to play the good guy and that they are reluctant to apply for funding for legitimate expenditure items. I hope that the public security authorities will have a good understanding of the situation. I will comment on the inadequate areas of the Budget in the light of the problems which were encountered by frontline police officers whom I had contact with:

- (1) With regard to the cost of protecting witnesses and the intelligence fees (popularly called "informer's fees"), I made a point of asking the overall spending by the Government in these two areas at the last two Budget debates. Though the information I wanted was not related to the confidential information regarding individual operations, it was unfortunate that my question was not answered by the authorities concerned. The same question has not been answered this time either. As a matter of fact, according to the parliamentary practice of other countries, answers to questions on overall spending are provided to the legislature, particularly the increase in percentage and the actual amount of allocation. I therefore put this question to the Commissioner of Police or the Secretary for Security the third time: Has there been any growth in real terms in this regard? Has there been any substantial reduction, due to, for example, other hidden causes, and so on? I understand from the revelation of a number of experienced frontline police officers that the application procedure for informer's fees has become much more complicated than before and the money reward is very little. It must be borne in mind that informers are quite indispensable in terms of acquiring the intelligence required. Honestly speaking, in the case of a robbery involving millions of dollars worth of gold and jewellery, given that there has been little substantial increase in informer's fees, one wonders how the police are going to obtain the necessary intelligence which will lead to detection.
- (2) With regard to the issue of manpower resources, the point has been repeatedly made in the Budget this year by the police and the Secretary for Security that an additional 800 police officers will be deployed to patrol the streets in order to prevent crime. It would appear to be an encouraging move. However, we will discover that, compared to the strength of the Police Force four years ago, the present strength is actually short of more than 200 officers. I would like the Commissioner of Police to offer a detailed

explanation for this. I would like to know over the past four years what sort of extra duties the police have had to take over and what sort of duties the police have been relieved from performing. We can see that in certain areas police work has increased. For example, a Special Duties Unit has been formed and a number of police stations have been set up in certain districts. At the same time, the police has been relieved of the management duties of the refugee camps. I hope the Commissioner of Police can provide a detailed explanation so as to confirm that the police strength has really been increased. Meanwhile, in putting forward my written question, I have also been quite surprised at the problematic establishment of the police force. It would appear that it has become a top-heavy establishment with overstaffing in its senior ranks and not quite enough people at the bottom end of its hierarchy. If we compare the police establishment on 1 March, 1991 with that on 1 March 1993, we will see that there has been an increase of nine Chief Superintendent posts but a reduction of 18 Superintendent posts, and an alarming 104 Inspector posts. We understand that the Inspector is responsible for leading a small investigation team or performing other general duties. Given that we have 104 Inspector less to go around, the implication is that we have been doing without 104 investigation teams to back up police operations. Given that the Superintendent is responsible for commanding the entire police district, one wonders whether the reduction of 18 Superintendent posts will affect police strength at this level. In any case, one is surprised that there has been a big increase in the number of Chief Superintendent posts whose duties are policy-making at the central level. I could not but ask what is the principle on which the police establishment is determined and how committed are the police to crime detection. Meanwhile, the ratio of Sergeant to Constable is extremely low compared to that of other disciplined forces. The lack of promotion opportunities may result in damage to the morale of police officers and their resolve to detect crimes to a certain extent.

What is more, many police officers would like me to make use of this occasion to bring up certain points which might appear to be trivial but which are nevertheless causes of complaint bearing on their morale. According to these police officers, particularly Criminal Investigation Department (CID) officers, they frequently have to dip into their own pockets to buy equipment which they have to use in carrying out their day-to-day duties. Examples of these items include pistol holster and speed loader which, eventually, are now provided. Meanwhile, they have to rent their own pager, but why? The answer to my enquiry is that although the Police Force has a paging service of its own, it is a police paging station and it would identify itself each time a call is received. I trust, insofar as intelligence gathering is concerned, no informer will have the guts to call a police officer using that service. Although some officers may use other private paging stations, they cannot use any one station

for more than a few months. I trust there are many police officers and CID officers, who have to keep in contact with the "stoolies" over long periods of time. For them to have to switch to a new pager every two months or every week would have an adverse effect on their efficiency. An extreme example which comes to mind is the purchase of duty boots by a whole squad of uniformed officers. And that is because the boots provided by the Government are slip-prone and too heavy.

Mr President, police officers and the public at large are hoping that the Police Force will release as soon as possible the report on the review of police establishment by the Police Study Team and the management consultants. The release of the report will enable the public to participate in the discussions and offer their views. The fact is that recently there are all sorts of indications that there is tendency for the said report to focus mainly on the investment of resources while neglecting the real problems of management and manpower allocation. I hope that the authorities concerned will be able to give us a detailed explanation. Meanwhile, I am deeply disappointed in the fact that the team has failed to include police policy, practice and procedure in its scope of work, on the pretext of not enough time. I do not believe that the pretext can count as a sufficient justification for such omission which will easily result in the report presenting less than the whole picture. We are hoping that the police will reconsider the inclusion of the above mentioned issues in the review exercise so that the review will become more comprehensive.

Quite apart from the internal problems of the Police Force, I would also like to stress in today's debate the gravity of the prevailing crime situation and the high technology used by the criminals. It is an issue which we cannot afford to overlook. We have to seek continuous improvement. We have to send more police officers to advanced countries to attend courses in police equipment, management, manpower allocation and detection of high technology crimes so that the Police Force as a whole will be able to keep abreast with developments and continue to prevent and combat crimes in a more effective manner.

I am very pleased to see that the Financial Secretary has committed more resources to social welfare in this financial year in an effort to improve the quality of life for the man in the street. However, from my work experience in West Kowloon, I tend to believe that there is still a lot of work to be done in terms of improving the lot of the lower classes who are not able to benefit fully from the Budget this year. The reason is that, if you conduct a serious study of the real living conditions of the lower classes, you will discover that the so-called large increases of the public assistance featured in the Budget this year are but increases which have been suppressed, and denied to the recipients over the years. The result is that the public assistance is still not pegged at a reasonable level and there are still a lot of people in the lower classes who are living beneath the poverty line. That is a point which we should take heed of.

With regard to social welfare and the improvement of the quality of life, I would like to respond with the following observations based on my constituency.

In the Budget this year, the Financial Secretary has announced that a Comprehensive Social Security Assistance Scheme will be implemented as from 1 July. As a matter of fact, 52 Members of this Council have already signed a petition for the implementation date to be brought forward to 1 April. It would appear that there has been a substantial increase to the allowance a single person may receive, which now comes to \$2,000, up \$320, or 19%, from the allowance in 1992. The fact is that the \$2,000 includes the basic allowance plus all other allowances, such as old age allowance, rent allowance, and so on. For example, a bedspace lodger in my constituency will have about a little over \$30 each day after the rent for his bedspace and other miscellaneous and necessary expenses are deducted from his \$2,000 allowance. I wonder how one can make do with \$30 per day given the high cost of living of Hong Kong today. It is for this reason that many lower class members of our community are reduced to passing the time in the confined space of their bedspace. Central and Causeway Bay are districts which are all too remote to them. How can one talk about improving their quality of life when one comes to think of their circumstances. My UDHK colleagues and I would demand most strongly that the basic allowance be raised to \$2,000.

Insofar as housing is concerned, the most significant feature in the Budget is the sandwich class housing scheme. But, what about the housing problem of the grassroots? It is not difficult to understand why the grassroots have been described as the "heartbroken class".

The housing problem faced by the grassroots may fall into either one of the following two categories. Either they become homeless as the result of urban renewal, clearance or government control of bedspace apartments, or they are not adequately provided for as a result of the inadequate provision of public housing, particularly insofar as single persons are concerned.

The Government has failed to address the housing problem the past decade or so. It has not shown any real resolve to seek a solution to the housing problem. The UDHK suggest that the financial arrangement between the Government and the Housing Authority should be overhauled such that the permanent capital of \$27 billion injected by the Government will become its contribution to the housing welfare, that the Housing Authority will not have to turn over dividend to the Government, and that all proceeds from non-residential units, such as shopping arcades and parking lots, will be made available to the Housing Authority for the further development of public housing. This will speed up the allocation of flats to the applicants on the Waiting List for public housing and the helpless victims of social transformation will also be appropriately rehoused.



Apart from the issues of public assistance and the serious shortage of public housing, I would also like to bring up the issue of the widening of the gap between the rich and the poor in Hong Kong. The Gini Coefficient which measures the wealth gap records continued aggravation of the situation, which has been going on for some time. As a matter of fact, of the "Four Little Dragons" in Asia, Hong Kong has the worst record of wealth gap. There is a real need for the Government to do something about its taxation policy and welfare spending so that our wealth gap may be narrowed.

Meanwhile, also on the housing front, it is understood that the Multi-storey Buildings (Owners Incorporation) (Amendment) Bill, which is now under deliberation, will allow, with the repeal of Section 2A, owners of the building to recover their management right. We also understand that there will be a whole lot of legal and management problems arising from this move. It can be anticipated that the Government will have to commit more resources to the District Offices and its housing staff in order to assist residents in solving the problems which may arise as they recover their rights. It is unfortunate, however, that when I wrote to the Secretary for Home Affairs to enquire about their estimated expenditure, I was given the answer that no special provision had been made towards that end. It must be borne in mind that many disputes are in fact instigated by the Land Development Corporation. I propose that the Government should provide more resources to the Land Development Corporation. If the Government thinks that direct capital injection is inappropriate, then funding may be provided in the form of a loan. The Corporation should have sufficient capital so that it does not have to rely on the private developers to the detriment of its original mission of land development. The Corporation should not degenerate into a mere instrument for the developers to resume property. I hope that the Government will examine carefully the issue of injecting capital to the Land Development Corporation.

Mr President, these are my remarks.

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

MR TIK CHI-YUEN (in Cantonese): Madam deputy, a general welcome to the Budget was expressed by the community after its publication. Quite often, Members joked that if we commended the Financial Secretary's Budget, we would be "shoe shining". And today I have the polish ready. There are two things about this year's Budget for which the Financial Secretary should be commended.

- (1) The Financial Secretary had listened to the opinions of various political parties and Legislative Council Members in the course of formulating the Budget. We felt the openness the Financial Secretary demonstrated in this regard, which is a correct approach to take.

- (2) The Financial Secretary has proposed an intelligent use of the surpluses of the last few years by committing more resources to infrastructures and improvement of the people's livelihood to cater to the needs of the people.

The Honourable James TO has mentioned earlier that the allocated resources for improvement of Kowloon West appear to be inadequate and that, in comparison, the Budget has provided a number of improvement initiatives for residents of New Territories North. These include building of the North District Hospital, setting up of outreach teams in Tai Po and North District, building of additional secondary school premises, widening of roads, improvement of river training and so on. On the face of it, the Financial Secretary seems to be in particular favour of residents of New Territories North. But I hope the Financial Secretary can understand that all these are some of the very fundamental capital works items for which the residents have been striving for quite some time. Yesterday, the Honourable Andrew WONG mentioned that the number of hospital beds in New Territories East was the lowest among all regions, and the provision of medical services scarciest. We have been continuously pressing for a greater number of school places in Tai Po and North District. But the problem of inadequate provision of school places still exists right up to this year. We have also been proposing that the training of rivers including Shenzhen River must be improved to mitigate the flooding problem of the New Territories. We support the Financial Secretary's initiative to implement all these which are of great significance to New Territories residents who have been striving for these for a long time. I have organized a number of residents meetings in my district. One of the residents asked me to say a few words. for him here, that is, to say "Thank you" to the Financial Secretary.

Some Members have criticized the Financial Secretary for free-spending to curry favour with the people. But residents of New Territories North think that the Budget can improve the livelihood of the people, in particular implementing those items for which the residents have been striving for years. To enhance the betterment of the people's livelihood when sufficient resources are available is what a responsible government should do. Moreover, paying more attention to the opinions of the people and Members of the Legislative Council in the course of formulating the Budget is a sensible approach in keeping with the democraticization of Hong Kong's political system.

I will express the views of Meeting Point in respect of health care, education and development of new towns as follows:

#### *Education*

- (1) We are basically satisfied with the funding provision for education. A number of recommendations put forth by the Legislative Council and the education sector last year can now be implemented.

- (2) The Administration must ensure that resources are put where they can be best utilized in accord with the principle of value for money.
- (3) While increasing funding to improve the quality of education is the right direction in which to proceed, co-ordination and participation by education workers are equally important. The Administration must strengthen the training of teachers, boost their working morale, improve their working environment and help them get used to new education facilities. Moreover, additional funding is needed to improve the working environment and to help charitable education workers fall into line with development effectively. Only by so doing can we raise the quality of education.
- (4) If we were to further improve the quality of education, we would have to strengthen the co-operation between schools and families and parents. In the past, families and schools were at opposite ends of the scale, so to speak. Whenever parents contacted the school, it was usually to make complaints against it. And when the school contacted parents, it was for discussion with the latter on where they had erred. I feel that both sides should strengthen their co-operation so as to effectively help our children grow.

#### *Medical and health care*

There is a 7.8% increase in real terms of expenditure on medical and health care services this year. But it is difficult for me, as a Legislative Council Member, to determine whether or not this amount of funding or allocation is reasonable and fair. The most important factor is that the present medical and health care services lack a comprehensive set of policy and a reasonable manpower establishment. There is no way of knowing if any increase in funding can satisfy the needs of the community. It is extremely difficult to determine if the allocation of funds can meet the demands of the development in health care. Judging from the 8.9% alone, it appears to be an improvement. But can it meet the needs of the public? I believe the Administration must formulate a long-term strategy, establish objectives for the medical and health care services and maintain a reasonable manpower establishment. With the setting up of the Hospital Authority, we expected a greater degree of transparency and efficiency. However, having regard to developments this year, it appears that the Hospital Authority has not done enough in these two aspects. Nevertheless, information on the Hospital Authority as provided in the Budget this year is more than that of last year. But it still falls short of what we have expected. Therefore, I hope that the Administration will urge the Hospital Authority to redouble its efforts in this respect. On the question of improving efficiency, I had asked the Hospital Authority's management what ways or yardsticks we could employ to measure improvement in its efficiency. They failed to offer a firm reply other than saying, in rather equivocal terms, that efficiency had been improved in several aspects. We think that a criterion or performance target should be formulated to measure the degree of efficiency.

the Hospital Authority has achieved so that it can clearly account itself to the public. The Budget made no mention of the charging policy. But we learned that the Government will issue a consultation paper on the charging policy for health and welfare services in the middle of this year. Will the increased revenue, as a result of the implementation of a new charging policy by the Government, be used to expand the resources of the Hospital Authority or to reduce government commitment in that regard? I hope the consultation paper to be released will offer a long-term commitment on the part of the Government. We agree to a reasonable charging policy. But the fees and charges so collected should be invested in improving medical and health services. Meeting Point also suggests that the Government should set up a central medical insurance scheme to resolve the problem of financing medical and health care services.

#### *New towns*

My constituency is a new town which has been seeking improvement in several areas for many years. The scope of improvements proposed in this year's Budget is indeed very small. I should like to raise three points:

(1) Family services

Women of the new towns are subject to enormous pressures. The provision of child care services is inadequate. Services for women should be enhanced. I remember the *White Paper: Social Welfare Into The 1990s And Beyond* mentioned that new, family-based services would be launched. However, we have yet to see any specific work done by the Administration to date in that regard. We think that the Government should design certain services catering to the practical needs of women in new towns, in order to help them solve family-related problems. The Government may also enhance adult education to provide more opportunities of learning for women during their leisure time.

(2) Rural services

While there is well-defined planning for many services in new towns such as youth centres and family services, the rural areas seem to have enjoyed little effective or well-planned improvement initiated by the Government in the way of service provision. Given that the majority of inhabitants in rural areas are elderly people, we do not see at present any specific and positive government programmes to improve services for elderly villagers. The Administration should pay more attention to this.

(3) Training of Shenzhen River

Training works at Shenzhen River must be put in hand if the problem of flooding in northwest New Territories is to be resolved once and for all. I am aware that contacts with the Chinese side has been actively made by

the Administration. But up to date, resources have yet to be committed to the improvement works. I think that the Government should give positive consideration to the needs of the people. It is unthinkable that in an affluent community like Hong Kong some of its people are still subject to the threat of flooding. We hope that the Government will commit resources to the improvement works in the near future so as to give the public confidence.

### *North District Hospital*

Developments surrounding the North District Hospital are somewhat dramatic. The Government undertook to build a hospital for North District as far back as the mid-1980s. However, consideration to shelve the project was given by the Hospital Authority after its formation when it decided to review the demand for hospital beds. Recently, many residents reflected their opinions to the Government requesting a provision of funds to build a hospital for North District. The flip-flop displayed by the Government during the whole process is a cause of worry among the public. Will there be another about turn despite allocation of funds by the Government for the building of the North District Hospital? Participants in a number of residents meetings expressed time and again worries about this.

We hope that the Administration can give us assurances in three aspects regarding the building of the North District Hospital: (1) that the hospital be completed in 1997; (2) that the recruitment and training of staff tie in with the commissioning of the hospital; and (3) that excessive cost over-run will not occur and the Government will remain committed to the project.

A number of Members have spoken on the question of the elderly. Meeting Point is of the view that in order to solve the problem once and for all, a central provident fund must be set up as soon as possible. This Council passed a resolution to urge the Administration to set up a central provident fund as soon as possible and to study further a comprehensive retirement protection scheme during a motion debate. We hope the authorities concerned can pay more heed to the opinions of the Councillors and the public, as they did in formulating this Budget, and implement as early as possible a central provident fund scheme.

Madam deputy, I so submit.

DR SAMUEL WONG: Madam deputy, let us consider the implications of four of the main principles of budgeting.

First: A Budget is a forecast, not a transaction.

Second: Positive budgeting is a long-term concept.

Third: Our standard of living is part of our investment.

Fourth: Stability depends on financial reserves.

Let me say a little about each of these.

A Budget is a forecast. So long as Hong Kong had independent control over its economy the Financial Secretary could be fairly sure of his Budget assumptions. This is no longer so. He cannot totally control the scheduling of infrastructural projects when delays can be introduced externally. He cannot control the renewal of MFN status for China. He can only guess the conclusions of international discussions now going on, especially if there is no Hong Kong participation in those discussions. Hence there is increased importance of contingency in our Budget today.

Positive budgeting is a long-term concept. It has been possible in the past for the Hong Kong Government to have a policy of positive budgeting annually when left to our own devices, but when our economy is strongly affected by the influence of others, it is necessary to be flexible. Much of last year's huge surplus was the result of projects being delayed by the action of others. To compensate may require a deficit Budget this year.

Our standard of living is part of our investment. Many colonies have been abandoned to their own devices in disarray and instability. We should be thankful for the declarations that this will not happen to us. We are, nevertheless, responsible for ensuring that the SAR Government can take over smoothly an economy when the investment is balanced and no area needs immediate expenditure to rectify it. Such investment policy applies not only to infrastructure, but also to almost every category of expenditure. We will have failed in our investment if the SAR Government finds any area, such as health and welfare, or education, or public housing, wanting. If they have to take fire brigade action on law and order, or transport, or the environment we will not have done our job.

Stability depends on financial reserves. Any Member who has ever let his bank account get too low will need no convincing of this. We should therefore only commit financial reserves on projects that are not attractive to the private sector. Projects which generate an inherent payback, such as railways and tunnels, should always be attractive to the private sector whatever the political climate. I recommend that private financing should always be sought first for such projects.

These examples show the importance of first establishing the principles of the Budget before criticizing the detail. In my view the principles of the Budget are good and I support them.

Finally, I would like to express my appreciation of the intense and detailed interest taken by our friends across the border in this Budget. If they

continue in this vein, by 1997 they might have quite a good understanding of how Hong Kong's economy works and see why it has been such a miraculous success.

With these few words, I support the Budget.

DR YEUNG SUM (in Cantonese): Madam deputy, this year, the Financial Secretary has been called the "March Santa Claus", because he is generously giving away gifts to the public and showering them with money long before the advent of Christmas. Undoubtedly, public spending will rise by 12.5% in real terms according to the Budget. Indeed, this is momentarily dazzling and confusing. Some people are elated. But others are very worried. In particular, the use of the term "deficit" has caused many to wonder if the Administration has really justifiable grounds for sharply increasing expenditure, if there is not a hidden political motive. Some even fear that it would take Hong Kong down on the road of welfarism and that the ingestion of this so-called "sugar-coated poison" will affect our long-term economic development prospects.

Public spending, as proposed in a government budget, would demonstrate the value orientation of a Government's policy and commitment. It is also an authoritative distribution of social wealth and social resources. It will practically determine which social strata to gain and which to lose. Therefore, a government budget must not be evaluated on the basis of the book value alone; nor are we to evaluate it solely according to how much it is going to spend and whether there is a deficit, a balance between revenue and expenditure or a surplus. In fact, a "surplus budget" is not necessarily a "good budget" in the sense that it would definitely benefit all social strata. By the same token, a "deficit budget" does not necessarily lead to welfarism. If we want to clear away the fog and see whether the Government is really spending lavishly or if it is returning money to the public, we must realistically and specifically consider how much each social stratum actually receives the resources it needed. Fancy remarks, which are tempting to make, cannot substitute for concrete analyses.

My speech will be mainly about social welfare spending, which has a close bearing on people's livelihood. I wish to use concrete analyses to clarify the truth and to do away with the misconception some people would have so that people may see that talks about "welfarism" and "spending lavishly" are exaggerated.

First of all, we are reassured by the Government's proposal to inject \$2.3 billion into the Lotteries Fund for expanding social welfare services. However, the Administration's plan this year to use money from the Lotteries Fund to fund the recurrent expenditure of subsidized welfare agencies causes great concern. With an aging population and a lack of satisfactory retirement protection system in Hong Kong, the Government's spending on social security is always going up rather than going down. Of any increase in extra appropriations for social welfare, more than 50% are actually taken up by social

security items. Funds for social security now come from general revenue account. The prediction is that, as public assistance spending keeps rising, unless the Government substantially raises social welfare spending as a percentage in general revenue account, the Lotteries Fund will gradually have to take over the function of funding much of such spending in the coming years. We are not optimistic that the Lotteries Fund including the newly injected funds will be able to last until 1997. A greater cause of concern is whether the Government of the Special Administrative Region, after the injected funds of the Lotteries Fund are exhausted, will provide funding from general revenue account to make up for the funding now being provided by the Lotteries Fund. I therefore hope that the Government will continue to inject funds into the Lotteries Fund in the next few years so that it will be able to go on operating beyond 1997.

With regard to specific policies, many of the Government's proposals for the new year contain no pleasant surprise. Still less are they "Christmas gifts". Proposals pertaining to homes for the aged and rehabilitation services outlined in both the Governor's policy address and the Financial Secretary's Budget are merely furtherance of the commitments made in the white paper on social welfare and the rehabilitation policy. The Financial Secretary has put forward many "ambitious" new policies and particularly highlighted the new Comprehensive Social Security Assistance Scheme in the Budget. He is of the view that, after the new Public Assistance Scheme comes into effect, public assistance made available to the more than 100 000 relatively poor people of Hong Kong will be dramatically raised. It is no doubt that the basic rate of public assistance for the coming year will be raised by 9% in April 1993 in line with Consumer Price Index (CPI), and this will be on top of the 15% raise promised in the 1992 policy address. As a result, the basic rate of public assistance, as a part of the standard rate in the new Public Assistance Scheme, will be appreciably higher. The problem, however, is that much of the increase has been long overdue. Actually, the basic rate was frozen during the period from 1984 to 1987. The 15% increase for the coming year is, after all, only a little above the cumulative inflation over the past 10 years. This shows that the rate of public assistance is still kept at the level where it was in the early 1980s. The lower income group's livelihood will not be improved despite Hong Kong's economic growth over the years.

The Special Needs Allowance or special assistance, which makes up the new standard rate of Public Assistance, will not be improved in real terms under the new system apart from the fact that they will be raised by 9% in April this year in line with CPI. Therefore, one should really take with a grain of salt the Financial Secretary's conclusion that living standards will be significantly improved for public assistance recipients.

Another point worth going into about the new Public Assistance Scheme is the difference between the standard rate for certain member of a family and that for a singleton. Under the new scheme, a 33% differential will be maintained between a non-adult member of a family and a singleton. This unreasonable



differential has a great effect on certain public assistance recipient groups. One-parent families will be hardest hit. Admittedly, where a family has more than one member, all members can share common resources and therefore each can do with less money compared with a singleton. Still, a child who is a member of a family spends just as much as an unattached child on such things as education, meals and so forth. Why does the Administration not take the opportunity of introducing the new scheme to correct the unreasonable differential by treating the children in such families in the same way as it treats unattached children? This is really hard to understand.

Public assistance aside, another cause of wide concern to the public is the ratio of school social workers (SSWs) to students. In the coming year, the Government will allocate the necessary fund to hire 18 additional SSWs. This will raise the SSW to student ratio to 1:2 500, which is still far from the one SSW per school goal. In face of rapid social development and changes in family relations and social values, it is very important to help young people to grow up in a normal and healthy environment. I earnestly urge the Administration to give serious consideration to the one SSW per school goal. If this goal cannot be achieved in the near future, then at least the SSWs to students ratio should be raised to 1:2 000 in 1993-94.

In response to Members' request, the Financial Secretary will in the coming year improve the fringe benefits of staff in the subvented sector. This shows that the Financial Secretary is readily listening to good advice, and we appreciate his doing so. There has always been a huge difference between the benefits of the staff in the subvented sector and the benefits of their counterparts in the civil service. What is more, there is also a huge difference among staff in the subvented sector where benefits are concerned. The Administration should, in the interests of fairness, consider providing uniform benefits to all staff in the subvented sector, making it consistent with the Financial Secretary's other proposed improvements for the coming year.

Another much neglected item of social welfare is community services. After the Government lays down a policy, its effective implementation, along with the alleviation of public worry and discontent due to its implementation, depends on community work. Laguna City and Tung Tau Estate are examples of the failure of community-oriented public education. Are people bound to benefit from expanded welfare services? Can relatively vulnerable groups be organized to help themselves so that the Government's workload could be eased? Community services are important in these respects as well. In the coming year, the Administration chooses not to invest resources in the expansion of community services for the development of community-based public education or the development of mutual help in community. I hope that the Administration, when reviewing the present mode of work sharing in community services, will bring more of these services into the scope of its welfare policy. I also hope that it will make more resources available for the development of community services so that residents in the same community will live harmoniously and help one another.

Summing up the above analyses and comments, I think that the proposed social welfare spending for the coming financial year is barely satisfactory, representing a significant improvement over the last two or three Budgets. But the improvement did not come out of nowhere; it is the result of continuous efforts by countless civic groups and by the community in general. At a time when the public demands are gradually becoming socially acceptable, the Administration, for making only a partial commitment, is being accused of moving towards "welfarism" and "giving away free lunches" or even spending lavishly to achieve some political objective and for the purpose of currying favour with the public. One feels that those who are making such charges are setting their own interests against the wishes of the public and the interests of the community. If the Budget this year is really an attempt to curry favour with the public and to achieve a political end, then we find that the Administration is very stingy. If the Administration really has such intention, it indeed has underestimated the intelligence of the public.

On the whole, the UDHK think that the Financial Secretary's Budget this year is an improvement both in terms of its drafting process and its substance, but that it still has many flaws and deficiencies. The UDHK's spokesmen for the various policy areas have already pointed out how the Budget has failed to measure up to the expectations of the public. With regard to the Budget's deficiencies, I hope that the Financial Secretary will give serious thought to the UDHK's requests in the various policy areas and continue to heed good advice readily. Then it will be possible to achieve the final goal of building on success.

Lastly, I wish to say that, if one still thinks that the Financial Secretary is a Santa Claus who has arrived earlier than expected, then my comment is that this "March Santa Claus" should have come several years ago. Members of the UDHK will listen to the Financial Secretary's response to see if the UDHK's requests will be specifically and positively acted on to before deciding how to vote.

I so submit.

MR HOWARD YOUNG (in Cantonese): Madam deputy, I have mixed feelings about the Budget presented by the Financial Secretary this year. On the one hand, I warmly welcome the initiatives to make provisions for infrastructural projects because these large-scale capital projects are able to solve some of the long-standing problems that have been affecting the livelihood of the local population.

On the other hand, I am concerned that the Budget has failed in responding to the persistent call of the tourism industry to lower airport tax. I also have reservations about the underlying philosophy of financial management in deficit budgeting and its lukewarm approach towards containing inflation. However, the Budget is satisfactory on the whole and I am delighted that tourism has been given due recognition perhaps more than ever before.

First of all, I would like to say a few words on behalf of the tourism industry. On the evening of 3 March, I sent out my summary of the Budget speech to all voters in the tourism functional constituency by fax, inviting their opinions. The views collected so far are mainly concerned with airport tax, aeronautical charges and duty on alcohol.

In fact, long before the release of the Budget, I wrote to the Financial Secretary requesting to reduce the airport tax from its present rate of \$150 to a more reasonable level. The airport tax in Hong Kong is the highest among all airports in the world. What appears to be most unreasonable in the eyes of the tourists is that they are required to make full payment of this tax even when it is a one day transit. This tax, albeit a small sum, is adequate to put some tourists off from making a short trip to Hong Kong and local businesses as a result lose the chance of making any profit from these spending tourists.

What implications does it have for the tourism industry? Frankly speaking, its implication is not serious enough to cause a noticeable shrinkage in business. Yet, its dampening effect on the morale of members of the tourism industry is real. If the airport tax is reduced, the gesture would give us a very clear signal that the Government is prepared to spare no effort in promoting tourism.

It is noted that revenue from aeronautical charges will be raised by a mind-boggling 40%. The airline industry has difficulty in absorbing this increase at a time when the international airline industry is in bad shape with more than half the airlines in the world losing money, and the rest facing shrinking profits. Subsequently, it will start off a vicious circle and the burden of increase will eventually be shifted onto the air passengers.

I do not consider the rate of increase in aeronautical charges reasonable, nor do I think the airline industry is convinced by the Government's argument for such an adjustment. Although there is no doubt about the willingness of the airline industry to contribute its share towards the airport project, the Government should be sympathetic enough to take note of the situation. Airline operators can contribute no more than what they can afford.

The hotel industry has also its own problem to deal with. Wholesale prices of imported liquors are reported to have risen by 15% to 20% on grounds of increased duty on alcohol, growing inflation and other rising costs. The pressure of such increases leaves the hotel industry with no other choice but to raise their charges on alcoholic drinks. It would be wrong to think that such revision may bring in more profit to the hotels. On the contrary, these frequent revisions of prices under circumstances beyond their control would only result in lower consumption of alcoholic drinks by patrons in both hotels and restaurants. Instead of earning more, the hotel industry will end up with less profit. I earnestly hope that the Government will appreciate the difficulties of the hotel industry and consider abolishing the present practice of linking the rate of duty of alcohol to tobacco and the prevailing inflation rate.

It is apparent that the provision of an airport which operates effectively and efficiently is essential if the life blood of the tourism industry is to be substained. At present, there are non-operational hours at night in civil aircraft movements in Hong Kong. Under normal operation, the airport can cater for 30 in-coming and out-going flights per hour, but the number of aircraft allowed to land or take off in every four hours is restricted to 108. In the past years, there have been numerous cases in which airlines needed to change their schedules in order to observe these restrictions when the Kai Tak Airport was excessively busy. The tourism industry has conducted its own study on the operating capacity and the saturation point. According to the study, the Kai Tak Airport will reach capacity in 1994. And if the Government makes no attempt to relax the non-operational hours at night time rule and the restriction on the number of landings and taking-offs, many airlines, particularly those operating flights on routes to European countries, may not be able to use Kai Tak Airport and will then be forced to use other airports in South East Asian countries instead.

It is naturally the hope of the tourism industry that the Government would relax the restrictions, make the best use of the existing resources to expand services and allocate more resources and manpower to improve capacity. It can be rightly concluded that as long as the problem of over-crowdedness in the airport is left unresolved, Hong Kong's status as an international trading and tourist centre is very much at risk. And the airport would hardly be able to live up to relevant international standards as time goes by.

Madam deputy, regarding the replacement airport at Chak Lap Kok, I hope that negotiation on the airport programme could be resumed as soon as possible. The going ahead of the replacement airport project will bring new hope to the tourism industry and is what we have been long looking forward to. Members of the tourism industry are expecting that the replacement airport, once completed, will attract more tourists to visit Hong Kong and help push the revenue generated for Hong Kong by the tourism industry to a record high. I urge the Government to come up with another revised plan for financing the airport and tell us categorically if we could, within the confines of the Sino-British Memorandum of Understanding on the new airport and the needs to carry out our public works, deploy the necessary financial resources for the completion of the new airport. And how would it affect our fiscal reserves?

Apart from the points above, the tourism industry gives the heartiest welcome to the initiatives of the Financial Secretary in response to the repeated requests made by the industry and the Co-operative Resources Centre to remove the duty on cosmetics, and it also welcomes the subvention to the Hong Kong Tourist Association, the capital grant to help the Association purchase its own office premises, and the provisions for the construction of an extension to the Convention and Exhibition Centre. Such measures will have positive effects in attracting tourists to Hong Kong, improving public facilities and stimulating the desire of the tourists to spend. We also learn with great delight that the

Financial Secretary has shelved the proposal on sales tax which, we believe, would fuel inflation and bring nothing but harm to the tourism industry.

Other than the interest of the tourism industry, the level of government subsidies for sports, recreation, culture and performing arts is also a matter of my concern. At the policy debate in last October, I pointed out that recreation and culture, being of little use to those whose minds are only set on winning votes, was "no man's priority". I am glad to note from the Budget that in response to my call, the Financial Secretary has lifted the freeze on limits to the annual provision for the Council for Performing Arts and, on top of it, proposed to provide a grant of \$130 million for the development of sports, recreation and culture. Notwithstanding all these, I still do not think enough has been done. The expenditure on recreation, culture and sports as proposed in the Budget, including provisions for various groups and organizations, represents a mere 1% of total public expenditure.

I hope the Government will be able to see that the development of recreation, culture and sports does not involve a certain sum of provision or grant alone. As a matter of fact, the policy on recreation and culture is a true reflection of a society's intellectual life, general education level and average quality of life.

Many critics blame the Government for neglecting the need to promote pop culture. They feel that the Government only cares for the sophisticated taste of the elite in promoting cultural activities, subsidizing grand and highly artistic performances which are beyond the apprehension of the general public. I sympathize with their views. The Government offers very little subsidies to those small and less famous performing groups which are primarily engaged in promoting pop art. Besides, no specific body is charged with the task of identifying and subsidizing young promising artists. Under these circumstances, the small performing groups also find it difficult to survive. The Government should have a greater vision in this respect. Culture and education are, in fact, two sides of the coin. The Government, by funding the work of artists and cultural workers, can help the general public to cultivate their appreciation in art and the ability to improve their quality of living or even enhance their awareness of their society and build up a stronger sense of belonging. Again, from my point of view as a member of the tourism industry, performing programmes with special cultural heritage are definitely an attraction to tourists and useful to the promotion of tourism.

With regard to another part of the Budget in the field of culture, I am also not happy with the amount of provision for Radio Television Hong Kong. It represents an average increase of merely 2.5% and there is no suggestion of any anticipated growth in the existing strength of its staff. In recent years, Radio Television Hong Kong has, in fact, won acclaim and favourable remarks from the international community and critics as well for producing a number of quality programmes which truly reflect the day-to-day problems in this society. What have been shown in recent episodes include, for example, how the

physically disabled, mentally handicapped and mentally ill are rejected, misunderstood and feared by the public; how the HIV positive patients are discriminated against and apathetically treated by the community; and how youngsters care little about their lives and how they indiscreetly resort to death as a convenient solution to their problems. The development of these attitudes are largely due to misconceptions which can easily be formed in a place like ours where people often have access to distorted and fragmentary information through the media. It reflects paucity in our cultural life. In the past, Radio Television Hong Kong has produced a good number of entertaining programmes which dealt with serious themes. They served to correct common misconceptions among the public or instil civic consciousness into the audience. That these programmes were well received bears abundant evidence that the general audience want to see more of such productions. The availability of more public funds for this purpose will undoubtedly make it possible to meet the need of the public in this area.

Now I would like to move on to my general impression of the Budget. The Budget does not put forward any effective measures against inflation. Despite the Financial Secretary's optimistic prediction that a single-digit inflation will be maintained, many academics and analysts are still of the view that inflation rate will go up to a double-digit level.

How can the Financial Secretary be so confident of his ability to contain inflation in the absence of the two popular tools to curb inflation, that is, high interest and high taxation? These two measures are not suitable for Hong Kong as they will stifle economic growth and lead to a drop in investment and an increase in unemployment.

As many economists have pointed out, the high inflation in Hong Kong is a structural one brought about by a tight labour market and shortage of land. One practical solution is to ease the tight labour market through importation of foreign labour in areas where necessary and to boost land supply. If we do not make some real efforts to identify ways to solve the shortage of labour, industrialists and entrepreneurs will simply try to solve the problem by moving their operations out of Hong Kong in order to remain competitive.

It has been almost a year since the implementation of the labour importation scheme. The result, however, is not so promising. This is mainly due to the small scale of the scheme which limits the number of imported workers to a quota of only 25 000. The over-cautious manner in which the Government carries out this scheme has made it impossible to alleviate the tense situation in the labour market or provide a steady supply of manpower.

The tourism industry is in acute need of foreign labour but many hotel operators have told me that on the average, only 12.3% of their applications for foreign labour quota are granted and that they have experienced a lot of difficulties in arranging for the continuation of services of existing foreign workers, resulting in a waste of resources which have been allocated for the

training of the foreign workers. The shortage also results in the postponement of many new development and expansion plans. If the situation is not to be improved, the whole labour importation scheme will defeat its purpose and thereby affect the resources for retraining local workers. This may not be useful to lower inflation and will slow down the process of the transformation of Hong Kong's economy.

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

THE PRESIDENT resumed the Chair.

MR WONG WAI-YIN (in Cantonese): Mr President, the storm of the Sino-British row over political reform, gaining strength from the media and from certain people, has become the focal point of public comments of late. Had it not been for the debate this couple of days, the community would probably have forgotten all about the Budget, important as it is to all the people of Hong Kong.

Last Saturday, I held public forums on the Budget for the residents of Yuen Long and Tuen Mun, which are within my New Territories West constituency. Not many attended. But those who did attend generally commented that the Government was in a position to do more for the people. They were particularly concerned about the transport situation and the law and order situation in New Territories West.

I believe that there is no need for me to say more about the seriousness of the transport problem of New Territories West. Last November, at my instance, this Council unanimously passed a motion "urging the Administration to improve the external transport services of New Territories West". It was then pointed out that, if the external transport problem of New Territories West was to be fully solved, the construction of Route 3 (Country Park section) could not brook one moment's delay. On various subsequent occasions, I put follow-up questions on the matter to the Governor. Indeed, the answer came only after the question had been asked a thousand times. Finally, the Financial Secretary announced that \$4 billion would be set aside for Route 3 (Country Park section) and \$1 billion would be appropriated for the improvement of Tuen Mun Road. I am very grateful to the many colleagues who spoke in support of the projects. Still, the Route 3 (Country Park section) project is to wait until there is private sector participation in it. Even more importantly, it is to wait until there is a Sino-British agreement on the franchise issue. If no agreement can be reached, then the project will probably become stillborn. Therefore, I totally agree with the Honourable Miriam LAU that, if Sino-British agreement cannot be reached on the franchise issue, then the Government of Hong Kong must build the project itself and fully fund it with its own money. Whatever happens, works must begin this year and the project's completion date should be moved forward to before 1997. There should be no delay or slippage.

\$1 billion will be appropriated for adding a slow climbing lane at three sections of Tuen Mun Road. This will help to ease traffic congestion. But the project will take two years to complete. The various public housing estates at Tin Shui Wai are expected to be fully occupied within a year. As it is, traffic congestion on Tuen Mun Road is already very bad. The area's rapid population growth will make it even more unbearable. Therefore, in the short term, the only way to improve external transport services for Tuen Mun is to expand the ferry services. Of course, increased police patrols on Tuen Mun Road and the acquisition of heavy duty tow trucks to clear scenes of accidents quickly will also help to ease traffic congestion.

Mr President, Meeting Point is fully supportive of discount travel fare for the elderly and the handicapped. The various public transport companies at present do not have uniform rules concerning discount fare for the elderly. Some charge concessionary fare around the clock. Others charge concessionary fare during non-peak hours only. This is confusing to the elderly. Another thing is that, in many districts, district boards and voluntary agencies are promoting schemes of discounts for elderly patients and shoppers. Because the sponsoring bodies do not have central planning offices or sufficient funds, these schemes are not being widely practised. Therefore, I am very supportive of the suggestion of the Honourable Martin LEE and the Honourable Emily LAU that the Government or a voluntary agency (for example, the Council for Social Service) should assume overall responsibility for the issuance of senior citizen cards that will entitle elderly public transport riders and shoppers to concessionary treatment around the clock. I further suggest that the eligible age for concessionary treatment be lowered from 65 to 60. This should be the community's way of honouring the elderly.

The law and order problem is of course a territory-wide problem in Hong Kong. New Territories West comprise new towns where there is a density of public housing estates. Burglary, robbery, rape, indecent assault, loan sharking, illegal immigrants, triads and juvenile crime are very serious problems there. The local residents have long been critical of the police's failure to take effective actions against crime. In some estates, residents have even proposed to set up their own vigilante patrol or security groups. Though the proposals have been vetoed by the police every time, they show the residents' concern that the police do not have enough manpower for protecting their life and property.

Insufficient police recruiting is a source of potential trouble. There has been some improvement over the past year, but the manpower need of the police has increased with the development of the new towns. The completion of the new town of Tin Shui Wai will necessitate a splitting of the police headquarters for the New Territories from one to two. Regrettably, however, there will be no significant increase in police manpower. The Financial Secretary promises to put an additional 800 police officers on street patrol duties and to buy additional anti-crime equipment. It is believed, however, that the additional police officers for street patrol duties will come from



redeployment within the force and not from increased recruitment. Therefore, Meeting Point wishes to note that the police not only must increase recruiting but also should win the closer co-operation of the public and step up intelligence gathering. If the police want closer co-operation from the public, they must first gain the public's trust. It is most important for the police to improve its image. For many years, public complaints of assault by police officers have kept rising. The Complaints Against Police Office has not been able to win the trust of the public. As a result, relations between the police and the public have not been good. Therefore, Meeting Point repeats that the police must "have the courage to cut off its own arm" and allow an independent body to be set up to handle complaints against the police. The police force must resolutely get rid of the "rotten apples" in its midst. This will improve the credibility of the police and enable the police to regain the confidence of the public and to receive closer co-operation from the public.

Intelligence gathering of course includes co-operation between China and Hong Kong and international exchange. Arms smuggling into Hong Kong and other serious forms of smuggling are problems that are keeping the police very busy. The police have been doing their best. Armed robbers are dealt with swiftly and hard. On many occasions, the police performed outstandingly. Still, I believe that closer co-operation and intelligence exchange between China and Hong Kong will be an even more effective way of fighting crime.

In addition, Meeting Point suggests that the Government allocate resources to enable the police to give fresh help to the "neighbourhood watch schemes" involving mutual aid committees, and to reinstate the police posts in areas where there is a density of public housing. Policemen should enter buildings to patrol staircases and thus deter crime.

With regard to housing, private sector housing prices are being sustained at a high level. Sandwich class families have difficulties in buying their own homes. Under pressure from many quarters, the Financial Secretary is taking a square look at the problem and will give assistance to the sandwich class. Meeting Point very much welcomes this. Regrettably, however, without careful thinking, the Financial Secretary proposes to appropriate \$2 billion to help 3 000 sandwich class families to buy their own homes. The scheme that he puts forth is an "impromptu" scheme lacking in specifics. He completely overlooks the negative impact of the scheme. Instead of prescribing the right remedy for high housing prices, he puts forth a scheme that puts things in the wrong order: The disadvantages of the scheme will be felt before its advantages are. Firstly, the scheme will further push up private sector housing prices. Compared with the 3 000 families who will be benefitted, tens of thousands of sandwich class families will be carrying an even heavier burden. Also, the large number of squatters, temporary housing area occupants and "cage" apartment tenants will be unhappy with the Government's "partiality". This is socially divisive. Therefore, Meeting Point suggests that the Government should approve extra land grants and build its own Home Ownership Scheme housing for the sandwich class. Meeting Point's rough estimate shows that \$2 billion will be

enough for building about 7 000 flats (assuming 600 sq ft per flat). These may be sold to sandwich class families at a price representing the full cost of construction and half the cost of land. The proceeds may be used to build Home Ownership Scheme housing for more families. Though it will take two or three years before my suggestion will show results, I would like to emphasize here that what the sandwich class are now facing is not homelessness but non-ownership of their homes. Therefore, if the Government can guarantee that housing will be completed for them in two or three years, they can wait. Of course, if all housing problems are to be solved, the Government must review its long-term housing strategy and emphasize the role of public sector housing (including Home Ownership Scheme housing and public housing). This will keep housing prices down for the benefit of a larger number of sandwich class families and low income families.

I am a vice-chairman of the Council for the Promotion of the Rights of the Elderly. I am of course concerned about public assistance and welfare services for the elderly. In the community, the demand is always strong for an immediate upward adjustment of the basic rate of public assistance. Regrettably, the Government has turned a deaf ear. Even the Governor noticed that the basic rate of public assistance was too low; that was why he offered to raise it by 15%. Though this increase is much less than what the community is asking for, the Government is at least finally taking a square look at the problem. But the Comprehensive Social Security Assistance Scheme will not come into effect until July 1993. In a certain sense, this shows that the Government is once more ignoring the hardships of the recipients of public assistance. Some time ago, with the Honourable HUI Yin Fat, I collected signatures in this Council for a petition to have the effective date of the new assistance scheme moved forward to 1 April. Fifty-two signatures were obtained. I thank those colleagues once more. Regrettably, the Governor rejected the petition of the 52 Legislative Council Members and the more than 100 000 families who were recipients of public assistance. This is really regrettable. In my disappointment, I continue to hope that the Government will wake up to its mistake and give new thought to moving forward the effective date of the new rate. I also hope that the Government will adjust children's allowances upward. Then, elderly people, single-parent families, the disabled and the income-less will all be able to partake of the fruit of success.

Concerning services for the elderly, the Government plans to provide an additional 4 500 places in care and attention homes over the next few years. Meeting Point is worried, however, that, as a result of delays in building works, this goal will not be reached. Another thing is that sanatorium facilities are gravely lacking. In all of Hong Kong, there are now only 1 366 sanatorium beds, while there are more than 5 000 names on the waiting list. It seems that the Government is not planning to increase the supply sharply. The result is the proliferation of privately operated homes for the aged. Their quality standards are very uneven. Many problems have already arisen over the past years. Regulatory legislation is talked about but does not materialize. More than 200 elderly people kill themselves each year because they suffer from chronic

illnesses or because they are fed up with life in this world. This annual number of elderly suicides has been constant. It is really something to worry about. Problems like this are enough to make the Government of Hong Kong feel ashamed of itself.

Mr President, the Financial Secretary has chosen a title for his Budget this year. The title is "*Building on Success*". Is there any fruit of success to be shared? I have great reservations. All along, the Government has been emphasizing that spending is like a pie and its size is limited and that, if somebody wants a bigger piece, somebody else will get a smaller piece. Now, however, the size of the pie has increased. Low income people thought that they would now be able to get a bigger piece. But, regrettably, they will only get just a few more crumbs.

In face of the increasingly vehement Sino-British row over political reform, Meeting Point, acting in the overall interests of Hong Kong, appeals to both China and the United Kingdom to refrain from letting the political reform issue affect the improvement of the livelihood of the people. China, in particular, should refrain from an unco-operative attitude. The two sides should hold the various meetings soon, including the meeting of the Joint Liaison Group and the meeting of the Land Commission. The two sides should also move quickly to reach agreements on the financial package for the new airport, on the franchise issue and on extra land grants for Home Ownership Scheme housing for the sandwich class. They should refrain from actions that will cause Hong Kong to feel even more insecure. Lastly, I quote a poem of TAO Yuanming to boost the confidence of the people of Hong Kong: "By the tidal wave of change, I am neither pleased nor frightened. I do what I have to do. There is no need to worry beyond this." About the Budget, I would like to present the Financial Secretary with a slightly changed version of the above poem. It goes like this: "By the deficit, though there is one, I am neither pleased nor frightened. Spend what has to be spent. There is no need to worry beyond this."

Mr President, I so submit.

MISS CHRISTINE LOH: Mr President, I begin by expressing my generally positive reaction to the Financial Secretary's Budget.

There are one or two specific points on which I intend to disagree with him about priorities for public spending. But I applaud the statements of overriding principle, that:

"Economic growth should improve the quality of life for the whole community"

and that:

Government policy should "balance economic realities and the public's aspirations".

Fortunately for Hong Kong, the economic realities of the past year have been benign ones. We have achieved a *per capita* income which equals or exceeds much of the developed world. Yet we have been spared the high level of unemployment which is now placing such terrible strains on the economies of the west.

Clearly the economic and social systems of Hong Kong are successful. The prosperity of Hong Kong is a tribute to the enterprise of the Hong Kong people. But it also relies upon the skills, the integrity, the discipline and self-discipline of a government which ensures that our markets remain free, open and fair.

The Financial Secretary is right to express his hope that the future Special Administrative Region Government will:

"Get off to the best possible start in 1997, with a flourishing economy, adequate finance and an infrastructure fit for the next century."

Let us also hope the future Special Administrative Region Government will enjoy the "high degree of autonomy" promised to it in the Joint Declaration and that it will be encouraged to keep our markets and our economy every bit as free, as open and as fair as they are at present. Those intangible assets will be just as valuable an endowment for 1997 as the financial reserves and the infrastructural resources with which this Budget is more directly concerned.

#### *The role of Legco*

Comparing this Budget with others given in this Council 10 and 20 years ago, it is not difficult to detect a different sort of tone. We are dealing here with a document which shows a high level of sensitivity to the social and political aspects of our public finances.

I believe that this is both a right and a necessary evolution, and I would like to think it reflects the impact which this Council itself has made upon the processes of government. The introduction of directly elected Members and, to a lesser extent Members elected by restricted franchise, has helped to ensure that the views of the community are articulated to the Administration more forcefully and more acutely than was often the case in the past.

I hope that the democratic reform of this Council will continue at an accelerating pace, reinforcing its role as an authentic and a representative forum for policy debate and development.

*Public spending: general remarks*

Turning to the detail of the Budget itself, I endorse the Financial Secretary's view that deficits are both acceptable and justified in the short-term future. The question is whether the money is being invested wisely in ways which will yield a positive economic return to Hong Kong over the longer term. Clearly, that is the case with capital projects now envisaged, many of which are needed to help Hong Kong keep pace with the extraordinary rate of economic development in Southern China. Without such investment, Hong Kong cannot hope to retain its present highly competitive position as an entrepot and service centre for China and the Asia-Pacific region.

That having been said, the Financial Secretary will, I am sure, expect this Council to continue to scrutinize and to question minutely the manner in which public money is spent, and to criticize frankly and openly any inefficiencies which it may detect.

I expect, too, that many Members of this Council will wish to pursue with the Financial Secretary in some detail the circumstances which resulted in an underspending of some HK\$7 billion on public works in the previous accounting period. We have been told that there are serious problems relating to the whole system of public works procedures, and that a complete overhaul of the system is necessary.

It is not difficult to imagine that the vast scale of public works programmes now undertaken by or on behalf of the Hong Kong Government may be overwhelming the systems in place, if these systems were designed for an older and less demanding workload. But the question is: Why were the problems of overloading not anticipated? Why were they instead left to tie up HK\$7 billion worth of work in economically costly delays?

It would be reassuring to hear from the Administration its broad and imaginative response. The appropriate response will not be merely to deal with the failures which have occurred on an ad hoc basis. It will be to reflect on how the procedures of decision making and implementation can be revised from top to bottom so as to put in place new procedures which will be flexible enough to accommodate the demands of the present and the future.

*Environmental issues**(i) The harbour*

The Government uses many names and descriptions to refer to its various programmes relating to sewage. We have the Strategic Sewage Disposal Scheme, the High Priority Programme, the Sewage Master Plan and the Sewage Disposal Programme. It is, frankly, quite difficult to keep track of the relationship between these various classifications and the funds allocated under them.

But even the proposed HK\$4.9 billion is not enough. We are shamed as a society by our foul harbour and our stinking nullahs. It is the Financial Secretary's declared intention to balance "economic realities and the public's aspirations." Well, here is an area in which public aspirations, or rather public frustrations, should weigh very heavily indeed in that balance.

I do not begrudge the Convention Centre HK\$2.4 billion for its extension, nor the HK\$3.1 billion for "related reclamation and services". But if the Financial Secretary is prepared to factor "unquantifiable benefits, such as the absorption of new knowledge and ideas", into his economic calculations as to the utility of spending money on the Convention Centre, then I urge him to take a similarly broad view of the "unquantifiable benefits" which Hong Kong would also derive from a more aggressive attitude towards cleaning up its environment. A clean harbour and an efficient sewage system would make us a happier and healthier society. There could be no higher-yielding investment. I hope to see future Budgets addressing this issue speedily and aggressively.

(ii) *Polluter pays*

What, meanwhile, has happened to the principle of "polluter pays"? We are very good at making wage earners pay salaries tax and drivers pay vehicle tax and companies pay profits tax. Why does our capacity for devising efficient payments systems not function in the case of paying for pollution? How does it come about that the new Chemical Waste Treatment Plant is being paid for by public funds, rather than by the producers of chemical waste?

If we fail to charge polluters the true cost of dealing with their filth, then we are subsidizing them out of the public purse. That cannot be acceptable, however loud and specious the protest from vested interests, and however reluctant the Administration may be to appear to be imposing additional costs on economic activity. But somebody has to pay. And if the polluter does not pay, then it is the victims of pollution who pay. That is what is happening right now, and it is a situation crying out to be put right and to be put right within the 1993-94 Budget period.

(iii) *Wasted energy*

In the long run all environmental protection saves us money. If we do not tear our environment apart in the first place, then we do not have to spend huge sums putting it back together later on.

In the short term, we can save money by looking at energy conservation. It is easy, it is relatively cheap, the technology is commonplace and the sums involved are large enough to make the presence felt even in the context of this Budget.

The Environmental Protection Department estimated that the cost of wasted energy for all government and quasi-government bodies amounted in 1989 to HK\$5 billion. We were told last week in reply to a written question that over the past three years the Government has mounted a "successful programme to strengthen awareness among..... departments of energy costs whilst promoting a range of energy-saving measures."

But up-to-date figures detailing the effects of this campaign are strangely difficult to find. It would be pleasing to receive an estimate of how much of that HK\$5 billion wastage has been halted, and what steps are underway to achieve further savings.

### *The arts*

It is, by contrast, most encouraging that the Financial Secretary should be willing to inject HK\$30 million into the Sir David Trench Fund in order to assist the arts, and in particular "new and developing artistic groups." I am confident that the arts community will respond constructively, and that the impact of this modest sum will be widely felt in our intellectual and cultural life. I hope that it foreshadows a more generally adventurous and flexible approach on the Administration's part towards the arts. We must stimulate the unpredictable as well as support the accomplished.

One footnote of reservation needs to be added in this respect. It is that the Council for the Performing Arts, through which applications to the Fund are to be channelled, does not presently embrace the literary and the visual arts. It would be more equitable if the Council's terms of reference could be amended so that these additional disciplines could benefit as soon as possible.

More generally, it would be helpful if the objectives of the government arts policy could be set out rather more clearly than has been the case in the recently published Arts Policy Review. But that is a matter for another time.

### *Conclusion*

I have said nothing about the revenue side of the Budget because I consider that the proposals there are generally successful in reconciling the demands of taxation with the social and economic profile of our society.

It is easy to take a generous view of fiscal issues when the economy is in a period of robust growth. But we would be selling ourselves short if we did not recognize how much of that robust growth is in turn due to the hard work of the Hong Kong people. We have earned our prosperity and I am glad that we are for the most part using it wisely.

Mr President, I support the Budget as well as the motion.

MR ROGER LUK: Mr President, on the back of a robust economy and rapidly accumulating fiscal reserves, the 1993-94 Budget aims at "building on success". With all the generousities, it is indeed a "Budget of surprises".

There are substantial tax concessions. Tax burden on individuals are reduced dramatically by increased salaries tax allowances and widened progressive tax bands. Stamp duty for securities trading is cut. Entertainment tax and cosmetic duties are abolished. There are no increase in taxation related to private transportation, no increase in rates and no increase in levies on betting. There are only revisions in duties on fuels, alcohol and tobacco in line with inflation to keep up their values in real terms.

Meanwhile, there are initiatives to implement the ambitious new policy targets announced in the Governor's policy address last October. There are also new initiatives in areas of major social and economic importance to improve the people's livelihood, to raise the quality of life, and to improve the economic infrastructure.

The only "bad" news is a budgeted deficit. Although the figure is a mere HK\$3.4 billion, it is the first time since 1985-86. Unlike our previous experiences, the budgeted deficit for this year is not attributable to adversity of the economy. On the contrary, it is a means of transferring reserves to resources. It is, in the words of the Financial Secretary, "no more than a prudent and proper adjustment of our balance sheet to put the redundant portion of our reserves to constructive use for the maximum benefit of Hong Kong".

This year's Budget is tactfully designed to meet the needs of the community as a whole, with a realistic balance between our need to maintain a positive business environment and our obligation to the disadvantaged in our society. I join most colleagues to give the Financial Secretary an applause for all these better-off surprises.

As the last but one Member to speak, I have the privilege to benefit from the wisdom of almost all colleagues who have spoken before me. There are three common concerns in this year's debate and they are worth revisiting, perhaps from different perspectives.

First, inflation. Tax concessions and public spending are inflationary in nature. This is particularly so when the economy is already operating at full capacity. The inflationary impact of the budgetary initiatives should be looked at in the context of our inflationary experiences in recent years. It is perhaps useful to recap my anatomy of the current problem at the policy address debate.

What we are facing is virtually a complex resource *cum* cost/price structural problem. It is not simply a result of an imbalance of demand and supply of domestic resources, particularly skilled labour, in the course of transformation from manufacturing to servicing economy.



Contrary to many criticisms, there is a built-in adjustment mechanism under the linked rate system to check inflation, but the question is why this mechanism has not been working effectively. A short answer is the inability of Hong Kong, as a small open trading economy, to adjust its cost/price structure by "exporting" inflation through external trade as before.

With the extensive relocation of manufacturing industries to southern China, our export demand is now largely met by "external" resources. As such, the export sector is virtually immune from the domestic cost/price structure and has been able to remain price competitive despite accelerating domestic inflation.

The current scenario is indeed an unfortunate impasse. The root of the problem is neither the structural transformation of the economy, nor the linked rate system, nor labour shortage as perceived by many critics, but the lack of an effective balance check on the domestic cost/price structure. As the problem is unconventional, any attempt to tackle it with conventional wisdom, like interest rates, would only be counter-productive. I am afraid the seven proposals put forward by one honourable colleague are such counter-productive measures. There is no short-term solution but the problem would diminish over the long run as the cost/price structures of Hong Kong and Southern China are aligned through economic convergence.

Against this background, the budgetary initiatives would inevitably put extra pressure on domestic prices in the short run. The increase in social security benefits and tax concessions would boost the disposable income of many households, and the question is how much more would go to consumption spending. The released reserves would eventually flow to domestic demand as well. Notwithstanding, inflationary impact would still be mild and tolerable.

However, I doubt that the inflationary trend is reversing as suggested by the figures in recent months. I doubt that inflation would stay at single digit towards the end of the year. I also doubt that these additional spending initiatives, although they would reduce bottlenecks and the costs of doing business in Hong Kong, would positively contribute to our long-term ability to fight inflation.

Second, tax base. A structural characteristic of the local tax system is more reliance on direct taxation than indirect taxation. About 60% of the tax revenue comes from direct taxation, mainly salaries tax and profits tax. This year's tax concessions, although quite substantial, would not basically upset the ratio between direct and indirect taxes. However, they would affect the balance between salaries tax and profits tax, and would alter the income profile of salaries tax payers.

With the concessions, some 250 000 existing taxpayers would escape from the tax net and a further 1.2 million would pay less. The reduction in revenue would slightly rebalance the trend in recent years of a rising ratio for salaries tax as against profits tax.

On the other hand, the profile of salaries tax payers is already skewed towards higher income individuals. In recent years, about 6% of taxpayers contribute 46% of total salaries tax revenue. With this year's concessions, the distribution curve would obviously be further skewed towards the high income-earners.

To the Financial Secretary, it is always a dilemma to try to broaden the tax base on the one hand and to try to meet the aspiration of individual taxpayers, particularly lower income taxpayers and the sandwich class, for alleviating tax burden on the other. Whether this year's compromises are appropriate is, as always, arguable.

For a small open economy like Hong Kong which is susceptible to external factors, the more diversified is the tax base the more stable is public revenue. However, the more diversified is the tax base, the more complex is the tax system as well. We may have now struck the right balance but the equilibrium is never static. It changes with the sophistication of our economy. It also changes with the evolution of our fiscal policy and tax system. We should always keep all options open.

Third, sandwich class housing. This is perhaps the most controversial of all initiatives in this year's Budget, and has attracted more criticisms than applauses. The controversy does not lie in the programme itself as an extension of the existing home ownership scheme to the middle-income group. The controversy lies in the interim scheme to accelerate the programme through direct assistance to first time home-buyers, although conditional.

The catalyst behind the sandwich class housing programme is the difficulties experienced by many first time home-buyers in realizing their ambitions in recent years. Property prices are holding rather firm on falling interest rates, but banks are adopting a more cautious credit attitude in view of the general concerns about affordability of the average purchaser.

In view of the recent anxieties on mortgage financing, it may be helpful if I could clarify some misconceptions. What really matters is the absolute loan value as it represents the exposure and in turn the underlying credit risk banks are willing to accept after taking into account all relevant factors. The prevailing 70% loan to valuation ratio is therefore no magic number. It simply says that, given the current market environment and other risk factors like affordability, the extent of financing generally acceptable to banks happens to be equal to 70% of the market valuation of the mortgaged properties. When any of these variables changes, the ratio would in general change accordingly.

Unlike the 1980s, the imbalance in the residential properties market is now basically not in terms of numbers but in terms of location, type and quality. I therefore doubt the urgency of and the need for the interim arrangements.

Generalizing the comments made by honourable colleagues, there is indeed one broad and fundamental question. Sandwich class housing should be considered in the context of the role of the public sector in residential housing provision. Started originally as shelters for the underprivileged, public housing now accommodates around half of the 1.6 million households in different types of estates. With the community at large becoming more affluent, it is questionable that the existing programmes could effectively match the growing aspiration of the households. The unsuccessful attempts of the Housing Authority to sell flats for rental to tenants reflect, among others, that there is still an apparent gap between the aspiration of households and what are provided by public housing even at substantially discounted prices. I urge the Administration to urgently address this fundamental question.

In conclusion, this year's Budget is a once-in-a-blue-moon Budget of surprises. The small deficit as budgeted is tactical in nature. Judging from the track records of our public finance, the Financial Secretary would probably report with pleasure to this Council next March another year of surplus, though moderate. Of course, the scenario might be quite different if the Sino-British row on political issues drags on and most unfortunately spills over to economic issues as well.

Finally, as an economist by training, I appreciate the concerns of a few Honourable Members about the discrepancies of GDP forecasts. For a dynamic and externally dependent economy like Hong Kong, forecasting models have inherent limitations. It is too strong a criticism that the Government is incapable of monitoring the pulse of the economy.

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

MS ANNA WU: Mr President, many Members have commented on what they saw as the merits and the shortcomings of the Budget for 1993.

I am glad to see that the Budget proposes to tax the majority of our tax-paying families less, to provide more for social services and to recognize the problems relating to housing for the sandwich class. Hong Kong's economy has performed exceptionally well and I support the Financial Secretary's objective to have economic growth improve the quality of life for the whole community.

#### *Social security and housing*

To build a stable and equitable society, it is no longer sufficient to provide only for those who are below subsistence level. We have passed this stage and must look at social security in a wider context. First, it should be reviewed in

terms of what constitute adequate and decent living standards for the vulnerable and the disadvantaged. Second, it should be reviewed in terms of providing a range of support services to meet specific areas of stress such as housing. The cost of buying a home is well beyond the means of many in the sandwich class and is a distressing problem for many. I therefore support any measure to assist first-time home buyers in this class as a natural extension of our housing policy. This is not to say, however, that providing HK\$2 billion as a subsidy for 3 000 families to buy homes at a discount from the market is the most effective employment of the money. Apart from fuelling demand and pushing up prices, the equitability of a scheme that benefits only 3 000 families is subject to debate. Other alternatives such as providing interest-free loans or tax reductions should be explored.

#### *Regional role*

The Financial Secretary in his Budget speech placed emphasis on the "Asian Century". In 1992, our regional trade expanded by 23% and trade with China by 25%. Hong Kong is part of the fastest-growing economic region in the world and is benefiting from the growth rate in southern China. Hong Kong commands an enviable location. What then should we do to capitalize on our position? Hong Kong with its open and cosmopolitan society is ideally suited for a leading role in spurring regional trade, economic, cultural and other exchanges. I urge the Financial Secretary to capitalize on these advantages and to consider the establishment of a centre for exchange of ideas for development of strategies to meet the challenges of the "Asian Century". This centre should study the role of Hong Kong in the region and identify the extent of mutual interest and co-operation that could be achieved within the region.

#### *Vocational training for women*

It has been said many times that increasing labour cost is a key contributor to inflation. The Financial Secretary refers to labour remaining our biggest constraint. The Government injected HK\$300 million into the Employees Retraining Fund last November and HK\$1 billion will be spent on vocational training by the Vocational Training Council in 1993-94. Within our population, we have about 380 000 women between the ages of 35 and 59 who are not in gainful employment. Many are homemakers who, because of the need to take care of a family, do not have a chance to pursue a career until their children are older. This pool surely could be released into the job market. I was more than a trifle surprised when the Administration's response to my question as to whether there are specific vocational and training programmes designed to facilitate homemakers to re-enter the job market was "no". This sector of our community is part of our resources; these women should be seen as potential contributors to the building of our economy. Studies should be made of this sector to see how these women could be brought back into the labour pool, what jobs can be made available to them and what their needs are for vocational training and support services.

*Competition strategy*

The Financial Secretary has devoted two short paragraphs under the heading "Market Forces" to the very important topic of competition. The Financial Secretary says that "..... competition and the market are the best allies of the consumer, and the best ways to maximize efficiency and avoid unfair pricing". The Financial Secretary cited telecommunications, public transport and television as examples where steps have been taken to encourage competition. If these are examples, they are poor examples.

All these areas are heavily regulated. Regulations range from terms of entry into the market, to standards, profits and even the setting of fares. In public transport, fee differentials are built into the price setting mechanism. Some services are subsidized by charges being raised for other services. These measures, while adopted in some cases to protect the public interest, can also be seen as guaranteeing business to different operators by the use of arbitrary price differentials. The regulatory framework in these areas all provide for legally entrenched market dominance.

To add to the list of regulated businesses, we have the energy sector as well as air and container services. This list does not include cartels formed in the private sector.

The lack of a strategy in the tendering of taxi licences has caused excessive speculation in taxi licences. As a consequence, the high cost of a licence has disenfranchised many from becoming owner-drivers. As a further consequence it has increased the cost to a consumer. The lack of a strategy and co-ordination between government departments in car-park tendering exercises has given rise to possible dangers whereby formation of monopolies and price manipulation could result.

Hong Kong does not have a comprehensive competition policy. We should establish one to ensure that unnecessary distortions of the market are removed and the right balance between a regulatory framework and market demands is struck. Our administrators are not sufficiently sensitized to the need for competition analysis and the formulation of a competition strategy. I urge the Administration to adopt as standard practice competition analysis and formulation of competition strategy in respect of all licensed and franchised businesses and related tendering exercises as a start. These studies should be incorporated in papers supplied to the legislators as standard requirements.

*Political Budget*

It has been said in and outside this Chamber that this is a political Budget, that it responds to popular demands for increased welfare and thus could lead us down a slippery slope. I believe it is only right that the Financial Secretary should be responsive to the needs of the community. He has responded not only to the needy but also to the needs of industry, trade, sports and culture. Indeed

if we accept imported labour, we must accept that there is increased responsibility to meet the needs of our labour force. Any Budget is inevitably political; it should be political, since it should seek to strike a balance between different demands in the employment of money.

Some have criticized the Budget for being short-sighted and for adopting a profligate attitude. However, these critics do not seem to be calling for a reduction in the proposed spending. Do they think we should be spending less on education for our children? On housing? On health care? Unless they can point to specific areas where spending is not justified, general carping remarks of profligacy are not convincing. The issue should be whether the proposed expenditures are justified. Just as the advent of 1997 should not be an excuse for spending, so also should it not be an excuse for not spending. This is especially so since we can well afford to spend some of our reserves, which are so inflated at present. Furthermore, it is by no means certain that there will be a deficit. In the past, the Government had often predicted a Budget deficit, only to end the year with a healthy surplus.

In last year's Budget, our Financial Secretary was depicted as Scrooge. In this year's Budget, the representative of the banking sector feels compelled to set Scrooge loose on the Financial Secretary.

It should be recognized that a Budget surplus, in effect, means that the Government is taking more from the people in taxes than is required. As far back as 1941, an eminent Member of this Council, Mr LI Tse-fong, the grand uncle of the representative of the banking sector, said of the Budget surpluses:

"As a government it is open to criticism. It may be criticized that either it has failed to carry out and develop fully its social functions or it has taken more revenue than was necessary from the people by way of taxation. This practice of keeping a surplus was a method adopted by governments during the Middle Ages and has long been considered bad financial policy."

If this Budget is regarded as political, I would say that the responses to the Budget are even more political. I hope we do not politicize our economy unnecessarily.

#### *Political portfolio*

Mr President, since so many Members have made political statements, I thought I would do so as well. The Administration is an easy target as has been amply demonstrated in these debates over the Budget. This state, I believe, will continue until and unless politicians are given political responsibilities. We now have an abnormal system where politicians in the legislature are free to criticize the Government without being given the opportunity to assume any of the responsibilities of running the Government.

*Motion debates*

Finally I wish to add that the Budget debates provide us with the opportunity to assess the performance of the Government. One thing legislators have not done is to comprehensively canvass the extent to which the Administration has taken on board the sentiments of the Legislative Council, as expressed in motion debates. I believe the Administration should be systematically asked to account to the legislature the actions it has taken to implement motions voted on by this Council or to explain the reasons for not doing so. The effectiveness of these motion debates should be tested by the extent of their implementation and formal channels such as annual reviews with Policy Secretaries for the relevant areas should be considered.

Thank you, Mr President, I support the motion.

FINANCIAL SECRETARY: Mr President, I move that the debate on this motion be adjourned.

*Question on the adjournment proposed, put and agreed to.*

**Adjournment and next sitting**

PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday 31 March 1993.

*Adjourned accordingly at five minutes to Eight o'clock.*