

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 23 March 1994

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 MRS ANSON CHAN, C.B.E., J.P.

THE FINANCIAL SECRETARY

THE HONOURABLE SIR NATHANIEL WILLIAM HAMISH MACLEOD, K.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 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.

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

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

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

THE HONOURABLE SZETO WAH

THE HONOURABLE TAM YIU-CHUNG

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

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

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

THE HONOURABLE RONALD JOSEPH ARCULLI, O.B.E., J.P.

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

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

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

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

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

THE HONOURABLE MOSES CHENG MO-CHI

THE HONOURABLE MARVIN CHEUNG KIN-TUNG, O.B.E., J.P.

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

REV THE HONOURABLE FUNG CHI-WOOD

THE HONOURABLE FREDERICK FUNG KIN-KEE

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

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA

DR THE HONOURABLE LAM KUI-CHUN

DR THE HONOURABLE CONRAD LAM KUI-SHING, J.P.

THE HONOURABLE LAU CHIN-SHEK

THE HONOURABLE EMILY LAU WAI-HING

THE HONOURABLE LEE WING-TAT

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

THE HONOURABLE FRED LI WAH-MING

THE HONOURABLE MAN SAI-CHEONG

THE HONOURABLE STEVEN POON KWOK-LIM

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

THE HONOURABLE TIK CHI-YUEN

THE HONOURABLE JAMES TO KUN-SUN

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

DR THE HONOURABLE PHILIP WONG YU-HONG

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE HOWARD YOUNG, J.P.

THE HONOURABLE ZACHARY WONG WAI-YIN

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

THE HONOURABLE CHRISTINE LOH KUNG-WAI

THE HONOURABLE ROGER LUK KOON-HOO

THE HONOURABLE ANNA WU HUNG-YUK

THE HONOURABLE ALFRED TSO SHIU-WAI

ABSENT

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE SIMON IP SIK-ON, O.B.E., J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, O.B.E., J.P.

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL

MR CLETUS LAU KWOK-HONG

THE DEPUTY CLERK TO THE LEGISLATIVE COUNCIL

MR PATRICK CHAN NIM-TAK

Papers

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

Subject

Subsidiary Legislation	<i>L.N. No.</i>
Admission and Registration (Amendment) Rules 1994.....	165/94
Legal Practitioners (Fees) (Amendment) (No. 2) Rules 1994.....	166/94
Rules of the Supreme Court (Amendment) (No. 2) Rules 1994.....	167/94
Hawker (Regional Council) (Amendment) Bylaw 1994	168/94
Employees Retraining Ordinance (Amendment of Schedule 2) (No. 2) Notice 1994	169/94
Hong Kong Sports Development Board (Amendment) Ordinance 1994 (9 of 1994) (Commencement) Notice 1994	170/94
Electricity Networks (Statutory Easements) (Application of Ordinance) (Consolidation) (Amendment) Order 1994	171/94
Securities and Futures Appeals Panel (Fee) Order	172/94
Securities and Futures Commission (Fees) (Amendment) Rules 1994.....	173/94
Legislative Council of Hong Kong Administrative Instructions for Regulating Admittance and Conduct of Persons (Amendment) Instructions 1994	174/94
Plant (Importation and Pest Control) (Fees) (Amendment) Regulation 1994	175/94
Pounds Fees (Amendment) Regulation 1994	176/94
Drug Addiction Treatment Centre (Hei Ling Chau Addiction Treatment Centre) Order.....	177/94

Immigration (Vietnamese Migrants) (Detention Centres) (Designation) (Amendment) Order 1994	178/94
Immigration (Vietnamese Migrants) (Detention Centres) (Amendment) Rule 1994.....	179/94
Prisons (Amendment) Order 1994.....	180/94
Trade Marks (Amendment of Schedule) Order 1994	181/94
Trainee Solicitors (Amendment) Rules 1994	182/94
Cremation and Gardens of Remembrance (Urban Council) (Amendment) Bylaw 1994.....	183/94
Exhumation (Fees) (Urban Council) (Amendment) Bylaw 1994	184/94
Public Cemeteries (Urban Council) (Amendment) Bylaw 1994	185/94
Quarantine and Prevention of Disease (Amendment) Ordinance 1993 (86 of 1993) (Commencement) Notice 1994	186/94

Sessional Paper 1993-94

- No. 71 — Securities and Futures Commission
Approved Estimates of Income and Expenditure
for Financial Year 1994-95

Miscellaneous

White Paper on the Annual Report on Hong Kong 1993 to Parliament

Written Answers to Questions

Morale of civil servants

1. MR LAU WAH-SUM asked (in Chinese): *A recent survey of senior civil servants showed that nearly 35% of directorate staff intended to leave the service after 1997, whereas over 35% were worried about their career prospects after 1997. Will the Government inform this Council of the following:*

- (a) *whether it has conducted similar internal surveys on the morale of senior civil servants; if so, what the findings are;*
- (b) *the effective measures in place to maintain the morale of civil servants during the transition period; and*
- (c) *whether there are any contingency measures in case of an exodus of civil servants during the transition period?*

SECRETARY FOR THE CIVIL SERVICE: Mr President, we have studied with care the City Polytechnic's survey on the perception of directorate officers of the changing political system in Hong Kong and their relationship with the legislature and the Chinese authorities in the run up to 1997 and beyond. 37% of the respondents did express worry about their career after 1997. This is understandable given that a change of sovereignty is involved. However, it is encouraging to note that 59% of the respondents indicated that they were not worried.

Although 35% of the respondents said they would not stay after 1997, 70% of them were in the 51-60 age bracket who are approaching or at retirement age. We should not lose sight of the fact that 36% of the respondents said they would stay. 80% of those in the latter category were in the 31-50 age bracket. About 29% of respondents, the majority of whom were young, said they had not yet decided.

We have not conducted internal surveys similar to that done by the City Polytechnic. However, we keep in close touch with civil servants, including senior ones, through a variety of channels to ensure that we keep abreast of their mood and morale. Our assessment is that, although some senior civil servants are concerned about their future career after the change of sovereignty, this has not affected their work. Morale remains generally high.

We are, and will continue to be, sensitive to staff needs and concern. We will maintain Civil Service pay at reasonably attractive level, to recruit and retain people of high calibre. We will ensure that the terms of appointment and conditions of service of civil servants are updated and appropriate. The proposal to develop common terms and conditions for local and overseas officers is an example. The proposals arising from the Human Resource Management Review which we have just concluded aim at encouraging a more systematic and focused approach to staff management and development. There will be increased training opportunities for civil servants of different levels. The proposal to set up a substantial Pension Reserve Fund is also a concrete measure to address staff concern. In these and a variety of other ways we are taking positive action to maintain and if possible improve morale.

As regards contingency measures, we have not ruled out the possibility of a portion of officers leaving the service prior to or after the change of sovereignty in 1997. To prepare for this possibility, we have stepped up our directorate succession planning exercise and our training for middle ranking officers with potential, to ensure that qualified candidates will be available to take up higher level posts if required.

Security in public housing estate redevelopments

2. MRS SELINA CHOW asked (in Chinese): *Will the Government inform this Council of the measures being taken by the police to deal with the security problems arising from the increasing number of vacant flats in public housing estates which are due for redevelopment, and which are affecting the sitting tenants and residents in the vicinity?*

SECRETARY FOR SECURITY: Mr President, the police maintain a close watch on public housing estates due for redevelopment and provide regular patrol for these housing blocks. The police maintain contact with the local community, and the subject of security in estate redevelopments is monitored at a number of district forums, including district management committees, district boards, District Fight Crime Committees, area committees and mutual aid committees.

The Housing Department also conducts regular checks on vacant units. On receipt of complaints regarding suspected criminal activities in vacant units, estate officers on patrol will take immediate action with the assistance, if necessary, of the police.

Security problems associated with vacant units in public housing estates under redevelopment usually relate to minor burglary cases or trespassing by young delinquents and drug addicts.

Car thefts

3. MR MARTIN BARROW asked: *Is the Government aware of the renewed rise in the number of car thefts and what action does it plan to take to reduce the level of car thefts?*

SECRETARY FOR SECURITY: Mr President, in the first two months of the year, 697 vehicles were reported stolen. Although this figure is higher than the 630 reported stolen in November and December 1993, it compares favourably with the figure of 995 for the same period last year. Monthly figures for stolen vehicles tend to fluctuate and we do not believe that there is a resurgence in the

number of car thefts. In fact, the level of luxury vehicle thefts in the first two months of this year was 72% lower than the corresponding period in 1993.

The Police Force closely monitors car thefts in the territory and continually gathers intelligence to help identify the people involved. The Police Force also maintains close liaison with the authorities in China, which is the primary market for stolen cars, to combat the problem of cross-border smuggling.

The Police Force meets regularly with the insurance industry and car manufacturers to encourage the fitting of anti-theft devices in the vehicles. The recent decrease in the theft of new model vehicles with these anti-theft devices illustrates the effectiveness of this dialogue.

Overcrowding in public housing estates and temporary housing areas

4. MR FRED LI asked (in Chinese): *Regarding the requests made by public housing and temporary housing families for relief of overcrowding, will the Government inform this Council:*

- (a) *of the number of households in public housing estates and temporary housing areas which are currently regarded as overcrowded families; and*
- (b) *whether the demand for rental units by these overcrowded families has been taken into consideration in the mid-term review of the long-term housing strategy; if so, what are the figures with regard to the demand and supply of these rental units for the coming three years, and the alternative short-term and long-term plans for solving the overcrowding problem?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) Under the policy of the Housing Authority, the density standards for Public Rental Housing Estates (PRHEs) and Temporary Housing Areas (THAs) are set at 4.5m² and 3.4m² of internal floor area per person respectively. Against these yardsticks, 19 100 households in PRHEs and 2 000 households in THAs are regarded as living in overcrowded conditions; they may apply for relief of overcrowding.
- (b) Overcrowding in rental estates and THAs is not directly addressed in the mid-term review; it is part of the regular assessment of housing demand under the Long Term Housing Strategy carried out annually for all rehousing categories.

Every year the Housing Authority sets aside a quota for the allocation of public housing units specifically for relief of overcrowding. Using this quota, an average of 4 000 overcrowded households per year have obtained larger units or an additional unit in the past three years. Overcrowded families can also obtain relief through the Comprehensive Redevelopment Programme, the Waiting List or the purchase of Home Ownership Scheme/Private Sector Participation Scheme flats. Through these avenues, the number of overcrowded PRHE households has decreased from 111 800 in 1982 to the present 19 100.

Government recruitment advertising

5. MISS EMILY LAU asked (in Chinese): *In respect of the advertisements for government vacancies published in Chinese/English newspapers, will the Government inform this Council of:*

- (a) the total expenditure in this respect in 1993-94 and the estimated expenditure for this purpose in the next year; and*
- (b) the criteria and the methods for choosing these newspapers?*

SECRETARY FOR HOME AFFAIRS: Mr President, the total expenditure on advertising government vacancies in 1993-94 was \$5,404,718. This included \$3,266,843 spent by individual departments on recruitment advertising in a range of English and Chinese newspapers and \$2,137,875 through the Civil Service Branch on bulk recruitment advertising under two contracts with one English newspaper and one Chinese newspaper group. Placement of recruitment advertisements in both cases is determined by a combination of factors including circulation, readership profile and cost.

Recruitment advertisements are paid for under the general departmental expenditure subheads in the various departments. Expenditure by individual departments in 1994-95 will depend on the vacancy situation in the departments over the year and the exact amount is therefore not yet known. It is however expected that the level will be similar to that of 1993-94 unless there are major changes in the vacancy position in the Civil Service.

The current bulk Civil Service Branch contracts will expire at the end of April this year and a review of this arrangement was conducted in December 1993. In order to allow for more flexibility in the placement of such advertisements and greater competition, it has been agreed that tenders for publishing government recruitment advertisements will be invited from all *bona*

vide local newspapers and magazines. Tenders will be evaluated on the basis of circulation, readership profile and cost. A list of successful tenders will be promulgated and circulated to the departments. The departments will be able to place their advertisements with any of the newspapers or magazines on the list at fixed prices.

This new arrangement should result in greater flexibility and efficiency in the publication of government recruitment advertising.

Allocation of aircraft parking bays at Kai Tak Airport

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

- (a) *of the present system for allocating aircraft parking bays at Kai Tak Airport and of the distribution of parking bays for various airlines;*
- (b) *whether it is aware of the system to be used at the new airport for allocating parking bays and of the procedures for exchange of parking bays among the airlines; and*
- (c) *of the mechanism available now and in the future to ensure equity in the allocation of parking bays and cost-effectiveness in the use of parking bays by aircraft?*

SECRETARY FOR ECONOMIC SERVICES: Mr President,

- (a) The Civil Aviation Department's (CAD) principal objectives in allocating aircraft parking bays at Kai Tak Airport are to maximize the use of the bays and to facilitate the transfer of the greatest number of passengers between aircraft and the Passenger Terminal Building within the shortest possible time.

Airlines operating at Kai Tak Airport are required to give CAD advance notice on a six monthly basis of their intended flight schedules. The department then determines the allocation of parking bays in order best to achieve its aforementioned objectives taking into account aircraft size and passenger load factors. Parking bays are not allocated or reserved for the exclusive use of any particular airline.

Only eight of the 69 available aircraft parking bays at Kai Tak are served by air-bridges connected directly to the Passenger Terminal Building. Priority for these bays is always given to the largest aircraft.

- (b) The Provisional Airport Authority (PAA) have yet to finalize their procedures for the allocation of parking bays. Various options are being considered and discussed with the airlines. Airlines will not be permitted to exchange bay allocations between themselves once made; bays will be allocated and reallocated by airport management according to agreed criteria.
- (c) A computerized allocation system was commissioned for Kai Tak in September 1993 and is currently used to assist operational staff in the allocation of parking bays. The system uses software which has been designed to take account of the allocation criteria described in paragraph (a) above. This ensures a fair and efficient allocation of aircraft parking bays, without preferential treatment being given to any particular airline.

The PAA also recognizes the importance of establishing a system of allocation at the new airport which is fair and open and is acceptable to the airlines. It is ultimately in the best interests of the PAA and the airlines to ensure that the allocation system is cost-effective. To achieve this aim, it is intended that the system should retain flexibility to ensure optimum use of the bays available.

Soccer in Hong Kong

7. MR CHIM PUI-CHUNG asked (in Chinese): *In view of the popularity of soccer in Hong Kong and the good performance of our soccer teams in international events in the past, will the Government inform this Council:*

- (a) *of its policy towards soccer promotion;*
- (b) *whether the Hong Kong Sports Development Board will be encouraged to allocate more funds for soccer; and*
- (c) *given that charges for using the Hong Kong Stadium will go up significantly after its redevelopment, whether the Government is aware of any measures in place to ensure that the level of charges for soccer events will continue to be maintained at an affordable level to general members of the public?*

SECRETARY FOR RECREATION AND CULTURE: Mr President, the promotion of soccer aims to develop the game by broadening the base of participation and uplifting the standard of play. This is achieved through the joint efforts of the Sports Development Board, the municipal councils and the Hong Kong Football Association.

The Sports Development Board concentrates on talent identification and the development of elite training through its technical arm, the Hong Kong Sports Institute. It also undertakes a school sports programme to promote sports to primary school students, and soccer is one of the sports included in this programme.

The municipal councils are mainly concerned with promoting soccer at the grassroots level, by providing soccer pitches at affordable charges for public use and either organizing soccer activities on their own or supporting mass participation events, such as competitions, training programmes and youth promotion schemes organized by the Hong Kong Football Association and other bodies.

The Hong Kong Football Association on the other hand provides the necessary co-ordination, organizational support and technical advice.

Soccer is one of the seven target sports identified by the Sports Development Board for more intensive development. As such, it receives extra funding from the Board which is specifically targetted at a territory-wide youth football development scheme. In 1991-92, a grant of \$905,000 was allocated to the Hong Kong Football Association. The grant was increased to \$1,400,000 in 1992-93 and to \$1,910,500 in 1993-94. The grant for 1994-95 is expected to reach \$1,972,000. In addition, in 1994-95 the Hong Kong Sports Institute has budgetted over \$4.1 million for the promotion of soccer.

With regard to hiring charges for the use of venues for spectator soccer matches, the Hong Kong Football Association has reached agreement with the Urban Council on a package for the use of the new Hong Kong Stadium during the coming year. The package includes the use of the venue for a total of 10 matches at a charge of \$1,500,000 or 20% of gross aggregate gate receipts, whichever is the greater. For subsequent matches, the normal charge of \$150,000 per day or 20% of gross gate receipts, whichever is greater, will apply.

Ticket pricing is a matter for the organizer. However, since the new stadium can seat some 40 000 spectators, as opposed to a capacity of 28 000 before the redevelopment, it is not expected that the ticket prices for soccer matches held at the stadium would be beyond the reach of the average spectator.

Soccer matches which are likely to attract a smaller number of spectators may be held at other stadia, such as Mongkok Stadium and the Sham Shui Po Sports Ground which can accommodate 9 000 and 2 000 spectators respectively. The minimum charges for these two venues are 20% of gross income subject to a minimum charge of \$2,000 of gate receipts whichever is greater, and \$1,450 plus 10% of gross income respectively.

Suspects detained pending extradition

8. MR CHIM PUI-CHUNG asked (in Chinese): *Will the Government inform this Council:*

- (a) *of the number of cases where suspects were detained pending extradition at the request of the governments of foreign countries but were eventually released over the past three years;*
- (b) *whether claims for compensation were received as a result of such cases; and*
- (c) *who is responsible for the losses suffered by those concerned and for the payment of compensation?*

SECRETARY FOR SECURITY: Mr President,

- (a) Of all persons arrested in Hong Kong in the past three years on provisional warrants of arrest following a request for extradition, four persons were subsequently released.
- (b) No claims for compensation have been received in respect of these cases.
- (c) The arrest and detention of a person wanted for trial in a country with which Hong Kong has extradition arrangements occurs only after Hong Kong has received a request from that country. Where the Hong Kong Government has acted in good faith on representations made by such a country in the exercise of its international obligations in relation to extradition, it will not be civilly liable in the event that the arrested person is subsequently discharged by a Hong Kong court. In such circumstances, all acts done will have a proper legal foundation.

Medical services in northwestern New Territories

9. MR WONG WAI-YIN asked (in Chinese): *In view of the increasing demand for medical services in northwestern New Territories, coupled with a growing number of residents in Tin Shui Wai, will the Government inform this Council:*

- (a) *why Tuen Mun Hospital is not in full operation and when the Hospital will be fully operational; and*

- (b) *of the anticipated demand for medical and nursing staff in the district and what measures will be taken to solve the recruitment problem?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, hospitals are designed to cater for long-term medical needs. Commissioning to full capacity involves the careful identification of service needs, population growth, disease pattern and demographic structure.

The bed complement of Tuen Mun Hospital is 1 606. A total number of 1 093 beds are already in operation as at 1 March 1994 to satisfy prevailing operational requirements.

Against this background, the remaining 503 beds of Tuen Mun Hospital will be opened in the near future based on service demands. According to present projections made by the Hospital Authority, the hospital will operate to full capacity by 1996. The Authority is also confident that it will be able to meet the estimated additional manpower requirement of 70 doctors and 400 nurses.

Contingency measures in case of an accident at Daya Bay Nuclear Station

10. MISS EMILY LAU asked (in Chinese): *Regarding the contingency measures to be taken by Hong Kong in case of an accident at Daya Bay Nuclear Station, will the Government inform this Council:*

- (a) *whether drills will be arranged by the Administration for Hong Kong residents who live or work in areas in close proximity to Daya Bay; and*
- (b) *whether data on the ambient radiation level could be included in the daily weather reports so that members of the public will be aware of any increase in the radiological level in good time?*

SECRETARY FOR SECURITY: Mr President,

- (a) International standards normally include a requirement for evacuation and sheltering planning within a radius of up to 16 km from a nuclear power station; the Daya Bay Contingency Plan adopts a conservative planning radius of 20 km. Within this distance from the Guangdong Nuclear Power Station (GNPS) at Daya Bay, there are two permanent Hong Kong residents, both living on Ping Chau. The remainder of this planning area covers the open waters of Mirs Bay.

We do not propose to arrange drills involving the physical evacuation of these two permanent residents. However, the Marine Police, who would be responsible for any such evacuation, do practise the logistical arrangements as part of our Daya Bay exercises, and the residents concerned have been briefed on the arrangements.

- (b) The Royal Observatory publishes a monthly record of daily readings of the ambient gamma radiation levels at its 10 monitoring stations. These bulletins are available to the public.

Background gamma radiation levels vary considerably from one place to another. They also fluctuate with time and weather, and normal variations of up to 100% of average levels are not uncommon. However, the level of radiation which would be of public concern would be several hundred times the background levels. The inclusion of these measurements in daily weather reports would be of very limited practical benefit.

Liabilities of the Mass Transit Railway Corporation

11. MR FREDERICK FUNG asked (in Chinese): *Regarding the liabilities of the Mass Transit Railway Corporation (MTRC) which amounted to over \$18.5 billion as at the end of 1993, will the Government inform this Council whether:*

- (a) *it is aware of the number and the names of the financial institutions from which the MTRC has obtained its loans, and the respective rates of interest payable to them; and*
- (b) *consideration is being given by the MTRC to issuing short-term bonds in small denominations so that Hong Kong residents may have the opportunity to take part in investing in the Corporation?*

SECRETARY FOR THE TREASURY: Mr President,

- (a) According to the audited accounts of the MTRC, the total amount of outstanding loans and obligations under finance leases as at 31 December 1993 was \$18,591 million. This included \$6,480 million (35%) for capital market instruments; \$10,695 million (57%) for bank and other loans; and \$1,416 million (8%) for obligations under finance leases.

The Corporation's borrowings, excluding obligations under finance leases, amounted to \$17,175 million in 1993. This in turn comprised:

- (i) fixed rate loans and loans swapped to fixed rates of \$12,266 million with interest rates ranging from 4.55% to 10.31%; and
- (ii) variable rate loans of \$4,909 million, the interest rate being determined by reference to either the prime rate, the Hongkong Interbank Offered Rate or the London Interbank Offered Rate.

The overall effective cost of funding for the year 1993 was 7.3%. A list of the Corporation's global relationships with major banks and financial institutions is at the Annex.

- (b) The MTRC has already issued a Step-up Bond in denominations of HK\$10,000 maturing in 1995; this is listed on the Hong Kong Stock Exchange for the general public. The interest rates payable to holders of this bond are stepped-up annually up to maturity.

Depending on the financing requirements for the Airport Railway, the Corporation will consider issuing short-term bonds of small denominations for Hong Kong residents to allow them to invest in the Corporation.

Annex

List of banks and financial institutions
from which the MTRC has obtained loans or
other forms of financial support

ABN Amro Bank N.V.
Aichi Bank Limited
ANZ Banking Group Limited
Asahi Bank, Limited
Asian Development Bank
Banca Commerciale Italiana
Banco di Napoli
Banco di Roma S.P.A.
Banco Exterior de Espana
Banco Santander
Bank Austria
Bank of America NT & SA
Bank of China
Bank of Communications
Bank of East Asia, Limited
Bank of Fukuoka Limited
Bank of Ireland
Bank of Kinki Limited

Bank of New Zealand
Bank of Tokyo, Limited
Bank of Yokohama, Limited
Bankers Trust Company
Banque et Caisse d'Epargne de L'etat
Banque Indosuez
Banque Nationale de Paris
Banque Paribas
Barclays Bank PLC
Bayerische Landesbank Girozentrale
Bayerische Vereinsbank A.G.
Canadian Imperial Bank of Commerce
Cariplo
CCIC Finance Limited
Chase Manhattan Bank, N.A.
Chemical Bank
China Development Finance Company (Hong Kong) Limited
Chuo Securities Company Limited
Chuo Trust and Banking Company, Limited
Citibank, N.A.
Commerzbank Aktiengesellschaft
Cosmo Securities Company, Limited
Credit Agricole
Credit Italiano
Credit Lyonnais
Credit Suisse
Creditanstalt — Bankverein
CS First Boston (Japan) Limited
CTB Australia Limited
Dah Sing Bank, Limited
Dai-Ichi Kangyo Bank, Limited
Dai-Ichi Securities Company Limited
Dainana Securities Company Limited
Daishi Bank, Limited
Daito Securities Company Limited
Daiwa Bank, Limited
Daiwa Securities Company Limited
Dao Heng Bank Limited
DB Capital Markets (Asia) Limited
Den Danske Bank
Deutsche Bank AG
Development Bank of Singapore, Limited
DG Bank
Diamond Lease (Hong Kong) Limited
Dresdner Bank AG
Ehime Bank, Limited

First Boston (Japan) Limited
Fuji Bank, Limited
Fukutoku Bank, Limited
Generale Bank Overseas (Belgian Bank)
Girocredit Bank
Goldman, Sachs and Company
Hachijuni Bank, Limited
Hang Seng Bank Limited
Hokkaido Takushoku Bank Limited
Hongkong and Shanghai Banking Corporation Limited
Hongkong Chinese Bank, Limited
Hyakugo Bank Limited
Hyakujushi Bank, Limited
Ichiyoshi Securities Company Limited
Industrial Bank of Japan, Limited
Internationale Nederlanden Bank
Itogin Securities Company Limited
Izumi Securities Company Limited
Japan Cosmo Securities (Hong Kong) Limited
Jardine Fleming and Company Limited
Juroku Bank Limited
Ka Wah Bank Limited
Kaisei Securities Company Limited
Kankaku Securities (Asia) Limited
KDB Asia Limited
Kleinwort, Benson International Incorporation
Kokusai Securities Company, Limited
Kosei Securities Company Limited
Kwong On Bank, Limited
Kyokuto Securities Company Limited
Lehman Commercial Paper Incorporation
Lippo Asia Limited
Long-Term Credit Bank of Japan, Limited
Malayan Banking Berhad
Maruman Securities Company Limited
Marusan Securities Company Limited
Maruso Securities Company Limited
Meiko Securities Company Limited
Merrill Lynch International Limited
Mito Securities Company Limited
Mitsubishi Bank, Limited
Mitsubishi Trust and Banking Corporation
Mitsui Trust and Banking Company, Limited
Morgan Guaranty Trust Company of New York
Morgan Stanley Capital Services Incorporation
Naigai Securities Company Limited
Nanyang Commercial Bank, Limited
National Securities Company Limited

National Westminster Bank PLC
New Japan Securities Company Limited
Nichiei Securities Company Limited
Nikko Securities Company, Limited
Nippon Credit Bank, Limited
Nippon Kangyo Kakumaru Securities Company Limited
Nishi-Nippon Bank Limited
Nomura Securities Company, Limited
Norinchukin Bank
Oakreed Financial Services Limited
Ogaki Kyoritsu Bank, Limited
Okasan Securities Company Limited
Overseas Trust Bank Limited
Overseas-Chinese Banking Corporation Limited
Prager, McCarthy and Sealy
Rabobank Nederland
Royal Bank of Canada
Royal Bank of Scotland PLC
Sakura Bank, Limited
Salomon Brothers Asia Limited
San-in Godo Bank Limited
Sanwa Bank, Limited
Sanyo Securities Company Limited
Schroders Asia Limited
Security Pacific Asian Bank Limited
Senshu Bank, Limited
S G Warburg Securities
Shinyei Ishino Securities Company Limited
Siam Commercial Bank Limited
Skandinaviska Enskilda Banken
Smith Barney, Harris Upham International Incorporation
Societe Generale
Standard Chartered Bank PLC
Sumitomo Bank Limited
Sumitomo Trust and Banking Company, Limited
Swiss Bank Corporation
Taiheiyo Securities Company Limited
Taikagi Securities Company Limited
Takinogawa Shinyo Bank
Tokai Bank, Limited
Tokuyo City Bank, Limited
Tokyo Securities Company Limited
Towa Securities Company Limited
Toyo Securities Company, Limited
Toyo Trust and Banking Company, Limited
Unibank A.S.
Union Bank of Switzerland
Universal Securities Company Limited

Wakkanai Shinkin Bank
Wako Securities Company Limited
Wardley Limited
Westdeutsche Landesbank Girozentrale
Westpac Banking Corporation
Wing Lung Bank Limited
World Securities Company, Limited
Yamaguchi Bank Limited
Yamaichi Securities Company, Limited
Yamatane Securities Company, Limited
Yasuda Trust and Banking Company, Limited
Zenshinren Bank

Stamps bearing the Queen's portrait

12. MR PANG CHUN-HOI asked (in Chinese): *Will the Government inform this Council:*
- (a) *as stamps issued in Hong Kong have all along adopted the Queen's portrait as the main feature of the design, whether the Post Office has any plans on the timing for changing the design so as to ensure a smooth transition to 1997; and*
 - (b) *what measures will be taken to deal with the public's unused stamps bearing the Queen's portrait after 1 July 1997?*

SECRETARY FOR HOME AFFAIRS: Mr President,

- (a) Transitional arrangements for postage stamps are being discussed with the Chinese authorities. We envisage no practical difficulties in putting in place appropriate arrangements well before 30 June 1997, thus ensuring that the public will in no way be inconvenienced or postal services adversely affected.
- (b) Arrangements will be made closer to the time to deal with unused stamps bearing the Queen's portrait.

Ting Kau Bridge

13. DR SAMUEL WONG asked (in Chinese): *Will the Government inform this Council whether the recently proposed Ting Kau Bridge is within the flight path of the new airport; if so, whether restrictions will be imposed on its height?*

SECRETARY FOR WORKS: Mr President, the Tin Kau Bridge will be under the flight path of the new airport at Chek Lap Kok.

A height restriction has been specified in the contract documents to the effect that no structure shall be higher than +225mPD which is below the height limits required for the protection of the flight path of the new airport.

Localization and adaptation of laws

14. MR MICHAEL HO asked (in Chinese): *In view of the large volume of laws that need to be localized or adapted before 1 July 1997 so that they will not be inconsistent with the Basic Law, will the Government inform this Council of:*

- (a) *the latest progress of work in this connection;*
- (b) *whether a comprehensive work schedule has been drawn up to ensure completion of the work on time; and*
- (c) *in order to speed up the process, whether consideration will be given to introducing certain less sensitive bills into this Council for deliberation before a decision has been reached by the Sino-British Joint Liaison Group?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr President, The answers to Mr HO's questions are as follows:

- (a) On localization of laws, of the 300 or so United Kingdom enactments originally identified for localization, around 30 have been localized as Hong Kong Ordinances in the areas of admiralty jurisdiction and merchant shipping. A First Stage Civil Aviation Bill (covering the localization of four United Kingdom enactments) is now under consideration by Legislative Council. Ninety enactments have been identified as not requiring localization. Consultation papers on another 75 enactments have been handed to the Chinese side. Drafting of several localizing Bills is at an advanced stage. Work on the remainder continues.

On adaptation of laws, an initial review of the Ordinances and subsidiary legislation has almost been completed. Our first consultation proposal was handed to the Chinese side in November 1992. Since September 1993 we have been handing over consultation proposals to the Chinese side in a steady flow. Up to now, consultation papers covering about 30 Ordinances have been handed over to the Chinese side. Work on the remainder continues. Drafting of an omnibus adaptation Bill is at an advanced stage.

- (b) We anticipate that the work should be completed by the end of 1996. However, it is possible that there may be some slippage into early 1997 and there will inevitably be loose ends to tie up in 1997.
- (c) On both the localization and adaptation of laws programmes there is a great deal of work to be done, and not much time to do it, if we are to ensure that we have a complete set of laws capable of continuing beyond 1997. It would be irresponsible for us to let gaps in the law develop after 1997, and we should do everything possible to keep to our target for this extremely important exercise. It is obviously the strong wish of the Government to proceed with this work on the basis of consensus in the Joint Liaison Group, and we would do all we can to try to achieve that.

Rat infestation in Kwai Chung

15. MR MICHAEL HO asked (in Chinese): *The problem of rat infestation has been serious in some areas of Kwai Chung, thereby constituting a threat to the health of the residents there. Will the Government inform this Council:*

- (a) *which government departments are currently responsible for environmental hygiene services in Kwai Chung, and what is the establishment of their staff engaged in this work;*
- (b) *of the anti-rat and rat control methods commonly adopted by the departments concerned;*
- (c) *whether the current staffing level and the effectiveness of the antirrat methods would be reviewed; and*
- (d) *of the measures to be adopted in order to promptly eradicate the problem of rat infestation in Kwai Chung?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, following the dissolution of the Municipal Services Branch in 1990, pest control falls within the policy purview of the two municipal councils. Their policies are carried out by staff of the two municipal services departments. Technical advice is provided by the Hygiene Division of the Department of Health. Since the two councils have no policy secretary to speak for them in this Chamber in response to Honourable Michael HO's question, I am replying as the secretary with policy responsibility for health matters.

- (a) The Regional Services Department (RSD) is responsible for providing environmental hygiene services to Kwai Chung District. The Environmental Hygiene Section of Kwai Tsing RSD District Office (responsible for Kwai Chung and Tsing Yi) has an

establishment of 585 staff: 21 for district hygiene, 373 for district cleansing, 154 for hawker and market management, and 35 for pest control (including two Foremen and eight Workmen solely deployed for rat control duties). The entire district is under the command of a District Hygiene Superintendent assisted by a Chief Health Inspector.

- (b) The Rat Control Staff of a district conducts regular rat infestation surveys covering the entire district. Rat poisoning programmes are then drawn up depending on the degree of infestation. Rat harbourage places are dealt with upon detection. Depending on the type of rats, cages and traps are sometimes used instead of poison bait. Special surveys and poisoning are carried out as and when complaints of rat infestation are received. During surveys and inspections, rat control staff also disseminate advice on rat proofing and environmental hygiene to nearby residents. In addition, the department conducts an Anti-Rat Campaign in November/December each year followed by an associated pre-Lunar New Year clean-up.
- (c) Staffing for rat control duties is monitored by the respective District Hygiene Superintendents, and is reviewed on a need basis. As regards the rat control methods, the Pest Control Officer in charge in the Department of Health is the adviser to the department on the appropriate measures to be employed for the effective control of rats and the types of poisons to be used. The methods used are in accordance with international practice. These are kept under constant review.
- (d) Apart from stepping up the rat poisoning programme and cleaning up junk in the area where recent reports of rat-bites have occurred, both Tsuen Wan and Kwai Tsing RSD Districts have launched a special housing cleansing programme from 14 March 1994 to 23 March 1994 covering Yau Ma Hom Village in Tsuen Wan, Kwai Shing East Estate and Kwai Chung Estate in Kwai Chung. Health Inspectors are deployed to inspect all the flats/units in those areas for general cleanliness. The purpose of this operation is to urge residents to clean up their premises in order to eliminate rat harbourage places. The opportunity is also taken to advise them of the need to provide rat-proofing measures to their premises, for example, gratings to drainage outlets, kicking plates to doors and proper dust-bins.

Intercepting operation at sea

16. DR TANG SIU-TONG asked (in Chinese): *In a report by one of the local newspapers on 3 January 1994, the reporter alleged that he had successfully sneaked in and out of Hong Kong by circumventing the patrol beats of the*

Marine Police through a sea route plying from Aberdeen to Ling Ding Island in China towards the end of last year. Will the Government inform this Council:

- (a) how many illegal entrants were intercepted at sea in the past year; at which locations these illegal entrants were most frequently discovered; and*
- (b) whether any reviews have been made by the departments concerned to assess the adequacies of their intercepting operation at sea; which areas are in need of improvement?*

SECRETARY FOR SECURITY: Mr President,

- (a) In 1993, 2 402 illegal immigrants were arrested at sea; 60% of them were arrested in the Deep Bay area. Other entry points were Mirs Bay, Sai Kung, Castle Peak Bay, Aberdeen and Cheung Chau.
- (b) Illegal immigration trends are constantly monitored to ensure that resources are effectively deployed; where loopholes are discovered, steps are taken to close them. In 1993, the Marine Police stopped and checked nearly 110 000 vessels.

Ecological environment of the Mai Po Marshes

17. MR CHEUNG MAN-KWONG asked (in Chinese): *As the Mai Po Marshes area is an important and internationally famous site for protected wildlife and should be properly protected against any damage caused by the outside world, will the Government inform this Council:*

- (a) of the channels through which it maintains links with the Chinese Government so as to ensure that the preservation of the ecological environment of the Mai Po Marshes can still be given prime consideration despite the development of the neighbouring Futian district within the Chinese border;*
- (b) whether it is aware that some Chinese fishermen are still engaged in fishing and even the catching and killing of protected birds in the shallows off the Mai Po Marshes within the Hong Kong border; if so, what measures are in place to prevent the fish, on which the birds feed, as well as the protected birds themselves from being caught and killed; and*
- (c) whether there are any measures to restrict property development within the buffer zone adjacent to the Mai Po Marshes, so as to maintain the ecological balance of the marshes, which can thus provide a habitat for protected birds?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President, the Administration has long recognized the Mai Po Marshes as an important conservation area, and has designated the area since 1976 as a restricted area under the Wild Animals Protection Ordinance (Cap. 170). Apart from the control and enforcement in the area provided by Nature Wardens of the Agriculture and Fisheries Department (AFD), the area is being managed for nature education and conservation by the World Wide Fund for Nature Hong Kong.

The answers to the question are as follows:

- (a) The Hong Kong-Guangdong Environmental Protection Liaison Group established in 1990 between the Hong Kong Government and the Guangdong Environmental Protection Bureau is the main channel for discussion of environmental issues of mutual concern. Both sides have agreed to protect the environment of Deep Bay and its catchments, and a Technical Sub-group has been set up since 1992 to discuss related matters, including the protection of the Mai Po Nature Reserve.
- (b) The Administration is aware of the occasional intrusion and activities of Chinese fishermen near the Mai Po Marshes. Nature Wardens of AFD patrol the area regularly and take action to drive away any intruders. Special enforcement operations with the assistance from Marine Police is also launched when necessary. In addition, the Administration intends to extend the restricted area to cover the intertidal mud flats of Inner Deep Bay so as to give greater protection to the wild life in the area.
- (c) Land use of the land adjacent to the Mai Po Nature Reserve is controlled by statutory town plans and application for planning permission from the Town Planning Board is required for any development which is not permitted as of right in the town plans. Developers have to demonstrate to the satisfaction of the Board that their proposals would be compatible with the conservation objective of the Mai Po Nature Reserve and the Inner Deep Bay before they are approved.

Profits of public utility companies

18. DR CONRAD LAM asked (in Chinese): *Public utility companies governed by schemes of control may apply to the Government for the grant of land to build new depots on the one hand and sell and redevelop their old depot sites for cash on the other, thus enjoying a guaranteed level of return for their capital investment on the new depot sites as well as profits from the proceeds of land sales of their depots which are directly put into the profit account of the shareholders and not subject to the schemes of control. Such practice invariably*

means double safeguards for the interests of their shareholders. Will the Government inform this Council:

- (a) what criteria are being used in granting land to public utility companies;*
- (b) whether there is any plan to revise the existing schemes of control so as to avoid giving public utility companies double safeguards of their profits; if so, what specific date has been set for carrying out this plan and what the details are; and*
- (c) if not, what the reasons are?*

SECRETARY FOR ECONOMIC SERVICES: Mr President, the current policy on the granting of land to public utility companies is that, in general, sites may be granted to these companies for appropriate utility purposes, subject to the company concerned undertaking not to dispose of any land so granted without the Government's permission. Such land is granted by private treaty at full market value and subsequent assignment, transfer and mortgaging are prohibited.

Before any site is granted to a public utility company, the company is required to demonstrate a genuine need for the site and that it will ensure optimum utilization of it for utility-related purposes.

Public utility companies may be allowed to redevelop sites in the urban areas in cases where there is advantage in moving their facilities away from densely populated areas to permit better use of the land and to realize planning gains. This is not done as a matter of course and applications to redevelop in this way are considered on their merits. Such redevelopments would normally require a modification of the lease conditions and the utility companies would be required to pay full market value premium and give an undertaking not to seek a further grant of land by private treaty in the same area.

Where public utility companies have acquired land on the open market and there are no restrictions on assignment or transfer, such land can be disposed of if the Administration is satisfied either that it is no longer required for the efficient operation of the company or, as a result of population movement or shifts in the pattern of demand, it is no longer suitable for the purpose it was originally acquired.

In certain circumstances, such as those relating to bus depots, where land requirements can change over time, the current policy is to provide land on a short-term tenancy basis. In such cases, the company concerned pays rent for the land and this is accounted for as an operating expense. As such tenancies involve no capital expenditure, they have no impact on the company's average net fixed assets or permitted return.

As regards land sales by public utility companies, the Administration will shortly conduct a review of how proceeds from such sales in future should be taken into account in determining fares when the sites concerned are no longer required for the franchised operations. In the meantime, the Administration will not consider any further applications pertaining to the release of depot sites of bus companies.

Sexual offences involving children and juveniles as victims

19. MR WONG WAI-YIN asked (in Chinese): *Will the Government inform this Council:*

- (a) *of the number of sexual assault cases involving juveniles in the past three years; of these, the number of cases related to incest;*
- (b) *what services are available to help and counsel the victimized juveniles, so as to ease their psychological pains; and*
- (c) *what legislation is in place to safeguard the rights of juveniles and whether consideration will be given to amending such legislation so as to enhance the protection afforded to them?*

SECRETARY FOR HEALTH AND WELFARE: The answer to the three-part question is, *seriatim*, as follows:

- (a) Below are statistics provided by the police regarding the number of sexual offences involving children and juveniles as victims:

	<i>1991</i>	<i>1992</i>	<i>1993</i>
rape	65	52	43
indecent assault	379	408	359
unlawful sexual intercourse	337	357	334
incest	4	10	6
Other sexual offences	11	9	11
Total	796	836	753

- (b) The Child Protective Service Unit (CPSU) of the Social Welfare Department is a dedicated unit to provide services for children and juveniles who are victims of abuse including sexual abuse. Intensive counselling services are provided by experienced social workers and clinical psychologists to help victims to relieve their pain and cope with their emotional problems. Depending on the needs of the victims and their families, social workers also offer assistance and other supporting services such as compassionate rehousing and

school placement. If the victims are considered unsuitable to stay in their old homes, arrangement will be made for them to stay in children's homes, foster homes or small group homes. All these services aim at helping the victims to recover from the trauma and start a new life in a supportive environment.

- (c) The Protection of Children and Juveniles Ordinance (PCJO) (Cap. 213), formerly known as the Protection of Women and Juveniles Ordinance, came into effect on 1 November 1993. The newly amended Ordinance enhances protection for children and juveniles in various ways. The major amendments include:
- (i) widening the circumstances under which a child or a juvenile is considered to be in need of care and protection to encompass physical abuse, psychological abuse, sexual abuse as well as neglect;
 - (ii) providing a new child assessment procedure whereby a child assessment notice can be served by the Director of Social Welfare to require a parent/guardian to take the child for assessment by a medical practitioner, an approved social worker or an approved clinical psychologist; and
 - (iii) shortening the time limit from eight days to 48 hours in which a child is required to be brought before court for a Care and Protection Order after his/her removal to a place of refuge.

The PCJO has greatly enhanced protection for children and juveniles and it safeguards their rights and welfare.

The number of abolished public forms

20. MR MARTIN BARROW asked: *Will the Government inform this Council of the number of forms which have been abolished by each department since the establishment of the Efficiency Unit and the number which remain in use by each department?*

CHIEF SECRETARY: Mr President, the review of public forms is an ongoing exercise to ensure that forms in the Government are necessary, simple and user-friendly. A total of 53 departments participated in the recent Public Forms Review exercise. The remaining 23 departments were exempted either because they have no public forms or because they have conducted a similar review recently. Some forms were also exempted for operational reasons, for example, a major system review will be held or a computerization project is being implemented.

In the recent review some 6 000 forms were examined. Some 4 700 forms continue to be used. This reduction is the result of some 800 forms being abolished; some 640 forms being combined and reduced to about 130, and the creation of less than 30 new forms. Some 2 300 of the remaining forms were improved or simplified. These improvements include better quality presentation, clearer structure of forms, and the introduction of Chinese translations where necessary. The results of the review by department are annexed.

Annex

Public Forms Review

<i>No.</i>	<i>Department</i>	<i>Forms reviewed</i>	<i>Forms abolished (net of new forms)</i>	<i>Forms remaining after review</i>
1	Administration Wing, Government Secretariat	11	5	6
2	Agriculture and Fisheries Department	85	0	85
3	Census and Statistics Department	11	2	9
4	City and New Territories Administration	283	5	278
5	Civil Aviation Department	47	1	46
6	Civil Engineering Department	26	0	26
7	Companies Registry	73	0	73
8	Correctional Services Department	7	2	5
9	Customs and Excise Department	166	44	122
10	Department of Health	193	7	186
11	Education Department	584	294	290
12	Electrical and Mechanical Services Department	20	3	17
13	Environmental Protection Department	66	7	59
14	Fire Services Department	265	60	205
15	Government Supplies Department	146	25	121
16	Highways Department	1	0	1
17	Hong Kong Monetary Authority	33	0	33
18	Housing Department	625	86	539
19	Immigration Department	21	0	21
20	Independent Commission Against Corruption	24	5	19
21	Industry Department	9	0	9
22	Information Services Department	7	0	7

<i>No.</i>	<i>Department</i>	<i>Forms reviewed</i>	<i>Forms abolished (net of new forms)</i>	<i>Forms remaining after review</i>
23	Information Technology Services Department	42	22	20
24	Inland Revenue Department	90	19	71
25	Judiciary	6	0	6
26	Labour Department	413	71	342
27	Lands Department	16	1	15
28	Land Registry	20	0	20
29	Legal Department	13	3	10
30	Legal Aid Department	38	0	38
31	Marine Department	103	6	97
32	Office of the Commissioner for Administrative Complaints	2	0	2
33	Office of the Commissioner of Insurance	18	+3	21
34	Office of the Telecommunications Authority	58	0	58
35	Official Receiver's Office	179	19	160
36	Planning Department	3	0	3
37	Post Office	100	3	97
38	Printing Department	36	0	36
39	Radio Television Hong Kong	3	0	3
40	Rating and Valuation Department	434	12	422
41	Regional Services Department	100	3	97
42	Registration and Electoral Office	117	3	114
43	Registry of Trade Unions	24	0	24
44	Royal Hong Kong Police Force	55	0	55
45	Social Welfare Department	204	81	123
46	Student Financial Assistance Agency	76	+1	77
47	Television and Entertainment Licensing Authority	39	0	39
48	Territory Development Department	1	0	1
49	Trade Department	134	11	123
50	Transport Department	118	15	103
51	Treasury	35	7	28
52	Urban Services Department	599	382	217
53	Water Supplies Department	190	72	118
	Total	5 969	1 272	4 697

Second Reading of Bill**APPROPRIATION BILL 1994****Resumption of debate on Second Reading which was moved on 2 March 1994**

PRESIDENT: In accordance with Standing Order 54(2) we will now resume the debate on the Appropriation Bill 1994. The motion before Council is that the Bill be read the Second time. Under Standing Order 27, Members have 15 minutes for their speeches.

MR ALLEN LEE (in Cantonese): Mr President, the Liberal Party is pleased to find that the Administration, with a huge reserve on its hands which is the envy of the world, need not worry about the problem of deficit. We hope that the Administration can, in such favourable circumstances, continue to give driving force to the prosperity and advancement of Hong Kong and invest funds to build for the future so that Hong Kong will become a city that catches the attention of the whole world. The government officials responsible for Hong Kong's finances should be far-sighted in leading Hong Kong into the 21st century, so that the people of Hong Kong can continue to create wealth and enjoy the fruits of economic development.

The Financial Secretary's proposals of increasing the personal allowance and cutting the profits tax to 16.5% are indeed wise moves. But we think that with such substantial amounts of surplus and reserve, the Administration should do even more to improve the quality of life of the public and alleviate their burden. I think that the Administration should adopt an active and responsible attitude in the following three areas:

(1) Curbing inflation

Inflation has eroded the assets of the general public and weakened the purchasing power of our currency. We understand that this economic phenomenon has arisen from the following:

- (1) The linked exchange rate has led to low deposit interest rates, and given the high inflation rate, we have in effect negative interest rates.
- (2) The limited land supply has led to high property prices.
- (3) The chronic labour shortage has led to high wages.

Linked exchange rate

Due to the linked exchange rate, our interest rates have to follow the United States with the result that the Hong Kong dollar deposit interest rates have remained at a low level. But we have also seen that this system is useful in stabilizing the exchange rate of the Hong Kong dollar, giving Hong Kong's economy a stable environment during the transition period. Moreover, as it is now difficult for there to be co-operation between China and Britain on the political front, many uncertainties exist during the latter part of the transition period. So we should not take the risk of altering this system, which will only add to the anxiety of the public. The Liberal Party considers that the linked exchange rate is indeed one of the contributory factors to inflation at this stage, but in order to maintain the stability of our currency, we have no alternative but to pay this economic price.

Insufficient land supply

Housing is probably the largest item of expenditure borne by the people of Hong Kong. Insufficient land supply has led to spiralling property prices which in turn further push up inflation.

The Liberal Party considers that the Administration should on a flexible basis change the use of certain land and increase the land supply by way of urban redevelopment and more effective town planning, so as to lower property prices to a level affordable to the public. "Home ownership" is also included in the platform of the Liberal Party. We urge the Administration to step up its effort as far as supply and use of land is concerned.

Labour shortage

As the chronic labour shortage has led to rising production costs, the Administration need to regularly review the feasibility of importing foreign labour. Of course, we have to protect the interests of our local workers, but we also need to raise the competitiveness of our products. Therefore, I think that the Administration should import foreign labour according to the demand and subject to the premise that it will not affect the livelihood of the local workers. Such a measure will curb inflation and will be ultimately beneficial to the general public.

(II) Adjustment of rates

A government should not have money-making as its primary and foremost endeavour. "What is taken from the people should be used for the benefit of the people." Given the estimated and the existing fiscal surpluses, we cannot see the need for the Administration to adjust the rates. The Liberal Party demands that the rates be freezed for one year. As this will not undermine the financial well being of the Administration, the Administration should not find excuses to reject our demand and insist on an upward

readjustment. If the Administration should resort to intimidation by saying that a freeze of the rates will force the Administration to reconsider the profits tax rate. I will be very disappointed and will be strongly opposed to such an action by the Administration.

(III) Improvement of people's quality of life

Being awash with funds, the Administration should make greater commitments in regard to transport facilities, education, retirement protection and technological research, in order to improve the quality of life of the public.

As regards the transport infrastructure, the Administration should expedite the construction of Route 3 in order to improve the traffic situation in northwest New Territories. The Administration should also commence as soon as possible the construction work of important projects like the Airport Railway, the Northwest New Territories Railway and the MTR extension to Tseung Kwan O. The improvement in transport facilities can shorten the travelling time between the urban and rural areas and help the development of new towns. It is an indispensable measure in improving the people's living standard.

As regards education, we are very pleased to see an increase in the subsidy for kindergartens. But training for teachers in kindergarten and primary and secondary schools is still insufficient. The Administration must address this problem in order to improve the quality of our teachers. Given Hong Kong's economic achievements, it is incomprehensible that floating class arrangements should still exist in our schools. The Administration should cancel such arrangements and implement as soon as possible the targets of the Education Commission Report No. 5.

Another important investment in human resources is technological research and development. If we want to have a share in world markets in the next century, we must make an effort to raise our technological standard such that our industries can keep abreast of the technological advancement of the world. This investment will take a long time before its effect can be seen. The Administration should, subject to the availability of funds, make this long-term investment in order to prepare Hong Kong for the 21st century.

While caring for our young people, the Administration should not disregard the problem of the aging population. The Liberal Party supports the increase of the old age allowance to \$2,100 a month but considers that applicants should be subject to a means test. The Administration should also implement, with this Council's support, a central provident fund system. The Administration will have to play an active role in this regard. The other Members of the Liberal Party will also speak on the above problems concerning people's livelihood. In addition, they will speak in detail on other aspects like housing, law and order, and environmental protection.

Finally, I would like to ask the Secretary for Home Affairs about the Buildings Management Tribunal. In May last year, Mr Michael SUEN promised this Council that before the establishment of this Tribunal, the Administration would broaden in April 1994 the terms of reference of the Lands Tribunal such that it could handle cases concerning building management. But now the Administration has rejected on financial grounds the application for the necessary funds. Given the existing circumstances, it is really laughable. The Administration must keep its promise otherwise it can hardly have any credibility. I hope that Mr Michael SUEN can give a clear answer in his official reply later.

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

MRS SELINA CHOW (in Cantonese): Mr President, Financial Secretary Hamish MacLEOD has published his third Budget since assuming office. Entitled "Managing Prosperity," the Budget has become a favourite topic for discussion among the public because it proposes many tax cuts. However, a pre-condition for sustained prosperity in Hong Kong is good work in the security area. Members of the public in Hong Kong always pay great attention to this area. If the Government wants the community to be stable and prosperous, it must do its utmost to maintain law and order and to protect the lives and property of the citizenry.

The Budget proposes only a 0.4% increase in total expenditure in the security area, whilst the recurrent spending growth will be down by 1%. The main explanation for this is that the spending on the British garrison in Hong Kong will be down sharply by \$1.478 billion and that the spending on Vietnamese boat people is expected to decline significantly because of quickened repatriation. However, excluding the spending on the garrison and the spending on the boat people, total expenditure in the security area will increase by only 1.7% in real terms. Among all policy areas, growth in spending in the security area will be the smallest. Now, as 1997 draws near, cross-border crimes are becoming an increasingly serious problem. The local crime rate, too, has risen. Triad crimes and organized and serious crimes are particularly bad. The development of new communities, the security concerns in respect of the new airport work sites, and the waves of protest movements including mass processions, demonstrations, sit-ins and hunger strikes have all added to the workload of the police force. The general public's demand in the security area is ever rising. I believe that, as the British garrison continues to withdraw from Hong Kong, some of its work will gradually fall on the police force. So the police force and other security services will need more resources to expand their staff establishment.

The spending on the police force, at \$8.2 billion after a 2% increase, will still constitute the largest item of expenditure in the security area. Yet, the shortage of police manpower has been worrisome. I remember that, three

years ago, the police force had to cut nearly 2 000 posts because of recruiting difficulties.

The cuts were not in respect of redundant posts. They were eliminated because they had been vacant and the vacancies could not be filled. However, as a result of improvement in employment conditions and an intensified police publicity effort, there have been marked improvements as far as recruiting is concerned. Since the police force is now more successful in its recruiting campaigns, the necessary but previously eliminated posts should be reinstated. Why not reinstate them? Why not readjust the size of the police establishment? If the Government is determined to fight crime, then the Security Branch of the Government Secretariat should, jointly with the senior management of the police force, seek more funding from the Finance Branch. The police force should be strengthened through the adoption of a positive and serious approach. The police strength needed to maintain security must not be weakened through the adoption of a haphazard approach.

In fact, since nearly 2 000 police posts were eliminated three years ago because of recruiting difficulties, the police force has been, so to speak, using seven caps for 10 bottles. Of course, the quality of police work has been adversely affected.

It must be realized that the police beats with a 24-hour coverage are divided into three shifts, A, B and C. The 2 000 posts that were eliminated were meant for stand-ins who would relieve officers on leave. I believe that nobody thinks that police officers should be deprived of their leave time. Therefore, when they are on leave, there are fewer police officers on the beat. I have attended the meetings of many local fight crime committees. They all asked for more police officers to be put on the streets so as to deter crime. The police force, on the other hand, has tried to cover up for its shortage of manpower by declaring that more police officers on the streets may not be an effective deterrent to crime. Is the police force telling the truth? How come it always puts more officers on the streets during the Western New Year and the Chinese New Year holidays? Good people are reassured by the sight of police officers on the streets. Bad people are deterred. Therefore, the police force should not indulge in such deception and self-deception. It should take a square look at the problem and try to solve it.

The slimmed down police establishment has affected the daily rosters telling which uniformed police officer to walk which beat. This effect is all too apparent. The work load of the police force has grown heavier in other ways over the past three years. When new police stations were set up in the New Territories, such as at Tai Hing, at Tseung Kwan O, at Ma On Shan and at Tin Shui Wai, their operations were hindered by manpower shortages. Members of the public are heard to say, "There are policemen on Hong Kong Island; there are policemen of sorts in Kowloon; there are only watchmen in the New Territories." I have no intention at all to disparage any member of the police force. But the above saying does show that police officers differ in public

respectability and effectiveness depending on which of the three regions they are posted to. In fact, the new communities are located in very attractive places. The environment is nice and there are great opportunities. They also afford rich pickings for intending criminals. Intending criminals are happy to put their resources to profitable use in what they regard as the beachhead of their future turf. Tuen Mun provided a good illustration in the past, did it not? Tin Shui Wai is providing a good illustration now, is it not?

Another consequence of the shortage of police manpower is that the police force cannot do as much as it wants to do in the area of crime prevention. As everybody knows, triad activities have recently become very rampant. Triads have expanded their spheres of influence; they have been boldly and rapaciously going about their dirty business; they have also become openly defiant of law. The recent murder and assault cases involving people in the show business were like climaxes in movies. They were shockingly real, though. People at the grassroots say the triads members often intimidate and extort money from small tradesmen. These innocent parties suffer mental anguish as well as monetary loss. The triads have infiltrated many new shopping plazas, where they are identifying potential victims with intent to set up "local triad kingdoms."

Recently, everybody has been praising the police for successfully smashing a crime syndicate of extortionists in a new shopping plaza in Wan Chai. A successful police operation like this takes a lot of time and manpower to plan and execute. It involves intelligence work, detective work, surveillance work and even "agent provocateur" work. With its present manpower shortage, the police normally acts only upon complaint. Extortion happens in many shopping plazas, especially new shopping plazas, throughout the territory. It happens even more often in the New Territories where the police are short-handed. Criminals behave there as if they were in no-man's land.

Whenever we question the police as to why they have failed to stamp out this routine but organized extortionist activity, they would give two reasons, namely, (1) reluctance of the public to report and (2) inadequate powers conferred by the law. At first blush, these sound rather convincing. But on closer examination, these are not valid reasons.

Members of the public normally do not report crime. This is because they have no confidence in the police force's ability to protect witnesses. The Secretary for Security and the police force must work together to come up quickly with effective methods for dispelling the fears and worries of members of the public. There is no other effective way to bring triads under control. Triad crimes may become as unbridled as corruption was before the establishment of Independent Commission Against Corruption (ICAC). I urge the government departments and policy branches concerned to make up their mind quickly and to allocate the needed resources wherewith to implement various measures and to put in place a package of specific arrangements. Intensive publicity is also to be launched. Members of the public will then support police work and have confidence in the police force.

I will now talk about immigration. According to Immigration Department statistics, more than 80 million people entered and left Hong Kong by sea, land or air last year. The Immigration Department says that, in 1993, 80% of travellers entering or departing were able to clear immigration within 30 minutes. The number of officers manning the counters at Lo Wu will be increased from 251 to 304 in the new financial year. However, the number of cross-border passengers has increased by 63%. The additional manpower clearly will not be enough for coping with the increase in the number of cross-border passengers. I urge the Government to set out its performance pledge as regards service during the peak hours. At the same time, I urge it to commission an ad hoc as well as professional study to find out if the performance pledge is really being fulfilled at the various major border-crossing points. If needs be, more manpower should be deployed to make sure that travellers can cross the border safely after a reasonable wait in the line.

A committee under Dr Helmut SOHMEN will be making a full review of the operations of ICAC. This review should not be delayed. I hope that it will result in a faster pace for localization through promotion of local officers to leading positions in ICAC, particularly in its operations division. The Government should provide more training resources to promote the localization of the ICAC.

Mr President, I would like to talk lastly about the Government's attitude towards domestic problems. In his policy address last year, the Governor promised to observe United Nations "International Families Year" and to spend more money to help families with domestic problems. However, the Budget mentions no specific measure of a positive kind other than an increase in children's allowance under the Comprehensive Social Security Assistance Scheme. The Government has announced no new policy for taking care of the special needs of "other categories of families" or "broken families." The Liberal Party has called for the raising of the tax allowance for single-parent families to \$32,000. In his Budget, the Financial Secretary has acceded to this request of ours. This shows that the Government is at least responding to our plea and accepting the principle that single-parent families have special needs. However, single-parent families are still facing many difficulties, including discrimination, in the areas of income, housing, child care and social services. I strongly urge the Government to take pragmatic actions to help them by providing more support services.

Wife abuse is still a very serious problem. According to the Harmony Home, up to January this year, its hot line was used by more than 2 000 women seeking help. The Government so far has provided no money to support this hot line, which, to the abused wives, is a veritable life line. More and more women are using it. This adequately reflects the seriousness of domestic violence in Hong Kong. A study by the Department of Psychology at the Chinese University of Hong Kong finds that wife abuse is a problem with direct adverse effects on the moods and behaviour patterns of children, who consequently become depressed, anti-social or even offensive. I strongly urge

the Government departments concerned to make up their minds and provide financial help to the Harmony Home's service hot line, to help abused wives, to provide treatment and counselling to children in families where wives are abused, and also to take matching actions in the funding and policy areas, such as by laying down inter-departmental guidelines and measures for preventing child abuse, in order to prevent domestic tragedies.

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

MR HUI YIN-FAT (in Cantonese): Mr President, Financial Secretary Hamish MacLEOD gave the title of "Managing Prosperity" to his third Budget since assuming office. There is nothing wrong with this title; one might reasonably think that the Budget should be welcomed by all and sundry. But this has not been the case. For days, groups and political parties representing the lower strata of society have been attacking the defects of the Budget: its proposal to increase rates, its failure to lay down measures for fighting inflation and curbing property speculation and its continuation of the policy of high land prices and high housing prices.

I would think that, for the management of money matters, a good method should fit "the golden mean" advocated by Chinese people. Members of the public clearly are not appreciative of the Financial Secretary's policy of "returning wealth to the people", not when the Government's financial position is so robust and the economic outlook is so good. Members of the public are not appreciative because they do not find the Government generous: it is merely doing what it ought to do. Another thing is that the Financial Secretary has underestimated the expectation of members of the public for him to act boldly to "rob the rich to pay the poor," so to speak. They expected him to introduce a capital gains tax, to keep the corporate profits tax rate unchanged and to slightly cut the air passenger departure tax in order to achieve a more equitable redistribution of social wealth. They feel let down and unhappy. These feelings now provide big and small political parties with ammunition for criticizing the Government.

People are apt to think that politicians skilled in championing for the rights and interests of the grassroots are ever ready to find fault with government policies. However, viewed from the perspective of money management, some of the budget proposals for the next financial year indeed derogate from "the golden mean." It is on this derogation that the critical comments of politicians and members of the public are now focused.

First, as we all know, the "China factor" is Hong Kong's biggest attraction to foreign investors these days and the most important factor in sustaining Hong Kong's economic growth. Hong Kong has a simple tax structure. Its taxes are low; its corporate profits tax rate has for years been the lowest in Asia. There is no doubt that Hong Kong is highly competitive as a centre of commerce in the Asia-Pacific Region. The Financial Secretary's proposal to cut the profits tax

rate by one percentage point will translate into a needless loss of \$1.6 billion in revenue in the next financial year. There is no convincing evidence to show that such a cut is needed. The proposed cut is actually contrary to the basic spirit of the Government's effort in recent years to broaden the tax base.

Secondly, years back, the Government started collecting an air passenger departure tax as a means of broadening the tax base. Later, it raised this tax on the ground that members of the public could afford a raise. Since 1991, the tax has been standing at \$150 per head. Now with the public's spending power being far greater than it was three years ago, surprisingly, the Financial Secretary has proposed to lower this tax in one go to \$50. His explanation is that he does not want to discourage transit passengers from venturing beyond the confines of the transit halls to sightsee and to spend. But how many such passengers are there? The Financial Secretary cites no statistics; I believe that there are not many. What is clear is that the Treasury will lose as much as \$960 million in tax revenue in the coming year.

Thirdly, members of the public are unhappy with the Government's proposal to raise rates. To be sure, they are unhappy partly because higher rates payments will directly translate into higher housing expenses for them, particularly those who live in private rental accommodation, or who pay over half their monthly income by way of mortgage repayment, or who are low income people living in public rental housing. But the more important reason is that the Government's case is clearly unconvincing. The Government is determined to raise rates despite its robust financial position and despite the Financial Secretary's resolve to "return wealth to the people." I think that members of the public do not care that their savings under the proposed salaries tax cuts will far exceed their additional expenses under the proposed rates increases, and this is mainly because the justifications for the proposed rates increases are far from sufficient. Besides, according to official estimates, if rates payments remain the same in the next financial year, the Government's projected revenue will be less by only \$1.45 billion. The Financial Secretary could easily have made good the difference if he had not proposed the excessive cut in the air passenger departure tax and the cut in the stamp duty on property transactions. Furthermore, he could have refrained from proposing a cut in the profits tax rate.

Fourthly, the Financial Secretary has proposed a sharp 28.6% increase in salaries tax allowances. However, for a single-parent family, the tax allowance readjustment is only 18.5%. This is clearly unfair. I think that the tax allowances for single parents should be increased by an amount sufficient to cover special expenses incurred in looking after children. Mrs Selina CHOW has already dwelt on this issue. I will not repeat it.

The Financial Secretary's fifth proposal which departs from "the golden mean" is the proposal to cut the stamp duty on property transactions involving flats that worth \$3 million or less. This rash proposal will reduce the Government's revenue by \$810 million. More importantly, it is completely

contrary to the principle underlying the Government's policy, announced some years ago, to curb property speculation by raising stamp duty and even collecting it well in advance of transaction. Members of the public are disgusted with official duplicity, of which they are seeing yet another actual example. The Financial Secretary explains that the purpose of cutting the stamp duty is to lighten the burden for home buyers. But the real concern of home buyers is not the relatively insignificant stamp duty but the high property prices. I want to tell the Government this truth: Members of the public have long been furious at the Government's failure to make up its mind to fight inflation and curb property speculation. They are furious with the official who said recently, "Levying a capital gains tax will probably arouse the discontent of Hong Kong's more than 800 000 existing home owners." I am afraid that, unless the Government acts in time to defuse such sentiment, public discontent will be like a time bomb waiting to blow up our social stability. The present wave of opposition to the proposed rates increases shows that the Budget has provided an occasion which members of the public are using to vent their pent-up unhappiness and discontent. The Government must not underestimate the force of these feelings.

Mr President, I will now turn to social welfare, which is the subject of my constituency. The proposed total expenditure on social welfare will increase in real terms by 8.4% next year from the revised estimate for this year. I can only say that this proposal is reasonable and welcome. But I cannot say that I am happy with it, the reason being that the proposed increase will be sufficient only for funding part of the new programmes. In fact, most of these new programmes are programmes long promised by the Government. Only a very small percentage of them are really new. I think that improvements are really needed in many areas, considering the present state of social development and the increasingly complex and increasingly difficult problems that will have to be faced. These problems must be dealt with properly in response to the needs of the times. While "quantitatively" improving services, the Government must also maintain the basic "quality" of services. Otherwise, quantitative improvements will do more harm than good. The Government must provide sufficient resources to enable it to fulfill its performances pledges.

For quality to be maintained, the most basic requirement is an adequate supply of trained manpower. In the next few years, new private homes for the aged will come on line and new social welfare programmes will be launched. These will put heavy strains on the already tight supply of registered nurses and diploma social workers. I once more urge the Government, now that its financial position is much more robust than before, to move quickly to fulfill its promises made over the years. One such promise is to raise the ratio of social workers to students in schools. Another is to reduce the caseload of family visitors. In addition, the University and Polytechnic Grants Committee should work closely with individual tertiary institutes to expedite the introduction of diploma courses for social workers and to provide more course places. This will resolve the shortage of manpower which may otherwise become an obstacle to social services development.

The supply of social welfare workers will be getting tighter in the next few years. Effective ways must be found to attract new blood, to keep existing personnel from leaving and to raise the morale of the entire profession. I think that the Government should further narrow the fringe benefits gap between employees of subvented organizations and civil servants. In fact, the Government is paying some mortgage interest allowance to qualified employees of subvented organizations but the amount is infinitesimal. The Government should raise this mortgage interest allowance and consider paying a medical insurance allowance.

The Financial Secretary has proposed to raise the Lotteries Fund's share of the Mark Six proceeds from 5% to 15%. This will be a three-fold increase. I am pleasantly surprised. For nine years in a row, I have been urging in this Council that the Lotteries Fund should get a larger share of the Mark Six proceeds. The Financial Secretary has finally responded to my urging and even agreed to a share larger than the one I have urged for. I am excited and delighted. But I also have certain misgivings. The \$2.3 billion that Government will inject into the Lotteries Fund, plus the \$1.8 billion in extra receipts over the next four years under the present proposal, will last only until 1997. Last year, the Government made a change affecting the Lotteries Fund thereby lifting the restriction that it can only be used to cover non-recurrent expenditures. That is to say, part of the Lotteries Fund receipts will be allocated for the purpose of covering the recurrent expenditures of welfare services provided by subvented voluntary agencies. These allocations, as a percentage of total subvention, will rise from the original 11% to 18% in the next financial year. I believe that the percentage will have risen further by 1997. The other day, the Director of Social Welfare gave me a written response, saying that the post-1997 government will be able to use general revenue to cover the recurrent expenditures now funded by money from the Lotteries Fund. But this failed to dispel my concerns or those of the voluntary agencies. We are worried because, when the time comes, social welfare will again have to compete with other social services for a piece of the pie, which is the government's total spending figure. Therefore, I urge the Government to take action to dispel the concerns of the subvented organizations, such as by making a longer-term financial commitment and making a longer-term service improvement plan.

Furthermore, I would like to make some comments here about whether the Government will, in the next four years, exhaust the above-mentioned \$1.8 billion for covering non-recurrent expenditures. Since a surplus is predicted, I hope that the Government will advance some of the money now for two purposes: One, for funding service improvement plans already approved by the Social Welfare Advisory Committee but being postponed for lack of funds. Two, for helping voluntary agencies in providing support services, including innovative services, social studies and office automation programmes to improve communications among, and administrative efficiency in, the various agencies.

Mr President, generally speaking, the overall spirit of the Budget is forward-looking. The Financial Secretary does not propose to sit on the fiscal reserve but will return some of this wealth to the people. This will enable the community to remain prosperous; it will also enhance the feeling of security in the community. However, some tax concessions are excessive. They hinder the equitable redistribution of wealth and make the Budget less acceptable to the public than it might otherwise be. I hope that the Financial Secretary will continue to take a serious approach to his work and to pay serious attention to the wishes of the public. He should be responsive to the pleadings of the public. In this way, the Government during the latter part of the transition period will leave a more meaningful impression on the people of Hong Kong.

I so submit.

MR MARTIN LEE (in Cantonese): Mr President, the basic belief of the United Democrats of Hong Kong (UDHK) is doing the utmost to promote Hong Kong's stability and prosperity. If this goal is to be attended, we must fully implement the principle of fairness in politics, in economics and in the people's livelihood. Therefore, UDHK are doing their utmost not only for the cause of democracy, human rights and freedom but also for a climate conducive to the rule of law, to fair competition and to a policy of governance consonant with social justice. UDHK hope that every citizen, regardless of family background, will have an equal opportunity to get rich through entrepreneurship.

A caring and progressive society

Toiling and sweating, the people of Hong Kong have over the past decades worked a "development miracle" which is now the envy of the world. Hong Kong has evolved from a manufacturing centre based on cheap labour into a major financial centre of the world. As the Financial Secretary annually reviews Hong Kong's economic development, does he also announce financial policies to make sure that the lowly citizens, who have been with Hong Kong through thick and thin; can equally partake of the fruit of prosperity?

Mr President, in his Budget speech, the Financial Secretary said, "This generation takes it for granted that enterprise, education and personal endeavour will bring improved personal incomes and a better quality of life year by year." True, this generation has enterprise. But is our education system teaching every student the right things, things that will enable him to realize his full potential? Are our training programmes responsive to the needs of social development? What plan does the Financial Secretary have for fighting inflation, which is eroding the real income of salary earners despite annual pay increases? The Government, at its wits' end in the face of explosive prices of housing, is nevertheless unwilling to listen to the suggestions of Members of this Council. Is such the right behaviour of a responsible administration?

Hong Kong's economy has grown steadily in real terms for 27 years. We the people of Hong Kong are proud of this record. But the Government must not be complacent. Despite the superficial signs of prosperity, disparity of wealth has widened in Hong Kong. Social conflicts have deepened. The entire population of Hong Kong contributed to its affluence. It is only right that the entire population should partake of this affluence. But, in reality, we do not have a fair tax system, a sound social service system or a sound social security system. So the lowly citizens, far from partaking of the fruit of economic growth, are bearing the consequences of high inflation. UDHK, as a responsible political party representing the interests of the public, of course cannot ignore such social injustice.

Mr President, UDHK do not intend to change the low tax system that now exists in Hong Kong. We hope merely that a just and caring society will come about, based on the belief that everybody should contribute to prosperity and partake of its fruit. A homeless citizen cannot be a happy worker. Our basic livelihood must be safeguarded before we can go on to pursue personal aspirations and development plans, thereby creating wealth and promoting social stability and prosperity.

When preparing his Budget for 1994-95, the Financial Secretary had recourse to extensive consultation as he did the year before. He took a square look at the wishes of the Legislative Council. UDHK are highly appreciative of this. The Financial Secretary has proposed many cuts in personal income taxes. He will cut the marginal tax rate and sharply increase the personal tax allowance to compensate for the inflation of the past years. Undoubtedly, the tax burden of the low and middle income groups will now be lighter. We should praise the Financial Secretary for doing this rare move of his in that his proposed tax cuts are consistent with UDHK's suggestions.

However, the grassroots will not really benefit from the proposed tax cuts. The Budget, like the past ones, will do little for them. The Budget contains no good prescription for dealing with high inflation, which is eroding the purchasing power of members of the public. Instead of doing just the opposite, the Financial Secretary has proposed to cut the rate of profits tax by one percentage point. This will make it even more difficult to find money wherewith to implement the various pressing social service programmes. Other colleagues from UDHK, speaking later on, will analyze the Financial Secretary's various proposals on tax and public expenditure matters. I will focus on the Financial Secretary's primary economic policy, which purports to maintain Hong Kong's free trade and fair market.

A free and fair economic system

Mr President, a climate conducive to free and fair competition is essential to a better quality of life and to economic development. The Government cannot run away from its obligation to promote fair competition. Fair competition requires the co-ordinated support of the right kinds of social

institutions. A *laissez-faire* market economy is likely to bring all sorts of undesirable side effects. Therefore, the Government must intervene to an appropriate degree to enable the market adjustment mechanism to operate effectively. Economic development will then be in tune with social development. Conditions for fair competition will have been in place.

True, the Government has done remarkably well in maintaining the rule of law and in fighting corruption. But the Government has always taken a *laissez-faire* approach to fighting monopolies and protecting consumer rights. As a result, there are permanent monopolies in several sectors. An example is the monopoly on interest rates. It is the product of the interest rate agreement, and it enables the banks to earn unjustifiable profits.

Franchised public utility companies, including transport companies and gas companies, have often raised fares and rates over consumers' objections and in disregard of their ability to pay the higher bills. In the absence of competition, industrial and commercial operators are insufficiently motivated to improve the quality of their products or services. They do not have to attract buyers by cutting costs. Consumers, left with no alternative, have to live with "expensive products of poor quality," the antithesis of "inexpensive products of good quality."

Mr President, the Consumer Council has in fact been studying these sorts of problems for years. But the studies have not received the Government's serious attention. The Government has now proposed a larger appropriation for the Consumer Council to set up a working group on competitive policy, which will study the state of monopoly in several sectors. The Government has also proposed to set up a Consumer Class Action Fund to help consumers file their claims. UDHK welcome these proposals. However, the Government must not totally unload its responsibility for promoting a competitive policy onto the shoulders of the Consumer Council, which is not being sufficiently funded. Besides, the Consumer Council has never been given the proper authority to implement a fair competition policy in the Government's behalf. UDHK urge the Government to move expeditiously to enact anti-trust legislation as well as legislation for the protection of consumer rights, to set up a fair trade commission and to heighten awareness of consumer rights through the media and through formal education.

Mr President, a policy of promoting fair competition will benefit the entire population. Everyone of us is a consumer every day. An eight-year-old boy who buys a bar of chocolate is a consumer. So is an 80-year-old senior citizen who buys a newspaper and reads it over a cup of tea in the tea house. Where there is fair competition, a big corporation and a small tradesman alike must improve operational efficiency and supply good quality products at inexpensive prices. This will help to improve the quality of life for everyone.

In fact, fair competition will help the healthy development of industry and commerce. Small fish will not be easily swallowed by big fish in a truly free and fair economic system. Small tradesmen will then be able to compete fairly with big corporations. Fair opportunities will thus be created for the entrepreneurs of this enterprising generation.

Mr President, the 13 Members from UDHK have been fighting over the past years for fair competition and free trade. Regrettably, however, our action has been misrepresented as "anti-business" by vested interests in the business community. Is that a true characterization of UDHK? If one should carefully read UDHK's inaugural manifesto, its election platforms and its economic policies, one will then find that our economic philosophy is to promote fair competition. I believe that members of the public are very discerning. They will see that we work solely for the protection of the rights of every citizen and not at all for fattening our own purse.

Mr President, lastly, I would like to reiterate that UDHK will continue to work hard for the implementation of the principle of fairness in the political, social and economic realms. We will stick to such a position even if the vested interests single us out for attack, including physical attack

Mr President, I so submit.

DR DAVID LI: Mr President, last year I compared the Financial Secretary to Father Christmas. But the author of this year's Budget makes last year's Budget-writer look like an unrepentant Scrooge.

Like the 1992-93 Budget, this year's effort has been greeted enthusiastically. The Financial Secretary has rightly earned praise by working constructively to meet past concerns. But there is a risk in doing that.

Even now, various interest groups are asking for more. The Budget suddenly seems caught up in the politicization of Hong Kong. Yet, none of us can afford to lose sight of the fact that this is a Budget. Its concern, first and foremost, is the financial well-being of Hong Kong, today and tomorrow.

No boom lasts forever. It is prudent to provide against a leaner tomorrow, as long as we manage our savings well.

In that light, what many have said is a great Budget may not be quite so great. In fact, it may be a bad Budget. Even worse, it may be a dangerous Budget.

Is this Budget, wrapped in its shiny orange cover, merely a tangerine dream, or worse — is it a clockwork-orange nightmare of fiscal imprudence?

The truth is clear. The Budget fails to expand the capacity of Hong Kong's economy. It fails to ease any of the economy's supply constraints. It fails to tackle inflation. It fails to preserve and strengthen our competitiveness.

It fails to do what a Budget should do.

Instead, it sugarcoats the critical issues facing our economy. It risks lulling us into self-satisfaction and complacency.

It needs a "reality check".

The Budget cuts the profits tax. Good. But the profits tax was not the major concern. In a recent survey by Coopers and Lybrand, 73% of respondents — all senior executives at Hong Kong-listed companies — said the old rate was not a problem. Instead these business leaders wanted a wider, fairer tax scheme. They wanted lower inflation. They will get neither.

In fact, by boosting the cost of company registration, the Financial Secretary simply fiddles with indirect taxation while the fires of inflation rage.

The Budget cuts the top marginal salaries tax rate. It increases personal allowances. Great news for many in Hong Kong. But this effectively narrows the tax base to just over one million people, making our entire tax system less stable, more volatile. One might almost think that this is a ploy to justify imposing a regressive sales tax.

Increasing personal allowances should put more money in the pockets of the less affluent. But how much? A typical "sandwich class" family of four with a monthly income of \$20,000 would have its tax bill cut by \$7,580 a year.

That seems generous. But consider: this is only \$630 per month, a mere 3% of the family's annual income. It is also less than half of what the current inflation rate cuts from their real income every month. In other words, the Budget has failed to lower Hong Kong's painful "inflation tax".

Increasing allowances, reducing tax rates are marvellous steps — for those who are fortunate enough to pay taxes. But there are those who fall below that line. How are they sharing in Hong Kong's prosperity? What will the Budget do for them?

We will be giving these people's children an extra \$100 per month under the Comprehensive Social Security Assistance Scheme, plus the usual increase to compensate for inflation. That will do little to ease the financial suffering of the truly disadvantaged.

The Budget declares that the inflation rate is high because of the limited supplies of land and of labour. Yes, Hong Kong's inflation rate is aggravated by skyrocketing land prices. And yes, there is currently not enough land available to meet Hong Kong's needs.

Since 1991, the price of small to medium size flats has risen by 60%. The price of large flats has risen by more than 90%. By contrast, median income has risen by only 28%. Saving a buyer \$7,500 on the purchase of a million-dollar flat by decreasing the stamp duty is hardly the answer.

The real solution is simple: increase the supply of land. To do that, the Government must work to improve relationship with China over economic issues. Who better to start this process than our Financial Secretary?

The Budget explains that the shortage of labour increases inflationary pressure. The importation of 1 000 professionals and managers from China is a timely step in the right direction. But it will have almost no effect. Those 1 000 professionals will account for only 2.4% of the reported vacancies in the service sector alone.

And these Chinese graduates, together with the original 25 000 workers imported under the general scheme, 5 500 imported under the airport special scheme and 8 000 retrained Hong Kong workers, together account for a meagre 1.4% of our labour force. They will have no real effect on upward pressure on salaries and therefore no real effect on inflation.

While quantity remains a problem, quality is also an issue.

The Budget recognizes that Hong Kong's economic evolution from a manufacturing to a service-based economy has "put a premium on education and skills". It goes on to state that Hong Kong's "role as Asia's economic miracle is to provide the expertise which countries in the region need in order to raise their own standards of living".

Therefore, the Budget allocates five times as much money for each student enrolled at universities or polytechnics as it does for those enrolled at primary or secondary schools. On a *per capita* basis, that spending amounts to more than \$145,000 for every student at a university or polytechnic compared to less than \$30,000 for each student at a primary or secondary school.

But is this not shortsighted? If we ration spending on students for tertiary education, will the results not show up in the poor quality of our graduates? And if we save on primary and secondary education, how will we fill the rank and file of our economy? This Budget merely continues the false frugalities of the past.

Equally serious, consider the human dimension. If we disenfranchise the majority of our young people educationally, we also disadvantage them economically. We cut them off from their piece of the Hong Kong dream. That ultimately will lead only to social instability and the decline of prosperity for all.

The Budget aims to nurture our links with China. In 1993, China already accounted for 35% of our total external trade. Every year, 15% more goods vehicles cross our border. Hong Kong people made 23 million visits to China last year. But if our commercial links with China are healthy, the infrastructure that connects us to China is not.

Better relationship with China are vital if we are to improve the infrastructure that supports our entrepot trade. The integration of that infrastructure has been neglected for too long. It has not kept up with the realities of our economy. The results have been costly bottlenecks.

The Budget forecasts continued robust growth, and another Budget surplus. That is a change. The Budget writers usually seem to want to play safe by predicting deficits.

I do not know into which crystal ball the Administration's economic forecasters have been gazing. They do not seem to see the economic peril of MFN, or the complexities of China's economy. Given their past performance, this should alarm the business community. Last year a deficit of \$3.4 billion was forecast. Instead, we have produced a surplus of \$15.1 billion. If the same inverse accuracy holds true, we should expect a substantial deficit in 1995.

I would not envy the first Financial Secretary of the Hong Kong Special Administrative Region: after all, he may — thanks to the fiscal imprudence of this Administration — be forced to raise taxes and widen the tax base against an anticipated shortfall in revenue brought about by an unforeseen economic downturn. He would then be the most unpopular Financial Secretary indeed. Unfortunately, some might fear that is the idea.

With this Budget, the Administration appears to have been generous, to have been laudable. And this Budget has been self-serving and irresponsible. Once again the Administration has failed to admit that, hands tied by the linked rate, it is powerless to do anything about inflation.

Yet inflation remains Hong Kong's public enemy number one. While lower taxes may win a round of applause from Hong Kong's salaried workers and business community alike, inflation acts as a direct tax on every man, woman and child, on every and each purchase we make in this territory.

This ill-conceived Budget is alarming because it seeks to use economic hand-outs to appease the vocal interest groups and assuage the concerns of the community. It offers no real answers, no solutions. It supports no vision.

Politically expedient, it imprudently trades on tomorrow's prosperity for the popularity today. In doing so it sets a dangerous precedent.

This Budget, by concentrating on public favour in the short term, and ignoring long-term dangers to Hong Kong's competitiveness, creates an alarming situation. Hong Kong will price itself out of the market. Then we will be left with an economically dead city, inhabited only by subsidized public housing tenants, and subsidized civil servants. Who then will pay the subsidies?

Managing prosperity? Mr President, we are mismanaging prosperity.

As I have these very serious reservations, Mr President, I cannot support the motion.

MR NGAI SHIU-KIT (in Cantonese): Mr President, in his Budget for the financial year 1994-95, Financial Secretary Hamish MacLEOD proposes some tax concessions, which, on the face of it, will give many people a delightful moment. However, upon a careful examination of this Budget on the theme of "Managing Prosperity," one will find questions and room for improvement with respect to the Financial Secretary's way of financial management.

I will set forth below my comments on industrial support, imported labour and the tax system.

Industrial support

The Government proposes to spend \$180 million on an industrial support programme. This is commendable. It is something that I have been urging for years. I have been urging the Government to pay attention to problems in the structural transformation of Hong Kong's industry. The Government should raise the level of research in high-tech industry and enable high-tech industry to play its role.

According to statistics, by the cut-off date which was the beginning of this month, the Industry and Technology Council had received 207 applications for a total of \$1.195 billion in financial assistance under the industrial support programme. This amount is more than six times the appropriation that the Government is now proposing.

There are five major categories of applications. In the business group category and the private organization category, we have 26 applications requesting a total of \$223 million in financial assistance. In the industrial support group category, we have 34 applications requesting a total of \$275 million in financial assistance. That is to say, even if all of the appropriation proposed by the Government is allocated to the applicants in these categories, which are directly related to industry, it will cover but about one third of the amount requested in the applications. Compared with what the Government

needs to spend to help Hong Kong's industry move upmarket, the appropriation proposed by the Government is really pitifully inadequate. There is hardly any use for such a small amount. Evidently, the Government has underestimated local industry's need for an upgrading of industrial technology.

The fact is that, in an industrially advanced country, the government is likely to invest 2% of its GDP in industrial technology research. Hong Kong is not industrially advanced. Still, the fact that our Government intends to spend less than one eight thousandth of GDP on industrial support shows that it does not really intend to give positive assistance to help local industry move upmarket.

Hong Kong's industry is undergoing structural transformation. The Government must do more than provide suitable training to the local labour force. It must also invest in industrial technology research. The number of applications for financial assistance shows that local industry and academia have responded positively to the industrial support programme, and this response is an indicator of their consensus that this is the right direction for industrial development. The Government should carefully study this response as well as the findings of previous studies and then take a positive approach to finding more money for funding the industrial support programme.

Importing professionals from China.

A section of the community has been strongly critical of the Government's proposal to import 1 000 professional and managerial personnel from China, saying that this will affect local employment opportunities. Wittingly or unwittingly, this kind of criticism has created a climate adverse to the admission of people from China into Hong Kong to work or even to live. I think that the people who are opposed to anything having to do with China are responding to developments rashly without careful thinking. I really regret such an attitude.

The 1 000 professional and managerial personnel to be imported from China will help resolve the shortage of such talent in Hong Kong's labour market. The people of Hong Kong in any sector have never opposed foreign talent coming to Hong Kong to fill professional or senior positions in the job market. Hong Kong has never discriminated against qualified foreigners on the basis of nationality. Now, however, some people in Hong Kong are applying double standards. They oppose university-educated talent from China coming to Hong Kong to work. This is bound to soil Hong Kong's good name as a free port. Hong Kong has always followed a policy of "letting the capable do the job" and letting everybody realize his full potential. Our economy has been growing in this manner, and our society has advanced. These 1 000 people from China will be hired at Hong Kong's prevailing levels of salaries. They are hired because they are capable and possess the professional expertise needed by Hong Kong's employers. They are not cheap labour. Hiring them will not bring down Hong Kong's levels of salaries. Therefore, I think that the proposal

initiated by the Government and the business community to import labour "conditionally and selectively" to make Hong Kong more competitive is a proposal that merits our support. I hope that those opposed to the pilot programme will reconsider and take a more objective and fairer approach to the issue. How many should be imported? Can they become permanent residents? The relevant departments of the Government are to study these questions and deal with them prudently. However, the pilot programme was announced abruptly without prior consultation. Critical comments are apt to be focussed on this. The Government should learn a lesson from the experience.

Tax base

Mr President, many members of the public welcome the Financial Secretary's proposed tax concessions. However, having had our momentary delight, we now have an obligation to take a longer-term look at Hong Kong's tax structure from the macroeconomic angle.

For years, the Government has been most concerned with the gradual erosion of the tax base. All past Financial Secretaries did their best to maintain a 60 to 40 ratio between direct tax and indirect tax. This year, Financial Secretary MacLEOD says nothing about such a ratio, but he is clearly chipping away at the direct tax base. Does this mean that the Government has abandoned its philosophy of prudent financial management?

Of course, everybody will welcome generous tax cuts, and the Government should follow a policy of returning wealth to the people when its financial position is robust. Yet, as some taxation scholars have noted, the Government in adopting such a philosophy of financial management betrays its own short-sightedness. Subscribing to such a philosophy, the Government is looking only a few years ahead and not looking at the long-term interests of Hong Kong. Such a comment should put all of us on the alert. We should take a long-term look at our tax structure and set our eyes on the future. We should not content ourselves with momentary delight.

During debates on past Budgets, I said that the British Government should, together with the Chinese Government, devise a convergence mechanism in respect of Hong Kong's public finances. So far, the Government has done no more than making occasional references to how much reserve will be left for the SAR Government when it comes into existence in 1997. But, as far as anybody can tell, the Government has done nothing about the actual arrangement for convergence that I asked for. I urge the Government to base its policy on the long-term well-being of Hong Kong, to use a pragmatic and prudent philosophy of financial management, and to pay attention to Hong Kong's long-term economic interests and social development needs. The Government should avoid short-sighted or drastic changes in financial management which would otherwise prevent the people of Hong Kong from enjoying the fruit of smooth transition, continued prosperity and continued progress.

Who will benefit from the Budget proposals

The Government's proposed tax cuts will give members of the public momentary delight. But we have to think what will follow afterwards. In fact, three of the policies that the Government intends to implement will definitely make the burden heavier for the entire population of Hong Kong. One is to collect from employees and employers a 3% contribution to an old age pension fund. The second is to raise rates by up to 20%. The third is to collect a sewage charge from domestic households. All three policies will closely affect the living standards of the people. All this, coupled with the fact that the Budget has proposed no substantive measure for fighting inflation or controlling run-away property prices, would make one wonder how many people will really benefit from the budget proposals? This is indeed food for thought for everybody.

Mr President, there is a Chinese saying: "Three pieces (of fruit) in the morning and four pieces in the evening." Very few people nowadays know the origin of this saying. It originated in a parable in ZHUANG Zi's *Qi Wu Lun*. The parable is about a monkey keeper who at first fed his monkeys with three pieces of fruit in the morning and four pieces in the evening. Later, the monkeys became unhappy. They wanted four pieces in the morning and three in the evening. The monkey keeper gladly obliged them. The monkeys became very happy. Now, look at the proposed cuts and raises in the Budget. Is there a net cut or a net raise? Actually, to return to the parable, there are fancy changes but there is no substantive net benefit. I am afraid that, after our momentary delight is over, we will have to face the reality of long-term heavy burdens.

The people of Hong Kong have been working hard and ceaselessly for a better life. This is the driving force that has moved our society and our economy forwards. It is only right that everyone should partake of the fruit of Hong Kong's economic growth. However, a financial policy that avoids the hard issues and a financial management philosophy that is short-sighted are not in the best long-term interests of Hong Kong.

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

MR PANG CHUN-HOI (in Cantonese): Mr President, the 1994-95 Budget on the theme of "Managing Prosperity" has been presented to this Council by the Financial Secretary. The public response is quite good but I still have much doubt about the Government's good intention of "returning wealth to the people".

The ordinary citizens, especially the middle and lower income groups, certainly welcome the Government's proposals of increasing various tax allowances and introducing a dependent grandparent allowance which will release 420 000 taxpayers from liability to salaries tax. Yet, the Government

has failed to devise specific measures to solve the problems of surging property prices and inflationary pressure. For this reason, despite the increase in the allowances, the ordinary citizens will still be unable to maintain their living standards, not to mention enhancing their quality of life.

To summarize the views of the labour sector, I have the following suggestions in respect of the Budget.

Huge impact of rates revaluation.

I have all along reminded the Financial Secretary that housing is the basic need of each citizen and rates are the equivalent of "poll tax". Anyone who has a dwelling place, no matter whether it is a self-owned or rented one, or even a bedspace or a caged space in an apartment is required to pay rates. In recent years, Hong Kong's property prices have been soaring unreasonably and rents have also risen in tandem. The rates will, therefore, increase by as much as 34% after revaluation. The Financial Secretary has proposed to spread the rates increase over two years and to impose a cap of 20% in 1994-95, resulting in an average increase per household of at least \$53 per month. To the citizens who are on the fringe of the tax net, the reduction in salaries tax will not offset the increase in rates. Given the increase in one and the decrease in the other, citizens with low income will actually lose more than they gain. The increase in rates will add a mere \$1.7 billion to the revenue going to the Treasury but it will affect the whole citizenry.

I think the government should review the percentage charge for rates. Furthermore, in view of the current buoyant financial situation, the increase in rates should be frozen for one year.

Government providing the impetus for the revival of property speculation.

The Government pointed out that the present rate of stamp duty on property transactions was set in 1988, when property prices were considerably lower than today. In order to reduce property buyers' stamp duty burden, the Financial Secretary has proposed to lower the stamp duty on transactions with the property consideration below \$3 million. However, this has led to the immediate revival of speculation in small size flats and, as a result, the property prices are soaring frantically again. The recent over subscription of flats in a number of property developments and the immediate upward adjustment of property prices by developers serve to bear this out. Yet, the Government has not only turned a blind eye to this situation but even fanned the flames at this critical moment by purchasing at high prices a large number of domestic flats as civil servants' quarters. It has also used the pretext of not harming the interest of 850 000 property owners to refrain from taking any measure to bring about a healthy correction in property prices. This is very irresponsible and is a virtual invitation to the public to doubt the Government's motive.

Importation of labour under all sorts of pretexts

Without any prior consultation, the Financial Secretary has suddenly announced the importation of another 1 000 workers so that graduates of 36 major universities in China will be able to apply for work in Hong Kong. Since the scheme has been unveiled with undue haste, even the officials concerned are at a loss as to what entry procedures they should prescribe for the workers. At one moment they said this group of people should hold One-Way Permits but at another moment they said they should hold employment visas instead.

If the Hong Kong Government has the intention to fill the vacancies for management professionals, this group of imported workers should, apart from their academic qualifications, have experience in management. However, it is not specified in the government announcement that they will be required to have working experience relevant to the posts for which they will be employed.

If the Government is asking for graduate qualifications, we should note that in recent years it has been funding a number of universities and actively promoting tertiary education. Is it really necessary to import foreign graduates to compete with their local counterparts? If the Government is after their China experience, we should understand that tens of thousands of new immigrants have come to Hong Kong with One-way Permits every year and among these immigrants quite a number are familiar with the China market. The most important point to note is that most of the Hong Kong companies or multi-national corporations which have significant commercial interests in China have set up their offices and recruited appropriate local professional there. When necessary, these employees can come to Hong Kong for training purpose on Two-way Permits. No matter how we look at it, the importation of these 1 000 workers is not justified. The General Labour Importation Scheme introduced by the Hong Kong Government has brought down the wages of grassroots workers and quite a number of workers have even lost their jobs. The new scheme to import professionals and managers will certainly affect the employment and promotion prospects of local degree holders. The Government has yet to provide a convincing reason for importing these 1 000 people. I hope the Government will withdraw this scheme.

Reduction of profits tax

I oppose the 1% profits tax cut proposed by the Government. As the Financial Secretary said, Hong Kong's profits tax rates are very low by any international standard and that tax is generally payable only on profits derived from Hong Kong. Given the buoyant financial situation, the Financial Secretary's generous gesture will merely cost the Treasury \$1.6 billion. But it will in no way attract business investment.

Air Passenger Departure Tax

The Financial Secretary has proposed to reduce the air passenger departure tax from \$150 to \$50. The steep rate of reduction is surprising. On the one hand, the Government is so calculating as to increase the rates drastically but, on the other hand, introduces an astonishing reduction in the air passenger departure tax which will cost the Treasury \$960 million. In my opinion, it is neither justified nor necessary for the Government to reduce the air passenger departure tax by as much as two thirds.

To sum up, I would like to suggest the following to the Government:

1. The increase in rates should be frozen for one year.
2. Profits tax should not be reduced.
3. The scheme to import 1 000 managers and professional from China should be withdrawn.
4. The rate of reduction for the air passenger departure tax should be reconsidered.
5. Immediate measures should be adopted to curb soaring property prices and check inflation.

Mr President, these are my remarks.

MR SZETO WAH (in Cantonese): Mr President, to the accompaniment of cuts in salaries tax, profits tax, estate duty, stamp duties on property transactions and stock transfers as well as air passenger departure tax, an attempt was made to play the theme of "Returning Wealth to the People" in this year's Budget. However, to the members of the public, will they share the wealth? Will they become any better-off?

The musical piece was painstakingly composed, the conducting displayed high skill, while the accompaniment was also executed with unstinting effort; yet to the discerning ears of real music lovers, the theme "Returning Wealth to the People", though pleasing to the ear, is deceptive.

The various tax concessions will perhaps lighten the burden of quite a number of people. However, with the skyrocketing property prices and rampant speculation, the lightened burden can hardly offset the persistent and ever-intensifying burdens brought about by high land prices, high property prices and high rentals, that is to say, the "three highs policy". Members of the public will not have shared the wealth, let alone getting any better-off.

The various tax reliefs are but a few sways of a small fan over a kettle of boiling water. Below the hot water, the raging flames of high land prices, high property prices and high rentals are still burning even more fiercely. To use a Chinese proverb to describe the situation, it is only like "trying to stop water from boiling by scooping it up and pouring it back," instead of "taking away the firewood from under the cauldron." In this way, how can members of the public get out of their dire straits?

With soaring property prices and overheated speculation, the first victims are those who do not own a flat; the expensive rent erodes all their money earned from hard toil. Owning a flat now is becoming a yet more distant and unreachable dream. Even for those who own a flat or live in public housing, their burden will definitely become heavier because of the adjustment of rates following the surge of property prices and rentals. The skyrocketing property prices and rents will certainly increase the operating costs of all trades, fuel inflation and impoverish the people.

Under the circumstances of spiralling property prices and unchecked speculation, the first beneficiary is the Government which is the greatest landlord and seller. Next come the property developers. Please look at the billionaires of Hong Kong. Who among them is not related to real estate business? Last come the property speculators, but they are just the small players.

In the past few years, property prices soared from crest to crest. During precisely the same period, annual production of public housing flats built by the Government fell short of the planned production target by the tens of thousands. The number of completed residential flats built by private developers also fell far short of government projections. Would these two underproduction figures not have a bearing on soaring property prices? One cannot help but ask, "Was there a deliberate attempt to cut back on the production of public and private residential housing so as to add fuel to high land prices, high property prices and high rentals?"

A few says ago, Mr EASON, Secretary for Planning, Environment and Lands, said, "The Government does not intend to dampen property prices because if the property market takes a downturn, property values will come down. It is feared that the interests of the 850 000 property owners will suffer and that will upset them". Such an argument is indeed the most ludicrous.

Among the 850 000 property owners, how many are living in their own property? Although property prices are high, will they sell their homes to take profit and sleep in the streets or wait for the Government to provide them with public housing? Mr EASON should investigate how many people will be happy if property prices go up. Actually, it does not take an investigation to realize that the happy ones will only be the property developers and speculators. Mr EASON simply does not want to upset the property developers and speculators.

The title of this year's Budget is "Managing Prosperity." If the Government does not take immediate effective measures to solve the most serious economic and social problem at present by driving down property prices and curbing speculation, the real title of this Budget should be "Managing the Prosperity of Moneywise Property Developers and Speculators, While Leaving Members of the Public out in the Cold."

Let me reiterate UDHK's main requests;

(1) Increase the land supply promptly.

(2) Production of public housing flats should be on schedule and there should also be new plans to increase production. The production ratio between public housing and Home Ownership Scheme (HOS) housing should at least be adjusted in favour of public housing. HOS housing prices should not rise on the ground of purported linkage with private property prices.

(3) Introduce a property capital gains tax.

Finally, I would like to talk about the importation of Chinese professionals and managers holding university degrees. Such a decision had been made without any prior consultation and it suddenly popped up in the Budget. It is indeed similar to the disclosure of the secret amendment to the Letters Patent a few days ago. The two incidents match each other in terms of repugnance. Why did the Government not do things in an open and aboveboard manner? The Governor, Mr PATTEN, said that it was but a storm in the teaspoon. I wonder whether Mr Hamish MacLEOD, the Financial Secretary, will also say that the former is also a storm in the teaspoon. I am not a proponent of the conspiracy theory. However, owing to this totally secretive way of doing things, I cannot help but doubt whether that is a storm in the teaspoon or poison in the teaspoon.

Grassroots citizens have all along been strongly opposed to the importation of workers and technicians. The Government has not only turned a deaf ear to and ignored their objection, it is even going further this time by importing professionals and managers. The Budget claims that it is but a pilot scheme. Let me predict here, for the record, that this scheme will definitely be considered successful and expanded further. In the past, the rice bowls and wages of the grassroots were threatened. Now even the professionals and managers are under similar threats. In this way, how can members of the public share the fruits of "prosperity"?

Mr President, these are my remarks.

MR TAM YIU-CHUNG (in Cantonese): Mr President, if one compares this year's Budget proposals with the past years', one will probably feel that the Government is becoming much more generous than before, or so it seems. The Government has at least been willing to act on good advice and to reduce the tax burden of the general public. The tax allowance for salary earners will be raised rather sharply. The higher tax allowance is indeed an improvement though it still falls short of the goal sought by the Federation of Trade Unions and the Democratic Alliance for the Betterment of Hong Kong.

Does this, however, mean that the quality of life will be going up for the people of Hong Kong? Does it mean that the Government has found proper solutions for the many problems affecting people's livelihood?

Very regrettably, the answer is no. In fact, over the years, the most troubling livelihood problem has been the runaway property prices. Members of the public simply cannot afford to buy homes. Property prices have now reached an unbearable level. With prices soaring to several thousand dollars per square foot, and with a tightening of mortgage lending by the banks, the down payment on a small flat of between 300 and 400 square feet is now close to \$1 million. This kind of money is unaffordable even to many middle class families. Unsurprisingly, many university-educated professional and managerial persons who have worked for several years still cannot afford to buy their own homes. In many cases, the monthly mortgage payment uses up the greater part of the home-owner's income. It will be difficult for him to improve the quality of his life in real terms even if he receives a pay increase. It cannot be denied that many home-owners have to cut back on food and clothing in order to meet monthly mortgage payments. They work hard just to pay for their tiny homes. There are those others who are eligible to apply for public housing. But even they have to train themselves to be patient. The waiting time is often as long as six to seven years or even longer. Meanwhile, they still have to worry about their housing problem of the moment.

Mr President, it is undisputed that the runaway property prices have become a serious problem affecting people's livelihood. If the problem deteriorates any further, it will certainly explode like a social time bomb. Another worry is that the property market is like a bubble waiting to burst. The Government should understand this problem the best. It has the most statistical and other information on the problem. But the Government will not take up its responsibility for finding a solution. Instead, it is selectively releasing information to the public to cover up the seriousness of the problem. This is disappointing indeed.

In his Budget speech, the Financial Secretary says, "Property prices are rising to increasingly uncomfortable levels because of our acute shortage of land." Well then, being aware that the shortage of land is the problem, the Government should increase the supply of land, as it actually can, so that more housing may be built to keep property prices under control. But what the Government actually does is often to use its land disposal power to restrict the

supply of housing. I understand that there is disagreement between the Government and the Housing Authority on how much housing to build each year. The Financial Secretary says that the Housing Authority has plenty of money for building new housing. But the truth is that the Government is controlling the supply of land to the Housing Authority and, through such control, slowing down the development of public sector housing so that it falls within the Government's target for housing development. As a result, the Housing Authority cannot make full use of its tens of billions of dollars for the building of more public sector housing to meet the pressing needs of members of the public.

The Government has selectively published some statistics on the supply of public sector housing to disguise the truth. The Governor said that the Housing Authority could complete an average of over 140 units of housing per day. But claiming such an "accomplishment" is misleading. The figure does not show the number of units of old housing that are demolished each day in redevelopment projects. If the number of demolished old housing units is subtracted from the number of completed new housing units, the net daily increase in the number of public sector housing units is under 100. As the saying goes, a lot of monks are partaking of a small pot of watery rice. The result is that many families eligible for public housing must still wait for a long time.

Therefore, the Government must show its sincerity by making more land available for the faster construction of more public housing, thereby solving the housing problem of the lower classes.

In fact, the Government can also supply more land for the construction of more private sector housing. The Government can raise the plot ratio somewhat.

Yet another thing is that the Government should speed up the land development approval process to help increase the supply of housing. The Financial Secretary says, "Buildings cannot be erected overnight. Major construction projects have long lead times, and thus supply cannot respond quickly, even to sharp increases in demand." However, the Financial Secretary does not say that the Government's under-staffing and red tape have caused delay after delay in major housing projects. I understand that the Planning Department usually takes one year to approve a development project and the Lands Department usually takes between 300 and 700 working days to take care of the paper work. It takes even longer to approve a project if it has an environmental impact.

The Government's low administrative efficiency is due partly to red tape. Another cause is its reluctance to hire more people. The Association of Land Executives said recently that Land Executives had a very heavy workload but their number was not up to strength, with very serious consequences. Take land repossession for instance. The Lands Department is now processing 770 cases involving land repossession, compensation or site clearance. But it has only 54

Land Executives to do the work. So it will take the Lands Department more than seven years to clear its backlog. Forty Land Executives are involved with processing more than 15 000 applications for small houses to be built by male indigenous villagers. I believe that it will take them 30 years to finish processing all these applications. This is really quite shocking. I hope that the Government will quickly hire more people for the various departments and simplify the land development approval process. This will help to speed up the construction of residential housing to meet a huge demand.

In short, if the Government really cares for the people and takes up its responsibility for people's livelihood, it must not refuse to blame itself for the run-away property prices. The Government must understand that high property prices have not only driven rents upwards but also made it necessary for members of the public to pay larger amounts in rates. Since the Government knows very well that property prices are at unreasonable and uncomfortable levels, it presumably also knows that it is unreasonable to base rateable values on rental values, which have been driven up by high property values. I hope that the Government will review its present practice of assessing rates and ask itself if it is really necessary to reassess rates once every three years. We think that, if and when the Government does adjust rates upwards, the size of the upward adjustment should not exceed 8.5%, which is the rate of inflation.

Mr President, the Government perhaps feels that the entire population of Hong Kong will benefit from the tax concessions proposed in the Budget. Yet, at a City Forum that I attended to discuss the Budget proposals' impact on people's livelihood, a group of elderly people said that there would be not much favourable impact on the quality of their lives. They said that they were retired but they still had to worry about their livelihood after retirement. Indeed, an important order of business today is to look after the livelihood of retirees by implementing a sound compulsory retirement protection system. In December last year, the Government unveiled an Old Age Pension Scheme. To this day, it has not yet said what its commitment will be to the funding of this scheme. The Financial Secretary estimates that the Government runs a Budget surplus of \$15 billion for the 1993-94 year. So the Government should make a financial commitment to the scheme to help it get off the ground. DABHK, the Association for Democracy and People's Livelihood and the Democratic Foundation have jointly suggested to the Government that it should set aside \$6 billion as its commitment to the Old Age Pension Scheme. This will demonstrate the Government's sincerity and resolve with respect to the scheme.

Lastly, I would like to talk about inflation. The Financial Secretary has been saying for years that inflation is a major problem that must be dealt with. Yet the Government has appeared helpless in dealing with it. Most disappointingly, the Government often blames inflation on manpower shortage and proposes to fight inflation by importing foreign workers to keep local wages from rising. This is sacrificing workers' interests in the fight against inflation. The Budget has proposed to import 1 000 professional and managerial persons from China. People wonder if this is not an early sign of

the Government's intention to open sectors other than the manufacturing sector to imported workers.

Frankly, the Government was discriminatory when it allowed foreign workers to come to Hong Kong to work but barred people from China. The Government has been particularly partial to people from the United Kingdom. There is no restriction whatsoever on Britons coming to Hong Kong to work. Since 1991, the Government has given permission to about 14 000 people from countries other than China and the United Kingdom to come to Hong Kong to work. The times have changed. The discriminatory policy should be abandoned. So should privileges.

Without providing any information and without any prior consultation, the Financial Secretary abruptly announced that 1 000 persons would be brought in from China. He made this announcement in the context of discussions on inflation. One is apt to wonder about the Government's real motive. As everybody knows, a mere thousand people from China will be no help to the fight against inflation. But are these thousand people from China just the beginning? Will the Government be bringing in more professional and managerial personnel from China as a means of putting a cap on salary increases for local university graduates? I hope that the Government will seriously study the impact of this labour importation plan on local university graduates. The Government must ensure and protect the interests of local workers.

On the whole, the Budget this year represents an improvement in a number of areas. This, however, does not mean that the Government is taking a square look at the crux of the problems affecting people's livelihood. I hope that the Government will show sincerity and make a commitment to a better quality of life for the people.

Mr President, I so submit.

MR LAU WONG-FAT (in Cantonese): Mr President, the one thing that surprises me most in the Budget of this year is not the dramatic increase in salaries tax allowances, but the "gross misestimation" of the financial outturn. In the last two Budget debates, I had repeatedly said that I was deeply troubled by the continued serious underestimation of surplus by the Government.

Though I did not have high expectations of whether the Government would be able to improve on this, it had never occurred to me that there would be such a vast difference between the estimated outturn and the actual outturn for the year 1993-94: from an originally estimated deficit of \$3.4 billion to a surplus of \$15.1 billion, a deviation of \$18.5 billion. I think this deviation merits being listed in *The Guinness Book of World Records*.

In the opinion of the Financial Secretary, the deviation arises "for reasons which are mainly welcome". However, I think that it is no pleasant surprise to

note that misestimation occurs from year to year and from time to time and it is becoming more and more severe. First, the revenue is an important component of the Budget; serious inaccuracy in forecasting will inevitably affect the revenue proposals and the expenditure estimates, with the result that financial management will be out of line with actual circumstances. Secondly, misestimation over a long period of time will undermine the authoritativeness of the Budget. If it should go on like this, it would hardly be surprising if people start calling the Budget "Budget Talk" or "Budget Conjecture".

Whereas I am fully aware that it is no easy job to forecast the revenue accurately, the Government has led us into thinking that the Government is happy to continue with the serious underestimation of surplus, as though it is nothing that matters. In order that the public will not be misled and that Members of this Council will not be misled in examining the Budget, the Government's approach should be more rigorous and responsible. I hope that the Financial Secretary will be able to present to this Council a more effective method in forecasting the outturn in the next Budget.

Mr President, the Financial Secretary's proposed salaries tax concessions are no doubt a real piece of good news to the people in Hong Kong who are suffering from inflation and rocketing property prices. However, the decision to reassess rateable values is running counter to the principle of relieving the people of their burdens, especially at a time when the Government is in possession of a huge surplus, which makes the rates reassessment all the more troubling and regrettable.

The Financial Secretary said "It is only fair to reassess rateable values regularly so that the rates paid reflect up-to-date rental values." I beg to differ on this. Actually, I even think that this is a specious point of view. It is known to all that, under the Government's high land price policy and with the demand for land and property seriously exceeding supply, property prices in Hong Kong have already risen sharply to a very unreasonable level, and the rocketing property prices have resulted in the escalating of rents. So what does this regular reassessment of rateable values mean? It means that whilst people are paying very unreasonable mortgage payments or rents, they have to pay more on rates which are linked to the unreasonably high rents. Please tell me whether it would be most reasonable to have people under attack from both front and back and to add to their already heavy burdens?

The Financial Secretary has proposed that the upper limit for increase of rates for the years 1994-95 and 1995-96 be set at 20%. I think this so-called "concessionary" measure is still unconvincing and unacceptable. Relative to the Financial Secretary's proposal to drastically reduce the Air Passenger Departure Tax, the proposed increase in reassessed rates, the burden of which will fall on the public across the board, will look all the more unreasonable. Firstly, it is a vastly excessive reduction to have the airport tax of \$150 sharply cut by \$100 to a mere \$50. I believe a reduction of the airport tax by \$50 would do nicely. This drastic reduction, as has been pointed out by the Financial Secretary, would

cost the Government \$980 million in revenue for the year 1994-95, and the loss would run to an aggregate amount of \$4.1 billion by 1997-98.

How can we say it is reasonable when the Financial Secretary is so generous to people who should be more affluent in being able to afford air passage, but so harsh to the suffering general public who are paying mortgages and rents? As a matter of fact, those hardest hit by an increase in rates are precisely "the group who tends to benefit least from the protection offered by public housing against the high cost of domestic accommodation". Actually, by producing a few tens of thousand commercial/domestic units a year, there would already have been steady and substantial revenue growth in rates, and there is absolutely no need to have rateable values reassessed now: Therefore, I think it is necessary to have the rates frozen at this stage.

Mr President, in the Budget debates of the past few years, I had almost invariably been urging the Government to put into effect the Rural Improvement Strategy so as to narrow the gap between town and rural area facilities. In the same RIS context, the Government has also been urged to improve the flood control system of the New Territories to safeguard the life and property of the people. However, the progress of this improvement strategy has been rather slow, which is very frustrating. The current aggregate funding as appropriated and the project items as completed are far less than what were promised. It seems that the Government has neither the determination, nor the interest, to fulfil its promises and to discharge its responsibilities. There is a colloquial saying "Words come out fast, money goes out slow". I think this is the most fitting description of what the Government has said and done. Since the Government does not keep its words, the people of the New Territories will no longer have any illusion. The people of the New Territories are born and bred here, generation after generation. They have lived through the worst of the times. No matter what variable and impacts may come to pass, the people of the New Territories will be able to withstand and overcome them.

Mr President, I so submit.

MR EDWARD HO (in Cantonese): Mr President, this is the third Budget presented by the Financial Secretary Sir Hamish MacLEOD since he took up the post and, three years in a row, the actual annual surpluses turned out to have far exceeded the budget estimates. The discrepancy was as high as \$20 billion in 1991-92, \$14 billion in 1992-93, and for 1993-94, which is soon to be over, the revised estimate also surpassed the original one to the tune of \$18.5 billion. In any other administration, this would be an enviable record for its Financial Secretary if he was able to achieve higher than expected surpluses year after year. In fact, the Financial Secretary has just reported that for the fiscal year 1993-94, there was a surplus of \$15.1 billion against last year's original forecast of a \$3.4 billion deficit.

The far-better-than-expected annual surpluses owed much to Hong Kong's robust economy in the last few years and no doubt also to the Financial Secretary's prudent fiscal management. It is praiseworthy that the Financial Secretary stated that the success was not the Administration's making but was achieved by the hardworking men and women of Hong Kong.

Though some of the Honourable Members may not agree, yet if the Administration were to stand for election in the coming year, the Budget would surely win it a lot of votes. There are real growth in expenditure for social welfare, medical and health and education. Some 1.13 million people in the working population are delighted to have their salaries tax slashed, with indeed 420 000 of them dropping out of the tax net and no longer have to pay any tax. The Administration's proposal to reduce profits tax by 1% certainly would appease the business sector.

The only people who feel displeased about the Budget are those who have to pay more rates due to revaluation of their properties whose prices have risen spectacularly over the last few years. Nevertheless, everybody knows that public housing tenants are surely the targets of electioneering. Since they do not have to pay rents, the tenants will not feel unhappy with the rates proposal in the Budget. And please remember that 42% of our population live in public housing. But the Government will not stand for election; it does not have to. In this connection, not only do we have to analyse the Budget on its surface but also to examine its underlying implications. I have noted two major points. The first is that the Financial Secretary has narrowed the tax net considerably, a departure from an objective set by himself and his predecessors, that is, to gradually widen the territory's tax base. We have to bear in mind that low tax is better than no tax. Everyone in the working population should have the obligation to take on some share of social responsibilities.

My second concern is that the additional public revenues of some \$14 billion in the fiscal year 1993-94 come from stamp duty on stock transfers and property transactions and from land sales. As the Financial Secretary rightly pointed out, these revenues arose from sources which, by their very nature, are volatile. In commercial terms, they are usually classified as extraordinary income. It is my view, and the view of members of my functional constituency, that such extraordinary income on one year's basis, even on a few years' basis, cannot be counted as a long term recurrent item. Hence, such additional revenues should better be invested in infrastructural projects to lay the ground for our future economic development than be spent by way of increased recurrent expenditure or in the form of over-generous tax relief.

Mr President, it seems that inflation and the skyrocketting property prices are the public's two main concerns. Though late in coming, I am glad that the Financial Secretary has, for the first time, acknowledged that the soaring property prices are triggered by the short supply of land. In preparation for my speech today, I have gone back to my past speeches delivered in this Council

and found that I have spoken no less than 10 times in this Council on land supply.

The Administration's long-standing position has always been that an increase of land supply would not help curb rising property prices as the effects would not be felt until four or five years after the land is made available. It is apparent now that if the Government had heeded my advice and that of my colleagues in this Council, then, the land serviced thus far should have met today's needs. I have recently indicated my intention to the Legislative Council Secretariat to move a motion debate on land supply. I am going to put forward my proposals on land supply in greater details on that occasion.

I wish to point out, however, that I do not agree with the Financial Secretary about two of the four special factors he laid down as affecting Hong Kong's land supply. First, it is not true, though generally held, that the short supply of land has much to do with the territory's geography which features ranges of mountains and relatively small pieces of flat land. We have adequate undeveloped land. What we need is merely appropriate infrastructure. Secondly, it is wrong to rely on a relaxation of the 50 hectare limit after 1997 as this would not solve today's problem. Mr LU Ping, Director of the Hong Kong and Macau Affairs Office, recently expressed his concern over Hong Kong's soaring property prices. It is opportune that the Hong Kong Government should discuss with its Chinese counterparts in the Land Commission to allow more commercial and residential land to be released under the annual land disposal programme.

The Financial Secretary referred to changes in town planning rules as a significant contributing factor in the increased supply of land and he also cited some districts in Kowloon as an example. In fact, the changes in densities of building development in Kowloon have been due to the expiry of the Temporary Control of Density of Building Development (Kowloon and New Kowloon) Ordinance. In its place, a new density controls have been imposed in the districts covered by 16 outline zoning plans of Kowloon which reduced permissible plot ratios to much lower than those permitted under the Building (Planning) Regulations. In other words, the changes would make no big difference in the supply of land.

The rationale for imposing controls stricter than those under the Building (Planning) Regulations is that there was inadequate infrastructure for transport purpose. Meanwhile, the Government, instead of finding ways or making a commitment to build the necessary infrastructural facilities to cope with the expected development, has decided to urge people to move to new towns and other more remote areas. The Government should carry out a study to assess the economic loss the travelling public have incurred and the immense cost of constructing transportation facilities to cater for residents in the New Territories travelling to and from urban areas.

In view of the robust public finances, the Government is now in a position to make substantial investment in physical infrastructure. Here I urge both the Hong Kong Government and the Chinese Government to reach an early agreement on the financing arrangements for the Airport Core Programme so that it can be carried out with full speed. Certainly, many project contracts, such as the Lantau Fixed Crossing Contract and the Site Preparation Contract are well under way. Yet my guess is that the new airport in Chek Lap Kok will not be operational until the first quarter of 1998 at the earliest, even if full agreement can now be reached between Britain and China. It is well-known that Kai Tak Airport is barely able to cope with the demands during peak holiday seasons, and it will reach saturation by the end of 1994-95. Meanwhile, revised air traffic flow studies currently under preparation show that previous estimates were on the low side. My forecast is that the second runway will be needed by the year 2000, earlier than previously expected. It is therefore not too soon to start planning for that.

Given that large-scale physical infrastructure is going to have a bearing on our future economic growth, early planning and timely investment is of paramount importance. Recently, many projects which seek the Finance Committee's endorsement were scheduled to complete by 1997 or earlier. It could be a coincidence. Yet I hope that this is not an indication of this Administration's reluctance to make plans and commitments for the future, as a result of the current Sino-British political climate.

In the previous two years, there were enormous underspending involving some capital programmes. I note that the situation has been significantly improved. I welcome the various measures taken by the Secretary for Works to ensure that public projects will be completed on time and within their budgets.

The Financial Secretary mentioned in his Budget speech last year that the Administration would make greater use of expertise and resources in the private sector and he admitted that it was not cost-effective to have all public projects designed and supervised by government engineers and architects. I fully supported that view and I urge the Administration to take concrete actions in that direction as soon as possible.

Hong Kong has transformed from a manufacturing centre to a service industries-oriented economy. Service industries account for 76% of GDP. This transition has been a result of China's open-door policy, and especially a direct result of the changes that have taken place in the Pearl River Delta. It is expected that in the few years to come, the service industries will become more and more vital for the economy of Hong Kong. Meanwhile, members of my functional constituency have repeatedly told me that they have done enough to help improve local population's quality of education to ensure that they are capable of coping with the future demand of a service economy.

Our economic success owes much to our human resources. Members of my functional constituency fully support the pilot scheme for importing

professionals from China to work in Hong Kong. This scheme has come at the right time when many Hong Kong business enterprises and professional consultant firms have set up their offices and expanded their business in China. These people who possess expertise and working experience in China are in great demand and should be welcomed in Hong Kong.

Mr President, in any government, politicians come and go but a civil service should remain intact to ensure a stable administration. This stability is especially important for Hong Kong during the transitional period. Recent problems, such as the localization policy and the Sino-British row, have produced some adverse effects. We must do everything we can to ensure that the morale of our excellent civil servants would not be dampened. Every effort should be made to create the right atmosphere so that civil servants can be loyal to this Administration, and, after 1997, to the Government of the Hong Kong Special Administrative Region. This would certainly be conducive to our social stability.

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

MR RONALD ARCULLI: Mr President, someone remarked the other day and I quote: "What a sorry lot you Legislative Councillors are! This year's Budget is so good and yet you are so critical? How can you still ask for more? After all, has the Financial Secretary not all but given you ungrateful lot everything you asked for?" Well, Mr President, perhaps the truth is that the Budget is not a bad one. Those of us who are less critical might even concede that it contains quite a lot of good things. Despite some shortcomings, the Financial Secretary cannot be accused of displaying that well-known and sometimes even respected tight-fistedness so often attributed to the Scots except perhaps at least in one respect and in this I mean that frequently and often repeated and almost scared phrase: adequate reserves. Over the years these two words have often borne the blame for inadequate expenditure and/or unnecessary or excessive revenue measures. Indeed, this year the Financial Secretary has yet again repeated that time-honoured phrase. Mr President, I will return to this aspect of the Budget later.

Mr President, it is comforting to note that despite a year of diplomatic salvos between Beijing and London, the Financial Secretary has frankly acknowledged the importance of China's and Hong Kong's economic interdependence. He is to be complemented for his candour and his realism. Indeed, he could have gone further but perhaps that would have brought about too much of an official acknowledgment of China's contribution to Hong Kong's economic growth and success. However, in referring to dynamic growth of our financial services sector, which is now 10% of our GDP, the Financial Secretary made no reference to China. Perhaps China's current position casts little impact on this sector or perhaps it is difficult to assess the extent of China's involvement but whatever the reason in the years to come this sector's growth will be much influenced by developments in China. Indeed, Hong Kong is seeking to establish itself as China's best capital market to help her fund her

development and expansion. Why are we the best choice? We are on her door-step. We speak the same language. We understand her needs. We are credible. We are professional. And indeed it is in our interest to give her the best advice. Mr President, Hong Kong did not become one of the world's leading international financial centres overnight. We achieved it because reforms were introduced in a balanced and rational manner. There is no disputing that if some of our regulators got their way we could have been so over-regulated that it could have stifled Hong Kong's growth as a leading international financial centre. It is against this background that I put down a marker against an overly regulated market. I am confident however that this Council will support sensible measures and reforms.

Mr President, a few words about inflation. The Financial Secretary has acknowledged that at 8.5% inflation is still too high. I agree. The Financial Secretary says inflation is not imported, it is home-grown and that import and export prices have increased by an annual average of about 1% and 2% respectively over the past five years. Recession in overseas economy must have contributed to the level of import prices but retail prices domestically have grown at a hugely different rate. As for export prices I suspect that this is due in no small part to the transfer of much of our manufacturing into China. However, the switch from manufacturing to service industries plus upgrading of our products will continue the upward pressure on wages. Therefore, the modest pilot scheme for 1 000 graduate professionals and managers directly from China is timely. This will enable us to recruit and re-orientate them to work Hong Kong-style. I am sure that when they return ultimately to China they will continue to work for Hong Kong interests, and thus not just relieving pressure of shortage here during their stay but also enabling our economy to grow for the benefit of all.

I now turn to property prices and land supply. Currently there is tremendous upward pressure on commercial property prices and rentals but relief is in sight for there will be new supply within two years and indeed some of the measures now adopt will bear fruit. According to the Financial Secretary, we will get about 2 million sq m of new office space. Will this supply be more than adequate? Will this increase in the amount of commercial accommodation thereby reduce much needed residential accommodation? As regards residential property, the Financial Secretary has said that over the past 10 years prices have increased 430%, that is, from 1985 to 1994. But I think if we look at the event over the past 10 years, the increase in prices have really been generated between 1991 and 1994. Between 1985 and 1990, a number of events happened both locally and worldwide that attacked the confidence of our purchases and therefore created a pent-up demand which was, as it were, unlocked in 1991.

Mr President, artificial measures introduced or instigated by the Administration in the form of restricted mortgage lending and stamp duty did not, contrary to the assertions of the Financial Secretary, provide any useful relief. If it did it was for a very short time. In fact I believe it had the contrary

effect. It simply enabled those with cash to buy properties to the detriment of those who could not pay the larger deposit. The stamp duty measure did two things: First, it increased government revenue to an embarrassing level and second it increased the cost to the ultimate user. If those are not the answers, then what is? The answer I believe lies in accelerating and increasing supply by the private sector. Historically about half of the private sector built units, some 15 000 to 17 500 per annum, are redevelopments or developments on private land with the other half being built on land sold by the Government. The process of building on privately-owned as opposed to land sold by the Government is pretty time-consuming. Measures introduced over the years recently have slowed down the development process so much so that the Real Estate Developers Association (REDA) has alerted the Administration of its concern about a serious reduction after two years or so. Some of the measures mentioned by the Financial Secretary will be helpful but may not come soon enough. The real answer lies in maximizing our limited land resources. We must re-examine densities, increase infrastructure to cope with increasing densities rather than to reduce densities because of the lack of adequate infrastructural support. Indeed, in areas where infrastructural support is more than adequate we should increase densities immediately. Mr President, measures that seek to curb excessive speculation do not by themselves increase the supply of flats. Historically, we have not had an unreasonable or excessive vacancy factor. What does this mean? It means that there are not huge numbers of flats lying empty. In this context how does the introduction of a capital gains tax (whatever this might mean) help increase the supply? I assume, perhaps wrongly, that you only pay a capital gains tax if you sell whilst you do not pay if you do not. Apart from that it is likely to wind up taxing the very ones that the proponents of this idea may wish to help.

I now turn to the Financial Secretary's remarks on this year's budgetary strategy and the Medium Range Forecast. Amongst other things, the Financial Secretary said that the Administration practises what it preaches. I wonder whether he means this when he talks about maintaining and I quote "adequate reserves to meet our known commitments and to guard against future uncertainties." I have asked this question on a number of occasions as to what "adequate reserves" means but have yet to receive a satisfactory answer. Look at our reserves and see whether it is adequate or more than adequate. The Financial Secretary has told us that our fiscal reserves as at 31 March this year are expected to be \$136.1 billion. I would add another \$1.5 or \$2 billion to that when we have our final closing. The Financial Secretary forecasts our reserves on 31 March 1997 to be \$120 billion — that is a little less than as at 31 March 1994 because we will have to draw on our reserves for the years 1995-96 and 1996-97 but much more than last year's forecast of \$78 billion. By 1997-98, our fiscal reserves will be \$141 billion which together with the Land Fund and interest will give us reserves of some \$269 billion. This is against a forecast of total government expenditure in 1997-98 of \$231.4 billion. Barring Taiwan, I doubt whether there is another country or territory with this ratio between reserves and government expenditure. If these are not adequate reserves may I remind our Financial Secretary of our huge investments in the MTRC, the

KCRC, the Housing Authority, the New Hong Kong Tunnel Company and of course the New Airport. These investments are part of our reserves. In his Budget speech last year, the Financial Secretary said that, against total government expenditure of \$200 billion for 1997-98, he did not consider a \$78 billion reserve as excessive. Mr President, the telling point is what the Financial Secretary did not say. He did not say that \$78 billion is inadequate. I would ask the Financial Secretary and his team to enter these very simple and stark facts in their computer because we will be raising these facts again with them in the not too distant future.

I now turn to this year's revenue proposals. The Financial Secretary aptly described his measures on salaries tax as dramatic improvements. Last year in terms of personal allowance the Financial Secretary gave \$1,000 more than we have proposed for a single person. This year something similar has happened again. The Liberal party suggested that personal allowance be set at \$61,000 plus a housing allowance of \$10,000 making it a total of \$71,000. The Financial Secretary has proposed \$72,000, again \$1,000 more than we had put forward. Is this too much of a co-incidence? Whatever it might be we are more than happy to be the sacrificial lamb if taxpayers benefit by having \$1,000 more allowance. We welcome the Financial Secretary's long overdue correction of an error made two years ago by this year's proposed reduction of profits tax to 16.5% from 17.5% which amounts to some \$1.6 billion for 1994-95. However, for those who criticize this reduction I would ask them to note that the doubling of business registration fee, under the guise of broadening the tax base, would raise some \$700 million for the current year. This means that the net benefit the business community will receive is \$900 million and not \$1.6 billion. The \$900 million is less than 30% of the \$3.2 billion reduction in salaries tax for 1994-95 despite the fact that in 1993-94 profits tax was some 26% of revenue whilst salaries was 15%. Mr President, I feel I must say something about standard rate taxpayers of which I am one but not the only one in this Chamber. They are the group that has been harshly treated. Last year they paid \$12.2 billion or 55% of the total salaries tax. There were then 110 000 standard rate taxpayers. This year there will only be 44 000. Is it right that 44 000 taxpayers bear 55% of the salaries bill?

Mr President, I am tempted to touch on the area concerning alcohol duty as I am a wine drinker. Indeed, I am not the only one in this Chamber, but I will not blame the Financial Secretary because I know he too enjoys the odd glass of wine. What I would like to say is that I would like to assure him that the Liberal Party's proposal on the freeze of the proposed increase in rates this year and a cap on the following year has nothing to do with that. We have proposed them for three reasons: first because we believe that our level of reserves is more than adequate, second because it behoves the Administration to reduce revenue where there is no demonstrable need and third because the Government should only raise in taxation what it needs to finance agreed policies and programmes. Indeed, the Financial Secretary subscribes to the third reason because he has said so in terms. I have been told that "rates" is a fair and progressive tax, that freezing rates will narrow the tax base. I cannot

agree that it will narrow the tax base because the number of ratepayers will not decrease. If anything it will increase because of new units coming onstream. I have heard that the Administration will have to look elsewhere to recover the revenue loss if rates are frozen for a year. With respect, I believe that we can more than afford \$1.4 billion reduction in our forecast of surplus of \$7.7 billion. We will still be left with about \$6.25 billion and it will indeed not have any impact at all on our reserves in 1997-98.

Mr President, the Financial Secretary has quite rightly attributed our present-day financial strength to the hardworking men and women of Hong Kong. And I will ask this question: What does the hardworking people of Hong Kong want? Financial Secretary, this is what they want: they would like you to freeze the rates this year.

PRESIDENT: Mr Moses CHENG, I understand that you wish to speak out of turn because you have another engagement.

MR MOSES CHENG (in Cantonese): Mr President, I should like to thank you first for allowing me to speak out of turn. In assessing next year's Budget, we might as well switch our attention from the superficialities of increase or decrease in the various taxes or duties and instead view the Budget from another angle, namely, the appropriateness or otherwise of the way the Administration proposes to spend public funds, to see whether the Budget really fits its theme of "Managing Prosperity".

Hong Kong is luckier than many western countries because, in our Budgets of the previous years, the word "surplus" occurred frequently. In the year 1993-94, the Administration had an unexpectedly large surplus of \$15.1 billion, and it is estimated that there will be also a surplus of \$7.7 billion next year. Moreover, our fiscal reserve now amounts to \$136.1 billion. These figures are really the envy of financial secretaries or ministers of many other countries.

The Financial Secretary has said that public revenue and the accumulated reserve do not belong to the Administration, they are wealth created by the people of Hong Kong through their diligence and enterprising spirit. So these financial resources belong to all the people of Hong Kong. In utilizing these funds, the Administration should only play the role of a trustee to the effect that the needs of the various sectors of society will be catered for in a balanced and reasonable manner.

As regards social welfare, the Financial Secretary's budgetary proposals of increasing the basic dependent parent and single-parent allowances are worthy of our support as they are in response to the Liberal Party's call for the Administration to take the lead in caring for our elderly people. But what is regrettable is that the Administration is indifferent to the demand of the Liberal

Party and the public for adjusting the payments under the Comprehensive Social Security Assistance Scheme to a level at which the recipients can live in dignity.

Mr President, as the Financial Secretary has said, in our society today, if we want to ensure that government expenditures are appropriate, we must have an effective, well-run and honest government with scientifically managed departments that can avoid as far as possible expenditure waste caused by bureaucracy such that public funds can be used in the most cost-effective manner.

In examining the government expenditure on social welfare, we should consider whether the resources currently used for this purpose are used in a most cost-effective way. We should also pay attention to whether there is waste. We have to ask our Administration to get good value for money. Likewise, we should also demand subvented welfare organizations to do the same. This is, I believe, a very reasonable demand.

In fact, subvented organizations play a very important role in the social service sector of Hong Kong. With financial resources provided by the Administration, these organizations can use such resources freely and provide more flexible services, which means that their services can better meet the needs of the service users. Although the subvented organizations are free and flexible, it does not mean that they should not be subject to any monitoring, because their financial resources come, in varying degrees, from public funds.

I have always been of the view that to keep investing resources does not automatically mean that we can provide better services. It has always been the budgetary approach to assess the "performance" of our social workers or case workers in terms of the volume of their work. If the volume increases, it will seem that their performance is better, but does that really mean that those concerned have made the best use of the resources and does that truly reflect the effectiveness and quality of their work?

Last year, I asked the Director of Social Welfare how the service standards of subvented organizations could be improved. Regrettably, the answers that I obtained were still propounded the conventional methods including the examination of quarterly figures provided by the organizations and regular inspections of the servicing units.

This year, I am very pleased to learn that the authority concerned will conduct the Review of Social Welfare Subvention Administration. I hope that this Review will not only examine the streamlining of procedures for fund application, but will also consider shifting the emphasis of monitoring the subvented organizations from one of resource input to one of service standards. I also hope that with an effective assessing method, the standards of service of the subvented organization will be more balanced and these organizations will be run in a more cost-effective manner.

Before the proposals of this Review are implemented, subvented organizations are now required to provide statistics only on a quarterly basis, but given our advanced information technology, it will not be unreasonable to demand that such statistics be provided on a monthly basis. Such a measure will not only allow the Administration to have sufficient information to make timely responses, but will also encourage the organizations concerned to strengthen their internal management.

Mr President, another way to maximize cost-effectiveness is the proper use of resources. As far as human resources are concerned, it means division of labour with each party doing what it is best at. Under the licensing system for private homes for the elderly to be implemented soon by the authority concerned, these homes are required to have in their employ a specific ratio of nursing staff. Given the current shortage of nurses in Hong Kong, the Administration should seriously consider making use of graduate nurses of the mainland and providing nursing courses in post-secondary institutions for these mainland nurses in order to make up for the shortage of nurses.

Mr President, I would now like to talk about law and the administration of justice. Among the various government departments, the Judiciary and the Legal Department have always given people an impression of seclusion. Some people may consider that in order to uphold the independence of the judiciary, the functioning of these departments should not be subject to any interference. This is totally an out-dated and unreasonable way of thinking. Undoubtedly, we should uphold the independence of the judiciary, but that does not mean that the expenditures and administrative efficiency of these departments should not be subject to scrutiny by the public.

Recently, a newly-retired official of the Legal Department has criticized Members of this Council in a newspaper, saying that they raised all manner of difficulties for the Department when it came to this Council to ask for funds. I find such a criticism very curious. One of the main duties of the Members of this Council is to monitor government expenditures. If the Legal Department applies for increased allocation of funds to meet the needs arising out of its official function, we will be more than willing to support it. But very often the Department was unable to provide scientific figures such that it was difficult for us to determine whether the application was justified. However, the Legal Department has now provided more information on its expenditure estimates for the next financial year. I hope that the Legal Department will open up itself even more.

The administrative efficiency of the Judiciary has in recent years been a subject of concern to the Administration and the public. The Administration has recently appointed the first Judiciary Administrator who will undertake a comprehensive review with the object of improving the administrative arrangements of the Judiciary and enhance its efficiency. The Judiciary has planned to use \$40.7 million in the next financial year to install a computer system to help improve the efficiency of the various levels of courts in hearing

cases. It is estimated that the recurrent expenditure of the Department will for this reason increase to \$16 million, which is three times more than the current amount.

These measures, which reflect the Administration's resolution to enhance the efficiency of the Judiciary, are worthy of our support. But we need to consider further that the equipment or the so-called hardware that we have bought for improving working efficiency will not guarantee an immediate improvement in efficiency. We must have corresponding "software" to fit these hardwares. I am not referring only to computer programmes that are required in running the computers, but also a package of modern management concepts which is now most lacking in the Judiciary. The Administration has to inject into the Judiciary modern management concepts and correspondingly strengthen the training of its staff if it wants to achieve maximum results out of its efforts.

Another problem worthy of our attention is the astoundingly large expenditure incurred by the Legal Department in hiring private legal practitioners and other relevant professional services. In this financial year, the Department's expenditure in this regard is estimated to be as high as \$170 million and the expenditure of next year will be around \$200 million, which is 37% of the total expenditure of the Department.

In managing the huge amount of government expenditures, the Administration has not only to make an effort to avoid waste, but also to review the expenditures of the various government departments, especially the hiring of private legal practitioner by the Legal Department, to see whether the money has been reasonably spent and whether the services are really worth the money. The Administration should even consider the introduction of a set of criteria for lawyers' charges in order to enhance the cost-effectiveness of the expenditures in this regard.

The Legal Department has difficulties indeed in competing with private legal firms for legal talents. In the past few years, the Legal Department has implemented a number of schemes to improve the promotion prospect for local staff in order to retain those with the right calibre and qualifications. However, what we must pay attention to is that the Legal Department should start from the Crown Counsel level in its localization exercise.

The Legal Department has introduced since 1992 a Legal Trainee Scheme to attract fresh graduates of the law faculties in local institutions to join the Legal Department as trainees. This is a very good attempt. However, there were only a small number of vacancies with only five in 1992 and 10 last year, although the response was very encouraging with some 100 applicants last year. This has reflected that the Scheme is welcomed by law graduates. The Administration should therefore consider increasing the number of vacancies offered under the Scheme so that our legal talents who intend to join the Government, especially the Legal Department, will not be disappointed.

On the whole, we can see from the examples of the Social Welfare Department and the Judiciary that the Administration has already taken a great step forward in recent years in improving the management and efficiency of the various departments. However, there is still plenty of room for improvement. The Administration must continue to work hard in order to conform to the principle of prudent financial management mentioned by the Financial Secretary.

Mr President, with these remarks, I support the Appropriation Bill.

MR MARTIN BARROW: Mr President, the Financial Secretary was congratulated last year on a popular Budget but he has gone one better this year. He is the envy of his opposite numbers all over the world, being in a position to propose salaries tax concessions, and to announce the Government's intention to put a total of \$38 billion back into the taxpayers' pocket over the next five years.

The underlying economic philosophy and overall Strategy

In the introduction to his Budget speech, the Financial Secretary said that the community expected the range of government services to be expanded and their quality improved.

Let me address first the issue of improvement of quality. I applaud the Government for the steps it has already taken in this direction. The Efficiency Unit has made impressive progress in many areas; included in that progress is the abolition of 800 unnecessary forms as mentioned in the answer to my written question today. There is now a much more responsive approach in government departments, and an awareness that the public should be treated as, say, a successful shop would treat its customers, in other words, with respect. But despite these improvements, there is still more to be done. Bold measures, such as decentralization and a broadening of the responsibilities of various government departments, are still needed.

This is a suitable juncture at which to remind the Financial Secretary once again not to lose sight of the possibility of privatization and corporatization of government activities. We hear little about the issue these days — perhaps it is considered to be too political to talk about. Whatever the case, privatization and corporatizations are being introduced all over East Asia, and it would be a pity if Hong Kong does not pursue such opportunities.

With regard to the range of government services, I am rather reluctant to let the Financial Secretary lay the groundwork for new services, particularly ones which would be incompatible with the policy of "positive non-interventionism" and which might burgeon to push public expenditure to 20% of GDP or beyond.

I am sure we all support the Government's fundamental economic policies as laid out in the Budget speech — free trade and fair markets, a stable currency, a sound financial system, low and predictable taxes, and prudent budgets. We should continue to invest in our future, in key areas such as education, healthcare and the protection of the environment. But we should resist excessive expenditure on any new government services, which implies a larger, more interventionist government. The Financial Secretary has said that in Hong Kong we leave our resources as far as possible in the private sector. Let us keep things that way, and try to find ways and means of expanding private sector-led activities.

Having made the above remarks, I support the three main points of the Financial Secretary's Budget strategy — spending constraints, adequate reserves, and avoiding inflation.

Inflation

The Financial Secretary says we have a very serious labour shortage which aggravates inflationary pressures. Yet he fails to come up with any solution except for allowing a tiny number of 1 000 professionals in from China, who are, of course, very welcome. True, the issue is politically difficult, and one which raises emotions in this Chamber. But this is the sixth Budget debate in which I have had to speak on the issue, and I find that I am having to repeat many of the points that I made in earlier debates. I must emphasize firstly that what is needed most to resolve the issue is strong leadership from the Government, to explain to the community why a more flexible policy is in everyone's long-term interest.

The existing general labour importation scheme makes provision for 25 000 overseas workers, a number equivalent to less than 1% of the workforce. I am sure that a modest increase in that number could not possibly have a negative effect on the local workforce, given that there are a substantial number of vacancies — some 70 000 or so — which the local workforce have not filled. Accompanying an increase, provisions to protect local labour must of course be maintained. In the event of an economic downturn, for instance, imported labour could be the first to be laid off.

Opponents of imported labour try to argue that Hong Kong has unemployment. This is only technically correct, but at 1.9% it is extremely low by world standards and certainly anyone here who wants to work can do so. Opponents might do well to consider that the growth of Hong Kong's economy is forecast to continue for some years and that more labour must be required to service that growth. And they should also consider that Hong Kong continues to lose labour to emigration and to employment in China.

By not adopting a more flexible general scheme, Hong Kong stands to lose out to competitors, and I am thinking here particularly of Singapore, which has a much more flexible policy. For if sufficient labour is not available, business

cannot expand. And in economies which are dominated by service industries, such as Hong Kong's and to a lesser extent Singapore's, the use of imported labour provides opportunities for the local workforce to upgrade to more important roles, whose pay and other conditions are superior.

Tourism

I welcome of course the reduction in the airport passenger departure tax. The tourist industry and many others in the community have campaigned for the reduction and I appreciate the Financial Secretary's decision. Some colleagues have asked me to explain the benefits which will accrue from the reduction. Hong Kong has traditionally been perceived as a "free port" and "a shopper's paradise". The high departure tax however went quite some way in dispelling those perceptions. But now, as most other prices move up, we are able to say that at least one is moving down. This gives the tourist industry a splendid opportunity to put over the message around the world that the Government is giving support. Further, I am sure that the reduction will lead to an increase in expenditure by tourists and other visitors, which in 1993 amounted to \$60 billion, a huge contribution to our economy.

There is, however, one aspect of the Budget which is going to increase costs of visitors and that is the proposed new tax arrangements for alcoholic beverages — I declare an interest, Mr President, as I am a director of a company with an investment in that field. I wonder if in trying to remove discrimination between one category and another, the Financial Secretary has not ended up proposing a new form of discrimination which is certainly going to increase prices for our visitors. I believe it would be more equitable for the Hong Kong Government to look at a specific tax per litre system, given that *ad valorem* taxes are much more costly and inefficient to administer. Most of the world's industrialized countries utilize specific rates and *ad valorem* rates can only encourage under invoicing. The new proposal will result, I am sure, in lower revenue for the Government, perhaps exacerbated by smuggling of more expensive products.

A final point on tourism is the question of the supply of hotels. There is little point in having a splendid new airport unless visitors who come here have got somewhere to stay. The number of local hotels is diminishing at rather an alarming rate and I must urge the Government to set aside new areas in reclamations where only hotels may be built. For any Member who is unaware of the fact, hotels are being replaced by office accommodation, the price of which has been at a premium. The Hong Kong Tourist Association and the government Planning Department are undertaking a study related to long-term and overall tourism development, but action on hotels and designated areas should not wait until that study has been completed.

Conclusion

In concluding, Mr President, I would like to add that the Financial Secretary's proposed treatment of the rates issue is sensible and I disagree with the somewhat opportunistic opposition to this element to this package. I would also like to say that the Financial Secretary's forecast of fiscal reserves for March 1997 should set hearts and minds at ease, and I hope will help in leading to an early resolution of the airport impasse.

With these words, I support the motion.

MRS PEGGY LAM (in Cantonese): Mr President, on tax matters, the Budget this year offers members of the public more concessions than did the one last year. Though it is still deficient in some respects, I congratulate the Financial Secretary on the improvement, on his listening to suggestions.

I have been calling for reasonable tax levels for years. Low-income people earning between \$3,000 and \$4,000 a month should not have to fall into the tax net. The Financial Secretary has eventually readjusted salaries tax drastically by raising the tax allowances. He has responded to the wishes of the public. The sandwich class, too, will get a fairer deal in the coming year as far as their tax burden is concerned. The Financial Secretary puts it well when he says that, in a year of buoyant revenues, the Government should take this opportunity to leave money where it can do the most good, in the pockets of the taxpayers.

Regrettably, the popularity of the Budget has been greatly diminished by the Government's proposals on rates and on measures for curbing property speculation.

I will talk about rates first. The Governor said at one time that rates did not have a great impact on people's livelihood. He could not be more wrong. In Hong Kong, rates affect in varying degrees everybody who lives in housing accommodation.

The Financial Secretary proposes to keep the overall rates percentage charge at its present level. But, after the revaluation exercise, rateable values will rise sharply by 30%. The Financial Secretary says that he will not collect the full 30% increase. But even an increase capped at 20% will be an unbearable burden to the lowly citizens. To be sure, there is a need to reassess rateable values to bring them in line with real property values. But I think that, with the Government running a huge budget surplus, the overall rates percentage charge can and should be lowered by one percentage point. This will lighten the burden for members of the public, who can then really partake of the fruit of prosperity. It will also demonstrate that the Government is not selectively applying its taxation principle.

This principle, in the words of the Financial Secretary, should be that the Government only raises in taxation what it needs to finance its agreed policies and programmes. These words are by way of an explanatory note to Financial Secretary Hamish MacLEOD's proposal to reduce the profits tax rate.

The Financial Secretary shows us a picture of the Government in a robust financial position and with an ample surplus. He does so to justify the help he is giving to the business community from whom he willing be collecting \$1.8 billion less in profits tax. Given the profits tax move, I really cannot understand why the Government is so resistant to the voices of the general public calling for a lighter burden of rates payments. We are asking for a cut of just one percentage point in the overall percentage charge, a cut that will benefit the entire population of Hong Kong, a cut that will translate into a revenue loss of only \$1.2 billion. I hope that the Government will readily listen to good suggestions and not open itself to charges of unfairness.

What greatly disappoints me about the Budget is that the Government fails to put forth effective ways for dealing with inflation, particularly when the run-away property prices are reaching unhealthy proportions. Soaring property prices are the reason why rates payments will rise sharply after rateable values are reassessed.

Leaving aside the Government's failure to put forth measures for curbing property speculation, to make matters worse, the Secretary for Planning, Environment and Land says that a decline in property values will impair the interests of 850 000 property owners and make them unhappy. His words cast doubt on the Government's sincerity about protecting people's livelihood.

It is patent that very few home owners will sell their homes now to take profit in this crazy property market. Some home owners are holding onto their homes despite the unbearable burden of high mortgage payments. It is the newly-weds who own no homes who are finding themselves helpless in a property market which is spinning out of control. Therefore, when the Secretary for Planning, Environment and Land talks about unhappy people, he is really talking about just a handful of developers and speculators-out of Hong Kong's population of 6 million. The Government, in taking such a position, will, I believe, make millions of people unhappy.

The Financial Secretary talks about increasing land supply and emphasizes it as a solution. Such a solution may be effective but it will take too long to work. I would like to repeat here a suggestion that I have been making for years. The Government should give first-time home buyers a tax benefit by making mortgage interests tax deductible. Such a tax benefit is in fact available in many countries.

Another point to note is that, where sites become available as a result of redevelopment, the Government intends to use them mainly for commercial development. I urge the Government to give careful thought to a good mix of

residential development and commercial development in the urban areas. Commercial interests should not be made paramount. The sentiments of the evicted local residential population, too, merit some consideration. The Government will provoke hard feelings if it disregards these sentiments. In fact, I believe that it will be a great help if the Government heeds a suggestion that I have been making for years, which is that the Government should review the unreasonable plot ratio differential between residential development and commercial development.

Similarly, I think that the Government should go about with caution its plan to speed up redevelopment by allowing private developers to apply for land repossession. The Land Development Corporation is a non-profit-making semi-official body. Even so, its moves to repossess land have often been criticized as unfair by evicted residents who are unhappy with their replacement accommodation. I hope that the Government will make sure that residents' interests will not be impaired by any move to repossess land and that no serious social conflicts will arise therefrom, which may affect stability. The ad hoc group on the Multi-Storey Buildings (Owners Incorporation) (Amendment) Bill of 1992 urged the Government to set up a special tribunal to adjudicate disputes relating to the deeds of mutual covenants and the management of multi-storey buildings. The Government found the suggestions too complex. Thereupon, Members agreed to some provisional measures. With effect from 1 April 1994, the jurisdiction of the Lands Tribunal was to be expanded to enable it to adjudicate disputes over the management of multi-storey buildings. However, the Government said recently that a request for money to fund such a constructive measure had been rejected. Consequently, 1 April will not be the effective date of the Lands Tribunal's power to adjudicate disputes over the management of multi-storey buildings. Many members of the public are greatly disappointed. As the chairperson of the Legislative Council Panel on Public and New Territories Affairs, I urge the Government to move quickly to allocate adequate resources to the Lands Tribunal to enable it to adjudicate disputes over the management of multi-storey buildings. These disputes affect people's livelihood.

With regard to the environment, I am very glad that the Financial Secretary proposes to waive the first registration tax on electric cars to encourage members of the public to use more of such cars and thus reduce pollution caused by the burning of fuel oils. This proposal is an initial response to a suggestion that I have been making for years, which is that the Government should promote the use of electric cars to reduce air pollution.

However, up to now, there are only a few electric cars in Hong Kong, owned by China Light and Power Company, the Government and several other institutions. Much more has yet to be done before electric cars will become popular. The cars themselves are too expensive. There are not enough battery recharging facilities. These problems cannot be corrected by waiving the first registration tax. I urge the Government to make a serious study to find out what kinds of facilities will be needed and how they should be provided if

electric cars are to become popular. If nothing else is done, the waiver of the first registration tax will turn out three years later to be a policy that has received only lip service, a benefit that nobody will have enjoyed.

I would also like to talk about the environmental problems caused by the Hong Kong Stadium. I would like to make just one point. The Government always says that, as a preventive measure, an environmental impact study is made before any project is approved. But, in the recent incident involving the Hong Kong Stadium, it has come to light that the Government itself belittled the opinion of the Environmental Protection Department. I hope that the Government will do better next time and take the lead in protecting the environment.

Another example is the Government's attitude towards overhanging signboards. I hope that this Council will hold a motion debate to discuss the matter at length. The Government, responding in a perfunctory manner, has said that inspectors are looking at all overhanging signboards in Hong Kong and, if any is found to be dangerous, people will be sent to deal with it. In Hong Kong, there are many overhanging signboards that are old and derelict. There are also new overhanging signboards. Even the new signboards, for which their known owners can be held responsible, may be a nuisance to neighbours and a danger to pedestrians. The Government does not have a signboard licensing system which will otherwise fulfill a preventive function. Owners will be held responsible only if and when something happens. That will be too late for the victims, who will be members of the public.

In the social welfare area, the Government says that the total recurrent expenditure will increase by 8.4% in real terms. However, it appears that this increase will only slightly make up for past commitments that the Government has failed to fulfill. I am particularly concerned with the Government's proposal to levy high licensing fees on old people's homes at a time when services for the elderly are woefully inadequate. Members of the public will doubt the Government's sincerity about caring for old people, especially those who are unable to live on their own but must live in old people's homes. One must realize that, as surely as wool comes from the lamb, higher costs are ultimately passed on to service users. Therefore, I hope that the working group concerned will propose something better in August and that the Government will do its best to help, now that its financial position is so robust. The Government should help not only with money from the Lotteries Fund; if needs be, the Government should help by allocating more resources.

There is another matter. Let me once more dwell on the rate of assistance under the Comprehensive Social Security Assistance Scheme. I support a quick adjustment of the rate to \$2,100, so as to enable low-income old people, especially those dependent on the community's care, to live the rest of their lives with dignity.

Lastly, I would like to comment on what the Government has done for women. The Government gives excuses and says that, until there is a new policy, it does not intend to request funding for the promotion of equality between men and women. This makes me wonder how committed the Government is to opposing discrimination against women. The Government has an obligation to fund efforts for promoting equality between men and women in Hong Kong, the more so if it does not intend to introduce the Convention for Elimination of All Forms of Discrimination against Women (CEDAW) to Hong Kong or to set up a Women's Commission. The Government should discontinue its present practice of leaving the matter in the hands of the human rights education group under the Civic Education Committee. I certainly hope that the Government will not refuse to introduce CEDAW, the introduction of which is the wish of the public. Refusal to introduce CEDAW can be interpreted as refusal to pay special attention to equality between men and women.

Mr President, with its financial position so robust, the Government has finally deferred to the wishes of the public and announced several tax concessions. This is commendable. We know, however, that the Government's higher revenues in recent years have been due mainly to higher proceeds from land sales and a higher collection of stamp duty. The policy of high land prices affects people's livelihood and should not last. Stamp duty collection is dependent on a brisk stock and property market. These sources of revenue are not stable. The recent weakness of the stock market serves as a minor warning. Our present government will rule only until 1997. Still, I hope that it will look beyond 1997 and will now, during the latter part of the transition period, pay attention to stable revenue sources and refrain from making any policy change that may damage Hong Kong's economic climate. The well-being of the people of Hong Kong will then be served.

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

MRS MIRIAM LAU (in Cantonese): The Financial Secretary's Budget this year is entitled "Managing Prosperity." "Prosperity" is indeed a very apt word for characterizing Hong Kong's economy in the 1990s. As China becomes even more open, Hong Kong's trade, especially entrepot trade, has achieved spectacular growth and Hong Kong's economy has flourished. The Government's financial position is very robust. The Financial Secretary has already devoted much of his Budget speech to describing this. I have no wish to repeat it. In sum, the Government has listened to good suggestions and is proposing to spend more money to improve public services. The people of Hong Kong will benefit very much from it.

However, does "prosperity" reflect the Financial Secretary's good "managing" of money matters? Not entirely. Let us look at his track record in forecasting Budget surpluses in recent years. In 1992, he predicted that there would be a Budget surplus of \$7.5 billion. The outturn was a surplus of \$20.5 billion. He was wide of the mark by nearly 200%. Last year, he predicted that

there would be a Budget deficit of \$3.4 billion. The outturn was a surplus of \$15.1 billion. Of course, it is better to be proven wrong by an unexpectedly big surplus than by an unexpected deficit. Still, one's forecast should not be overly conservative. Previous Financial Secretaries used conservative financial management methods. To a greater or lesser extent, they substantially constrain the Government's desire to invest in large infrastructure projects. The Government should take all factors into consideration and try to avoid making too big a forecasting error. I believe that, if the Financial Secretary's forecasts of surpluses had been closer to the mark, the Government would have acted more boldly and sooner to promote socially necessary projects. In view of the Government's robust financial position, the Liberal Party welcomes the Financial Secretary's proposal to lower the profits tax rate by one percentage point. This is an important step. With the uncertainties caused by the Sino-British row, a lower profits tax rate will be useful in attracting foreign investors to Hong Kong and in raising Hong Kong's competitiveness.

I believe that nobody will object to my identifying inflation as Enemy No.1 of "prosperity." Inflation erodes the fruit of our prosperity. It also impedes our further progress, causing social and economic development to come to a halt. Regrettably, in his Budget speech every year, the Financial Secretary says a lot of things to explain why he is not to blame for inflation. He says that, despite inflation, Hong Kong has not lost its global market share. He says that the rate of inflation has not exceeded the rate of wage increase. He says that inflation has not affected those who are less well-off. We must realize that we are not seeking just to maintain the *status quo*. We want to make our community even more prosperous and progressive. This means that we are seeking a bigger global market share, more substantial wage growth in real terms and a better quality of life. Therefore, the finding of a solution to inflation cannot brook one moment's delay. Just as in previous years, the Financial Secretary this year has failed to put forth a long-term strategy for dealing with, or even a short-term relief for, inflation. He blames everything on so-called "unique economic constraints" and proposes to let inflation take its natural course. This is very irresponsible.

The Financial Secretary wants good "management" of money matters. So does the general public. Everybody has to be a good manager of money matters if he is to be able to cope with the adverse effects of inflation. In this connection, I would like to focus on the question of transport.

Yesterday, the Executive Council approved a 12.9% fare increase for Kowloon Motor Bus (KMB). Though the proposed increase is based on statistical evidence reviewed by the Traffic Advisory Committee, members of the public find it to be excessive. They want the increase to be smaller so that it will put less pressure on the cost of living. On one hand, the Government stresses that it always thinks in terms of how much an increase in fares will be acceptable to members of the public and what impact a fare increase will have on inflation. On the other hand, it simply goes ahead to approve fare increases without listening to the voices of members of the public. The Government must

assume responsibility in this respect. It must quickly tell members of the public the grounds on which it gave the approval. It must do so convincingly.

In his Budget speech this year, the Financial Secretary says that the Secretary for Transport has set up a working group to study the problem of road congestion. The Liberal Party welcomes this because it at least shows that the Government is willing to take a square look at the problem. But the Liberal Party wants to offer a comment to the Secretary for Transport. The Financial Secretary says that we cannot solve the problem with money. Since the Government is aware of this truth, then the Government should not take car owners as the object of its ulterior designs. The Government should not consider using pricing as a means of keeping the growth of the number of vehicles under control. The Government tried before to use financial measures to deal with the problem. It tried raising vehicle licence fees, first registration tax and fuel tax, but to little avail. The Liberal Party does not want to encourage the Government to use the same methods again. These methods are good only for producing short-term results by depriving members of the public of their right to own private cars. They are of no real use for the long-term solution of road congestion problems.

I agree with the Financial Secretary that the problems of road congestion cannot be solved with money. However, if the Government does not spend money on solutions, the problems surely will remain unsolved. The Liberal Party believes that the key lies in what strategy the Government will adopt and how money will be spent where it will have most effect in dealing with the problem. The Liberal Party thinks that there must be short-term and long-term solutions for traffic congestion problems. Over the short term, the Government must improve and widen roads and improve traffic control. Over the long term, the Government must invest in building more flyovers and, more importantly, speed up the development of mass transit systems to reduce the need of the public for private cars.

In the area of road improvement and traffic control, the Government has adopted some measures that tackle the problems but they are half measures. The Government is merely "treating the head when there is a headache and treating the foot where there is a sore foot," so to speak. The Liberal Party thinks that the Government should make a systematic and comprehensive study of all the traffic bottlenecks in the urban areas as well as in the New Territories, find out the cause of each bottleneck and then solve the problems of congestion by widening roads, improving traffic controls and more rigorously enforcing traffic regulations. The digging up of roads, which causes congestion, is another long-standing problem that must be solved quickly. If a road must be dug up in a non-residential zone, this work will best be done at night. If a road must be dug up in a residential zone, the work should be completed with all due speed. When the work is in progress, traffic controls should be instituted to keep the flow of traffic as smooth as possible.

True, the Government has in recent years invested money in road construction. The Financial Secretary says that the Government plans to build 100 km of new roads between now and 1997. The Governor, too, said in his policy address last year that the Government would spend \$9 billion this year on road construction and improvement. I would like to ask the Government how many of the planned projects are intended to deal with road congestion in the urban areas. In fact, as everybody knows, most of the road construction projects (nearly \$7 billion out of the \$9 billion) are related to the new airport project. While the new airport project is important, the new roads serving the new airport will do nothing in solving road congestion in the urban areas. The Transport Policy White Paper of 1990 said that the Government would build many major roads to ease road congestion, including Route 3, the Hunghom Bypass and the connecting road link between Route 7 and the Eastern Corridor. All these projects were scheduled to be completed in the mid-1990s (except for the country park section of Route 3, which was scheduled for completion in 1997). We are now already in 1994. None of the projects have proceeded beyond the drawing board stage except Route 3. The Second Comprehensive Transport Study (revised) has since rescheduled the project completion dates to between 1998 and 2001. Let me ask the Government if it honestly intends to build roads to ease road congestion. I think that all these road projects are important projects. Since it is the Government's policy to build them to ease road congestion, the Government should go ahead with them as planned. Now that it has an ample reserve, the Government has even less reason to drag its feet in proceeding with the projects which have always been pressingly needed.

The Liberal Party thinks that the serious shortage of car-parks is one cause of road congestion. The White Paper said that the Government would encourage the private sector to build public car-parks and would find suitable locations for building multi-storey car-parks and underground car-parks. But the Government obviously has not done enough. The Government should with all due speed find locations for more temporary car-parks and for roadside parking spaces. This will solve the shortage of car-parks. The Government should also make plans to build more permanent car parks itself or invite the private sector to build them, so as to provide sufficient car-parks to meet market demand. In fact, many government buildings and facilities can be put to use in this respect. If their roofs and basements are turned into car-parks for use by members of the public, this will be helpful to some extent. It is also consistent with the principle of putting land resources to maximum use. I think that the Government, when redeveloping its old buildings and facilities and when building new ones, should give some thought to my suggestion. The large number of vehicles in Hong Kong is the result of economic prosperity. The Liberal Party thinks that the Government should not refuse to build, or drag its feet in building, more car-parks on the ground that car-parks are not cost-effective. The Government would be running away from its responsibility for providing sufficient parking spaces.

The Liberal Party thinks that the long-term solution for road congestion is to find effective ways to encourage members of the public to use public transport. Railways, among all mass transit systems, have the largest passenger carrying capacity and are the most efficient. The Government must work hard at the development of railways. Regrettably, no firm decision has yet been made to proceed with any of the railway projects mentioned in the Second Comprehensive Transport Study Report or the White Paper. This is disappointing indeed. The other day, when this Council was debating the proposed Northwest New Territories Railway, the Government said that a decision would be made on this project within three months. But what about the other railway projects? The proposed MTR extension to Tseung Kwan O, the MTR extension to Kennedy Town, the Nathan Road Corridor MTR extension, the railway from Ma On Shan to West Kowloon and the railway for Hong Kong Island South are important to the people in the respective areas. They are most pressingly needed. I understand that the projects must be assigned different priorities. Still, because railways take time to build, the Government must quickly lay down the time tables for the actual construction work and drag its feet no more. In fact, the Second Comprehensive Transport Study recommended that the construction of the Northwest New Territories Railway and the MTR extension to Tseung Kwan O should commence during the early 1990s. Therefore, even if the Government decides to proceed with the projects, this decision will be several years too late. The Government really has no reason for further dragging its feet.

The Liberal Party thinks that financial considerations constitute one of the reasons why the Government has been indecisive. The Government has always been indecisive about large-scale transport infrastructure projects. It worries about high investment costs, about cost-effectiveness and about the rate of return on investment. Often, problems do not get solved until they become bloated. What happened in Tuen Mun and Yuen Long is a good example. Actually, now that its financial position is so robust, the Government would do well to consider injecting funds into these major infrastructure projects to enable them to be completed soon. If the projects are carried out with government funding, the projects will be completed early, there will be less need to borrow and less pressure to increase fares later on to pay off the debts. This is one way of returning wealth to the people. Its biggest advantage is that it will not cause recurrent income to decline or recurrent expenditure to rise. MTRC's gross receipts have been rising steadily but it still has to raise fares annually. This is because it still has debts in excess of \$17 billion and must spend huge sums annually on debt servicing. This shows that excessive borrowing will not be in the best long-term interest of passengers. There are some mass transit systems which Government does not want to build itself but in which private consortia are interested. The Government should encourage private consortia to invest in the development of these systems so that they may be completed sooner and come on line for use by members of the public.

Mr President, transport is important to the economy. Investment in transport infrastructure projects to provide mass transit systems throughout the territory will not only solve the problems of the members of the public who are plagued by the inadequacy of transport services but also help Hong Kong's economy to further develop. Investing in the transport infrastructure is investing in Hong Kong's future. The Liberal Party urges the Government to hesitate no more.

Mr President, I so submit.

MR LAU WAH-SUM (in Cantonese): Mr President, Hong Kong's economic growth in real terms over these few years has been encouraging. For this reason, the Financial Secretary stressed the aim of returning wealth to the people when he presented this year's Budget. It is only reasonable for all Hong Kong people to partake of the fruit of economic success created by themselves. Yet, I still urge the Administration to stick to the fiscal philosophy all along practised by itself, that is, to maintain a level playing field for creating wealth, widen the tax base and keep public expenditure growth below GDP growth in real terms. On the one hand, each social stratum can increase its own wealth through fair competition and, on the other hand, public expenditure will not fuel inflation. More importantly, the Government has to maintain the existing tax base to ensure a steady income source.

Firstly, I support the Government's proposal to reduce the corporate profits tax by 1%. This will be conducive to narrowing the gap between the rates of the profits tax and the salaries tax, thus reducing the revenue loss suffered by the Government due to tax avoidance. Furthermore, the proposal of reducing the top marginal tax rate from 25% to 20% will, indeed, benefit the sandwich class generally. As for the proposed increase in the basic personal allowance, it has definitely won our support but it is worrying to find that the new measure will free 420 000 people from the tax net completely. In fact, the drastic narrowing of the tax base is already a measure running counter to the Government's fiscal philosophy. Further still, Hong Kong's economy is subject to external factors (such as inflation suffered by mainland China due to rapid economic growth, the United States' renewal of China's MFN status and the sudden changes in world politics and finance). These factors will affect our economic prospect at any time. Once Hong Kong suffers from economic depression, the Government will have to widen the tax base and introduce new taxes again. These measures will certainly be opposed vigorously by the public.

In respect of curbing inflation, I am very disappointed with the Financial Secretary's Budget because he has provided no new solution to the problem. I hope the Financial Secretary would consider my following proposals:

Firstly, public expenditure growth. Our public expenditure growth has been outrunning the economic growth in real terms for several consecutive years. This is precisely one of the reasons for high inflation in Hong Kong. I

hope the Government will look squarely at this problem and have it properly sorted out. For instance, the Government can reassess the overall planning in respect of public expenditure for the next few years. Although we hope there will be early completion of each and every project, we still have to set priority for various items to prevent further stimulus to inflation.

Secondly, government fees and charges. At present our inflation rate stands at around 8.5%. To lower the inflation rate, the Government should take the lead in doing so by accepting the Liberal Party's proposals. From now on, a 6% cap should be imposed on increases in government fees and charges not intended for revenue enhancement purposes. Although this will not have much direct mitigating effect on inflation, the example set by the Government will definitely have some measure of psychological impact on the community.

Thirdly, phased importation of labour needed by Hong Kong employers is an effective measure to contain inflation. Hong Kong's low birth rate and the recent brain drain have led to the shrinkage of the working population, thus aggravating the shortage of labour. In addition, because of the economic transformation in Hong Kong, many workers have switched from the manufacturing sector to the service sector. As a result, we have on our hands a situation of "jobs without workers and workers without jobs". Although the Government has introduced a retraining scheme for people who have changed their career, it is of no great avail owing to insufficient resources. Under such circumstances, it is incumbent upon the Government to improve the present situation by matching the remedy to the mischief and increasing the resources so that local workers who have changed their career can reintegrate into the community as soon as possible and the tight labour market can be relieved.

When Hong Kong is importing labour, special attention must be paid to two points. (1) Technicians and executives urgently required for individual trades should be imported subject to the employment of local workers being not affected. (2) The employment of illegal workers or deduction of the imported workers' pay should be strictly monitored and employers' discrimination against local workers should be eliminated.

Fourthly, the recent surge in property prices has gone far beyond the affordability of the ordinary citizens. Although the Government is subject to the restriction of granting 50 hectares of land per year, it can still actively do more with the limited land resources. I am very pleased to see that the Government has already noted this problem. It has sped up the vetting procedures for private redevelopment of old areas and provided more floor space by increasing the plot ratio to an acceptable degree in cases of building redevelopment and land rezoning. The Financial Secretary has proposed in this year's Budget to find ways of assisting private developers in applying for land resumptions. I hope the Financial Secretary will handle this issue with caution or it will produce opposite effects. As a member of the Land Development Corporation's Managing Board, I have a profound understanding of the present public discontent caused by land resumption. If the land is resumed for

community development, the public will be happy to accept it. If the Government invokes the Crown Lands Resumption Ordinance to assist private developers in resuming land for profiteering purpose, it will only arouse public anger and break the peace of society. I propose that such cases be referred to the Land Development Corporation which is responsible for urban redevelopment and improvement of our living conditions. Furthermore, while developing large housing estates in new towns, the Government should consider the provision of sufficient infrastructure, especially transport network and so forth, to attract residents in urban areas into moving to new towns in the New Territories. This will relieve the upward pressure on property prices in urban areas. Further still, I am very glad to see that land has already been allocated to the sandwich class housing programme. This can take the pressure off the heightened demand for private housing generated by the issue of cash loans. I hope that the Government will keep on allocating more land so as to expeditiously solve the housing problem presently faced by the sandwich class and ease the upward pressure on already soaring property prices.

Fifthly, the rates. I hope the Government will earnestly address the question of rentals which are going up in tandem with rising property prices. It is because the rental increase, which is readjusted from time to time will directly affect the rise in rates. Apart from having a direct impact on all social strata, the increase in rates will also constitute inflationary pressure. Even though the Government has introduced a 20% cap on increases in rates this time, inflationary pressure will still exist if property prices remain high when rates are reassessed two years later. Furthermore, the increase in rates will directly affect each and every citizen, including public housing tenants. Rates are included in rents. When the Housing Authority adjusts the rents once every two years, it has, in fact, included in the new rents the increases in rates in the preceding two years. In the final analysis, the tenants still have to bear in full measure the increase in rates.

Be it a reduction of the rates percentage charged or the introduction of a cap on the increases, it should be based on the principle of placing no additional financial burden on the public in order to avoid stimulating inflation. In fact, it is not necessary for the Government to increase the rates in the light of so much surplus this year. Both the Liberal Party and I think that we can well afford to have the rates frozen for one year to reduce the burden on the public.

Hong Kong should attribute its prosperity and stability to the hard work of the whole citizenry, which enables us to enjoy a steady economic growth and an ever rising living standard. Yet, we also need a government which is farsighted enough to see beyond 1997 while formulating policies so as to ensure that our living standard will advance in step with Hong Kong's future development.

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

DR LEONG CHE-HUNG: Mr President, may I first of all on behalf of the medical functional constituency congratulate the Financial Secretary for his overall balanced Budget. In essence, it does reflect wishes of the community which are:

- (1) That the Government will continue to raise the standard of its own services;
- (2) That social and physical infrastructure will continue to improve; and
- (3) That the Government should leave the money where it can do most good, which is, in the pocket of the taxpayers.

Having said that, much still needs to be done to consolidate these aims. It would therefore be opportune for me to express the views of myself and that of my constituents in two main areas which are social welfare in the care of the elderly and health care. Surprisingly enough, these are the two areas that have the greatest increase of revenue that is the lion's share for which the Secretary for Health and Welfare ought to be congratulated. Unfortunately she is not around.

Few would disagree that, on the surface, a good revenue has been allocated to take care of our old folks. To wit, the pledges of the Governor's policy address in the establishment of 1 600 places in care and attention homes, six day care centres, 14 social centres and four multi-service centres are to be materialized. And for the first time, the Government is to introduce tax concession for the care of dependent grandparents. There are, of course, talks of introducing an old age retirement scheme for all.

Yet, with regret, the Government has still not come down to the core of what each and every elderly would like to have and I thought that would be a "dignified life" and a "dignified living". To some of them, this would mean proper institutionalized care in care and attention homes, nursing home and infirmaries; but to most, they yearn to be with their own home supported by what help society can provide. As the Chinese saying goes "龍床不如狗窩"(There is no home as good as one's own doggie home).

But how much is done on community care for the elderly? How much resources are allocated to this facility or to further developing them? It may be argued that some seven elderly health centres will be established by 1997, four psychogeriatric teams and four geriatric assessment teams are being established by the Hospital Authority (HA) on an out-reach basis. But so unfortunately, it is the issue of "too little and too late". Our old folks cannot wait for three years. They will not get the proper care in the elderly health centres each catering for over 10 000 members and four specialist teams are not enough to cope with the needs on territory-wide basis.

So a community service can only be effective when there are enough manpower. But there appeared to be no resources to bring this into the pipeline. And resources are needed to provide training for the different types of "home helpers" that would be needed to form these community service teams.

It may be argued that many of these services are provided by "care givers" who may be family members, friends or volunteers. But what incentives is the Government providing throughout the years to these "care givers"? What training provisions are there to help them to acquire the proper skill of care? At the end of the day, much therefore needs to be done to ensure that those who have served and contributed to our booming economy will be able to stay with their families as long as possible and to be able to "participate in society" in whatever small way.

So a dignified living for the elderly could only be achieved with financial support — a financial support that the old and the needy are entitled to and not obtain through humiliation, a financial support which is adequate for a decent existence. I therefore call for a means tested old age allowance of \$2,100 to all elderly of 65 and above.

Let me now turn to discuss the problem of budgeting for health care and I would like to approach it in a few directions:

(I) *Projects and services that need urgent funding*

It would be advisable to the Government to consider in these yieldful years to invest our unprecedented surplus to plug the areas that are deficient in the past. Examples abound, but perhaps the single most outstanding one would be to consider the construction of the Tseung Kwan O hospital where population is increasing by leaps and bounds and where hospital services are only available at the already overflowing United Christian Hospital. Ironically the former Medical Development Advisory Council has endorsed, and the Health and Welfare Branch has accepted, the concept. Furthermore, land has already been earmarked for such purpose.

(II) *The Hospital Authority*

Secondly, I would like to go into the Hospital Authority (HA) and I have to declare my interests as a member of the Hospital Authority.

So with respect, it has always been the defensive approach of the Administration to come out with figures like: the hospital budget has increased substantially since the HA has taken over the management of public hospitals; the number of nurses has increased by over 1 000 in the last two years, and there will be some 22% real growth in real terms up to 1997.

Yes, we in the profession and we as members of the public are grateful for these advances in public health budget. We are also acutely aware of some

950 new hospital beds and many others that will be forthcoming on stream this year. But with respect, all these are resources catering for new services. And most of these budgetary and staff increases are accountable to these new services and the up-grading of the fringe benefits of the underprivileged staff of the previous subvented hospitals.

With respect, Mr President, therefore, we are looking at existing services. How much allocation is there for the provision of improving existing services? When asked by the Legislative Council Health Panel, the HA Chief Executive confirmed that none has been so specified. Are we therefore to assume that on the day the HA took over the hospital management from the Hospital Services Department, the services are up to standards, and the staff number are adequate? Do we assume that the existing services are of such a high level that no improvements are needed, or do we expect as the Chief Executive of the HA emphatically put it — "that existing services will have to improve through savings and better efficiency"? In laymen terms, Mr President, it would imply that if five doctors are now looking after 100 patients and if we want to improve services through savings and efficiency, they will have to see 110 patients and perhaps 120 the following year. When will the bubble burst? When will savings and efficiency give way to decrease in quality of patient care?

So during one of the Finance Committee sessions to discuss the Budget, when the disgruntle of staff of different grades over manpower provisions was brought up, the Secretary for Health and Welfare commented that the Branch was not aware of the matter.

Mr President, but only yesterday, it was reported in the press that the nurses of the Tung Wah Group of Hospitals have requested the HA to address the issue of staff shortage urgently and they would not rule out industrial action. The Tung Wah doctors are also reported to be joining the call. And such are not isolated incidences. The Health Panel of this Council have, since the establishment of the HA, been doing regular hospital visits. During these visits, complaints of staff low morale due to shortage has been the rule rather than the exception. These complaints have been channelled to both the Administration and the HA. In one X-ray department, for example, of a major hospital alone, there is a shortfall of some 20 radiographers compared with former approved establishment. The problem must be addressed and addressed without delay not only at the macro but at the micro level.

(III) The Department of Health and Primary Health Care

With respect, I find that in spite of the drive to improve primary health care, in terms of budgetting, the Department of Health has been given an unfair deal. Of the 102 recommendations of the Working Party on Primary Health Care which the Government has endorsed, most are at best at their pilot stage. Yet, any increase in Budget this year for the department is for the Daya Bay nuclear plant contingency plan only. Similarly, I will not be able to discover

adequate budget allocation to the provision of dental care for special need groups such as the chronically ill and those with HIV.

Having said all these, I do not want to project the picture that we in the health care service are "Oliver Twists" — always asking for more. The yearly health budget which accounts for around 10% of the whole government spending is an acceptable one and has produced unrivalled healthy statistics. Yet, health cost is rapidly soaring. People are aging. There is therefore a dire need to have a complete look at the policy of health care financing.

It might be argued that a consultation document *Towards Better Health* has been published and done with great fanfare.

But with respect, this document was set to fail from the word "go". It was never aimed at providing "better health", rather it was aimed to rally support for additional funding for public health care. With such a misnomer, the public is set on a suspicious path that the Government is to shed its responsibility in shouldering the cost of health care. Little wonder that "negative" feedbacks are received instead.

In my opinion, there is nothing wrong for the Government to opt to tag medical fees and charges with the cost, indeed, in a survey I conducted last September amongst my constituents it showed a strong support on appropriate cost-recovery.

At the end of the day, apart from increasing the healthcare funding, the Government should, besides moving towards partial cost recovery which the profession supports, seriously consider a national compulsory medical insurance scheme. Successful examples overseas indicated that this can be most cost-effective if pegged to a centralized retirement protection scheme.

So, it should not be forgotten that health service in this territory is provided also by the private sector. It may therefore be beneficial both to the service in total and to health financing in particular to look into a better co-ordination of public and private sectors of healthcare in the sharing of manpower, in the sharing of equipment and the possibility of contracting out services.

Talking about the private sector of health care, I would like to move over to the area of tax evasion and tax avoidance that the Financial Secretary has spent a lot of time to elaborate. Whilst the Financial Secretary has taken pains not to imply which profession has been the biggest culprit, a few newspapers have pin-pointed this to members of my constituency.

Mr President, I would be the first to admit that there are black sheep among members of my profession, like any sector of the public. Whilst tax evasion is illegal and must be heavily punished, yet having any means within the legal framework to pay less tax is within the ambit of the law. To use the

Financial Secretary's own words, "it is a principle of our system that individuals have the right to order their affairs so as to pay the least tax consistent with their legal obligation".

My constituents therefore abhor the "scaring" tactics that the Inland Revenue Department has continuously been applied to them. My constituents further condemn the tactics of "accept your guilt though not proven and you will be lightly fined, if you do not comply, we will continuously grill you and if ultimately proven guilty, you will face a very heavy penalty".

Mr President, a lot has been said about service company as a means to "unlock tax bonanza". But what is a service company? Has the Government a specific definition to such an animal? Before that is established, it would be wise for the Administration not to come out with scaring tactic statements that may incite public panic. I have no doubt that honourable colleagues from the accounting profession would have more to say.

Similarly it goes beyond my common sense that members of the Administration would even before any Bill is ready for tabling to this Council quietly express to the media their worry that Members of this Council with vested interest may meddle with the hypothetical Bill.

Mr President, such sensitization of the issue borders on interference of the autonomy of this Council and in my mind denigrate the integrity of the Members of this Council. After all, we have already declared our interests in front of this Council and the public and our actions will be put under open and detailed public scrutiny.

Mr President, I personally and my constituency fully support anti-tax evasion measures. Accordingly, members of my constituency are advised to keep a proper audited account and to issue receipt at all cost.

With that remark, I support the Bill.

MR JIMMY MCGREGOR: Mr President, the Financial Secretary must be complimented on a most generous and far reaching Budget which provides a balance between concern for the less wealthy in the community and the need to maintain an economic and tax system which encourages personal and corporate initiative. It is the maintenance of this balance through the years which has allowed Hong Kong to achieve continual economic growth and an improving distribution of income. I think it is true to say that Sir Hamish's Budget, with its substantial concessions to most taxpayers, has come at entirely the right time. We have had a difficult year in our progress towards a stable political system. At times we have had to consider how best to proceed with major infrastructural projects requiring very large financial commitments without China's immediate co-operation. It seems clear that it would be helpful if we are able to show that our economy is full of strength and further potential. Also

that the people of Hong Kong, not only are not facing a reduction in their earnings, but can look forward with confidence to many years of real income growth.

The Hong Kong Government, no matter whether colonial or Special Administrative Region, supervises the development of the Hong Kong economy as a sacred trust for the people of Hong Kong. In the final analysis, therefore, the performance of the Government must be judged against the strength and growth of the well-being of Hong Kong's 6 million people. There is an added compulsion at the present time on the colonial government. It is, I think, imperative that this Government shall be able to show Hong Kong people and the world at large that its vigour, interest and initiative in furthering the growth and development of Hong Kong is unflagging. In other words, it is not a lame duck, nor a dead duck, nor yet a Peking duck; but whatever kind of duck it is, it certainly lays golden eggs quite constantly and I am very glad that the Financial Secretary has been able to respond robustly to those who suggested the Government is losing its vitality.

The Budget has already been discussed at great length in the media and in other forums including this Chamber where many of us were able to question senior government officials on many subjects which had nothing to do with the Budget. The Chief Secretary and the Financial Secretary were remarkably patient with those of us who broke the rules, perhaps because they too did not mind some diversion from the boring subject of money.

The Budget was an excellent one by any standard and was clearly made possible because our economic system is also an excellent one by any standard. I have no basic complaint with the Budget proposals but for the record I should make a few points on behalf of the Hong Kong General Chamber of Commerce and the Hong Kong Democratic Foundation. These two organizations are strangely aligned in their views.

The measures taken to increase real expenditure in social welfare, health and education are warmly welcomed. The promise of the Financial Secretary that the Government will do all it can to expedite the supply of land for new building projects is strongly supported as this is a key to an expanded production of accommodation at a time of very large demand. It is felt that this issue is important enough to justify exceptional measures to examine whether the land has been hoarded in one way or another and if so, in seeking accelerated development. Rezoning can also play a significant role in speeding up building construction. I do not recommend additional restraints on mortgages or special measures to tax speculators. These almost never work and can sometimes seriously distort the flow of premises into legitimate consumers' hands. Land supply must be improved.

Similarly, but with care and compassion, the supply of needed labour should be improved. Where there is clearly a demand that cannot be immediately met from the Hong Kong workforce, consideration should be given

to the importation of labour from China. The scheme for the 1 000 professionals will be watched carefully and its success judged against strict criteria. We do not want to create difficulties for our own young, qualified people and they must be given first consideration in labour employment matters; but we provide work in Hong Kong for thousands of foreign people, including myself and I do not see why we cannot extend this policy to encompass skilled, Chinese people from the mainland.

I endorse the Financial Secretary's stated intention to take measures to restrict tax avoidance by service companies. I believe that our simple and generous tax system should not be abused. However, there is a substantial network of service companies in Hong Kong which provide legitimate services of a wide-ranging nature. I am sure the Financial Secretary will consult expert opinion and listen carefully to representations made by business organizations before deciding on the steps to be taken.

Now let me comment on the decision by a large number of Members of this Council to vote down the proposal by the Financial Secretary to increase rates by a maximum of 20% for 1994-95. Rates were last increased in 1992 and the proposed increase is therefore about the same or somewhat less than the inflation that has occurred during this time. The rates proposal is therefore in line with the general government policy of ensuring that service charges move up or below inflation.

Rates are the simplest form of equitable, indirect taxation. The basis of the allocation of rates against valuation of property is unassailable. Those living in government subsidized housing, that is half the population, mostly what used to be called the working class, will not have to accept the full impact of the proposed rates increase. Those who own their own homes will pay an average \$53 more per month at the small flat level. At that level it is likely that the benefit obtained from the improvement in direct personal tax will outweigh the addition to their rates by several times.

It cannot be the case, therefore, that the rates increase will seriously disadvantage homeowners, the value of whose properties have, of course in the meantime, risen commensurably. Yet in this not unreasonable situation, political parties see political advantage. Politicians see votes and most votes are at the grassroots level. So we have a most unlikely alliance between big Liberals and little liberals with some almost liberals in support. All determined to show their political muscle and social concern.

As a sometimes liberal, I feel that to vote down a major proposal of this kind, and this is not the first time, sets a dangerous path for legislators to follow in the coming years. The Financial Secretary has produced an excellent Budget in which everybody gains. This legislature votes down a principal proposal and the Financial Secretary, in order to retain the fiscal objectives of the Budget, will then have to look for alternative sources of income. If every time a Financial Secretary produces a Budget estimating an overall surplus, he is to be

faced with a determined effort by this Council to defeat an important element of it, it will become impossible for government fiscal policies, which have proved so successful, to be maintained. Who will then suffer? I believe that the present intention by many Councillors to vote down the Budget proposal on rates is irresponsible and I will vote against it.

Finally, and here I have to depart from the general committee of the Hong Kong General Chamber of Commerce, I am very pleased to see the continuing determination of the Government to press on with its proposal for an old age pension scheme. There is an increasing support for this essential element of our social security system. Business is generally opposed to it but I think that the business view will become more constructive when the detailed proposals are made public in July of this year. Business people have seen old age pension schemes in other countries become serious drains on the public purse and an invitation to abuse. I am confident that the system to be introduced by the Hong Kong Government will be efficient and effective in awarding our senior citizens for a lifetime of work on our behalf. I take this opportunity to urge the business community to work with the Government in devising the best scheme.

Whilst on this subject, I must thank my colleagues, the Honourable TAM Yiu-chung and the Honourable Frederick FUNG and the political parties which they represent for joining together with the Hong Kong Democratic Foundation in support of the old age pension proposal. We may have somewhat different political views but our concern for Hong Kong's aged citizens is the same. Many others will no doubt join us to help the Government begin a new era for pensioners. In the meantime, we have asked the Government to set aside a total of \$6 billion as a commitment to the introduction of an old age pension. Needless to say, the Financial Secretary was not amused.

That is all I want to say about the Budget, but there is one connected matter that seems to me to need examination. This Council has ample opportunity during each year to question the Government in great detail on its fiscal and financial performance, among other things. We ask thousands of questions in Panels, Committees, Bills Committees, Public Works and Establishment Subcommittees, Finance Committee and in the many other contacts we have with the Government. We are given individual access to the Financial Secretary before the Budget. Our organizations are able to put in detailed submissions before and after the Budget and there is no doubt that the Financial Secretary takes note of much of the material that is put to him.

My concern is over the written questions that we are encouraged to put to the Government after the Budget and on the mass of printed material on government financing by branches and departments which is made available to us. This year, there was a total, I believe, of over 1 700 questions. The Government says the average cost of each of these questions in answering them was \$20,000. That is to the taxpayer a total of something over \$35 million. I have ploughed through about 800 of these questions. Many elicit information that has no follow-up use and is generally speaking not followed up by other

oral questions or written questions. I have the impression that many of the questions have little practical use and some are duplicated or triplicated.

There seems to me, therefore, to be a substantial waste of public funds and the time of senior government officials in frantically trying to cope with an avalanche of questions, many of dubious worth, all delivered at the same time and requiring accurate response in a few days. I do not suggest that questioning is not important, but I think we in this Council should re-examine the system by which we deal with them.

I do not agree with those who predict doom and despair among rate-payers and other taxpayers as a result of this Budget. In the increasingly political atmosphere of this Chamber, the Financial Secretary cannot win. He is damned if he does and damned if he does not. He cannot please everybody and he cannot avoid political opportunism in the responses from Councillors. He is therefore right to proceed on sound fiscal lines and on the basis of good business management of our resources.

Mr President, I wish all Budgets were like this one and I support it.

MRS ELSIE TU: Mr President, when the Financial Secretary first opened his Budget package it seemed as if he had brought presents for everyone, rich and poor, old and young. Presents are often beautifully wrapped, but on opening them we may be disappointed that they do not contain what we really need. I think most of us have found this Budget attractive but on examination have found it disappointing in some respects.

I do not claim to be an economist so I leave the economics of the Budget to more qualified colleagues, and just speak on how it may affect the majority in our community.

I am sure that the Budget is most welcome to the better-off business people of our community. Those who get nothing from it, or may even lose out on it, are those in the lowest income band. If they are earning less than \$5,000 a month at present and do not pay salaries tax now, they will lose out on the Budget because soon they will have to pay more on rates.

Those in the lowest taxable income band at present who will not have to pay any income tax next time may save anything from a few hundred dollars to \$2,000 or \$3,000 for a short time until their income again reaches the taxable band. However, almost everything they gain from the cancellation of salaries tax will be lost on the rates increase, and in some cases they will lose even more in rates than they gain in taxes. For example, a single person may save about \$300 a year on salaries tax but if he rents a small flat in the private sector he will pay at least \$600 more in rates. In the long run, it will be only the upper middle income earners who will benefit from reduced taxes as a result of the increased personal and family allowances. Even so, I am convinced that, unless

the upper middle income families own their own flat or live in public housing, even they would willingly continue paying their present taxes if instead they had the hope of being able to buy a flat or obtain public housing, because housing is their greatest problem as well as their highest money-spender. Saving a few thousand dollars a year in tax will not enable them to buy a flat or pay a mortgage to buy one.

The Government is going to have to face up to the fact that housing is our greatest social problem. Action must be taken on those who build flats to remain vacant money-spinners, while families in need of housing live in tenement slums.

Now the airport tax. When the Financial Secretary announced that the airport tax would be reduced by two-thirds, most of the audience in this Chamber gasped. I do not know whether that was a gasp of pleasure or shock. I know that most travellers find the present \$150 tax too steep and also a nuisance, but I feel sure that reserving a \$100 bill for their departure from the airport would be no heavy burden, and might even be more convenient to handle. I suspect that handling 5 ten-dollar bills must add to the general delay in checking in. The \$4.1 billion lost on the full reduction proposed on the airport tax could go some way to financing the new airport, and even reducing the tax to \$100 would still give us a useful \$2 billion. This particular item in the Budget reminded me of the man who won money on the Mark 6 lottery. He felt so rich that he stood in Central and handed out \$100 bills to anyone passing by. In fact, reducing the airport tax by so much is simply throwing away good money that is needed for other purposes. The reason given, that some people remain in the transit halls rather than come out shopping and paying the tax, seems rather weak. If there is such a problem, I am sure that transit passengers could be given some kind of exemption ticket to last for a few hours. There could be many other reasons why some passengers prefer not to leave the transit halls.

Another item in the Budget that disappointed me was the reduction in profits tax by 1%. The Financial Secretary, in making this concession said, "Our profit tax rates are very low by any international standard." If that is the case, why make them even lower? This concession will mean a loss of \$10 billion in revenue over the next three years. The Financial Secretary excused this loss by saying that the principle behind this is that the Government raises in taxation only what it needs to finance its agreed policies and programmes. But who agrees to these policies and programmes? Certainly many useful proposals made in this Council have been turned down on the excuse of "a lack of resources". Now we know that these resources are being thrown away by faceless people who do not have to be responsible to the community when they make policies and programmes. Let me name a few policies and programmes that could benefit from the \$10 billion being thrown away in reduced profits tax:

First, improvements in the treatment of the elderly could be made; at present, every grain of rice and every drop of cooking oil is measured to make sure that the elderly are not paid 10 cents more than they need to keep them alive on social security;

or the extra \$10 billion could be used for more imaginative treatment for underprivileged children who are at risk because they cannot compete with their more affluent classmates;

or the \$10 billion could be used to provide more rented public housing for those who have been waiting for many years in the most utmost squalor on the never-ending G Waiting List;

and of course we could use that money for the airport.

Besides, the Judiciary cannot begin handling building management disputes because they have been denied the necessary resources to carry out agreed policy on that issue.

So I fail to understand how the Government can reduce profits tax on the grounds that taxes are raised only according to needs. Perhaps the Financial Secretary will try to explain that anomaly.

Another point that I cannot understand in connection with the proposed reduced profits tax is that the Financial Secretary is at the same time willing to double registration fee for smaller businesses on the grounds that this broadens the tax base, and that he believes that these businesses ought, as he puts it, "to contribute something". If he can reduce one tax because it is not needed, how can he justify increasing another on the grounds that there are some people who should contribute something? Surely those businesses should be contributing in the form of profits tax according to their profitability, and should not have an arbitrary tax imposed just to make sure that they "contribute something". I have not heard any particular outcry against this increase, but I must say that I fail to see the logic of it. It would appear that the Financial Secretary is bent on robbing small business of \$3.4 billion in order to assist big business by \$10 billion.

In considering this Budget, I have been wondering whether it is not just a game of figures in which a little is given, a little is taken away, and in the end the poor are no better off and some are even worse off, while the rich are no worse off but perhaps even a little better off.

Whatever the outcome of the proposals made in the Budget, I would merely like to suggest that if there is money in the kitty, it should be used to meet the needs of the Hong Kong people. And their needs include rented public housing, better benefits for the elderly, and care for underprivileged children at risk in our society. Limited promises have been made to address these needs but I remember how similar promises have been made in the past and we are still

waiting for their fulfilment. This time, I do not want to hear promises made, I want to see them fulfilled.

Mr President, I support the motion.

MR VINCENT CHENG: Mr President, I welcome the 1994-95 Budget. While most countries around the world are struggling with high taxes, large fiscal deficit, and growing public debt, Hong Kong is able to reduce tax, increase reserves and raise spending. Although the level of public debt has increased, as reflected by the Exchange Fund Bills programme, it is only for the purpose of deepening the financial market rather than for fiscal reasons. This robust fiscal position is the product of our strong economy, hard work of the people and the right economic and fiscal policy which we have been pursuing.

I fully share the economic and budgetary philosophy outlined by the Financial Secretary, that is, free trade, open market, a stable currency and a sound financial system, low and predictable tax and public spending not outstripping the rate of economic growth. Our success in the last 30 years solidly argues against any fundamental change in our economic management and the policy should be broadly maintained in the years to come. Those years were not without challenges. Our policy has allowed us to respond to them successfully. One example is the transformation of Hong Kong from a manufacturing base into a financial and business centre. We have achieved the transformation without the usual problem of structural unemployment that goes with it. This clearly underlines the strength of our economic and fiscal policy in meeting such challenges.

Yet like all countries, Hong Kong has its own problems. Because of limitation of time, I would concentrate on those which are the most worrisome and were indeed also highlighted by the Financial Secretary in his Budget speech.

First and foremost is the sharp rise in property prices and rental. Residential property prices have gone up by 300% in the last three years and are still rising. Despite the rather gung-ho comments by the Financial Secretary on this issue in his speech, the fact that property prices have continued to rise since the Budget speech shows how unconvincing the Government is to the public on tackling this problem. Indeed the expectation of further price rises is still driving people to bring forward their demand, thus adding fuel to fire. Nobody believes that property prices would come down. Tightening on mortgage has very little impact so far. Indeed there is strong evidence that a large proportion of property financing does not come from banks. We need a more imaginative approach to solve this problem.

I hope the Government realize the grave social and political consequences of the housing problem. At present, everybody is working for property developers and speculators. They reap a significant proportion of their wealth

created by our society. Instead of using our income to enjoy life, we have to cut our standard of living in order to own a small flat. It is wrong to ask our society to spend their lives working for property developers and speculators. Our society should rightly feel angry.

But I do not support the proposal of a capital gains tax, not because I do not share the anger of the people, but rather because it is not an effective instrument. It would not catch the real culprits. Speculators, assisted by lawyers and accountants, will find ways to avoid it. It could also send a wrong signal to investors.

Unfortunately like every one else, I do not see any short-term solution. If United States interest rates go up, expectations of rising prices may be dampened somewhat. But we are not in control.

The only way is to provide a convincing supply programme to meet demand:

- (1) the Government should expand the public housing programme, especially the housing ownership scheme and inform the public as soon as possible measures which will be taken in that direction so that people know whether they would have a chance of buying such flats;
- (2) the programme should be extended to people with higher income, the amount of subsidy for the higher income group, of course, should be smaller than that for the lower income group.

China should also play its part by agreeing to increase land supply and should quickly agree on the sale of 62 hectares of new land along the new airport railway. For the future of Hong Kong, we must move on with the airport and airport railway project, not just for transport, but also for solving our housing problem.

I welcome the Government's decisions to speed up the processing of new land grants and lease modifications. I also support in principle the proposal to facilitate redevelopment of existing sites by allowing private developers to apply for land resumptions. It would speed up urban renewal and put existing land into better use. But I must emphasize that conditions need to be imposed to ensure:

- (a) that residents are offered relocation and fair compensation; and
- (b) land so resumed must be developed and sold within a reasonably short period so that they would not be just added to the developers' land bank. Helping developers to resume land is a hot potato. If not handled properly, it could be politically explosive. Wide consultation must be conducted before any final decision is made on

the formula. I do not think that the community has fully grasped the significance of this proposal.

Despite the Financial Secretary's passionate arguments for establishing a pension scheme. I still have reservations because of the lack of details. There are so many unanswered questions. I still do not understand how the Government could decide on the Old Age Pension Scheme without looking into the necessary details. We need an equitable system. And there are yet no details to convince us that the scheme will be equitable. The issue of contribution by the self-employed is an important one. Even though they may account for less than 6% of the workforce, they still constitute a significant number. We should not ignore the concern of those who would genuinely and sincerely contribute to the scheme. It is also a question of fairness.

I am also concerned about the trend of the rising ratio of old age to the working population and its impact on the amount of contribution. Are we certain that we would be able to maintain a constant contribution rate and a reasonable level of payment to the recipients when the ratio is working against us? Or would we see a rising contribution rate, adding to the burden of the working population?

In my view, the most important needs of the elderly people are housing, medical, and, to a lesser degree, transport and home-help. Although important, cash benefits are not as crucial. We have to look at the scheme in relation to the other services provided by the Government rather than treating it as an isolated issue.

I am keeping an open mind on this and will make a decision after I have seen the consultation document which should have been prepared before Executive Council decides on such an important issue. I honestly do not understand how Executive Council could make up their mind before they have a chance to see the details. What is the point of making such a hasty decision?

I would now like to turn to the revenue and spending proposals. I am pleased to see the generous tax concessions. If I have any comment, it would be on the level of tax concessions which, in my view, must be slightly too high. As many commentators have said, these measures erode the tax base. But this is not irreversible. I do not think we should be too concerned about it. I disagree with some Member's views that rates should be frozen. It is a progressive and equitable tax. Those who live in expensive apartments can pay more and they will pay more under the system. Furthermore, there is no chance of evasion or avoidance. It is also simple to collect. The increase proposed is in line with inflation. There is no reason not to support it, even though we project a Budget surplus for 1994-95. We need to maintain a comfortable level of reserve during the transition period and the immediate years after 1997.

We should not take prosperity and stability for granted and must maintain a healthy fiscal position for any unforeseeable risk. I fully support the

Government's move towards closing tax loopholes. The use of service companies to avoid tax is, in my view, immoral, especially when the maximum salaries tax rate is only 15%. Nor should we tolerate under-reporting of income. Indeed, heavy penalty should be imposed to discourage such practice. I do not think such a measure would cause any panic as suggested by Dr LEONG.

On the expenditure side, I am pleased to see the Government accepting many of the proposals made by this Council. This proves the value of having elected Members in the legislature. They could reflect more vigorously the aspirations of their constituencies to allow the Government to determine more accurately the priorities.

Everybody has his or her own shopping list. It is not surprising that the Budget cannot please everybody. I have received a lot of comments by interested parties and pressure groups. While I disagree with some of their proposals, I am sympathetic to quite a few. And I hope the Government would consider such requests favourably in the next Budget. Just to name a few:

I hope the Government can provide more funds to improve school buildings and facilities. The new schools in Hong Kong are well designed and constructed. But many old school buildings are in a terrible state. I hope the Government can be more generous in providing funds for building refurbishment so that students can learn in a better environment. I want to see the standard rate payable to children under the Comprehensive Social Security Assistance Scheme be raised further. The \$100 proposed is far from sufficient to meet their needs. There are many other areas for improvement and I will raise them with the Financial Secretary in next year's consultation. Hopefully by then with the growth in the economy we can afford to spend more.

Taken as a whole, the Budget is an excellent one, made possible by our economic strength, by our prudent fiscal stance, and by an efficient Civil Service who are willing to listen to suggestions of this Council.

No Budget can please everybody. Nor should we aim for this. We have a successful formula and should be maintained in the years to come.

Mr President, I support the motion.

MR CHIM PUI CHUNG (in Cantonese): Mr President, the Financial Secretary last year predicted a Budget deficit of \$3.4 billion. On that occasion, I gave him a score of 85 marks. This year, I will give him 88 marks, lower than the score of 90 marks given him by three or four of my colleagues. Hong Kong is a free society. No matter how well the Financial Secretary may perform, some people will still criticize and find fault with him. This is nothing to be surprised at. With a government Budget involving \$150 billion, it is perfectly normal for the Financial Secretary's forecast to be somewhat wide of the mark. Hong Kong's

economy is subject to many factors, both internal and external. I have great confidence in the Budget for the coming year. But I have reservations about Hong Kong's economic outlook for 1997 and 1998, when many factors will be at work, including, for instance, the political and economic situations in China and America's attitude towards China. The Financial Secretary has heard enough praises. I have no wish to say more than is necessary by way of praise. I just want to raise some questions for discussion with Members.

In his Budget speech, the Financial Secretary says that a reserve of perhaps \$141 billion will be left for the SAR Government in 1997-98. Many question the accuracy of this forecast. But I find the forecast credible, judging from current trends. This being so, why cannot an additional \$20 billion be injected into the Airport Railway Fund? The Government keeps saying that the future liabilities of the Airport Railway will not be the liabilities of the Government. Nevertheless, to quickly resolve the Airport Railway funding issue, the Government should inject this additional \$20 billion. By doing so, the Government can free China and the United Kingdom from their interminable entanglement with this particular issue and enable work to proceed on the 10 core airport projects. The Government can then show that it is taking a responsible attitude even if the new airport cannot be finished before 30 June 1997. I believe that a decision to inject the additional money will underscore the Government's confidence in its own forecast of a \$141 billion reserve. Members of the public will be delighted by such a decision. It does not matter if the reserve is left to be spent by the SAR Government after 1997 or if it is spent now by our present government. In any case, all of the reserve is money that has been generated by and belongs to the people of Hong Kong.

The second question that I want to raise is the stamp duty on stock transactions. We understand that the Financial Secretary has been indecisive about this stamp duty, the reason being that some people are proposing its outright abolition. This year, I do not intend to lobby the Financial Secretary for abolishing the stamp duty, since its outright abolition will result in a significant revenue loss for the Government and the Financial Secretary may have heart burns because of it. However, over the long term, in keeping with global trends (there is no stamp duty on stock transactions in many stock markets in the world), Hong Kong should gradually reduce the rate of stamp duty until it becomes zero. This will increase the competitiveness of Hong Kong's stock market. Therefore, I suggest that the Financial Secretary should, over the next three years, reduce the rate of stamp duty each year, until it becomes zero from its present rate of 0.3%. The Government should not mind losing \$2 billion in annual revenue since the measure will be good for keeping Hong Kong competitive. Over the long term, Hong Kong will have more to gain as more foreign investors and global funds will come here to invest.

Thirdly, there is this tax net question. The Financial Secretary does not propose to enlarge the tax net in the coming year. Instead, he proposes to cut the profits tax rate by one percentage point and to cut the air passenger departure tax. He should not be criticized for this since everybody knows that

the Treasury is awash with money. But any responsible government should think of bad times when the times are good; it should prepare for a rainy day. The Financial Secretary of Hong Kong is under less pressure compared with the Financial Secretaries of other free countries. Still, he should take notice of the fact that Hong Kong's tax net is really too narrow. I believe that it will be too late if the problem is left to be dealt with by the SAR Government. Any economist or responsible Financial Secretary should make good financial plans by way of preparing for the future. If he fails to do so, he will later be blamed for this failure.

One recent property deal deserves our attention. The parties completed the transaction outside of Hong Kong in order to avoid paying stamp duty. As a Legislative Councillor, I am greatly opposed to such a course of action. I call on the Financial Secretary to take special notice of the matter and, if needs be, to introduce legislation to stop the loophole.

Dr LEONG Che-hung said just now that many individuals formed companies or corporations as a lawful way to avoid paying tax. We cannot say that these people are evading tax. They are merely enjoying a right to which they are entitled by law. For as long as the Government fails to take legislative action to outlaw the practice, we cannot criticize the doers for wrong-doing. (Let me say here that I myself have never formed such a company or corporation.) Hong Kong is a just society ruled by law. If anybody breaks the law, then the Government can and should take legal action against him. If somebody has broken no law, we should not unscrupulously abuse him. We should not act like shrews shouting abuse in the street. Therefore, I think that the Government should, on one hand, teach the population to obey the law and, on the other, enact laws to stop any loophole.

In his Budget speech, the Financial Secretary stresses the fact that the financial services sector now accounts for 10% of Hong Kong's GDP, second only to the industrial sector. We must understand that we in Hong Kong have the Productivity Council, the Trade Development Council, the Industrial Estates Corporation, the Technology Council and the Tourist Association to help with growth and development in various other sectors. But what has the Government done for the financial services sector? I represent the financial services sector but I am not asking the Government to give equal treatment to this sector. However, we must understand that, after 1997, while Hong Kong politically will have to take orders from the Central Government, it will enjoy a great deal of manoeuvring room for development in the financial and economic realms. Hong Kong is a financial centre and its financial services sector has an important role to play. The Government should value this sector and help it attain global standards. I hope that the Government will set aside a piece of land as the site for a financial services building (it is unfortunate that the Financial Secretary is not in this Chamber at this moment). Such a building can be used to help the financial services sector to develop and grow. (Mr Ronald ARCULLI, however, will perhaps say that we are asking for too much!) I hope that the Government will give serious thought to my suggestion.

Hong Kong's civil servants are vital to a smooth transition in the run-up to 1997. They stand on the forefront and they lead the people of Hong Kong in meeting the challenges of 1997. Therefore, the Government's Budget should provide well for civil service pensions so that civil servants may rest assured as they continue to serve Hong Kong.

Every member of the community, every company and every group have a special function to perform. Therefore, personal budgets, like government budgets, are very important. I would like to encourage the younger generation to save more while they are young (but not to let the Jockey Club save for them), so that they would be ready if something unexpected should happen. Their early plans for the future will be good not only for themselves but also for their families. It will also indirectly reduce the Government's spending need.

Hong Kong is a community that is changing all the time. Suppose that something untoward should happen and suppose that we had put all our hopes for the future on the future government. Then we would be worse off than we might otherwise be. Right now, all sectors should work closely together and in harmony. I believe that, if they do, Hong Kong's economy and financial services sector will flourish even more after 1997. The people of Hong Kong will then have good lives and good jobs. Other countries may treasure freedom more. Their people may be more free. But their economies are experiencing serious setbacks. Hong Kong owes its success today not to the Government or the Financial Secretary but to its good judicial system and its hardworking people, who are ever ready to take up challenges. In addition, China's economic liberalization policy has helped many Hong Kong people to become successful traders or manufacturers, starting from scratch. Overseas Chinese, too, have given Hong Kong many kinds of financial and technical support. I am convinced that Hong Kong, with so many things in its favour, will continue to prosper after 1997. I hope that Members will unite and work together for a better Hong Kong of tomorrow.

With these remarks, I support the motion.

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

REV FUNG CHI-WOOD (in Cantonese): Madam deputy, on behalf of the United Democrats of Hong Kong, I am making a speech on environmental affairs, women's affairs and New Territories affairs in so far as they are relevant to the Budget.

Firstly, the proposed recurrent public expenditure on the environment in the next financial year continues to be very low proportionally, being only 1.3% of the total public expenditure on the environment. The proposed public expenditure on the environment is in itself proportionally low, being only 3%

of the total public expenditure. The environment is the one policy area group that has the least share of the total public expenditure. Last year, the Government at first estimated that the environment would receive a 2.5% share of the total public expenditure in the 1993-94 year. Later, the figure was revised to 2%. The revised estimate is clearly less than the original estimate. The same has happened again and again in recent years. This serves to corroborate what has been observed in the second review of the White Paper on the Environment published at the end of 1993: The observation is to the effect that many environmental improvement measures have not been implemented according to schedule; people wonder about the Government's resolve and ability to improve the environment.

The Government now estimates that the recurrent expenditure on the environment will increase by 15.3% in real terms. But much of the expenditure growth will go towards meeting the higher operating costs of the waste treatment centre, the garbage transfer station and the landfill sites. In other words, much of the improvement will be in the area of solid waste treatment.

The Budget proposes nearly \$3.6 billion in spending on the infrastructure for environmental protection in the coming year. (This does not include the spending figure on sewage treatment.) While the figure represents a significant increase, we must note two things. First, some urgently needed waste treatment facilities are still being put off. The best example is the central incinerator which was originally scheduled to come on line in the 1993-94 year. There is still no firm plan to build the facility in the coming year. This delay will prevent satisfactory improvements in the disposal of medical wastes. The incinerators of the hospitals will remain in use and continue to discharge toxic gases into the environment and cause harm to the health of the people living nearby.

Another question relates to the cost-effectiveness of some of the waste treatment facilities promised by the Government, which is a cause for worry. Take for instance the waste transfer station at Hong Kong Island West. This facility will cost about \$960 million to build, which is more than double the cost of building a normal waste transfer station. Its operating cost will also be twice as high. I know that its high construction cost and high operating cost are because of its location. Nevertheless, I hope that the Government will do better at cost control. Not much money will be available for the environment. Whatever money is available should be put to the most effective use.

I have reviewed the Hansard record of past debates on the Budget. I notice that many measures for improving the environment with the optimal use of resources have been urged for again and again by Members but are still not put into effect. This is disappointing indeed. The Government has not succeeded in urging the construction industry to separate inert wastes from other kinds of construction wastes. The Government is continuing to allow the construction industry to dump inert wastes at public landfill sites. In 1993, a total of 2.5 million tonnes of inert construction wastes were dumped at landfill

sites. The Government had to spend \$175 million to treat them. In fact, there are cost-effective ways to treat inert wastes. They do not have to occupy precious space at the landfill sites. The Government uses a lot of taxpayers' money to develop and operate landfill sites. Such wasteful use of this money really makes no sense. The Director of Environmental Protection has told me in answer to my query that some measures will be taken in the coming year to deal with the problem. I really hope that the Government will make up its mind to deal with the problem.

There is another thing for which Government has been much criticized. It is that the entire Victoria Harbour will not be declared a water control zone until 1997. I personally regret this very much. According to government statistics, there are about 20 500 industrial and commercial polluters of this water control zone, compared with 7 500 polluters of all other water quality control zones combined. Clearly, the Victoria Harbour is badly polluted. This situation should be ameliorated as soon as possible. The Government says that it takes time to recruit and train workers and to lay sewage drains. This is the Government's way to rationalize delays. Was the Government anticipating such difficulties when it announced in 1989 that the Victoria Harbour would be declared a water control zone in 1993? What caused the delay? Were the planners too naive? Were the financial authorities too negligent of environmental needs? Clearly, the answer is yes to the latter question.

There have been other facilities or measures which have been delayed. I have no wish to enumerate them. I would just like to discuss with the Government the "polluter pays" principle.

In the 1994-95 financial year, the Government will begin to collect service charges from those who need to use waste/pollutant treatment services. But the Government seems partial to the business community when it applies the "polluter pays" principle. Here is an example. In December 1993, the Government decided on a plan to charge fees for using landfill sites. The Government intended to collect charges from private companies which dumped wastes at landfill sites. The Government's initial target was to collect charges to make up for 50% of the costs of treating these kinds of wastes at the landfill sites. The Director of Environmental Protection has told me, in answer to my query about the plan, that the Government intends to raise the charges gradually until they cover the full costs. He says that this gradualist approach will accustom waste producers to the idea that they have to pay for dumping wastes at the landfill sites. This is in fact what the Government has been doing, in theory and in practice, with regard to charges for treatment of chemical wastes. However, the Government fails to apply the same principle when it wants to collect sewage treatment charges from domestic households. The Government says in the second review of the White Paper on the environment that the "polluter pays" principle is a fair principle. It says that those who use but do not pay for environmental services are being subsidized by taxpayers. For a profit-making company to enjoy such a benefit will be contrary to the principle of internalization of environmental costs. Others will be compelled to pay the cost

of treatment of wastes which should be part and parcel of the cost of the production process. The Government is applying double standards when dealing with the business community and the general public. But then it says that the "polluter pays" principle is a fair principle. The Government cannot escape the suspicion of being insincere. It should collect higher charges from those who produce chemical wastes and those who dump construction wastes at landfill sites. It should use these higher charges to help pay its costs.

The Government has never attached much importance to women's affairs. Last year, the Government published a Green Paper on Equal Opportunities for Men and Women. The paper brags about improvements in women's access to equal educational, economic and social opportunities in Hong Kong. But it disregards the unequal treatment from which the women of Hong Kong suffers.

In this year's Budget, the Government is again adopting a cheeseparating attitude towards women affairs. The Government proposes to spend \$1.13 million on the promotion of human rights. This money will not be spent solely on promoting women's rights. It will be spent on human rights and civil rights, of which women's equal rights are just a part. How much exactly will be spent on women's affairs? I believe that the amount will be quite small.

Without sufficient funding, it is very hard for us to imagine that a policy on women will make much headway in real terms and over the long term. The Government of course will tell the public that the Executive Council will soon deliberate the laying down of a long-term policy on women. It will tell the public to be patient. But I want to remind the Government that we are now in year 1994, just over three years away from the time when the British Government in Hong Kong must say goodbye to the people of Hong Kong. If the Government intends to continue making empty promises about "promoting equality between men and women" and about "supporting equality between the two sexes," three years will be indeed too long, and we are already fed up with having to listen to such promises. We hope that the Government will do something concrete.

On women's affairs, what we need now is for the Government to make a long-term financial commitment, to lay down a long-term policy, to introduce the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) into Hong Kong and to set up a Women's Commission. We will be loath to see the Government running away from its responsibility again.

There have been floods in the New Territories. Northern New Territories and northwest New Territories were hit by two floods last year. Rainfall and geographical factors were one part of the cause. Human mistakes were the other part. The New Territories has been developing for about 20 years. Much of the agricultural land there has been converted to other uses illegally. It is being used as open storages, junk yards far abandoned vehicles or container yards. The acreage of agricultural land has declined sharply. Flood waters cannot be drained off. While the Government has made some plans to improve

the river courses, the projects are on too small a scale or are not of the suitable kind. These projects clearly have been ineffective for preventing floods. Though the Town Planning Ordinance has been enacted, the Government has not had enough manpower to prosecute those who have converted agricultural land to unauthorized uses.

In northwest New Territories, the training works in respect of the Yuen Long River and the Kam Tin River has already begun. But the training works in respect of the Indus River and the Sheung Yu Ho in Northern New Territories will not begin until 1996 and will not finish until the year 2001. The training works in respect of the Shezhen River, even if China and Hong Kong reach agreement on technical matters, will not begin until 1995 at the earliest. The United Democrats of Hong Kong think that none of these projects can brook one moment's delay. The Government must quickly proceed with the projects to remove the threat of flooding.

Government has never paid serious attention to the rural improvement plan. The most pressing problem is water supply. Some villages do not yet have potable water supply. Potable water is a basic need of life. Potable water supply service is a service that every citizen in Hong Kong should receive from the Government. I hope that the Government will appropriate about \$10 million to complete the water supply project.

Madam deputy, I so submit.

MR FREDERICK FUNG (in Cantonese): Madam deputy, on the surface, it appears that this year's Budget contains several tax concessions for all classes of people and is an attempt to address the various difficulties facing Hong Kong's economy. However, on a closer look, one finds many deficiencies in the Budget. One particular deficiency is that not enough will be invested in helping the poor.

Nevertheless, let me begin by praising the Financial Secretary. (I do not recall having ever praised him during the past two years.) I want to praise him now for offering major tax concessions to salary earners. The tax allowance will be raised from \$56,000 to \$72,000, which in fact equals the figure sought last year by the Association for Democracy and People's Livelihood including myself. We think, using the same base figure (1988) and adjusting for inflation, that the personal tax allowance should be \$78,000 this year. The \$72,000 figure is one year behind inflation. Nevertheless, it is a big step forward. There are also tax concessions of various kinds offered to people other than salary earners. This shows that the Government has been paying attention to the problems of middle and low income groups. Still, I insist that the Government set up a Tax Commission to undertake a full review of Hong Kong's tax structure. The standard tax should be abolished and replaced by a system of progressive rates. This will lighten for the middle and low-income groups the tax burden created by an unfair tax structure.

The concessions in respect of stamp duty on property transactions will lighten the burden of property buyers. These concessions are particularly significant for buyers of homes in the medium-to-low price range and for buyers of Home Ownership Scheme homes. But high home prices remain the crux of the home buying problem. Property prices have continued to rise in the last month or so. The Government proposes to solve this problem by increasing the supply of land and speeding up the redevelopment of old urban areas. But the supply of land cannot be increased over a short period of time. Even if Government makes an honest try, the effect will not become visible until a year or two later. There are also factors that are beyond the Government's control. For instance, developers may hoard land or completed flats to render property price controls ineffective.

The Financial Secretary proposes to lower the corporate profits tax rate by one percentage point. I think that this is not necessary. Foreign investors are attracted to Hong Kong by its market potential, its good infrastructure, its political stability, its sound legal system and its ample human resources. Besides, Hong Kong already has a very low profits tax rate compared with other parts of the world. There is no external pressure for a cut in the profits tax rate. I think that the Financial Secretary does not have to propose such a cut, which will narrow Hong Kong's tax base.

Rates will rise sharply, perhaps by 30% or more, because of the reassessment of rateable values. ADPL, including myself, thinks that no caps should be put on rates increases but that the rates percentage charge should vary according to the type of property in question. There should be no upper limit on rates increases for commercial buildings or for office space in industrial buildings, but there should be an upper limit for residential property. I suggest that this upper limit for residential property should be 10%. I even think that rates should be frozen for residential property. I further think that my suggestions will not cause the Government any significant financial distress.

Hong Kong's tax structure is characterized by low tax rates, simplicity and clarity. But a small number of people are still using loopholes in the law to engage in tax avoidance or tax evasion. They refuse to take up their social responsibility. I fully support the Financial Secretary's proposal to act against tax avoidance or tax evasion effected through certain transactions on a cash basis or through service companies. I hope that the Government will quickly introduce legislation to plug these loopholes in tax law.

The Government is still not taking a square look at the seriousness of problems in the people's livelihood area. Let me give one example. There are 790 000 old people in Hong Kong. 310 000 of them have to pay moderately large medical bills because they are frequent patients at hospitals. More than 50 000 old people are living in caged apartments, roof-stop structures or bedspace apartments. ADPL, including myself, hopes that the Government will provide more and more facilities to accommodate old people. Among facilities for the elderly, the shortage of nursing homes for old people is most acute. One

solution is to speed up the establishment of such homes. The Government may alternatively buy space from private nursing homes. The supply of housing to old people must be increased and expedited so that these 50 000 old people may soon move out of their nasty environments. I always think that, over the long term, an old age pension system will be needed. It should be instituted as soon as possible. I hope that the Government will quickly institute it to enable every person aged 65 or above, without any means test, to receive a monthly pension equal to 30% or 40% of the median wage. Contributions to the system should come from the Government, from employers and from employees. Our community will then be "taking care of every person who is a senior citizen." I hope that the Democratic Foundation, the Democratic Alliance for the Betterment of Hong Kong and ADPL will succeed in making people both inside and outside this Council understand our proposals so that a force will emerge to urge the Government to set up a territory-wide old age pension system.

The Government still does not have a comprehensive plan for pre-school education. The Budget makes a fleeting reference to improvements to the kindergarten fee remission scheme. But the Government shows no resolve to subsidize pre-school education fully. According to one study, the full subsidization of pre-school education will cost the Government just over \$300 million a year. In view of the Government's robust financial position, I think that the Government can well afford this amount. Full subsidization will improve the quality of pre-school education and benefit every family that has a child in kindergarten.

In the Budget, Government says that it has approved a plan to bring in 1 000 university-educated professional and managerial personnel from China to work in Hong Kong. I think that this will affect local people's employment opportunities and wage increases. Many graduates of Hong Kong's own tertiary institutions have attended professional or management courses but their academic credentials of this kind are not recognized. They are often unfairly treated by their employers. From its plan to bring in workers from China, it appears that the Government intends to recognize the degrees awarded by universities in China. ADPL and myself question the Government's failure to give preferential recognition to the credentials of the graduates of Hong Kong's own tertiary institutions, to permit them to work in professional or managerial capacities under special arrangements and thus to make good use of local human resources.

I feel that the Financial Secretary is still at his wit's end in the fight against inflation. In his Budget speech, he blames the problem on the shortage of land and the shortage of labour. But the Government is acting like a "miser" in supplying land to the Housing Authority, to the Housing Society and to private housing projects. No matter how much pressure we put on the Government, we cannot squeeze even half an inch of land out of it, let alone enough land for enough housing. Such a situation easily leads to spiraling property prices, with the result that the middle class and the salary earners have to hand over all their savings to property developers.

Shortage of labour is really not a valid justification for the Government's plan to bring in workers from outside. Hong Kong has over the years lost 90 000 manufacturing jobs. Yet the Government's retraining scheme is providing job-switching opportunities to only 8 000 workers, less than 10% of the displaced manufacturing workers. Clearly, the Government pays much more attention to the needs of the business community than it does to the needs of workers. I think that the Government is not doing its best to fight inflation if it attempts to do it solely by means of the two abovementioned methods. There are other things that the Government can do. For instance, the Government has not given any thought to financial solutions. Of course, financial solutions need not be attempted right away. Still, we hope that the Government will rethink its policy of permanently pegging the Hong Kong dollar to the United States dollar. If the Hong Kong dollar is de-linked from the United States dollar, we can use interest rates and other monetary policy tools to fight inflation.

Madam deputy, in sum, the Budget this year is a money shower made possible by the Government's robust financial position. It appears that everybody will benefit from it. However, upon a closer look, one may find that the poor will not get better but the rich may get richer. I think that the Budget fails to strike a proper balance in dealing with wealth and poverty. Therefore, my comment on the Financial Secretary is: "He is a rich man who does not spend his money wisely."

Thank you, Madam deputy.

MR STEVEN POON (in Cantonese): Madam deputy, the Financial Secretary has once again provided in his Budget speech a depiction of the remarkable economic achievements of Hong Kong people.

Our economy experienced continuous robust growth over the past year such that a \$3.4 billion deficit forecast for the 1993-94 financial year turned into a \$15.1 billion surplus.

However, we should bear in mind that such surplus mainly comes from the excess revenue from stamp duty in respect of both stock transfer and property transactions as well as from land sales. These two are in fact the snakes in the grass, that is to say, they are a potential source of worry.

Although the revenue from land sales is higher than expectation which, on the face of it, we should feel happy about, property price is actually linked to land value to a certain extent. As a matter of fact, each time when the tender price for land sale exceeds the expected level, the property prices in Hong Kong will immediately shoot up accordingly. As a consequence, many people cannot afford to purchase their own home and home ownership is becoming a more and more remote and a less and less attainable target. A piece of land in the vicinity of the Kai Tak Airport was sold recently at \$8,000 per square foot of saleable floor area. The property prices on Hong Kong Island at once shot up to

over \$9,000 per square foot. High property prices have already pushed business premises rentals to an unbearable level such that many international firms are considering moving their regional headquarters to other areas. High rental is obviously undermining Hong Kong's competitiveness as Asia's business centre. In view of this, while being happy with the increased revenue from land sales, the Government should also face squarely the social cost and economic cost attributable to high land values. The hidden worries are too important to be ignored.

The Government did impose certain restrictions on property speculation including imposing a cap on mortgage lending. The effects of these measures are to such an extent that some bona fide home-buyers or investors are being affected. However, the Government still adopts an ambivalent attitude towards the spiraling land prices, a factor affecting the property prices. I suggest that apart from increasing the supply of land as mentioned by the Financial Secretary, a review should be conducted to see if there is a speculative element affecting the price of land, whether the conditions of land sale are too loose and whether the purpose of increasing housing supply expeditiously can be achieved.

Over the past year, Hong Kong's stock market boomed. The reasons were varied: First of all, it was because of the efforts of the Stock Exchange of Hong Kong and the Securities and Futures Commission in monitoring the organization of the Stock Exchange and the market operation. Secondly, the Stock Exchange of Hong Kong successfully promoted the listing of Chinese enterprises in Hong Kong. I would like to congratulate these two organizations here.

As early as 31 October 1991, when I made my first speech in this Council to comment on the Governor's policy address, I proposed that we should "promote the listing of Chinese enterprises on the Stock Exchange of Hong Kong". I am glad that my proposal was realized in 1993.

Being the door to China's economy, Hong Kong should be capable of raising international capital for China, just like what New York as a capital market has been doing for the United States.

At the moment, Hong Kong's role in this respect is still at the initial stage and we are not without worries. Although up to the present, it is unlikely that a city in the Mainland will be capable of taking over Hong Kong's role as an international investment centre successfully within a short time, Chinese enterprises may raise capital from the United States and overseas markets themselves. As a matter of fact, we already have such a tendency. Of the 22 Chinese enterprises scheduled for listing this year, several comparatively larger enterprises plan to get listed in the United States. From now onwards, such international capital markets will become one of our keen competitors.

Meanwhile, given the small scale of its capital market, Hong Kong is susceptible to the strategies of large overseas funds which may cause volatility on our stock market. Our stock market experienced a sharp plunge not long

ago because an international brokerage house announced that it would reduce the ratio of Hong Kong stocks in its portfolio. This susceptibility is not at all conducive to Hong Kong's development into a financial centre for raising capital for China.

I hope that the Government, the Stock Exchange of Hong Kong and other people concerned will take the initiative to study how to further enhance Hong Kong's competitiveness in raising capital for China. We should also undertake a review on how to provide comprehensive training to Chinese enterprises, how to market the merits and advantages of Hong Kong's market and how to create the necessary conditions so that our stock market will not fluctuate too much due to man-made factors and so that international capital may be attracted to Hong Kong permanently.

Madam deputy, Hong Kong's future depends on whether it can perform its functions in the development of the Chinese economy. To perform these functions, we have to keep on building for our future in order to serve the enormous market of China. As rightly pointed out by the Financial Secretary, "It is vital that we forge ahead with our airport and port development, if Hong Kong's growth is to be sustained beyond 1997, and with it the growth of southern China".

It is a pity that although the new airport and its related projects were announced in 1989, they are still under dispute up to the present moment. I have in fact said quite a lot on the financial arrangements for the new airport and the airport railway. I urged the Hong Kong Government to reduce substantially the cost of the airport railway in May 1992 so that the whole project might proceed as early as possible. Unfortunately, my views fell on deaf ears.

Now that the Financial Secretary has forecast a fiscal reserve of \$120 billion by the end of March 1997, it is arguable whether or not we need to leave behind such an impressive reserve. In any case, when comparing with the \$71 billion reserve for 1997 that Sir Hamish forecast in his first Budget in 1992, this year's forecast for 1997 represents an increase of \$50 billion. Furthermore, it is some \$90 billion more than the \$25 billion reserve for 1997 as promised by the British side under the Airport Memorandum of Understanding. There is at present a controversy between the Chinese and British sides over a \$20 billion difference in respect of the financing of the new airport and the airport railway. I am sure that the Hong Kong Government is capable of resolving the issue. Given our relatively abundant reserve, the Government should grasp the opportunity and put forward radical solutions to resolve the dispute.

"Building Hong Kong, investing in the future". Apart from the new airport and the airport railway, we still have many vital infrastructure projects to be carried out. However, vexed with the row over the political reform and the controversy over the new airport over the past two to three years, it seems that government officials no longer have the interest and the energy to plan for

further infra-structure projects for Hong Kong. The Financial Secretary's Budget does not depict a positive sentiment for building Hong Kong, either.

It is hard to understand why the Northwest New Territories Railway system makes tardy progress in terms of implementation and the highway across Pearl River leading to the west coast of the Pearl River is not even listed on the agenda. Hong Kong's role *vis-a-vis* China should be similar to that of New York *vis-a-vis* the United States. Apart from providing service to China, Hong Kong has to rely on China in certain aspects. Power supply and sewage disposal are two of the examples. I have repeatedly urged the Government to establish a Sino-Hong Kong economic co-operation committee. I am very disappointed that all my requests have been turned down by the Governor.

To sustain our prosperity, the date 30 June 1997 should not be a full stop. Hong Kong should keep on building itself.

Last year, during the Budget debate, I urged the Financial Secretary to extend the Medium Range Forecast beyond 1997. I am grateful that the Financial Secretary has accepted my suggestion and has included the fiscal reserve forecast for the 1997-98 financial year which indicates that together with the SAR Government Land Fund, the SAR Government is going to have a handsome amount of reserve for its use.

It would be much more meaningful if our unilateral forecast would be recognized and understood by the Chinese side. In view of the political row, Hong Kong may experience a period of the so-called "legal vacuum", a fact that is unacceptable to the people of Hong Kong. We do not want another "economic development vacuum" because such a vacuum would undermine Hong Kong's competitiveness, and turn it into "the star of yesterday".

I earnestly urge the Government to take the initiative to plan for comprehensive development straddling 1997 and to discuss with the Chinese Government on how to implement these development plans expeditiously so as to enable the Government to come up with a positive and enterprising Budget.

Madam deputy, other colleagues of the Liberal Party will comment on other aspects of the Budget. I just want to make out a minor point that was not mentioned in the Budget, that is, the way the Government sets the various fees and charges for the 1994-95 financial year.

The public pays about \$20 billion every year for various service provided by the Government and public utility services directly or indirectly related to the Government. This is an enormous sum, representing about 15% of the total recurrent revenue of the Government. But the public is not aware of the ways these fees and charges are set. I moved a motion on this issue last April in this Council. The Government undertook to conduct a review of the charging policy at that time. But up to the present, no outcome of the review has been made available. Since these government service charges represent 15% of the

recurrent reserve, it is incumbent on the Financial Secretary to account for them in the budget. It is hoped that the Secretary will make clear the Government's position on the charging policy in his reply.

Madam deputy, these are my remarks.

THE PRESIDENT resumed the Chair.

DR TANG SIU-TONG (in Cantonese): Mr President, the Budget this year brings members of the public many tax concessions. The most noteworthy tax concession is the raise in the tax allowance for salary earners. This 28% raise, though short of the 30% or 40% that is generally sought, is the biggest in recent years. The higher tax allowance will free 420 000 people from the tax net and mean tax cuts of varying degrees for 1.13 million people who have to pay salary tax. This is undoubtedly quite comforting to all salary earners. The Financial Secretary also proposes cuts in the corporate profits tax, the air passenger departure tax, the stamp duty on property transactions and even the estate duty. He proposes no change in the motor vehicle licensing fee, the motor vehicle first registration tax or the tobacco tax. These tax concessions, where people were sure there would be tax increases, will be good for the commercial investment environment and for retail business. After the Budget was delivered, people in the streets said that they preferred the Financial Secretary to the Governor. This shows how popular the Budget is.

One who evaluates the Budget must of course not look at tax increases or decreases alone. One must look at the Budget from all angles and make an objective analysis. The Budget this year is in fact not one hundred percent satisfactory. Some parts of it deserve our criticism and should be changed. Before I discuss the deficiencies in the Budget, I would like to respond to some of the comments made by government officials to the media.

Some officials say that those Legislative Councillors and members of the public who criticize the Budget are splitting hairs. I totally reject such a comment. If there is no hair to be split, one may use a magnifying glass or even a microscope and will still be unable to find any hair to split. If the Budget is really flawless, how come some people are criticizing it? The Financial Secretary says that he is returning wealth to the people. But I think that, even with some stretching of logic, he can say at the most that he is returning money to the people. He is returning to taxpayers some of the excessive and unreasonable tax money that has been collected from them. It is not true to say that wealth is being returned to the people. Most grassroots people earn low incomes and they have never been in the tax net. The proposed higher tax allowance will not benefit them. However, they will be immediately hit by the Government's proposal to raise rates. To cut the salaries tax but raise rates is a surreptitious way to "take one step backward and two steps forward." How can this be called "returning wealth to the people"?

Some officials say that Members of this Council are being inconsistent when they want rates to be cut or frozen. They say that Members did not ask for such things when they were consulted. The officials also say that, if rates are frozen, if they are not allowed to rise, the Government will consider withdrawing some of the proposals on tax concessions. This is intimidation. I cannot accept it. When officials say that Members are being inconsistent, they easily convey the impression that there is some secret understanding between government officials and Members. It seems that the tax cuts is a trade-off for higher rates payments. I do not believe that Members have ever arrived at such a secret understanding with government officials. If some did, I hope that the Government will name them. In many cases, the Government puts a policy into effect before Legislative Councillors and members of the public have agreed to it. The Government will proceed to put policies into effect even if we oppose them. The Government will put them into effect despite our opposition. The port of first asylum policy is a good example. The entire population of Hong Kong was opposed to such a policy. But what happened? Today, 20 years later, Hong Kong is still a holiday resort and a stepping stone for Vietnamese boat people who want to emigrate and is still bearing the burden of paying the costs of accommodating boat people. The Government says that, since Members did not ask for rates payments to be cut or frozen, they were in effect agreeing to higher rates payments. There is no logic at all in this observation. Either the Government has misread the signals as a result of its wishful thinking, or it is using high-handed argument. The Government says that the proposals on tax cuts will be withdrawn if the rates are frozen. This is its traditional method of using sheer force to overwhelm the opposition. Experience tells us that, when the Government resorts to this method, it knows that it has lost its case.

I will focus the rest of my speech on inflation, housing, rates, education, social welfare and the infrastructure.

Inflation and housing

The rate of inflation for the coming financial year is forecast at 8.5%. The Financial Secretary acknowledges that this is still too high. The Government says that the shortage of land is the major cause of high inflation. The Government thus indirectly acknowledges that soaring property prices are the chief culprit responsible for high inflation. Legislative Councillors and members of the public have again and again urged the Government to curb property speculation and fight inflation. But despite all the noises made, property prices have unreasonably been going ever up and never down. In his Budget speech, the Financial Secretary says that property prices have to be tamed with an increase in land availability. I do not doubt that increased land availability is one way to tame property prices. But I wonder if developers will take the matching action of putting more property on the market to push property prices down. I believe that they will not.

The Secretary for Planning, Environment and Lands said at the Legislative Council meeting on 18 March that the Government would keep its

land policy unchanged lest plummeting property prices affect the interests of 850 000 property owners. What the Government is saying between the lines is that there is an upper limit to the increased supply of land. Land will be supplied to slow down the rise of property prices but not to drive property prices down to reasonable levels. Listening to the Budget speech, we feel that the Government is powerless to do anything about inflation. But Mr EASON's words show that this is not the case at all. The Government does not lay down measures for taming property prices and fighting inflation not because it cannot but because it will not. Nor is the Government's purpose to protect the interests of the 850 000 property owners when it acts so mildly against soaring property prices. Its purpose is to project the policy of high land prices and to protect its substantial annual gains from land sales. All the lowly citizens of Hong Kong suffer financially from high property prices and high inflation. But the Government continues to exploit this disastrous situation. It continues to make a fortune from land sales, from high inflation.

I think that, to tame property prices and fight inflation, the most important thing to do is to build more public sector housing. The Government has decided not to require the Housing Authority to hand over its more than \$10 billion surplus. The Housing Authority can keep the surplus for its own use in order to build more homes. I welcome this. However, the financial arrangements between the Housing Authority and the Government will remain unfair. For instance, the Housing Authority must pay for site formation in amounts that exceed the actual costs and it must hand over to the Government interest payments equal to 5% of its permanent capital. I think that the Government should not refuse to amend such unfair terms. Though the Housing Authority has money, this money will not be useful if there is no land. The plan to build more public sector housing will remain a mirage. The Government is now under a restriction to approve land grants of not more than 50 hectares a year. But land for public sector housing does not come under this restriction. Therefore, the only question is what the Government intends to do. There should be no shortage of land for public sector housing. In recent years, all public sector housing estates were built in remote areas. This will continue to be the case in the coming years. Little to no public sector housing will be built in the urban areas. I suggest that some of the land repossessed in urban redevelopment projects should be used as sites for public sector housing. This will increase housing supply and have a taming effect on urban property prices. The small house policy has been in effect in the New Territories for many years. This policy is working well. It is a way of helping the people of the New Territories to improve their housing conditions. Regrettably, however, the Government's staff shortage has slowed down the processing of applications for the building of small houses in the past two or three years. There is now a backlog of over 10 000 such applications. I find this very regrettable. The Government should find a feasible way to solve the problem as soon as possible. It should provide additional staff to do the work and it should improve application processing.

Social welfare

Funding for social welfare will be \$9.35 billion, a 7% increase in real terms over the past year's figure. However, we must note that allocations from the Lotteries Fund will be 18%, up from the past year's 11%. This means that the burden for the funding of voluntary agencies will be partly shifted onto the Lotteries Fund. Can or will the Government inject money into the Lotteries Fund if the fund should run out of money for this purpose? I hope that the Government will clarify this point. Another thing is that, though the Budget mentions many new social services that will be added, these are but proposals based on ideas already revealed in the Governor's policy address. They therefore bring no pleasant surprises. Instead, the Budget is very disappointing because it only touches lightly on the rate of Public Assistance by saying that "it will be adjusted for inflation." During its last debate, this Council urged that the old age pension be set at \$2,100 per month. I hope that the Government will respond clearly to this suggestion.

Infrastructure

The Budget this year makes very few references to infrastructure projects. It therefore does not fit in well with the tone and style of the Governor's two policy addresses or with last year's Budget. The Financial Secretary recognizes the need to ease road congestion. But he offers no solutions or any infrastructure plan. Indeed, he proposes no long-term arrangements. Of course, I am most unhappy with the Budget's failure to say anything specific about the proposed Northwest New Territories Railway project. This matter has been discussed by this Council several times and this Council has strongly urged the Government to proceed quickly with the proposed project. Regrettably, the Government is not appropriating money for the project this year and has made no firm decision to proceed with it. The people of northwest New Territories are very unhappy indeed.

Rates

It makes no difference if you are a tenant or a landlord, if you live in private sector housing, public housing, temporary housing, a Home Ownership Scheme home or an illegal roof-top structure. You have to pay rates directly or indirectly. Therefore, rates are a poll tax for all intents and purposes. Any adjustment of rates will affect everybody. The Government has run a Budget surplus of \$15 billion in the past financial year and is expected to run a Budget surplus of \$7.7 billion in the coming year. The Government's financial position is very sound. We should be very proud of this. What the Budget has to say about rates is contrary to its spirit of returning wealth to the people. With such huge Budget surpluses, why cannot the Government refrain from proposing rates increases? Does the proposal prove what I have just said? Is the Government "taking one step backward and two steps forward"? Is it in fact trying to collect more revenue while seeming to cut tax? Is the Government seeking to take back the "benefit" gained by members of the public from the

salaries tax concessions? Let us not forget the grassroots people who live in public housing, temporary housing or roof-top structures. Even under the existing tax system, they pay no tax on their low income. So the proposed salaries tax concessions will not benefit them. But they will all be affected by the proposed increases in rates. I do not cherish the extravagant hope that the Government will lower the rates percentage charge. But I hope that the Government will freeze rates for one year. In doing so, it will sustain a \$1.6 billion revenue loss. But this revenue loss will not affect the soundness of the Government's overall financial position. I think that the Government should not refuse to do it.

Education

The proposed expenditure on education in the coming year is \$28.9 billion, up 6.5% in real terms from the past year's figure. I feel that this is acceptable. But I want to make the point that it is my hope that the Government will give consideration to extending free education from nine years to 11 years. This will solve the problems of students who leave or drop out of school after completing three years of secondary education and who are yet too young to become employable. Such students may become problem juveniles. The Secretary for Education and Manpower observed at a meeting on 16 March that such students could attend training courses sponsored by the Vocational Training Council. I do not think that this observation is totally valid. First, is the Vocational Training Council providing enough course places? Secondly, most students who fail to move up to the fourth year of secondary education fail because of poor results in their studies. If the observation of the Secretary for Education and Manpower is valid, then the Vocational Training Council should play a role similar to that of a Band 5 school. I do not think that this will happen. Nor will the Vocational Training Council agree to such an observation. Thirdly, it is out of their own free will that students choose to attend courses sponsored by the Vocational Training Council. They are not forced to attend such courses because of their poor results in studies during the first three years of secondary education. The Secretary for Education and Manpower is not thinking right. Fourthly, supposing that a student failing to move up to the fourth year of secondary education is not interested in attending a vocational training course, forcing him to do so will not do any good. The Government should conduct a review of the opportunities that it is now offering 14 and 15-year-old school drop-outs. It should enable these school drop-outs to choose between going to school and attending vocational training courses. The Government should also give some thought to improving pre-school education. Kindergarten teachers should be given sufficient training and salary subsidies.

Conclusion

In sum, I think that the Budget this year is an even-keeled budget. It gives members of the public some momentary delight. But, upon further consideration, one finds that it is a Budget that takes back what it has just given. As for the grassroots people, they will lose rather than gain. I believe that the

Financial Secretary will win more praise next year if his Budget next year does not avoid addressing such matters as fighting inflation, taming property prices and abandoning the high land price policy.

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

Suspension of Sitting

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

Suspended accordingly at twenty-seven minutes to Eight o'clock.

Note: The short titles of the Bills/motions listed in the Hansard have been translated into Chinese for information and guidance only; they do not have authoritative effect in Chinese.

