

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 23 March 1995

The Council met at half-past Two o'clock

PRESENT

THE PRESIDENT

THE HONOURABLE SIR JOHN 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 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 ALBERT CHAN WAI-YIP

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 LAM KUI-CHUN

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

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

THE HONOURABLE ALFRED TSO SHIU-WAI

THE HONOURABLE LEE CHEUK-YAN

ABSENT

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

DR THE HONOURABLE HUANG CHEN-YA

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

THE HONOURABLE STEVEN POON KWOK-LIM

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR RICKY FUNG CHOI-CHEUNG

THE DEPUTY SECRETARY GENERAL
MR LAW KAM-SANG

APPROPRIATION BILL 1995**Resumption of debate on Second Reading which was moved on 1 March 1995**

PRESIDENT: Council will now resume and continue with the debate on the Appropriation Bill 1995.

MR SZETO WAH (in Cantonese): Mr President, life is a continuous learning process and we should keep on learning throughout our life. While a good start is already halfway to success, pre-school education marks the beginning of this life-long learning process. The first impression is usually indelible. The first stroke on a piece of blank drawing paper is the most important stroke. All these tell us the significance of pre-school education.

In the incident which took place in 1973 concerning certificate masters, the Hong Kong Professional Teachers' Union (HKPTU) which was then still in its preparatory stage of establishment and 12 other educational bodies put forward four requests for the reform of the education system. One of these requests was better remuneration for private school teachers, including kindergarten teachers. 22 years have passed and the HKPTU has been fighting hard all along for the provision of subsidized kindergarten education and better remuneration for kindergarten educators as well as improvement of the quality of kindergarten education. Resolutions concerning these issues were adopted at almost every annual general meeting of the HKPTU. After all these years of great efforts, the Administration finally realizes that "teachers must be adequately paid if they are to have sufficient incentive to improve their qualifications", and that there should be "more direct help to enable kindergartens to employ trained teachers." Therefore, in the 1995-96 Budget, \$80 million is appropriated for these purposes.

As compared to the whole Budget and the funds allocated for education, \$80 million is only a very small amount. This amount is disproportionately small compared with the funding allocated for tertiary, secondary and primary education. Nevertheless, we still welcome this appropriation of \$80 million since it represents the beginning of a change in government policy.

For many years, almost every child would have received kindergarten education before entering primary school. However, the Administration still holds that kindergarten education is not a must and refuses to finance same. In saying this, the Administration has in fact defamed kindergartens which have contributed a lot to society through the provision of pre-school education services. Although \$80 million is only an insignificant amount, I hope it marks a tacit admission on the part of the Administration of the faulty policy it stuck to in the past, and signifies the beginning of a new policy. I hope the

Administration will further the policy of financing kindergarten education from now on.

It is said that the Secretary for Education and Manpower and the Secretary for Health and Welfare are formulating a relevant plan to be submitted to the Executive Council at the beginning of next month and then a decision will be made. I hope the Administration will listen carefully to and incorporate into its plan the views of the Councillors concerning this topic expressed in this debate.

As regards the relevant plans being formulated, my opinions are as follows:

- (1) The most crucial element of the entire plan is better remuneration for kindergarten educators. The plan should bring about a significant and actual increase in their salary.
- (2) Besides trained teachers, the plan should also focus on teachers who are receiving training and teachers who have not been trained. Only in doing this can the wastage rate of teachers be contained and minimized, and competent people be attracted to join and stay in the profession.
- (3) To date, there is still no pre-service training for kindergarten educators. This problem should indeed be treated with urgency. I hope the plan can bring about favourable conditions for solving the problem.
- (4) The plan should be published as soon as possible and implemented in September this year to allow ample time for kindergartens to make preparation and adapt themselves to the new policy, to revise the fees they charge, to renew contracts with their teachers and to recruit new teachers.

Mr President, these are my remarks.

MR NGAI SHIU-KIT (in Cantonese): Mr President, I would compare the last Budget introduced by Sir Hamish MACLEOD during his term as Financial Secretary to a "three-piece" suit. "Prosperity through consensus" is a jacket, the novel "consensus capitalism" is a pair of trendy trousers and Xunzi's "On enriching the state" is a waistcoat. The suit looks very smart but if we take a closer look, we will find that no matter how skilfully it is packaged, the gorgeous jacket has failed to cover up the ordinary contents of the Budget. Not only has the Financial Secretary failed to set a specific target for the long-term social and economic development of the territory, but he has also sown seeds of latent worries.

Sir Hamish has been complacent about the concept "consensus capitalism" created by him and he has proudly presented it as the formula for creating the prosperity Hong Kong is enjoying now. If the Hong Kong Government genuinely takes the consensus of all citizens in the territory as the basis of administration and financial management, this is indeed worthy of our applause and Sir Hamish has every reason to feel proud. But, what "consensus" really means is that people from various sectors should exchange their views and hold mutual discussions so as to seek common ground while reserving differences, with the ultimate goal of laying stress on the interests of society as a whole. The Financial Secretary conceives "consensus" as something totally different. He has refrained from following the right path. Instead, he manipulates his public relations skills with a view to giving himself an excuse for politicizing the Budget.

First of all, in the outset, the Financial Secretary talked with fervour and assurance about the merits of his "consensus capitalism", emphasizing the need to encourage free enterprise and competition while promoting equity and assistance for those who need it and to seek consensus through consultation with Members in the course of preparation of the Budget. It would indeed be a blessing if the Financial Secretary is really able to cater for the needs of people from various sectors in the Budget without impairing the executive-led mode of administration. Regrettably, however, the essence of the Budget has been fundamentally changed. The Budget no longer outlines the blueprint of government expenditure and revenue in the coming year on the basis of the actual needs of the community at the time. Instead, it has been degraded to a tool by which the Government pleases political parties through dishing out welfare and it has become a very politicized financial scheme.

Mr President, I must point out that what Hong Kong needs is a public financial policy which is stable, down-to-earth and impartial, instead of a fragmented and politicized mixture meant to appease the different demands of political parties. Being the person who takes the helm of financial affairs, the Financial Secretary has the most important task of effectively distributing and appropriately using social resources, to bring the greatest benefits to society.

I believe that it is the common expectation of the people of Hong Kong that the Government will keep expenditures within the limits of income and make good use of public money. The Financial Secretary also agreed to this in the Budget. But the section on expenditure in the Budget gives a different picture. The total public expenditure in the year 1995-96 will amount to \$203 billion, a drastic increase of 19% as compared with that this year. Even when the inflationary factor is taken into account, the expenditure has still increased by 9.3%, far more than the 5.5% projected growth in GDP. In response to public criticism, the Government argued that public spending would not exceed the real growth in GDP over a certain period. But the Financial Secretary, who has always claimed himself to be prudent, should understand that when public expenditure increases to a great extent in a short period of time and when this persists for years, this will have long-term adverse effects and, as a result,

government spending may remain large. I am afraid that it will be too late when the Government eventually realizes the seriousness of this crisis having regard to the pressure that a government is invariably under to increase rather than decrease expenditure.

The continuously increasing government expenditure may even produce an illusion of prosperity with illusory economic growth. The Financial Secretary has repeatedly emphasized that he is confident of the continued economic growth of Hong Kong, claiming that it is already conservative to estimate the annual rate of growth to be 5%. As a citizen of Hong Kong, I am certainly happy to see the realization of this projection. But, if the growth in our economy is merely a bubble blown out of the incessant increases in public expenditure, such economic prosperity is unhealthy and unfounded. All it will bring to our community is short-lived happiness followed by perpetual anxieties. This is not the right approach to financial management and is not conducive to the well-being of the people of Hong Kong.

Mr President, the prosperity and stability that Hong Kong really needs is something which is based upon balanced economic development. The economic consensus shared by members of the public is one which hopes for the prosperous development of all sectors to allow full employment of people who have special knowledge in different fields so that members of the public can give full play to their skills and create wealth for society. Regrettably, the Financial Secretary has not given due regard to the genuine "economic consensus" of the people of Hong Kong. He has not proposed any concrete strategies which will help Hong Kong to continue to prosper.

About the issue of economic restructuring, the economic system of the territory has gradually transited from reliance on industries in the past to dependence on the service sector. But, please do not forget that the manufacturing industry is now directly supporting 450 000 workers, which is not a small number. So long as our industries are able to develop steadily and proceed gradually in a direction which applies new technology for the purpose of high value added production, the employment of workers will be fully safeguarded and the quality of living of the workers will also be improved. In the long run, the economic foundation of our society will only be further consolidated if industries are restructured in this direction.

Regrettably, the Budget gives no more than scanty support to industries. It is doubtlessly a piece of good news that \$50 million will be appropriated in the new fiscal year for the establishment of the Applied Research Council and the implementation of the research grant scheme. I hope this is the first step by the Government to enhance the competitiveness of local industries. But, most importantly, the Government should detach itself from its wrong conception in the past which regards supporting the development of industries as equal to interfering with the operation of the free market. Instead, the Government should take more positive measures, to enable the development of industrial technology in Hong Kong to progress with the times. However, in this year's

Budget, the Financial Secretary has only given a brief account of the role played by the Government in supporting technological development. As compared with the graphic and vivid description of the Government's commitments towards the financial and service sectors, this indeed makes people query whether the Government has given up its determination to support the development of industries.

Mr President, my colleagues have already talked about the reclamation works at Victoria Harbour. I would also like to take this opportunity to express my views. It is right to make available additional land to cope with the development of society. However, the Financial Secretary said, on the one hand that the reclamation project in Central is undertaken to provide additional land, to cope with public demand for residential and commercial properties in order to alleviate the pressure on property prices, but on the other hand, he told us, that out of 1 109 hectares of reclaimed land, only 27% will actually be used for the development of commercial and residential properties, the remaining 72% will be used for leisure purposes. What he has said is indeed contradictory. Old folks of Hong Kong like us know that Victoria Harbour is a heavenly endowed deep-water harbour and the source of economic development of the territory. This harbour has enabled us to leap to become an economic metropolis which is the envy of the world and play the important role as the gateway to China. The uniquely favourable geographical conditions and the natural fine harbour are the valuable assets of our descendants in the many generations to come. If the Government takes no notice of the various adverse consequences stemming from reclamation and devastates our fine and beautiful harbour which is full of vitality economically merely for the purpose of reclaiming 72% of the land in Central for leisure purposes, I find this really short-sighted and hopelessly foolish.

All in all, the prosperity Hong Kong enjoys today depends upon many consistently effective factors, including political stability and a stable legal system, social harmony and the adoption of the free trade policy. If Hong Kong is to continue to attract overseas investors, we must, first of all, reinforce the various existing advantages and strengthen our competitiveness on such basis. This is the only way in which we can be assured of continued prosperity in the future.

Finally, on the political front, the greatest hope of the people of Hong Kong at this time is, I believe, that the Chinese and British governments can co-operate in regard to the transition of Hong Kong from now to 1997. This is tremendously helpful in sustaining the economic development and social stability of the territory. I hope that the Hong Kong Government can sincerely consult the Chinese Government in respect of all important issues which straddle 1997, including the formulation of the 1997-98 Budget, instead of making decisions unilaterally and informing the Chinese afterwards. Only this can be regarded as genuinely sincere co-operation.

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

MR ALBERT CHAN (in Cantonese): Mr President, in releasing his final Budget the Financial Secretary coined an interesting term "consensus capitalism" - a term even hollower than "positive non-interventionism" used in the past. It reflects that in managing Hong Kong's economy and in handling the government's finances, the '90s has brought little remarkable progress nor advance over the '70s or the '80s either in the Administration's way of thinking or in their specific policies. Therefore generalization is possible only with the use of an empty slogan.

Judging from his speech, it seems that the Financial Secretary wanted to use the term "consensus capitalism" to reflect his achievement in adhering to his principle throughout his entire term of service, and the fact that he has preserved a "traditional consensus" in an ever-changing political environment. By principle he refers to what he called "commitment to the free market economy, to competition, and to providing community services from our increasing prosperity". But I beg to differ from the Financial Secretary's description.

In the realm of economic management, we certainly cannot ignore the efforts made by the Hong Kong Government over the past few years in bringing reform to the financial system and in monitoring financial institutions. However, nothing positive has been devised to support small entrepreneurs and workers, who are hardest hit by the transforming economy. Worse yet, more and more foreign workers are being imported to provide cheap labour. The profits of big entrepreneurs are protected, but skilled workers who are in their prime are deprived of their employment opportunities. The depressed labour market has generated discrimination on grounds of age and sex. Female workers over 30 of age are unable to find suitable jobs. That is really an elegy mourning today's Hong Kong's society. By the same token, infrastructure has been developing at the expense of the citizens of small means to whom no protection whatsoever is available. A case in point relates to fishermen who make a living by catching and breeding fish. These fishermen suffer not only economic losses from pollution generated from public works and public projects, some of them even have to give up their trade, only to be meagrely compensated. In similar predicaments are old tenant farmers whose farmland has been re-entered. To put it in a nutshell, in managing Hong Kong's economy, the Government not only failed to ensure "all can rise as far as their talent can take them" - as depicted by the Financial Secretary, but also the enterprising spirit of the citizens at grass-roots level has also suffered a heavy blow.

As far as social responsibilities are concerned, I cannot figure out how the Financial Secretary could have proclaimed "our social services ensure that those at risk are protected" at the same time when the Administration had rejected widespread public demand for increasing the Comprehensive Social Security Scheme (CSSA) payment to \$2,300. If the Financial Secretary has paid but cursory attention to media reports, I believe there is no reason he could have been unaware of the hardships CSSA recipients were facing, unless he was

fooled by the billions of dollars of reserves and had lost his ability to observe what was going on in society. If that had been the case, then in the concluding remark the Financial Secretary should have said: "the way to make a country prosperous is to be generous to the rich, and to ignore those at risk". As a matter of fact, there are so many people at risk that the Financial Secretary has failed to behold them. Among them there are more than 200 000 residents living in shabby squatter huts, more than 4 000 cage dwellers, and hundreds of thousands of residents living in cramped housing in run-down areas. Which official can find reason to be complacent, upon seeing these people at risk?

I would also take issue with the "traditional consensus" as described by the Financial Secretary. Consulting Members of this Council during the Budget process is certainly an improvement introduced by the Financial Secretary during his term of office. But it does not necessarily follow that Members of this Council are in favour of the "traditional consensus" in economic policy and in determining priorities. As far as priority is concerned, a very simple example is at hand. The Democratic Party had asked the Financial Secretary as early as three years ago that more manpower and more resources should be allocated to slope investigation and slope maintenance. But the Government had been dragging its feet, and it was not until the Kwun Lung Lau tragedy that more resources in this area were proposed in the 1995-96 Budget. This kind of divergence hardly constitutes a consensus, does it? On the other hand, it is obvious that many Members of this Council have different opinions as to how Hong Kong's public finance should be managed. The Financial Secretary has not forgotten the call for reform of the taxation system and the call for downward adjustment of rates, has he?

To put it in a nutshell, my response to the term "consensus capitalism" is that it expresses no more than the indulgence by colonial officials in the past glories of the "positive non-interventionism" era and their apathy to all those social phenomena that are inconsistent with the interests of the citizens. This is a term which can be used as a tool, so to speak, to rationalize the collusion between the Government and businessmen which is so prevalent in Hong Kong.

Public works have been matters of my concern. I expect that, by citing the example of the slope issue, government officials will be more far-sighted in appropriating funds for construction works and will not wait until after tragic accidents have occurred before responding. As far as specific projects are concerned, the Administration has yet to fully commit themselves to the road widening project for the Castle Peak Road. I find this rather disappointing, for as a result traffic congestion in the New Territories will continue to worsen.

Another point worth mentioning concerns the airport project and the airport railway project. The Financial Committee of the Legislative Council has approved nearly all capital injections concerning the Provisional Airport Authority and the Mass Transit Railway Corporation. But monitoring these two institutions remains a worrying issue. The Administration has to make sure that these two institutions will fully implement the localization policy, and to make

sure that their staff's remunerations are commensurate with the posts they hold. Effective use of resources has to be ensured, too. But since the Government has been delaying the introduction of the Airport Authority Ordinance to this Council, institutions undertaking the airport project and its management are up till now not subject to this Council's monitoring. I am afraid this issue has to drag on for quite some time.

In addition to this, Mr President, I would also like to discuss issues concerning our broadcasting policy - another important policy aspect I want to focus my comments on. An overview of the past four years will find that the Recreation and Culture Branch has been curbing expenditure on broadcasting by keeping it at a level of about \$12 million. Looking at our broadcasting expenditure in retrospect may give the public a little revelation: expenditure on broadcasting for the year 1995-96 stands at \$12.7 million, 10.6% lower than the previous year. To compare it with the expenditure of \$12.3 million for the year 1992-93, this year witnesses a mere \$0.4 million increase over that of the year 1992-93!

Such a state of expenditure reveals clearly two problems. First, expenditure on broadcasting lacks steady growth; and second, the central government pays little regard to broadcasting, as exemplified by the inadequate funding every year.

Had the broadcasting environment remained unchanged ever since the year 1990, the \$12 million average funding might get by. But consider this, Hong Kong's broadcasting industry is undergoing a radical change as the consortium operating satellite television, investors intending to invest in cable television and institutions devoted to developing multi-media services are busy developing the local market as well as the Asian-Pacific market. To adapt to this new environment, the Administration must pour in more resources. Broadcasting industry can develop into an important industry for Hong Kong, if more resources are devoted to planning, conducting market research, perfecting current broadcasting regulations and training broadcasting expertise.

But, regrettably, in actuality, the Recreation and Culture Branch's performance in many aspects is far from satisfactory. In last year's Budget, it was said that the Recreation and Culture Branch would study the possibility of deregulating pay television, and that it would draft a comprehensive broadcasting ordinance. But the same tune is heard again this year. With so many work slippages, one could not help querying what with all the expenditure on broadcasting voted to them the Recreation and Culture Branch has achieved.

Disappointing again is the absence of any provision for "public channel" or "public access channel" within the broadcasting expenditure. Demand for making good use of the three free channels provided by Wharf Cable was raised as early as the beginning of year 1993. But up to now the Recreation and Culture Branch does not have the resolution to commit themselves on the matter. The Radio Television Hong Kong has only a 4.7% increase in

expenditure this year, which cannot even catch up with the inflation rate, let alone perfecting and developing its services.

With the lack of broadcasting expertise and sufficient resources on the one hand and the early retirement of Mr James SO on the other, the public becomes all the more concerned about the future direction of the Branch and the possible successor of Mr SO. This is worrying indeed. It is my hope that ample resources will be allocated for this purpose and that the Financial Secretary, the Recreation and Culture Branch and all officials concerned will act with greater resolution and more far-sightedness and commit themselves to the planning of the broadcasting policy.

Mr President, these are my remarks.

MR RONALD ARCULLI: Mr President, throughout the past four Budgets, two main themes were repeated each year: first, maintaining adequate reserves and second, reducing inflation. What is "adequate" or "strong" reserves? This question has been asked many times and neither the Financial Secretary nor the Secretary for the Treasury has yet given a convincing answer. Perhaps, sir Hamish's reluctance is because he did not want to commit his successor. Whatever the reason, when the Financial Secretary gave his maiden Budget speech four years ago, he forecast that reserves will stand at \$71.6 billion by the end of March 1997. In his words, Sir Hamish said that it would be "a reasonable cushion against the contingencies of the next five years". Four years later, his forecast for reserves as at 31 March 1997 will more than double and stand at \$151.26 billion. The Financial Secretary has aptly described our forecast reserves of \$151.26 billion as impressive and a very reassuring cushion. When added to our Land Fund, the SAR government reserves will be some \$360 billion as at 31 March 1999. Even without the Land Fund, there is no getting away that \$152 billion in reserves is more than adequate. Indeed for this reason the Government ought to practise what it preaches, that is, to leave in the pockets of taxpayers the money that they earn since any government should only raise by taxes what is necessary to meet its expenditures.

Against this background, it is understandable that the Liberal Party is disappointed that the Financial Secretary did not accept our proposal to reduce the salaries and profits tax from 15% to 14% and from 16.5% to 15.5% respectively. Our estimate, if our proposal was accepted, based on the 1995-96 Estimates will cost about \$3.5 billion. However, before assuming any loss in revenue, let us look at the past year when profits tax was reduced by 1%. Despite this reduction which was right, revenue from profits tax actually increased by some \$8 billion. Furthermore, with Hong Kong earning the dubious distinction of being one of the most expensive cities in the world, the reduction in salaries and profits tax would go some way towards making Hong Kong attractive to international and local investors.

The Liberal Party's second disappointment was that our proposal for a housing allowance of up to \$20,000 to reduce the burden on our home providers for mortgage payments and rents was ignored. The Financial Secretary has stated that keeping the tax system simple is of prime consideration, but that could hardly be the reason for refusing to introduce a housing allowance while introducing a new allowance for the disabled.

Moving on, reducing inflation has been one of the main themes of the Financial Secretary. However, throughout the past four years, inflation remains high and has only been reduced by 1%, from 9.5% to 8.5%. The reasons for inflation have not changed. The Hong Kong and US dollar peg demonstrates that we are at the mercy of a weak US dollar. If the Administration is wedded to the dollar peg perhaps the only real alternative is to tackle our tight labour market. Without doubt this has driven up wages and hence increased inflation which then creates another demand for wage increase, thus creating a vicious circle. The Government has to produce a fair, reasonable, and sensible policy to ensure that labour demands in our market are met whilst protecting the interest of our local workforce. The Liberal Party has never advocated indiscriminate and unrestricted importation of labour. Our position has always been to ease bottlenecks in sectors with inadequate workforce.

On matters of concern to my constituents, the introduction of measures recommended by the Task Force on Land Supply and Property Prices into our free market economy was intended to be short-term. Much has been said of the 14% or more drop in property prices since these measures were introduced. I have said on many occasions that the measures were too much too late. What we must not overlook is that there are over 850 000 homes owned in the private sector. For these owners, it is a vote of confidence in Hong Kong. What we must avoid is to shatter that confidence. I therefore welcome the Administration's position that it is time for market forces to correct itself. Indeed the Administration could assist in this process by removing these short-term measures. One example is to allow banks to decide their own mortgage lending limit. Another is removing the restriction on the pre-sale of flats and the time for pre-sale as well as the resale of flats prior to assignment. Short-term measures, Mr President, by definition should stay short-term.

The Financial Secretary was quick to stress that many of the Governor's policy objectives will be met in this Budget. Could this urge to accomplish the policy objectives promised by the Governor lead to some hasty proposals without ensuring that these proposals are feasible? Safety at work has received much attention during the past year. While I entirely agree that the safety of workers is of paramount importance, it is not an effective policy to just increase the responsibility of contractors as employers without expecting employees' participation. Whilst the Administration has increased the employers' responsibility, for example, to provide safety equipment, to employ more safety officers and so on, it has paid virtually no attention to the role that employees should play to ensure their own safety. Safety at work is a two-way street, the

sooner the Administration is able to ensure employee participation, the better safety for all at work.

Mr President, on the lighter side, I believe that Sir Hamish's last Budget will be remembered as one that encourages taxpayers to drink plonk as he has not reduced the duty on fine wines. Perhaps this was considered necessary to justify the introduction to Hong Kong of Breathalyzer laws. On the other hand, could it be in the Financial Secretary's mind that if one drinks enough one may also have many children and thus benefit from the additional allowance for the third to ninth child?

Mr President, in conclusion, I join my colleagues in wishing Sir Hamish a happy retirement, and I would also like to extend my good wishes to Lady MacLEOD. Although at times it may seem not to be so, I wish to assure Sir Hamish that we do appreciate his tremendous contribution to Hong Kong all these years, and not just as the Financial Secretary. We will particularly remember the Financial Secretary for opening up the Administration's budgetary process through consultations with this Council. We look forward to working with his successor, Mr Donald TSANG. We are sure that Mr TSANG will continue the consultative process initiated by Sir Hamish.

Thank you, Mr President.

DR LEONG CHE-HUNG: Mr President, I rise to congratulate the Financial Secretary on behalf of the Medical Functional Constituency for presenting a comprehensive, pragmatic and balanced Budget, in particular the healthy reserve he has managed to achieve over his projection.

For the last two days, we have heard political parties and Members commenting and giving their views on the Budget. Many are of course well thought of ones and worth the Administration's serious consideration.

I will be concentrating on funding on health care. Instead of requesting the Government to spend more money in this direction, which I am sure many of my colleagues would, I am seeking the Government's reassurance that she will look into the policy of health care funding instead. A policy which could bridge into the next decade. I am calling the Government to come out with a plan that will curb the exponential increase of health care cost. By doing so, I am in no way allowing the Government to shirk its responsibility to health care which must be taken as an essential welfare service that no population can do without. I am calling on the Government to upkeep its health care responsibility and yet come out with ways and means to efficiently curb the unsatiable medical cost.

I would venture to suggest that the Government should take three active directions without delay.

Firstly, to set up Health Targets aiming to reduce incidences of certain diseases which are common and which may be preventable through health education and strengthening of primary health care.

Secondly, to look for a substantial additional funding sources for public health services.

So, I am again renewing my call for a compulsory, contributory, territory-wide health care insurance. Such a scheme will, given time, be a big booster to public health care funding. Such a scheme will ensure a trans-generation funding pool in which the youngsters of today will contribute to the care of the elderly today, and in turn they will be cared for by the young when they grow old. I have been suggesting that this be tagged onto a central provident fund. Although such is now a dream, there is no reason why this health care insurance of funding could not be tagged on the Mandatory Provident Fund that the Government is set to implement.

Thirdly, to ensure a more cost effective Hospital Authority.

I am sure the Administration will say that the Hospital Authority is an independent body properly monitored by the Government through resources allocation, business plans and corporate plans and that a public scrutiny are made through public involvement in the Hospital Authority Board, Regional Advisory Committees and different Hospital Governing Committees of various hospitals.

Yet of late there are two areas which have raised concern. Queries have been raised on the need for so many Hospital Authority head office staff. The Hospital Authority can do no worst than by opening up its meetings so that the public is not only being told of the staffing needs but actually seen the functioning of these staff members.

Secondly, with the improvement of environment and service attitude of public hospitals, more and more patients are being attracted by them. This is of course a measure of the Hospital Authority's success. Yet, is this most cost effective in that there will be a continuous increase in demand for public health care resources in place of resources that could have been spent in the private sector? The Hospital Authority can only prevent itself from becoming the victim of its own success by coming out with a solution of better co-operation between the private and public so that the private medical resources could also be tapped.

Primary health care

But regrettably, Mr President, the budget allocation to primary health care does little to strengthen any confidence of the sincerity of the Government towards the drive to improve, let alone revamp primary health care. With the chicken feed increase in budget for the Department of Health, I challenge the relevant departments to complete the recommendations of the Report of the

Working Party on Primary Health Care; I challenge the efficient implementation of the health pledges of the Governor's policy address.

Let us be very clear that the effective dealing with diabetes, effective dealing with heart diseases and so on, requires much more than setting up four clinics for diabetes and special funding to treat just 200 extra patients a year with heart problems. It calls for an in-depth setting up of Health Targets and goals. Such would require extensive and comprehensive planning to ensure that a territory-wide and sustained health education be delivered to the healthy young of today so as to protect them from falling victim to those disabling diseases in the future - those disabling diseases that consumes a big slice of our health budget. Yes, \$80 million is allotted to the Health Care and Promotion Fund. But this is hardly enough even to start, let alone to maintain, a sustained programme for continuous Health Targets.

Mr President, when the Report of the Working Party on Primary Health Care was endorsed by the Governor in Council, the Department of Health quickly answered to the call and established a District Health System. This was then considered as a pride and joy - the model of linking up public, private and various community elements to keep people healthy, and an example that should extend throughout Hong Kong. Since then, unfortunately, the whole idea has been forgotten, and after the initial "bang" of setting up one such system, the whole idea appears to have disappeared into oblivion. The Government has in this aspect a lot to explain to this Council and the public.

Dental care

So, whilst it is obvious that the Government has repeatedly resist the provision of dental treatment services to the public against the wishes of the people, the Governor has pledged to serve at least selected groups with special needs. But how much and how far is this progressing? And with all the promises of improving care for the elderlies, will there be funding to look after the oral problems of those in their twilight years?

On the other end of the age scale, statistics have shown that proper dental care in pre-school days goes a long way for future healthy teeth. A pre-school dental programme has been set up, funded by the Royal Hong Kong Jockey Club. This has shown positive results. With the three-year funding approaching the end, I call on the Government to continue with this essential project and seek necessary financial provisions without delay.

Occupational health

Mr President, the workforce is the pillar of Hong Kong's economy. There is a lot of sense to keep our workforce healthy, away from occupational hazards and industrial injuries. Yet, despite the expansion of our workforce, the Occupational Health Division is relatively shrinking. Only one Occupational Health Clinic has so far materialized and the Administration has put it on record

that there is no plan to set up any more. It appears that we have already faced the end of a blind tunnel.

Up till now there is no sign of the Government's sincerity to formulate regulations to push for compulsory industrial safety officers, nor occupational medical experts for factories and industries of certain staff size. All these have shown the Government's feet dragging in improving occupational health and prevention of industrial hazard.

Co-ordination between 'hospital' and 'health' sectors

Mr President, yesterday, my honourable colleague and classmate, Dr Conrad LAM, spoke at length of the co-operation or the lack of it between the Department of Health and the Hospital Authority. He has cited examples where there are duplication of efforts if not a competition for service. Dr LAM also called for the need of setting up a super authority to co-ordinate the hospital and health services.

I support his call insofar as a better co-ordination of "health" and "hospital" sectors has to be ensured and that somebody has to do the job. Members will remember that both the Scott's Report on which the Provisional Hospital Authority was built and the Report of the Working Party on Primary Health Care did suggest the need of a possible super Health Authority to link hospital and health services up. It may be timely to have a look into this. At the end of the day, it calls for better co-ordination which could well be done by a newly created authority under the Health and Welfare Branch, or a revamped Health and Welfare Branch itself, or perhaps even a Health Branch by splitting the current branch into two portfolios. I say this, Mr President, with no disrespect to the Secretary concerned, nor with any doubt on the effectiveness of her staff and the Branch. Yet, the health and welfare policy areas have grown to such an extensive size that it may be more than for one particular branch to follow.

Health care strategies overriding 1997

Mr President, a lot has been mentioned these two days about the involvement of China in the forthcoming budget determination. I have no wish to enter into this arena, suffice it to say that it is high time, given the fact that we only have around 800 days left before the transfer of sovereignty, that thoughts should be given to health and health funding strategies after 1997. Three areas need deliberation:

Firstly, how much cross-border movement for treatment is expected to take place, basing on which will be our direction for the needs of health care services, be it manpower or hospital beds.

Secondly, statistics have shown that some 300 children born of Hong Kong Chinese are now in China. They will be full-fledged Hong Kong citizens with a right of abode in Hong Kong after 1997 as stipulated by the Basic Law. What provisions are there to provide for their health care both in facilities and health care budget?

Thirdly, let us not forget that whilst Hong Kong currently subsidizes over 97% of public treatment, hospitals on the other side of the border receive at best some 10% subsidy. Admittedly the Joint Declaration promises one country, two systems. But unless this concept is not swayed by any degree of mounting pressure from the north where there is still a deficiency in health care, many people will be travelling south to seek medical treatment and again our health care system will fall prey to its own success.

Tax evasion

Let me now turn to say a few words on the sensitive topic of tax evasion for which the medical profession is directly or indirectly under fire. As a start, nobody tolerates tax evasion. Yet when it comes to production of records for assessment, the Inland Revenue Department (IRD) is extremely difficult to satisfy and it is at this level that members of my constituency are guilty or otherwise being harassed. We therefore welcome the establishment of law to denote the minimum number and types of records that all business must keep, for by then we will know exactly what to produce when the IRD men knock at our door instead of at a loss of how to satisfy the insatiable needs of that department who always return for more.

It is timely too that the Government should look into the rules and regulations governing the formation of body corporate (or incorporated company) by the medical profession. A doctor can only practise as a solo practitioner for financial gain. Once a few doctors form a body corporate, they come under the Medical Clinic Ordinance which prohibits profit taking. Unfortunately, when a doctor practise on a solo basis, he faces discrimination on any form of tax concession, for there is no way that he could claim concessions for overseas medical meetings, or even medical books or medical journals although these are for improvement of his professional skills to care for the patients and at the same time to promote his practice. On the other hand, members of other professions through a body corporate could have their holidays tax deducted so long as they can prove that the trips are somehow business related.

Spending surplus wisely

Finally, Mr President, whilst praising the Financial Secretary for adding on to our reserve, money is worthless unless it is well spent. Last year, I call on the Government to utilize the reserves on one-off projects. In this year of still plenty, I would be renewing my similar call. In the area of health care, the

Government cannot be too far wrong than by investing the surplus in the building of new general and specialist out-patient clinics, or at least upgrading and updating them so that they can be catering for the rising needs and aspiration of the current public. Money obtained from the public should be spent as much as possible on the public themselves. This is the golden rule that we should never mislook.

With these remarks, I support the motion.

MR VINCENT CHENG: Mr President, like many of my colleagues, I would like to pay tribute to Sir Hamish MacLEOD for his dedication and contribution to Hong Kong over his 30 years of service. Hong Kong is indeed lucky to have someone like Sir Hamish in the Civil Service, which is an important pillar of Hong Kong's success. In the last four years, I have the good fortune of watching Sir Hamish at work at a close distance. He held steadfastly to the well tested fiscal principles that have made Hong Kong a well admired model in public finance management. At the same time, he listened patiently and accepted many of the advices from this Council on how resources should be redistributed to the various sectors of the community.

Mr President, like many of my colleagues, I am pleased with the 1995-96 Budget. It has been criticized as too prudent, as unimaginative, and uncaring by some Members of this Council. But, I must say I do not agree with these criticisms. No single budget can ever satisfy all aspirations of any community. Over the last four years, Sir Hamish has introduced quite a lot of initiatives to the fiscal policy. There were some major concessions on salaries tax. We have seen more spending by the Government in every sector of the economy including welfare and some massive infrastructure projects. Unless we reject the principle that we should not spend beyond our means, we have to accept that there is a limit on spending. Nor should we expect major changes every year. A good tax system is a stable, predictable system. The community should be weary of annual changes in either tax rates or tax structure. Furthermore, the initiatives made in the last several years need to be completed before further major initiatives are introduced.

The Budget this year introduced only limited changes. Most of those changes were really to adjust for inflation. This is not a bad thing. We are already in the final phase of the transition and prudence should be the key in our budgetary policy, not just for this fiscal year, but also for the next three years. Political reality precludes any major initiative these days. Every major proposal by the Hong Kong Government generates doubt and skepticism in China. Should we make any major change in fiscal policy, there would be a real chance that we would get mired in new arguments and heated debates and time is too precious now to be wasted in such a way.

We must therefore in the next two years keep changes to the minimum and maintain the long cherished principles which have put Hong Kong in a position of envy for the rest of the world.

We must maintain a balanced budget.

We must keep our tax system simple and tax rates low.

We must maintain a reasonable level of reserves and the Government must listen to this Council for priority areas in terms of spending.

Tampering with these principles could undermine the long-term financial and social stability of Hong Kong.

I would like to concentrate only on two areas: the economy and the vulnerable groups in society.

I share with this Council's view that inflation remains a concern. Although it is not getting worse, it is getting no better either. The real cause is the supply-side bottlenecks in the economy. I am not sure we can find any quick fix for it. Since I do not have the thankless task of fighting inflation, I should like to take the easy way out and join the chorus and ask the Government to come up with some imaginative solutions to this problem. I do not have any.

Linking the salary of the Financial Secretary to the inverse of inflation is no solution. I know New Zealand did it and inflation came down but I think, coincidentally. But I do not think that there is any causality between the two. We can surely bring inflation down through demand management. But at what price? Short-term pain is always unavoidable if we want to bring inflation down through curtailing demand sharply. If we decide to cut demand, the cost would be a recession for Hong Kong, high unemployment, sharp drop in profits and business failures. Do we really want to see that during the transition?

The absence of a quick-fix solution does not mean that the Government should be complacent. I think we should look extremely carefully at every request for increase in prices or fees by public bodies and make sure that they do not add inflationary pressure.

Despite inflation, we should note that the real income of Hong Kong has been increasing. Some commentators mentioned that income distribution is getting more uneven as indicated by the Gini coefficient. However the Gini coefficient is not a good measure of the real picture. It does not take into consideration the effect of tax allowances which have been quite generously increased by Sir Hamish over the last three years. Nor has it taken into consideration the amount of subsidy that the lower income groups receive through, for example, the massive housing programme, nine-year free education, and other forms of subsidies. If these factors are included in the

calculation, the real income distribution picture of Hong Kong could be very different.

The other concern I have is the cost of doing business in Hong Kong. I am not just talking about high rental and labour cost. I am more concerned about the hidden cost of meeting the endless demand for information by government bodies and regulatory bodies. There are more and more reporting requirements by the regulators. Most of the time, I wonder whether regulators would really read those reports by financial institutions or would they be just field anyway. Or are these really efforts by regulators to justify their existence and expand their empire. I fully agree with my honourable friend, Mr Martin BARROW, to set up a deregulation unit to look at all these government rules and regulations and reporting requirements. We must cut down the size of the bureaucracy which is getting worse and worse. And firms will need teams of people just to meet all these requirements.

A Member of this Council mentioned the linked exchange rate. Like any socio-political/monetary system, I am sure it will go one day. But the fact that one has to die some day does not mean that one should die now or should have died already. The link, like any exchange rate system, has its merits and problems. There is no such thing as a perfect exchange rate system. The most important thing is that it has worked for Hong Kong. Since the introduction of the link in 1983, economic growth has been about 7% per annum, with very low unemployment, excellent fiscal position, and very stable balance of payments. It has also made Hong Kong into a US dollar area, thus eliminating the exchange risk of US dollar based investors, allowing Hong Kong to tap into a much wider source of capital.

Now, will the link stay forever? Of course not, therefore those who propose to change the link now will be able to say one day that I am correct and claim credit for having the vision and make a name for themselves. But I am glad that the Chinese Government is more sensible than this and have agreed that the link is an important part of our financial system during the transition and should stay beyond 1997.

I would also challenge those who said that the link should be abandoned to come up with their own systems and see how they would compare with the link system. We cannot just say abandon the link without replacing it.

Mr President, I would now like to turn to a subject of great concern to me. Despite the prosperity we have achieved and the progress we have made, there are certain groups of people who have not been able to share the increased wealth and indeed are worse off. They are the old people. Because of negative real interest rates in the last several years, and the drop in asset prices this year, many old people have seen their lives worse off. We must do something about it.

I have heard cases of old people having to spend their entire savings on medical expenses when they had operations in government hospitals. This must be a horrible experience to happen to someone at that sort of age. And we must do all we can to avoid such tragedy.

The other issue I want our Government to look at closely is perhaps rates relief for retired people who live in their own homes because rates are based on market rental. As rental goes up, so does rates payment. But if they only live in their own flats and do not get any benefit from higher rent, they still have to pay more in rates because the assessed value has gone up. This would constitute a real financial burden to retired people who rely on their savings in an environment of negative real interest rates. I hope the Government can come up with some sort of relief for these old people.

Mr President, I have only concentrated on a few areas because I think that a short shopping list is actually more effective. There are other issues which are on my list but I will pursue them later when the opportunity arises. Before closing, I would like to wish Sir Hamish all the best and a very happy retirement. I also wish his worthy successor, Mr Donald TSANG, all the best in his term as the next Financial Secretary. But I hope he can look into the distribution of tax burden. At present, the middle class actually bear the bulk of the tax burden, while the rich could avoid tax and the less well-off get allowances.

Mr President, I support the motion.

MR CHEUNG MAN-KWONG (in Cantonese): Mr President, as Sir Hamish MacLEOD, the Financial Secretary, is about to leave his job soon after delivering the 1995-96 Budget, I feel a little sad at his departure. I have to admit that, in preparing the Budgets during the present term of this Council, Sir Hamish has adopted an increasingly open approach in the production process and he did consider some of the opinions expressed by Members of this Council and the public. Although many of our views have not been accepted, I must give my heartfelt thanks to Sir Hamish for his dedication and patience. In addition, I am delighted at the appointment of Mr Donald TSANG as the next Financial Secretary. I hope we will be able to develop a co-operative relationship. However, before Mr TSANG will assume office, I wish to lodge a mild protest against his presenting a gift of flowers only to female reporters whereas their male colleagues received nothing from him, not even a weed. No wonder he was assigned only a minibus for transport during his recent trip to China, and to a back seat, too.

Mr President, in this year's Budget, the Financial Secretary has introduced a new term to summarize his philosophy in financial management, which is the "Consensus Capitalism" everybody has been talking about these days. He has promised to establish a free and fair market and an adequate welfare safety net. In terms of general direction, there is nothing wrong with

the concept of "Consensus Capitalism", but when it comes to the implementation of specific policies, it seems that the concept is biased in favour of the interests of capitalists and business consortia. The vast working class which constitutes a major component of this capitalist society and those on the lowest social stratum who need help most have not received sufficient care and support. This so-called "Consensus Capitalism" which allows financial groups and property developers to accumulate huge wealth while rendering ordinary people's life more and more difficult will only sow destabilizing seeds in Hong Kong in the run up to 1997.

Our economy has shown signs of recession this year with a contracting manufacturing industry, a stagnant service industry and a significant increase in the number of both unemployed and underemployed workers. The current state of ordinary people's life is best demonstrated by the widespread under-provision of work in factories, long queues of taxis waiting for passengers and the increasing number of empty tables in restaurants, which indicate the community's rapidly declining consumer purchasing power. According to the latest figures released by the Government, the unemployment and underemployment rates in the last quarter stand at 2.5% and 1.5% respectively, the highest since 1989. Even based on the Government's extremely conservative rates, we have an unemployed army as large as 75 000 while underemployed workers number 45 000, as a result of which 120 000 households involving a few hundred thousand people are being affected. The social discontent and conflict that may arise are sufficient to serve as a red light warning to the Financial Secretary on his much-vaunted "Consensus Capitalism".

However, the Government not only disregarded the red light sign but also jumped it, letting loose the Through Train that carries imported workers. The local labour market is now inundated by 25 000 foreign workers, another 27 000 workers to be brought in for the new airport projects, plus tens of thousands of illegal workers as well as an upsurging number of returnees from overseas. The 100 000 foreign workers and 100 000 unemployed local workers, looking like two armies pitted against each other, form a ridiculous situation which can be summed up as "local people are out of job whereas foreign workers are coming over the mountain to make a living here". Despite the fact that local workers are deprived of their jobs by foreign labour, the Government, instead of putting a stop to it, is taking pleasure in its own inaction by saying that the importation of foreign labour can curb inflation. Mr Financial Secretary, the "Consensus Capitalism" championed by you is in essence nothing but capitalism in which tycoons can enjoy more extra benefits at the expense of local workers' interests and their reasonable demand for better pay. Therefore, on the issue of imported labour, there is no consensus but conflict between the majority of local workers and the Financial Secretary.

Mr President, local workers have also contributed to the economic prosperity of Hong Kong. Hong Kong's GDP *per capita* has reached \$170,000, the 15th highest in the world. However, over the past several years, workers at the grass-roots level have been unable to share the fruits of our 5.5% annual

economic growth and their wages have failed to catch up with inflation. The plight of those who have been unemployed, underemployed and given low wages in the past few years can be summed up as "sweat of one's brow in exchange for eyefuls of tears". There is blood in addition to sweat and tears. Hong Kong's industrial accident rate remained at a high level in 1994 with up to 44 000 people injured. For every 100 people on average, there were 28 injured. The death toll topped 67, of which 51 were related to construction industry, accounting for three fourths of the total. Behind the prosperity and between the skyscrapers lie many shocking and sad stories stained with blood and tears.

This figure is absolutely unacceptable. Even the Government has to admit that the accident rate in construction sites is "too high to be acceptable". What has the Government done in view of such high injury and death rates? Inspection of construction site is only conducted once every three months; an average fine of only \$13,000 is imposed on employers where construction site safety regulation is breached; only 1 055 prosecutions were initiated out of the 16 000 construction site accidents; the eight additional Factory Inspectors to be provided in the next financial year are for the Airport Core Projects and no extra manpower will be given to the existing sites. Mr President, does it mean that we have to put up with the high injury rate and high death rate among our workers under the "Consensus Capitalism" as championed by the Financial Secretary? If we remain indifferent to the lives wasted by accident and let the situation deteriorate, this will only reflect the cold-bloodedness of capitalism. And it is the part of capitalism we must discard.

Mr President, the consensus capitalism of the Financial Secretary includes an adequate welfare safety net. Since his assumption of office, Governor PATTEN has emphasized many times that we should "provide for the elderly". However, the Old Age Pension Scheme has turned out to be stillborn and this has turned a gorgeous pledge into a blighted hope. When people have lost hope in retirement protection, their attention is again focused on raising the Comprehensive Social Security Assistance (CSSA) payment for the elderly. The reason is simple: even if adequate retirement protection is put off indefinitely, we cannot neglect those old people who live in extreme poverty and resort to CSSA. The Legislative Council do have consensus on this issue, which is to increase the CSSA payment for the elderly in accordance with the inflation rate to a humanitarian level of \$2,500.

When encountered with this agreed request, the Government's first tactic was "to threaten", saying that this would bring about an additional expenditure of \$8 billion to \$23 billion and the tax rate would therefore have to rise by 3%. Its second tactic, "to deceive", was then adopted. It claimed that with the introduction of the Old Age Pension Scheme, the elderly people receiving CSSA would be benefited immediately. Its last tactic was "to delay". We now have to wait for about a year for the study and review to complete. This "threaten-deceive-delay" series has wiped out the public's confidence in the Government. In fact, the Government has the capacity to increase the CSSA payment for the

elderly. Last year's surplus was \$7.7 billion and the total fiscal reserves in 1997 will reach \$361 billion, which is a record figure in the history of Hong Kong. More importantly, the Financial Secretary has failed to keep social expenditure in line with the average economic growth these years, which is 5.5% p.a, making it impossible to raise the CSSA payment to a humanitarian level of \$2,500. Concerning the issue of CSSA, the Financial Secretary, who advocates consensus, has discarded the consensus of this Council and the community, and discarded the sound welfare safety net he promoted. This is self-contradicting. It is immoral to keep old people waiting to no avail. If the wheel of time could be turned back, Xunzi who advocated "to be prudent in public spending, to improve the well-being of the people and to maintain good reserves", would bawl the Financial Secretary out for ignoring the well-being of the elderly and call him a miser who misinterprets the ancient books.

Mr President, on many occasions the Government stresses the importance of investment in education. It is the consensus of the whole community that the quality of education should be improved. I have to point out that while the Government is putting all its effort in expanding tertiary education, its investment in basic education has always been on the low side. Expenditure on basic education *vis-a-vis* the overall expenditure on education dropped from 70% of last year to 60% this year. When compared to this year's increase, the increase for tertiary education is three times as much as that for primary education and four times as much as that for secondary education. The investment in basic education is low and its reforming pace is very slow, too. Kindergarten education is most unfortunate among all as it, only represents one per cent of the overall expenditure on education. Even though funding for direct subvention to kindergartens has been increased by \$80 million, it is only a drop in the bucket. The percentage only increases from 1% to 1.3%. The serious imbalance in growth between tertiary education and basic education is the biggest flaw found in the education section of the past three year's Budgets.

Nonetheless, the Government is now willing to subsidize kindergarten. This is a welcome measure and the fruit for which the education sector and the community have been striving over a long time. Unfortunately, this \$80 million subvention proposal has not yet been announced, let alone implemented. These uncertainties have given rise to even more doubts and insecurity to the kindergarten sector. More delays, more danger. Therefore, I solemnly warn the Government that it should not break its promise on this welcome measure and turn the hopes of the people to disappointment, for that disappointment will grow into anger.

Mr President, I support the Government's all-out-effort to develop higher education and to allocate \$27 billion in the next three years for this purpose. Such a move reflects that the Government attaches great importance to training professionals at tertiary level. However, the rapid expansion in tertiary education also exposes a lot of problems in the process, such as the sharp rise in university tuition fees, the general decline in students' quality, the increasing number of disputes related to the terms of appointment, promotion and

dismissal of staff, and the possible overprovision of funds to the universities and for the related supervision work. All these problems attract the concern of this Council and the public over the "labour pains" in the course of university expansion. While respecting the academic freedom enjoyed by tertiary institutions, the Government should also ensure and supervise the proper use of public money so as to optimize the interests of the academia and the public.

Mr President, Sir Hamish put forward the ideal of "big market, small government" in a community of consensus capitalism. The Government of Hong Kong is indeed a small but efficient government. However, this small government has to face an extremely great challenge - to turn from a colonial government to the SAR government in the course of the territory's reversion to China - during the transition. Such a transition is unprecedented in the world. We should act prudently to preserve the morale of the civil service and persuade civil servants to continue serving the people of Hong Kong in the new political environment so that the administrative system, which is the core of the Hong Kong Government, can straddle 1997 in a stable manner.

Inevitably, the process to decolonize the Government of Hong Kong will start. Mr President, here I would like to commend the Civil Service Branch in public. In merely a year, the Branch has succeeded in localizing senior officials, recognizing with an open mind the academic degrees conferred in Mainland China and Taiwan and standardizing the terms of employment for both local and expatriate civil servants. These three tasks of decolonization are crucial and arduous. It is by no means easy to have them launched so extensively.

Nevertheless, Mr President, the last difficult task on the way towards decolonization is to overhaul the colonial government's language policy, in which English is regarded as superior to Chinese, and to give effect to the principle of according equal status to both Chinese and English, as stipulated in the Basic Law. It should be noted that 98% of the population in Hong Kong is Chinese. It is absolutely impossible for the Government to discriminate against the Chinese language and use it merely for window dressing. In this regard, the use of Chinese as the principal medium of communication in the civil service should be expedited so that Chinese can be widely used in government departments without difficulty. I am aware that this task is even more arduous, yet it has to be accomplished. The Government should take the lead in giving both Chinese and English equal status by making arrangements for departments which have close contacts with the public, such as the Home Affairs Department, the Housing Department, and the Education Department, to launch the pilot scheme of using Chinese in their official documents. The experience thus gained will provide a sound foundation for the general use of Chinese in all government departments. The language policy of attaching more importance to English than to Chinese, as adopted by the colonial government, will surely come to the end of the chapter with the advent of 1997.

Mr President, these are my remarks.

MR PETER WONG: Mr President, the Financial Secretary's farewell Budget this year struck a sonorous note of prudence which he said accords with the fiscal policies of eastern and western economists. Scottish prudence governs his budget strategies, filters through his revenue proposals and controls his expenditure estimates. While few people will seriously dispute his cautious approach to public finance as Hong Kong moves closer to 1997, I for one would query his ultra-conservatism bordering on inaction. Apart from the very modest changes proposed, there are few new initiatives for increasing Hong Kong's competitiveness and stimulating growth in what can be described as a caretaker's budget.

The Financial Secretary talked about Hong Kong's "steady, sustainable growth being a pattern for the 1990s". However, prosperity of Hong Kong's volatile economy cannot be taken for granted. For Hong Kong to generate wealth and for its competitiveness to flourish require more from the Government than just providing a framework of social and economic infrastructure. We need more than a "small government" mentality to brace up to unpredictable forays of world economic depression. We need more than prudence to deal with slow economic growth now looming over the horizon.

Economic downtrun

Despite the affirmative, reassuring forecasts made by the Financial Secretary, the economic outlook for 1995 is clouded by somewhat gloomy sentiments. An on-going opinion survey conducted by *Ming Pao* since 1985 shows that Hong Kong people's confidence in our economy early this year has dropped by 10% from 1994, although their confidence in the political development has picked up. There are several contributing factors to the prevailing gloomy economic scene.

(A) External factors

Frequent increases in United States interest rates last year have shown their marked impact on our bearish stock market and real estates has recorded a 30% drop in property prices. Their adverse effect on Hong Kong would be to further depress the sluggish consumer spending, especially those of home buyers paying mortgages. Growth in our import of goods is forecast to outpace export growth, so that a deficit in our trade balance will persist. With GDP expected to increase by 5.8% and real expenditure growth estimated to be 9% this year, the writing is on the wall.

Hong Kong's prosperity is dependent on China's continued economic health, external trade and demand for capital and skills. Mr President, members of the Accountancy Functional Constituency have reported increasing cases of slow payments, bad debts and trading beyond capacity among their client companies. Hong Kong companies doing business in China have begun to feel the pinch of China's economic slowdown. Our economic prospect for 1995 very much hinges on China's soft landing in implementing dampening measures

to cool down its overheated economy. The effects of China's measures to tackle runaway inflation, officially pitched at 21.4% last year, will feed through to Hong Kong which is also experiencing high inflation estimated to be 8.5% this year. The cost of food from China, which has major bearing on our economic price index, is also expected to rise.

(B) Internal factors

Rising world commodity prices due to faster-than-expected pace of growth and international competition are likely to exert inflationary pressures on Hong Kong, leading to a reduction in ultimate domestic demand. At the same time, they will add to the ever present surge in the cost of doing business, transportation and services, and a sustained rise in business and domestic rentals. Meanwhile, Hong Kong's structural changes - from a manufacturing and trade based economy to a service based economy, has encountered supply constraints. Our labour shortage is attributable not only to the movement of jobs out of Hong Kong, but also to the slow rate of training up people to supply new skills. This has resulted in the stalling of expansion by some employers until they can be certain that labour is available to undertake their development plans. Hence the reported increase of 3.5% of the workforce (100 000 workers) is far too low to meet our labour needs and to curb inflation. Inadequate retraining and in-service training have also burdened the tight labour market - it is estimated that there will be a shortfall of 73 200 workers with secondary education (6.7% of workforce) by 1996.

It is noted that a strong underpinning to economic growth comes from the Government's infrastructure spending, with the New Airport project remaining the major impetus for growth. However, the escalation in infrastructure building could also fuel inflation and construction costs. Meanwhile, we have to take into account the decrease in land sales premium and the demand for social spending expected to increase with the political changes due to take place in 1995. The \$2.6 billion deficit estimated for 1995-96 is a signal that inflation is likely to persist.

Suggested solution

(A) Public spending

In face of the external and internal pressures, the Government must zealously tackle the problem of consumer price inflation which eats into the ordinary people's savings and threatens their retirement protection. To get to the root of the property price problem, the Government should, in addition to providing more land through reclamation, streamline its urban redevelopment scheme and speed up the re-zoning programme to maximize land use. It should try to resolve high office rents by offering new office space needed to accommodate corporations wishing either to establish a presence here or expand existing operations. Such measures will go a long way towards reducing the cost of doing business which is hampering our growth. My recent trips to Japan

since the Kobe earthquake indicate that a number of Japanese concerns are worried about their safety and are thinking of relocating their headquarters to another place in Southeast Asia. Hong Kong would have been ideal except for the very high costs. More effort should also be made to increase investments by the private sector in cross-border facilities in view of the inadequate transport infrastructure now hampering trade growth.

To tackle high labour cost, the Government should alleviate labour shortage by liberalizing the immigration policy to allow the movement of skilled workers from China and elsewhere in the world. Greater flexibility is needed in the importation of qualified professionals from other countries including the People's Republic of China (PRC). To resolve the mismatch of skills in the service sector, retraining and on-the-job training should be actively expanded. More non-degree programmes, graduate and executive development programmes should be organized with PRC and overseas universities to teach those skills that Hong Kong will demand in the 21st century. Above all, ways should be explored to overcome the relative decline in service productivity.

Mr President, housing, infrastructure, education and manpower resources hold the keys to maintaining Hong Kong's ability to compete successfully in the Asia Pacific Region. It behoves the Administration to address these problem areas vigorously, with imagination and vision.

(B) Revenue proposals

The 1995-96 Budget has not addressed the fundamental imbalance between revenue collection and spending. In this regard, tax professionals are finding it incredible that only 2% of our labour force are paying tax at the standard rate. We also acknowledge a smaller surplus this year due to less revenue from stamp duty from property transactions.

Mr President, the high cost of doing business has already placed Hong Kong in a disadvantageous position in our competition with our neighbours. The additional tax incentives recently announced by Singapore indicates where the competition lies. A reduction in profits tax of at least 0.5% has been strongly recommended by the Hong Kong Society of Accountants along with other business groups. The Society's innovative suggestion to abolish property tax by bringing property tax payers into the profits tax net is well worth the Administration's consideration. This will effectively maximize the efficiency of the limited Inland Revenue Department manpower. Other measures suggested by the society include group relief for corporate losses to encourage local investment; profits tax exemption for income earned by retirement funds; setting up a task force to study the rising cost of doing business in Hong Kong; and a feasibility study of a self-assessment tax system.

(C) *Primary education*

I shall now turn to one public expenditure area that has been causing public concern for some time. The gradual decline in the quality of education, in particular the language standard of primary, secondary and tertiary students, has promoted the Education Commission to look into ways of improving the situation in its Report No. 5. However, among the Commission's achievements listed in Chapter 10 of the Report, the bulk of education reforms were directed at secondary and tertiary education. Of the \$34 billion total public expenditure allocated for education in 1995-96, only \$6 billion or 17.7% have been earmarked for primary education. Further, a large portion of the capital expenditure will be spent on building the Hong Kong Institute of Education campus. Primary education still remains the Cinderella of our education system.

Following the introduction of nine-year universal schooling in the 1970s, our attention has been shifted to the development of higher education. With disproportionate resources being siphoned off to the development of university education, the time will come when the inverted pyramid system will topple. Our invaluable resources could be wasted on students lacking the right calibre to benefit from expanded college education. For Hong Kong to promote dynamism of free enterprise and competition, a skilled and competitive workforce is essential. We need more than improved class size, increased student-teacher ratio and slow expansion of the whole-day primary schools to upgrade our primary education, and of course we need more equitable budget allocation. Let me paraphrase the Financial Secretary's new terminology "consensus capitalism" - to maintain Hong Kong's "competitiveness", we must promote "equity and assistance" for our primary education.

(D) *Environmental conservation*

I shall round off by commenting on the environment. Although expenditure for environmental protection for 1995-96 will increase by 24.2%, it only represents a meagre 3% of the total public spending. This amount, however, is absorbed mainly by the Strategic Sewage Disposal Scheme and other waste treatment facilities. Again, Environmental Protection Department's (EPD) and Agriculture and Fisheries Department's budget proposals are lacking in new initiatives such as the introduction of new technology in environmental protection, conservation projects and the building of artificial reefs. No budgetary provision has been made for the collection of comprehensive data on Hong Kong's natural resources, and for running programmes to acquaint EPD personnel of the latest development in environmental technology around the world. More importantly, EPD is still dragging its feet in promoting the separation of waste at source. Nor has the Department given adequate financial support to the green groups to conduct environmental education - the allocation criteria of the \$50 million Environmental and Conservation Fund remain largely unknown to the public.

Before ending, I would reiterate the point I made during the special Finance Committee meetings that it is too easy for a government department trading fund to slip pass the present financial control system. It is not realistic to expect the policy panels to do a full, systematic scrutiny of the trading fund accounts. There should be some mechanism to ensure that the financial health of all the trading funds be examined in future by this Council as part of this budgetary process.

To sum up, this year's Budget has done little more than tinkering with routine public revenue and expenditure in the name of prudence. But these questions must be asked. How long can we count on Hong Kong's continued economic growth? Is a breakthrough in our conservative fiscal policy long overdue? Should we not start spending to build a better tomorrow?

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

MR FREDERICK FUNG (in Cantonese): Mr President, as this is the last financial report presented by the Financial Secretary in his term, the Secretary may not want to introduce too many innovative changes in the Budget. As a result, many sensitive issues, including those concerning the fight against inflation, rates and licence fees for vehicles, have all been left out. The Secretary may wish to leave them all to the next Financial Secretary when he takes over. As for the Secretary himself, he does not want to get involved. Therefore, many aggressive financial policies have either been left out, or shelved or are dealt with in a conservative manner in this Budget. I strongly disagree with the Secretary's consideration in this respect. I feel that the Government has been applying a certain economic philosophy to the Budgets. Although we expect the Government to make changes in this respect, up till now we can still find no trace of such changes and I am very disappointed. On the whole, I feel that this year's Budget has neglected the welfare of the broad masses of grass-root people.

The so-called "Consensus Capitalism" is the standpoint taken by the Government in determining Hong Kong's economic development. It is also the term the Financial Secretary uses to conclude his Budget speech. I doubt if the Government has indeed reached a consensus with the middle and lower classes. From the Budget, I find that when considering making various policies, the Government often considers the interests of big enterprises and people with vested interests first. Hence, the disparity between the rich and the poor has not been reduced this year and I am worried that the situation will even get worse. The Gini Coefficient which shows the disparity between the rich and the poor rose from 0.43 in 1976 to 0.48 in 1991. Obviously, the disparity is widening. A responsible government should narrow and adjust the gap between the rich and the poor through public expenditure policies. Perhaps the Government is relieved to see that the disputes and conflicts between the rich and the poor have not yet developed into an extreme scenario, so it continues to allow such

inequity to go on. If this is true, I shall call on the Government to get prepared beforehand and understand the merits of making such preparation.

The present working population in Hong Kong is 2.9 million. 990 000 of them are in the so-called service industries, including retail, import and export, restaurant and hotel industries. Between 1991 and 1994, the average wage growth rate in these industries was 9.5%. There were 440 000 people working in the garment manufacture industry and the average wage growth rate was 9.9% during the same period. Allowing for inflation, their real wage growth rate was only about 1%. Most ironically, the Financial Secretary says in his Budget that after allowing for the inflation rate, the growth in Hong Kong's GNP was 5.5%. Workers in general had a real wage growth rate of about 1% while Hong Kong's GNP grew by 5.5%. This shows that a large part of the fruit of the economic success went to the pockets of the entrepreneurs and capitalists. How much of this fruit of economic growth was shared by local workers?

Given the above situation, the Government should consider the interests of the middle and lower classes first in the Budget. In paragraph five of the Budget, it is stated that, when preparing the Budget, the principle for consideration by the Government is to "leave money where it can do most good, in the pockets of the taxpayers". Needless to say, most likely the Government is referring here to the big entrepreneurs and capitalists. The Government has always used such wording to cover up the real situation. The so-called "low tax rate" or "simple standard rate" is indeed unfair to the middle and lower classes, the sandwich class, and the medium and small scale enterprises. The Government can neither see nor hear this situation. The Honourable Sir Hamish MacLEOD, it has been four years now. Every time you asked me for my opinion, I raised the same questions but I have yet to hear of any improvement plans and answers from you. I feel that the long-term solution is to abolish the standard tax rate and introduce a progressive tax rate regime.

Another proof of the Government's partiality to big enterprises is the maintenance of the corporate profits tax at 16.5%. We have to understand this: whether or not capital is attracted to Hong Kong for the purpose of setting up companies or businesses, the deciding factors include the attractiveness of the market itself, the availability of infrastructure, the soundness of the legal system, the availability of labour and the stability of society. Therefore, there was no need for the Government to cut 1% from last year's profits tax rate to make it become this year's 16.5% which the Government is refusing to restore to 17.5%. I think that the Government should raise the profits tax rate back to 17.5%. The increased revenue may be spent on other social welfare services to benefit the general public. I still feel that the Government only wants to protect the interests of big enterprises of the industrial and commercial sector and neglects the welfare of the general public. That is truly disappointing. What I have said just now is to prove that the Government is partial to big entrepreneurs but neglects the interests of the middle and lower classes when making public financial policies.

Next, I wish to point out the inadequacy of the care the Government extends to the middle and lower classes. The Government is raising the personal tax allowance from \$82,000 to \$89,000 based on an inflation rate of 10%. This does not mean much to the public. As growth and decline cancel each other out, what the public gets is only the *status quo* in real terms. Last year, the Government proposed to raise the tax allowance for single parents by 25%, that is, from \$32,000 to \$40,000. It is a more substantial increase and I welcome it. However, the Government must keep in mind that there are many kinds of difficulties faced by single parents and services provided by the Government in one area need to be matched by services provided in other areas. According to the Social Welfare Department's statistics, there were 35 000 single-parent families in 1993 already. With the increasing divorce rate, I believe the number of single-parent families is also on the rise. Therefore, the Government's policy towards single-parent family must not be limited to tax concession only. The Government must, at the same time, allocate resources to assist the single-parent families according to their needs in terms of housing, employment and education.

Expansion of the workforce is helpful in the fight against inflation. But the Budget indicates that the workforce increased by 2.9% and 3.5% in 1993 and 1994 respectively. Among those joining the workforce are returned emigrants. The Government expects the workforce to increase further and the number of returned emigrants to be on the rise as well. This may have some impact on Hong Kong's economic development, especially on the present labour importation policy. I feel that the Government must be extra careful in dealing with this. The latest statistics released by the Census and Statistics Department show that Hong Kong's unemployment rate from December last year to February this year was 2.5%, the highest for the same period in the last eight years. Apparently, the extension by the Government of the scope of the labour importation policy has led to the rise in the unemployment rate of local workers. To local workers, this policy is extremely undesirable. Given the growing working population and the substantial increase in the number of imported workers, I am worried that the rising unemployment rate in Hong Kong will continue. Local workers, especially the blue-collar workers who are less educated, have even less security in their employment.

I strongly disagree with the Financial Secretary's view as expressed in the Budget that labour shortage is the major and the only cause of inflation in Hong Kong. He has always used this as an excuse to carry out the inappropriate policy of massive importation of workers. I find that this is putting the cart before the horse. The policy not only creates more unemployment and under-employment among the workers in the manufacturing sector but also hinders the effective development of the retraining programme. I still hope that the Financial Secretary will consider taking another approach to curb inflation, including the use of financial measures relating to the interest rate and the Hong Kong-US dollar peg. Of course, I agree that it may not be the right time to delink the Hong Kong dollar from the US dollar. But in the long run, if the

Administration does not consider it today, when the right opportunity arises, we will let it slip through our fingers again. The last opportunity arose in 1988.

The Government had a surplus of \$7.7 billion last year. According to the estimate of the Financial Secretary, taking into account the credit balance of the Land Fund, the Government of Hong Kong will have a reserve as high as \$370 billion by 1999. Despite possessing such a huge reserve, I feel that the Government appears to be overly conservative concerning public expenditure.

Earlier on, this Council has called on the Government to improve the services of kindergartens and child care centres. However, the Financial Secretary only sets aside \$80 million for the improvement of kindergarten services but mentions nothing about child care centre services. He only responds by saying that the Secretary for Education and Manpower and the Secretary for Health and Welfare will put forward proposals concerning the issue. Thus, the Government is letting the problem drag on indefinitely. Recently, certain groups have suggested that the Government put its promise of directly subsidizing kindergartens into practice and also improve the services of child care centres, including the entry qualifications of the staff and their salaries, starting September this year. I very much endorse this suggestion. Moreover, I urge the Secretary for Education and Manpower to co-ordinate with the Secretary for Health and Welfare and inform the public of the latest progress with regard to the proposal on the subsidization scheme and the unification of pre-primary service as soon as possible in order not to let the problem drag on indefinitely.

Undoubtedly, during his term of office the Financial Secretary has put aside a huge reserve for the people of Hong Kong. His achievement in this respect is there for all to see. However, the fly in the ointment is that the middle and lower classes, more often than not, are being sacrificed to achieve Hong Kong's prosperity and they are excluded from sharing the fruit of a prosperous economy. Therefore, I feel that the middle and lower classes have not shared in a reasonable way the fruit of Hong Kong's economic success during the past few years. As for this Budget, I would still describe it the way I did last year, that it is a miserly one. I shall be disinclined to vote for it. I will therefore abstain from voting. In fact, the reason why I will not vote against it is that I wish to present it as a gift to Sir Hamish on his retirement.

I so submit.

MR MOSES CHENG (in Cantonese): Mr President, in relation to the "Consensus Capitalism" first introduced by the Honourable Sir Hamish MacLEOD, the Financial Secretary, in his last Budget during his term of office, I have the following impressions: first, I am very pleased that Sir Hamish really fully understands how Hong Kong achieves its success. Actually, his economic philosophy coincides with the objective that has all along been proposed by the Liberal Party - "dedicated to the betterment of people's livelihood made

possible by economic growth." We deeply believe that Hong Kong has to maintain economic growth and create wealth in society in order to provide a comprehensive welfare net for the public, thus enabling all of us to enjoy prosperity and stability.

Secondly, I find that the Secretary has been a bit too idealistic and his proposal is divorced from reality. With the political developments in recent years, our spirit of standing united in times of difficulty has already disappeared into thin air. To build up a consensus today will be so much easier said than done. Democratic development is undoubtedly good, but instead of creating contradiction and division, we should aim at taking care of the interests of various strata of society, seeking similarities while accommodating dissimilarities. I sincerely hope that the Hong Kong people can treasure the advice given by Sir Hamish before he parts - "prosperity through consensus". And this is also my advice to Members.

I have made a calculation and found that since Sir Hamish assumed the post of Financial Secretary four years ago, he has brought to the Hong Kong Government's pool of fiscal reserves an income of \$46 billion, so that our total reserves have been increased to almost \$150 billion. It is naturally a nice thing to learn that the Government is fiscally sound and has sufficient resources for social development. However, not many people will ask whether every cent has been spent in the area which has the greatest need; whether the spending of money is beneficial to the entire society; or whether a large proportion of the money has been spent on the administrative costs for additional posts created or even wasted for nothing.

My paramount task in this Council over the past years was to monitor the Government to ensure that it managed its finance in a prudent manner. When I first spoke in respect of the Budget in 1992, I already stated in unequivocal terms that management of public funds in a prudent manner was the most important responsibility of the Administration. I also proposed that the concept of modern administrative management be introduced to enhance the efficiency of government departments and other public bodies, thereby reducing any unnecessary expenditure.

The economic success Hong Kong enjoys today is attributed to the comprehensive and healthy legal system we have which is widely trusted by international investors. Indeed, a highly efficient legal system is particularly important in present-day society.

I can still remember that, when I first joined the Legislative Council, the Judiciary was like a backward, closed and independent kingdom, harbouring numerous internal diseases, with piles of cases awaiting to be heard in court. It was perhaps due to the incorrect conception that judicial efficiency could not be assessed in terms of money that very few people dared to touch that sensitive area. At that time, I first suggested that in order to modernize the Judiciary, the right medicine must be administered by carrying out management reform and

efficiency enhancement in order to meet the drastic changes in present-day society.

Today, I am so pleased to see that the Judiciary has, after undergoing a "silent revolution", cast off its old self and changed from a lethargic elderly person into a spirited youngster. With the improvement in management efficiency, the waiting time for cases to be heard has been greatly shortened. The Judiciary has now the courage to stand up and answer the enquiries from Members of this Council and members of the public in an open manner and indicate with confidence that it would do its utmost to attain the new target related to the waiting time of pending cases. From this year onwards, bilingual hearing is to be conducted in district courts. All these were inconceivable in the past but have now turned into reality.

Of course, the successful reformation of the Judiciary is only the very first step on the long road towards management reform in respect of our legal system. But this first step is also a very important step, proving that the introduction of modern management techniques I proposed is precisely the best tool for boosting the efficiency of government departments. We are now heading in the right direction.

According to the Budget for the next financial year, the Judiciary will be given additional funding to employ more judges. In this summer, the court recording and transcription system will be extended to all courts. Nevertheless, to maximize the cost effectiveness of the newly installed equipment, the Administration must provide the courts with more properly-trained supporting personnel. Otherwise, the equipment provided will become useless. Apart from these, the questions as to how to solve the chronic shortage of judges and how to implement the localization policy will present the greatest challenges to the Judiciary in the future.

Mr President, though both the Judiciary and the Legal Department function as legal bodies, the Judiciary has attained considerable success in its management reform while the Legal Department's performance is lagging far behind. During last year's Budget debate, I pointed out that the Legal Department had many shortcomings as far as management was concerned. I also specially reminded the Administration to examine if the huge sums of money spent by the Department on the briefing-out of cases to private lawyers and on related professional services had been well spent. It is a pity that the Administration has turned a deaf ear to what I said.

Now we eventually find out what a great price the taxpayers have to pay for this. In the recently disclosed Bumiputra Malaysia Finance case in which junior Counsel Graham GRANT was involved, the Legal Department has paid out \$17 million within two and a half years. In a riot case relating to Shek Kong boat people, \$4.1 million was spent. In another incident involving the murder of Shek Kong boat people, again \$3.6 million was spent. I believe these

cases only represent the tip of the iceberg. The lesson learnt is indeed too expensive.

The Legal Department will reorganize the ranking of Crown Prosecutors in the next financial year by creating 23 additional posts to reduce the number of cases briefed out to private lawyers. However, the funds allocated for briefing-out in the next financial year are still as high as \$210 million, representing one third of the entire department's expenditure. As a matter of fact, I have to point out that I am not against the practice of briefing-out. And cutting down the number of briefing-out cases is only a negative and drastic measure in dealing with the problem. In view of the rapid increase of cases in recent years and the fact that private lawyers possess the expertise and experience in various fields, I understand that it is necessary for the Legal Department to engage private lawyers to handle some of the cases. Therefore, the right way of dealing with the matter is to devise a fee charging scale in relation to the taking over of Crown cases by private lawyers. Nowadays, many private organizations and even universities or public bodies award their legal service contracts by means of proper tendering to obtain the most efficient and reasonably charged service through fair competition. It is really puzzling why the Legal Department cannot follow suit. Through this method, not only can the Department effectively control its expenditure, but also reduce instances of bargaining with private lawyers on every individual case.

Another aspect which the Legal Department needs to improve is to set up as soon as possible an internal appraisal system for the staff of professional grades, so that the performance of the staff can be assessed through objective criteria and systems. I believe this will help boost the morale of the entire department, thereby greatly enhancing the efficiency of the staff.

Nonetheless, the Legal Department does have something that merits our commendation. To implement the localization policy, I suggested last year that the Legal Department increase the quota for the "Legal Trainees Scheme" to attract the young and talented law graduates of the territory to join the civil service and train up more qualified personnel to carry on the work of the Legal Department in the future. I would like to extend my profound gratitude to the Administration for accepting my proposal again by increasing the quota for the scheme from the present 10 trainees per year to 15 in the next financial year.

Mr President, I would now like to turn to the aspect of social welfare. I am glad to see that the Budget for the next financial year displays the Government's care and concern for the people. The Financial Secretary has increased the single parent tax allowance by 25% and the additional dependent parent and grandparent allowances by 100%. Apart from that, a disabled dependant allowance is also introduced. Although the actual amount of money involved as a result of the tax concessions is not substantial, yet the concessions will go some way towards alleviating the burden of the people concerned in relation to tax payment. And what is more important is that the Administration has conveyed a message to us - our society encourages the young people to

look after their parents. In addition, our society has not forgotten those unfortunate people who are in need. We care about their predicaments and are willing to share with them the pressure to which they are subject. This loving spirit of mutual care is invaluable indeed.

In the next financial year, expenditure on social welfare will amount to \$14.9 billion, an increase that appears to be extremely large. But leaving aside these figures, what I am concerned most is how much money will be actually and directly spent on the people in need instead of being wasted during the course of some unnecessary administrative procedures. If the principle of prudent financial management can be thoroughly applied to social welfare, expenditure on social welfare will be able to help more needy people.

The problem of monitoring whether government funding to subvented organizations is used properly has been another area of concern to me for a long time. In recent years, the funding obtained by subvented organizations has seen a drastic increase, reaching as high as \$2.6 billion in the next financial year. However, the existing subvention mechanism has a lot of loopholes. The Hong Kong Government has all along lacked a clear guideline for monitoring the cost-effectiveness of the services provided by subvented organizations. Neither has it any mechanism for assessing the merits and demerits of the services provided. Somebody remarked that once the subvented organizations got hold of the funding, they could do anything they wish, almost like there is no form of supervision at all. This statement may be a bit exaggerated, but is enough to reflect the seriousness of the problem. On the contrary, some staff members from subvented organizations complained to me that the method of calculating the required funding on the basis of the service cost adopted by the Social Welfare Department was inflexible, thus failing to meet actual needs.

Over the past two years, I have, in delivering my speech, urged the Administration to review the subvention mechanism, to introduce the value-for-money concept, and to change the focus of monitoring from the norm of "investment" to the norm of "provision of services" in order to assess the performance of subvented organizations. The objective of doing so is to enhance the overall standard of services through healthy competition. I am glad that my request has finally been accepted by the Administration and a consultancy has been commissioned from this month onwards to conduct a review on the administrative support for social welfare.

I hope that through this review the subvented organizations can be urged to make better use of the resources since their funding comes from the taxpayers. After comparing the standard of services provided by various subvented organizations, the Administration should encourage those good performers to extend the level and scope of their services. For the less satisfactory performers, the Administration should provide them with the necessary support to help improve their management and set a clear objective in relation to provision of services.

Allow me to say this to my colleagues. As a Legislative Member who has been working for the Council over the past years, I deeply appreciate that monitoring the Administration's prudent management of public funds is more meaningful than merely asking the Administration for more funding in respect of well-nigh everything as some people are doing. Moreover, this is more in line with Hong Kong's interests as a whole. As far as the foreseeable future is concerned, I believe this is the last time I speak in this Council in respect of the Budget. I sincerely hope that each and every Member of this Council will carry on with the work to attain the goal I have been striving for.

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

REV FUNG CHI-WOOD (in Cantonese): Mr President, according to the 1995-96 Budget, public expenditure on the environment will amount to \$6.8 billion, representing an increase of 24% in real terms and the biggest increase among various policy groupings. While the Democratic Party welcomes this proposal, the Budget has, in fact, failed to attach adequate importance to many existing environmental problems in Hong Kong which need to be addressed urgently. In the meantime, there is no significant progress in the development of a comprehensive and long-term environmental protection strategy. Therefore, the Budget is on the whole disappointing.

Air Pollution

First of all, I have to point out that air pollution is still getting worse and worse. In 1993, a total of 5 606 people died of respiratory diseases and people who contracted lung cancer numbered as many as 2 834 (although not all of these cases were caused by air pollution, the figures can serve as reference). These figures have actually reflected that air pollution in Hong Kong has become so serious that it has reached a dangerous level. Besides, more than 80% of the air pollutants are derived from vehicle emissions. Although the Budget does emphasize the need to solve pollution problems caused by emission from vehicles, the situation is not optimistic.

To begin with, as far as pollution caused by vehicular emission is concerned, the problem caused by diesel vehicles is the most serious. But the policies formulated by the Hong Kong Government are basically inadequate to solve the problem. For instance, the Government intends to impose a more stringent emission standard on newly imported vehicles. Nevertheless, more than 100 000 vehicles which fail to satisfy the new standard are still running on the roads. The Budget, however, has not mentioned whether manpower and resources will be increased to monitor the existing vehicles. Neither has it proposed any improvement packages. The whole incident reflects that the Government is still not determined in this area.

On the other hand, in a meeting between government officials and members of the Legislative Council Panel on Environmental Affairs at the end of 1991, the government officials steadfastly refused to require diesel vehicles to switch to petrol in view of severe inflation at that time. It was only after repeated pressure from Members and environmentalists that the Government finally agreed to study the proposal which makes it mandatory for diesel vehicles to switch to petrol for the purpose of reducing pollution. The progress of the measures is, however, slow. Three years have elapsed and no concrete proposal has yet come up, demonstrating a lack of enthusiasm on the part of the Government. On the other hand, some academics and professionals have expressed doubt as to whether this measure can ameliorate the pollution problem. So far, the Environmental Protection Department has not come up with an authoritative study for clarification. It is imperative for the Department to speed up its work and undertake a serious study.

At present, most of the air quality monitoring stations are located on rooftops of buildings. The statistics obtained have failed to reflect the extent of pollution on the bustling roads. But, in fact, it is precisely the pollutants on the road surface which directly affect people. For this reason, I have enquired of the Environmental Protection Department about setting up surface monitoring stations but the response received is indeed disappointing. The Administration has not only failed to explain why surface monitoring stations are not set up, but also refused to pledge additional resources for doing this. It makes one doubt if it is really true that the Hong Kong Government does not want to know the actual extent of air pollution to avoid embarrassment and shirk responsibilities. For this reason, I strongly urge the Environmental Protection Department to conduct a review in this regard and allocate additional resources.

Waste Disposal

The Hong Kong Government intends to inject substantial resources into the area of waste disposal. However, there are a number of points that merit attention:

In the past, landfills were seriously abused, with construction waste in particular being the most common type of dumped material. As a result, the life span of landfills was drastically shortened. Since the cost of operating landfills is extremely high, the abuses will constitute a direct wastage of public money. As a matter of fact, in 1992, the Government did plan to prohibit refuse collection vehicles loaded with more than 20% of inert waste from entering landfills. But this proposal has never been put into practice due to the lack of determination on the part of the Government. Although it was said at that time that a fee-charging system would be adopted, it was still necessary to ensure the provision of sufficient manpower for monitoring and carrying out regular reviews. If excessive inert waste continued to be dumped into the landfills and the situation remained unsatisfactory, the Government should increase the charges or take other punitive measures to prevent our valuable landfills from being abused again. But one point worth mentioning is that the

Government has recently made preparations to provide additional resources for disposal of marine refuse. I hope the relevant measure can be implemented in a practical manner to produce a substantive result.

There are at present a number of pollution black spots in the New Territories. For instance, there is plenty of land being converted as illegal open air car parks and container yards. In this connection, the Hong Kong Government last year made provision for recruiting additional manpower to clear the black spots. But, so far, the result remains fair and the progress of the clearing work is very slow. It is necessary for the Government to review the relevant measures and their effectiveness to ensure public money is not being wasted.

Water Pollution

At present, 2 million cubic metres of sewage flow into the harbour each day, but the Government has time and again stalled the establishment of a water control zone in the entire Victoria Harbour and the whole plan will be completed only in 1997. The progress is so slow that it is distressing indeed.

The Hong Kong Government indicated lately that the implementation of part of the plan can be advanced one to three months. While this cannot be taken as a significant progress, at least it will make people regain a bit of confidence in the sincerity of the Government. In the meantime, the Government should learn a lesson and refrain from adopting a perfunctory attitude towards the pollution problem. Recently, red tide has appeared in large quantity in Tolo Harbour, killing a substantial number of fish. What is more, the odour of the rotten fish has affected one third of the Tai Po District. We learn from this incident that if we tolerate pollution until the problem is exacerbated, we will have to put in far more resources and efforts to solve it. Most regrettably, it will be impossible to restore the environment once it is polluted.

Meanwhile, the Strategic Sewage Disposal Scheme is making an extremely slow progress and hundreds of problems have arisen. For instance, the Government has so far spent more than \$300 million on consultancy and soil tests for civil engineering projects. But up to the present moment, the specific arrangements of the plan still need to be re-studied because of the inherent problems. The Government is suspected of wasting public money indeed. I therefore urge the Hong Kong Government to decide on the specific arrangements for the Strategic Sewage Disposal Scheme as soon as possible to tackle the worsening pollution problem. On the other hand, it has been the public's understanding that the sewage charges are to be spent on the newly introduced Strategic Sewage Disposal Scheme, but not on the existing sewage disposal service. But now, the Government demands that the public has to pay for the expenses incurred by the existing sewage system under the Drainage Services Department. Let me reiterate that the Government is duty-bound to provide the basic sewage treatment services to its people. It must not change the

meaning of the "polluter pays" principle into the "user pays" principle so as to make the public bear all the expenses.

Mai Po Wetland

As early as June 1993, the Hong Kong Government indicated its intention to declare Mai Po and its neighbourhood wetlands as wetlands of international importance under the RAMSAR Convention. However, the demarcation will be formally completed only in mid-1995. Because of the Government's indecisiveness and unwillingness to conduct a detailed study on the preservation value of the wetlands recently, developers have been able to appeal against the Government's decision successfully and turn Nam Sang Wai into a golf course and residential area. Now the Government has decided to protect wetland, but the resources the Government pledged to put into the wetlands are on the low side. Besides, allocation will not be made until the year 1996-97 for the purpose of clearing the land and setting up a visitor centre together with educational facilities. Not a single word has been mentioned with regard to measures and allocation pertaining to the conservation and development of the wetlands. The sincerity of the Government in protecting the wetlands is thus put into doubt. More surprisingly, the entire proposal has essentially made no guiding recommendation from the planning point of view. This will still eventually enable the developers to take advantage of the circumstances and nibble our valuable wetlands away progressively.

As I said at the beginning, the growth in public expenditure on the environment is substantial superficially. Yet, most of the resources will be spent on facilities for disposal of waste. On the one hand, these facilities are nothing new as they are established items. On the other hand, these items are in fact remedial measures which focus on clearing pollution. The result such measures produce will lag far behind that of conservation in terms of environmental effectiveness.

What deserves praise, in relative terms, is the study conducted by the Government on the reduction of waste as well as the drafted legislation to require the submission of environmental impact assessment reports in respect of large-scale development projects. This can be regarded as steps in the right direction. However the right amount of resolve is still lacking. For example, packaged waste constitutes more than 20% of urban waste. Yet the Government, for the time being, has only succeeded in promoting with 1500 business concerns its campaign of using fewer plastic bags. Efforts in this regard still need to continue. Unfortunately, the Budget has given me no indication as to what the Government is proposing to do in this respect.

On the other hand, allocation from the Government for environmental impact assessment and planning has only been increased by 3.2%, reflecting that the Government does not attach importance to long-term environmental planning. In fact, a far-sighted and comprehensive perspective is extremely important to Hong Kong as a rapidly developing city. Imagine the whole

society carries out development blindly without thinking of the consequences and without a set of guiding policy on environmental conservation. The outcome will be disastrous indeed. Now the Government only pays attention to combatting pollution but once the environment is damaged, the effort required for restoring the environment will be several times greater. Consequently, the Government will be weighed down with work and, more often than not, the result produced will be far from satisfactory. I, therefore urge the Government to review the matter seriously with a view to developing a set of comprehensive policies for environmental conservation instead of simply taking short-sighted remedial measures.

Policy on Women

Mr President, I would now like to turn to expenditure related to women affairs as proposed in the Budget. Before commenting on the various specific arrangements, let me start by putting forward a point of view. In budgeting for expenditure on women affairs and formulating policy for promoting equality between both sexes, the Government should cater for the various needs of women in society. The policy should be comprehensive and the services provided by various government departments for women should be well co-ordinated and consistent. If the Government attaches importance to women affairs, it should not adopt a "fragmented" policy to deal with them.

This year's Budget appears to have increased expenditure on women affairs. First of all, the Government will provide \$5 million for setting up the Equal Opportunities Commission. Besides, about \$1 million will be spent on activities for promoting equality between men and women. In addition, about \$1.3 million will be spent on the setting up of a well-woman clinic. The third refuge for women will also be completed in 1995-96. As far as social services are concerned, subsidies granted to agencies providing family and child care services will be raised by 19% and part of the expenditure will be used for providing 1 400 additional places in day creches and 250 additional places in nurseries.

I personally welcome the estimated expenditures proposed by various policy branches as the first step to support women in striving for independence and equality in society. But judging from the provision of comprehensive care for women, these fragmentary expenditure items are grossly inadequate.

Let me start with the Equal Opportunities Commission. Although the Commission can only be officially set up after the passage of the Sex Discrimination Bill, the Government estimates that \$36 million will be provided to the Commission each year. According to the existing proposal, the Commission will only deal with discrimination or sexual harassment cases arising from a person's sex or marital status. But the difficulties faced by women nowadays have stretched beyond these areas.

With regard to employment, the situation where women are being discriminated against on the ground of age is getting worse and worse. Besides, single parents are also being discriminated against both in terms of employment and housing. Yet the existing legislation has obviously failed to provide any protection for these people. If we are to provide women with a legal and social justice protective screen, the Equal Opportunities Commission and the Sexual Discrimination Bill would have only completed half of the work! Therefore, I am of the view that the Government has to provide more resources within the legal framework so as to enable women to gain comprehensive legal protection at various levels.

It will not be possible to completely attain the goal of promoting equality between men and women by relying on legal measures alone. In addition, it is necessary to make consistent and comprehensive arrangements in terms of education, medical services and social services. The spending of \$1 million by the Government on activities organized for promoting equality between both sexes is only a short-sighted way of spending the money. If the Government does not wish to develop a long-term strategy and plan for promoting equality between both sexes in terms of educational policy and resources, the \$1 million may only be spent for screening one or two additional commercials on television. This will not produce any long-term effect on educating the public.

If we examine expenditure on medical and social services again, it will not be difficult to find that the supporting services for women are inadequate both in breadth and depth. Statistics show that the two well-woman clinics serve 5 000 women annually. Having regard to the fact that there are over 2.9 million women in Hong Kong, the function of the clinics is far from impressive. Besides, the clients are confined to women aged 45 or above, thus further limiting the number of people who can benefit from this service.

The serious shortfall in creche services has further directly prevented women from developing their potentials in society. In addition, the plan of increasing creche places by 1 400 annually is completely unsatisfactory. In terms of the resources injected at present, only 5 000 creche places will be provided every year. We would like the Government to review how far the provision has fallen short of the actual need.

If the Government considers women affairs from a comprehensive point of view, it should recognize that the promotion of equality between men and women involves a diversity of policies.

The co-ordination work undertaken by the Government at present is far from satisfactory. I still hope that the Government will give active consideration to the setting up of a Women Affairs Commission and examine, through this co-ordinating organ, the present situation of women, fully assess

the needs of women at different levels and co-ordinate the work of various government departments and other service institutions with a view to promoting equality between both sexes.

Mr President, these are my remarks.

MR TIMOTHY HA (in Cantonese): Mr President, this is the last Budget released by the Financial Secretary in his term of office. The Budget has proven itself to be pragmatic and conservative in its way of financial management. As far as revenue is concerned, major tax rates have remained unchanged and taxpayers' mind are put at ease. This is particularly desirable and deserves our support. However, an "accountable government" does more than just keeping its citizens affluent and maintaining good reserves; it has to "make good use of" reserves, so that the public's varied needs will be well catered for. The Administration may have been too conservative in having accumulated so stupendous a surplus - which will reach an estimated \$360 billion in 1999. Surplus arising from the community shall, where appropriate, go back to the community. But judging from the various expenditures for the current financial year, there are still certain areas where funding is insufficient, particularly that of the recurrent expenditure for education.

The increase in real terms in recurrent expenditure on education has been a mere 4.9% this year, that is, 1.6% lower than that of the previous year. This represents a mere 3.3% of the Gross National Product, far below the economic growth rate. According to officials responsible for education affairs, expenditure on education is rather generous, which accounts for one-fifth of the total expenditure. However, Hong Kong is an international metropolis which is heavily dependent on human resources. As the Financial Secretary has put it, "our people are Hong Kong's greatest resource". To maintain Hong Kong's international competitiveness, an "accountable government" must increase appropriations for education and affirm the role education plays in nurturing human resources.

The Governor pledged to improve the quality of education in his 1994-95 policy address. But if one takes a closer look at the breakdown of education expenditure as contained in the Budget, one will find that there are still areas where funding is insufficient.

The general public has long aspired to an improvement in the quality of kindergarten education. The commitment to pre-school education as stated in this year's policy address is only a first step forward, and it is still only focused on kindergarten teacher education. Enhancing teacher education will certainly improve education quality, but without reasonable remuneration talents can hardly be attracted to join the kindergarten teacher profession. For this reason, giving subvention to kindergarten education to improve the remuneration of kindergarten teachers is also very important.

This year's Budget stated that the Administration was ready to pour in \$30 million to operate training courses for kindergarten teachers, with an additional \$80 million set aside for a kindergarten subsidy scheme. It is most welcome that the Administration should undertake to face the problem squarely with specific actions. But I find it disagreeable that the \$80 million being designated for the subsidy scheme should come from cutting down expenses in other education areas, which will necessarily hamper the implementation of other education policies, and ultimately it is the education quality that will be at stake. As regards how kindergarten should be subsidized, my view has always been consistent: the Administration may appropriate funds to set up a pre-school education trust at times when it is financially well-off, like these past few years; and after that the returns generated from this trust may be used, as circumstances arise, to increase subvention to kindergarten education, so that the budget for giving subsidies to kindergarten will come under full control. Another possible way of doing it is to give every kindergarten teacher a certain amount of subsidy every month, the exact amount is to be determined by the Administration according to its financial strength.

Lastly, I hope the Administration can increase the transparency of its policy and spell out as soon as possible the details and the format of the kindergarten teacher training courses as well as those of the subsidy scheme for public discussion.

As regards primary education, setting up graduate posts at primary schools as suggested by the Education Commission Report No. 5 is the most remarkable policy in recent years aimed at enhancing the education quality of primary schools. According to government policy, it is envisaged that by the year 2007, 35% of primary teaching posts will be filled by graduates. Current statistics show that by the 2007, the total number of posts for primary teacher will stand at about 18 000, so 35% of it will make 6 300 graduate posts. This year's Budget stated that \$5 million will be spent on upgrading 180 primary teaching posts to graduate posts. This should be positive in enhancing the quality of primary education, but 180 is really too scanty a number of posts to be upgraded. It is the quality of education that will be adversely affected in the long run.

According to statistics, in 1993, there were already 825 primary school teachers who were professionally trained and held a Bachelor Degree or a higher qualification; that accounted for more than 7% of the total number of primary school teachers. By 1998, there will be as much as 2 500 local Bachelor of Education graduates, but we have presently only 860 teaching posts for graduates at primary schools. From this we can see that underestimation will have resulted in too many graduate competing for too few graduate positions in primary schools. With keen competition, teachers yet to be upgraded will have to put up with unreasonable remuneration, or graduates will not be able to find suitable employment. Whichever is the case, teachers' morale will be greatly affected.

Therefore, the discrepancy between the number of primary school teaching posts available to graduates and the actual number of graduates is a problem not to be taken lightly. The Administration should be quick in conducting a review to increase the number of primary school teaching posts. I further suggest that the resources of 180 primary school teaching posts for graduates saved for the year 1994-95 because of delay in approval should be ploughed back to increase graduate teaching posts in primary schools, so that the above-mentioned acute shortage can be slightly alleviated.

Secondary Education

With the introduction of graduate teaching posts in primary schools, the inevitable trend is to have graduates fill all teaching posts in secondary schools. For secondary schools, the staffing ratio of graduate and non-graduate teachers has always been 7:3. But statistics show that the actual number of graduate teachers over the past few years fell slightly short of 70%. In 1993 it was 65%, in 1992 it was 64%, and in 1991 it was 62%. To further enhance the quality of teachers, it is necessary that the grounds upon which the ratio of graduate and non-graduate teacher was based be reviewed with adjustment made where necessary. But unfortunately this issue was never picked up by the Administration in the Budget or in the Governor's policy address. The Administration should be quick in making plans for upgrading the professional status of those 30% non-graduate teachers. The next step is to increase resources so as to realize the policy target.

Teachers' Benefits

As a matter of fact, improving education quality is closely linked to upgrading the professional status of teachers. This is because the quality of teachers is the single most important factor among various conditions for improving education quality. To attract and retain talented teachers, and to encourage them to devote themselves to the teaching profession and take it as their life-long career depends very much on the strengthening of training and professional development as well as on the remuneration and benefits available to teachers. As regards remuneration and benefits for teachers, I have always held the following views:

The remuneration and fringe benefits of subsidized schools teachers should be put "on a par with" those of the government schools teachers as soon as possible. The following are my suggestions:

As far as provident fund is concerned, the discrepancy in employer's contribution to provident fund between primary and, secondary schools on one side and tertiary institutions and technical institutes on the other should be progressively narrowed. At present, teachers of tertiary institutions and technical institutes enjoy 15% employer's contribution regardless of their years of service, which is much better than the 5% enjoyed by school teachers. As an

initial step, the percentage of employer's contribution for the first five years can be raised from 5% to 10%, and thereafter to 15%.

In terms of housing benefits, the discrepancy in housing allowances between subsidized school and government school should also be narrowed. The "Mortgage Interest Subsidy Scheme" currently available to subsidized schools teachers is only "better than none". I suggest that the Government should pay allowances to meet down payment for the purchase of residential units in addition to increasing monthly allowances in the Mortgage Interest Subsidy Scheme.

As far as medical care is concerned, teachers of subsidized schools enjoy no benefits whatsoever. The Government should refer to the medical care plans of some tertiary institutions and technical institutes and require employers to buy medical insurance plan for their employees.

Education quality cannot be improved nor teachers' professional status raised without long-term commitment in education planning on the part of an "accountable government". The education profession has long been pressing the Administration to sort out the unresolved problems in basic education, such as enhancing remuneration and benefits for teachers, canceling the floating class system in secondary schools, and implementing the full-day system at primary schools and so on. But the Administration has been dragging their feet on these issues on the excuse that basic education at all levels needed to be enhanced. Even when full-fledged development of primary, secondary as well as tertiary education is now under way, the request for increased education expenditure is still being turned down. The Government gives an excuse that the birth rate has declined recently, and the number of primary and secondary school students has dropped. But education expenditure should be regarded more as a long-term investment in society's human resources than a burden to social services. Being mean today will result in future inadequacy. Some people are saying that we could not expect too much from a "sunset government" in long-term planning, and that we should "take things easy". But I definitely am not contented. On the other hand, I am of the view that an "expiring" government should grasp its last chance to perfect education so as to make itself accountable to history. Therefore, I am really disappointed that the Administration has failed to commit itself fully to long-term education planning.

May I take this opportunity to wish Sir Hamish and Lady MacLEOD many happy days after Sir Hamish's retirement.

Thank you, Mr President.

MR MICHAEL HO (in Cantonese): Mr President, the ordinary workers find themselves in a community which upholds "coercive" capitalism instead of "consensus" capitalism. The so-called "consensus" as professed by the

Government is, at most, a consensus which tallies with the interests of the industrial and commercial sector.

In the face of economic transformation and competition from foreign labour, the occupational mobility of workers has been decreasing. Some skilled workers will switch to take up lower positions in the service industry, such as cleaning workers and watchmen. Moreover, the old and unskilled workers generally have to be subject to the pressure of displacement from the labour market.

Throughout the course of economic transformation, the Government has allocated a great deal of financial resources to infrastructure to speed up the development of the service industry. Under the pressure of high inflation, the Government has adopted the importation of labour as an approach to control the wage increase of local workers. Hence, local workers are not only unable to benefit from economic growth and the commencement of large-scale infrastructural development, but they also have to encounter direct competition from foreign workers when they change jobs.

The Government would certainly argue that all these have been done for the sake of the prosperity of Hong Kong and that the sound development of Hong Kong's economy would be beneficial to everybody. However, has the Government considered who would benefit most in the course of economic development and who would be exploited?

In respect of the protection of workers' welfare, last year, the Government had sided with the industrial and commercial sector and protected their interests. For example, the Government had opposed revisions to the long service payment scheme and hindered the legislature from exercising proper supervision over the importation of labour; and the Government had even rejected the Old Age Pension Scheme. Although the Government has recently decided to implement a privately managed provident fund scheme, it has ignored the need of low-income workers for retirement protection.

Perhaps, the Financial Secretary thinks that the rights and welfare of workers come under the jurisdiction of the Labour Department and have no bearing on the transformation and development of the overall economy. It should be understood that unlike workers in overseas countries who are provided with protection in regard to their labour rights and welfare, such as minimum wages and unemployment protection, workers in Hong Kong are not provided with any protection at all when they encounter difficulties. The adoption of such a short-sighted approach to workers' welfare by the Government directly sacrifices the interests of workers who do not have collective bargaining power.

During the latter part of the transition period, the Government obviously wants to persuade the entrepreneurs to stay and tries hard to provide them with a favourable investment environment. However, this approach would only

exacerbate the disparity between the rich and the poor, undermine the public's confidence in the Government and give rise to instability.

If the Government really wants society to uphold "consensus capitalism", it should pay attention to the needs of the working class, instead of using the euphemistic word "consensus" while there is essentially only blatant consensus between government officials and businessmen and the working class has been disregarded. As Financial Secretary, Sir Hamish has begun to form a good partnership with the Legislative Council. Sir Hamish really discusses with the Legislative Council and with Members in regard to their expectations concerning the Budget. We appreciate this practice of his very much. However, having an overview of the four Budgets submitted by the Financial Secretary in the past, there is still little which deserves commendation, at least in respect of the protection of workers' welfare. In his last three Budgets, the Financial Secretary had mentioned that as the unemployment rate was rather low and there was full employment, the Government could import labour in order to combat inflation. In his Budget last year, the Financial Secretary proposed a scheme to import people with special expertise from China. This meant that a manpower policy was being turned into a supplementary tool for economic development. The Government aimed for a higher rate of economic growth and an increase in the total fiscal reserve. However, it had looked on with folded arms in the face of the declining wages of workers and the inflation-eroded living standard of low-income workers. I earnestly hope that the next Budget will show an obvious change in the Government's policy on the importation of labour.

On the question of retirement protection for the elderly, the merits of the Old Age Pension Scheme were emphasized in last year's Budget but these merits were not mentioned at all in this year's Budget. We find it very disappointing that the Government had been holding back resources which should have been used on retirement protection and that, in order to flaunt it before the Chinese Government, our Government had boosted the fiscal reserve by diverting resources from the retirement protection.

In regard to issues concerning medical and health, I am very pleased to note that after efforts had been made by various health service groups over the years to urge the Government to make improvements in this respect, the Financial Secretary has particularly allocated resources to offer first-year degree courses in nursing so as to improve the quality of health care services. In fact, there have been problems regarding the shortage of nurses and related services all these years. These problems have all along been disregarded by the Government, but this year, the Government has responded to the demands made earlier on by various health service groups and has really allocated resources to offer nursing degree courses. I hope that this is the first step on the part on the Government to express concern about the relevant problems and I hope that our next Financial Secretary can do better in this regard. I believe my constituents would like to see not only a "suit" as mentioned by some Members, but also a nice "bow tie" to go with it.

Medical services are highly labour-intensive services. Hence, manpower planning is essential when formulating the budget for hospital services. However, at present, the Administration does not have a comprehensive set of guiding principles for planning the human resources of health care workers. Before the Hospital Authority (HA) was set up, there used to be a clearly defined staff establishment in respect of medical and health care workers, just like the way it is with various government departments now. The defined establishment was the basis on which the Government calculated the costs for the provision of the relevant services and planned the development of such services. Since medical and health services are labour-intensive services, any expansion in human resources would necessarily affect the direction of development of hospital services. However, since the HA has taken charge of the services provided by public hospitals in Hong Kong, it has not worked out such kind of staff establishment, but it has the figures relating to staff of different grades. Let us look at the relevant figures concerning staff increases these two years. We can find from the Budget that the growth rate of medical officers was 8.2% in the year 1994-95 and 10.5% in the year 1995-96. As to the profession of health care workers who are available in such insufficient numbers as to constitute a perpetual staff shortage, the growth rate was 2.98% in the year 1994-95 and 2.87% in the year 1995-96. It can be observed on the basis of the figures for these two consecutive years that there has been a tendency for an imbalance in human resources development. I very much hope that the Secretary for Health and Welfare, as the official responsible for the Hospital Authority, can monitor this better.

As the defined staff establishment on which manpower planning and budgeting can be based is not available now, we cannot tell whether the above growth rates are appropriate and representative of a balanced development. Certainly, neither can we tell what the criteria were based on which the Government or the authorities concerned planned the manpower for the two different grades mentioned above. However, now that development has been possible without a defined establishment, the HA would certainly continue to assert that there is no shortage of nurses, which is actually not true. Certainly, we understand that over-regulation would lead to inflexibility and would cause the flexible HA to revert to the old ways of government departments. Yet, a defined staff establishment will have an effect on budgeting and the development of services. If the existing situation of hospitals is to continue and individual hospitals are allowed to develop on their own, there will not be any reliable criteria nor effective checks and balances. Hospital services will suffer the direct cumulative effects in the next few years.

At present, there is insufficient information or data for the Legislative Council and the public to monitor the HA. The \$17 billion allocated to the HA accounts for about 10% of our total expenditure. We request the health and Welfare Branch to strengthen its monitoring as well as the mechanism of checks and balances. I cannot think of any other institution besides the Government which can effectively monitor such a large authority which uses 10% of the Government's expenditure. Over the last three years, the HA has implemented

major reforms. However, there is no corresponding adjustment in the systems of the HA to cope with the devolution of powers so as to ensure the effective development and exercise of monitoring as well as checks and balances. As the Secretary for Health and Welfare is the government official responsible, I hope his/her policy branch can take up this responsibility of monitoring and provide the Legislative Council and the public with sufficient data such that they can know clearly how the appropriated 10% expenditure has been allocated, and whether it has been allocated fairly and efficiently.

In addition, I hereby urge the Government to note whether the expansion of the HA's services would affect the allocation of other resources. Over the last few years, we have observed that the market share taken up by the HA has risen from the initial 85% to 92%. In other words, the market share of public hospital services has been continuously increasing. I am sure this is not what was originally intended when we planned for the setting up of the HA. How should the overall planning and policies be developed? I hope that the Health and Welfare Branch can put in more efforts in this respect so that the continuous development of the HA would not eventually affect the entire market for hospital services.

Mr President, these are my remarks.

MISS EMILY LAU (in Cantonese): Mr President, I speak in support of the last Budget of Sir Hamish MacLEOD. Many Members have already discussed quite a number of aspects concerning the Budget, and I would like to talk briefly about two very important issues to which the Government should pay more attention.

First, I want to talk about the hundreds and thousands of people who live on the public payroll, and the first group I want to touch on is of course our 190 000 civil servants. Mr President, all of us will agree that the people of Hong Kong have treated their civil servants extremely well. Their salaries and fringe benefits are probably among the most favourable in the world. If we look at Britain, we will see that the salaries of the Governor of Hong Kong and all Policy Secretaries are much higher than those of the British Prime Minister and Cabinet Ministers. This has largely been the result of the "incessant pay rises" for civil servants over the past years. Maybe, in its reply, the Government should tell us why the salaries and fringe benefits of our civil servants are among the most favourable in the world. Provided that ours is a professional and efficient civil service, free of serious corruption and excessive bureaucratic red-tape, the public, I believe, will regard it good value-for-money to offer more to the civil servants. However, even the Government has recently admitted that some civil servants are enjoying the emoluments of office without doing their work well as required. I strongly support the Government in getting rid of civil servants whose performance have remained persistently unsatisfactory. We all want dedicated civil servants who will do their best after receiving the taxpayers' money. Hence, the Government should take prompt

actions to weed out inefficient civil servants. In addition, I welcome the Government's announcement on simplifying the disciplinary procedures to deal with civil servants who have committed errors in their work. I hope the Government can assure taxpayers that civil servants will no longer be given "iron rice bowls" and that only the efficient ones can retain their jobs, which offer such good benefits.

Indeed, Mr President, what kinds of benefits do civil servants enjoy? Concerning this, even taxpayers themselves may not have a clear picture. In brief, such benefits include basic salaries, a non-contributory pension scheme, annual leave, medical and dental care, and housing assistance schemes. Legislative Members certainly do not have the power to query such benefits, which are not enjoyed by many employees in the private sector. However, I still want to urge the Government to introduce some changes to one or two benefits enjoyed by civil servants. The first one is the overseas education allowance for civil servants' children. Mr President, the Government has proposed to allocate \$3 billion in 1995-96 for sending civil servants' children to study overseas. I presume that what has already been promised as a term of service cannot be changed now. Having said that, I still maintain that such over-generous benefits should be abolished. I have already requested the Government to standardize the terms of service for expatriate and local civil servants. Even without the support of the Chinese Government, the Government should consider the idea of immediately stopping to offer this over-generous benefit to its new recruits, for the simple reason that taxpayers' money should not be spent in such an indiscriminate manner. The Government has also proposed to allocate \$100 million next year for the provision of passage to expatriate and Directorate officers and their families. Is it worthwhile to spend this money? We certainly have to provide good benefits to our civil servants lest people may criticize us for damaging civil service morale. I expect that many civil servants will be leaving next year and a similar situation will occur in the private sector, presumably due to 1997. This is a wastage problem which the Chinese Government has to face and the Hong Kong people must prepare themselves for. In spite of this problem, I do not believe that a slight adjustment to the terms of service for civil servants will damage their morale. That is why I hope that the Government can reconsider its stand and cut unnecessary expenditure as far as possible because taxpayers' money is really hard-earned. In fact, some civil servants have told me that whether they will stay after 1997 or whether they will retire early in the next one or two years will depend largely on the choice regarding the Chief Executive. For this reason, the Chinese Government should really consider the matter seriously. In any case, I fully support that our "corpulent" civil servants should be slimmed, by curtailing the many allowances that they now enjoy.

Mr President, apart from civil servants, another group of people also merit our attention. Yesterday, I submitted to this Council a question related to the staff of the Hospital Authority. Their terms of service and benefits may even dwarf those enjoyed by civil servants because on top of their basic salaries, each of them is entitled to a cash allowance amounting to 60% of their basic

salaries. This is intended to compensate them for the benefits they would otherwise enjoy should they choose to remain in the civil service. Since they are no longer entitled to such benefits after joining the Hospital Authority, they are compensated in cash. However, the expenditure involved is really astronomical. According to the Government's reply yesterday, this is a unique exercise intended to encourage the staff of government and subvented hospitals to join the Hospital Authority. Well, on the one hand, it is claimed that this is a unique exercise, but, on the other, some civil servants say this is actually a mistake which should be corrected immediately. I have recently heard to my delight that the Hospital Authority is going to cut its manpower by as much as 20% over the next three years. This should be done as quickly as possible, and all sinecures, if any, must be removed without any delay. According to the Government, what has already been fixed, such as terms of service, cannot be changed. Is that really so? The Government should really consider very seriously whether it should continue to offer such exceedingly generous terms to its new recruits. I believe taxpayers do not want the Government to be too generous.

Mr President, the third group of people are the cream of our society, the well-paid intellectuals who live in the ivory tower. I am referring to the academic and administrative staff of the six universities and Lingnan College funded by the University Grants Committee. The salaries of these people, the academic staff in particular, have also risen tremendously over the past 10 years or so. A simple reason is that their salaries are pegged to those of civil servants. In other words, if the salaries of civil servants rise tremendously, so will theirs. I hope the Government can confirm in its reply whether the salaries and allowances enjoyed by our university academic staff are among the most favourable in the world. Surprisingly, the academic standard of our universities does not rank among the highest in the world. As a result, one can say that our university teachers' performance are not commensurate with their pay. Taxpayers do not find this at all satisfactory. After we have paid so much, why do our universities still lag far behind Harvard and Oxford in terms of academic standards? I hope the Government can pay more attention to this issue.

Mr President, you may also be aware that the provident fund schemes of some of our universities have recently run into financial troubles. In response to this, the Government has laid the blame on the councils of these universities, and some Members of the Legislative Council may be involved because they are the council members of different universities. Last week, some government officials even pointed out in a meeting of the Finance Committee that the Vice-Chancellors or council members of the universities concerned may have to go to jail or pay a fine because of the provident fund incident. When our students are fighting for their right to join university councils, they may never realize that they may have to go to jail. They should realize that now. I hope all of you can "tighten your belts", and think up some possible solutions. Having said that, Mr President, I must point out that my stand over this issue is absolutely unambiguous, and so is the unanimous stance of the Public Accounts Committee. As the Government has already known, it should never expect the Finance

Committee of the Legislative Council to allocate even a single cent to save the provident fund schemes of the universities. I hope that the Government can work out a solution with the universities themselves. This incident reflects the inadequate supervision of our universities. However, the Government's immediate response to this criticism is usually that since the universities enjoy a high degree of autonomy, the Government is not supposed to interfere with their management. Actually, I agree with this point. Now, Mr President, if the Government is not supposed to do so, who should be responsible for supervising the universities? The responsibility will naturally fall on the council of the universities. If the Government appoints people who want only to angle for reputation, to whom should we turn when these people simply do nothing to supervise the universities? Therefore, people who accept the Government's appointment as university council members should really keep in mind the obligations that go with their appointment. If not, the administration of the our universities will be left entirely to a handful of people, causing serious problems. In any case, I must reiterate that taxpayers should not and need not assume this responsibility.

Mr President, another problem I want to talk about is the housing problem - the arch-enemy of Hong Kong. In the past few years, when the Financial Secretary consulted us, I told him repeatedly that housing was the major concern of the public. I am very sorry that the Financial Secretary has not done much to tackle this problem, as evidenced by this year's Budget and those of past years. One third of the public complaints my office receives is related to housing. I believe that the same situation can be found in other Members' offices which also handle public complaints. To begin with, I have reiterated many times that private property prices are still very high and beyond the means of the general public. Last week, the Secretary for Housing said in this Council that although current property prices have dropped by 14% since the peak time in April last year, they are still 37% higher than the prices in January 1993. Therefore, the Government should really understand that property prices are still unacceptably high.

In addition, I believe that the most important problem is about public housing. As we all know, there are still 160 000 applicants on the General Waiting List. According to the Government's promise last year, these people have to wait seven years on average before rehousing, and by 2001, the waiting period may be shortened to five years. Mr President, can the Financial Secretary accept the fact that these Hong Kong people who are now living in such poor conditions still have to wait five or seven years before rehousing? Also, government officials have repeatedly stressed the need to look after elderly people. But, a single elderly person still has to wait four years before he or she can be allocated a public housing unit. I wonder if they find this at all acceptable. Next time, when Mr Chris PATTEN goes on one of those district tours, please let him have a look at where these 100 000-odd applicants are living. Can the Governor live in such conditions for just five or seven days, let alone five or seven years?

Mr President, to conclude, I would like to talk about the Home Ownership Scheme (HOS). I agree with the concept of this Scheme, and I believe that many Hong Kong people do not have a sense of belonging because, among other things, they do not own any property here. Indeed, I am in full support of the Sale of Flats to Sitting Tenants Scheme, which has, however, fallen through for various reasons. Circumstances permitting, the Government should implement the Scheme as far as possible. If it is really impossible to implement the Scheme, the Government should expand the HOS and lower the sale prices to benefit more people. This can certainly encourage more public housing tenants to give up their units and buy HOS flats. In any case, apart from increasing people's sense of belonging to Hong Kong, the Sale of Flats to Sitting Tenants Scheme can also induce people to better protect the environment of their own housing estates out of a concern for their own properties. At a time when the incumbent Financial Secretary is about to retire, this duty will naturally fall on the next Financial Secretary, Mr Donald TSANG. I just wonder if we still have to wait five, seven, 10 or even 15 years before the problem can be solved.

Mr President, like my colleagues, I would like to thank the Financial Secretary for his work. In particular, I must compliment him for consulting us over the past few years. I am sure that after he has retired to his homeland in Scotland, occasional recollections of Hong Kong's economic miracle will fill him with a sense of pride, although he should not forget that Hong Kong has treated him and his family very well. I will miss him because he is such a reputable civil servant. I greatly appreciate that he has decided not to join the local commercial sector after his retirement because I have always believed that conflict of interests may result if senior civil servants join the commercial sector. What is more, the public may even think that there is collaboration between the Government and the businesses. Of course, some people may not have the means to leave Hong Kong and have to stay here to work. Whatever the case may be, I advise self-respect to retired government officials. Mr President, the remaining 800 days of the transition period will not be stable at all. I would like to wish Sir Hamish a very happy retirement, and I also wish the new Financial Secretary, Mr Donald TSANG, and the Hong Kong people good luck.

With these remarks, I support the motion.

DR LAM KUI-CHUN (in Cantonese): Mr President, this year's Budget is generally regarded as steady and sound, and it also gives us a strong sense of political reality. The Budget is obviously designed to facilitate its smooth passage through the Legislative Council. Concerning tax concessions and the expenditure relating to people's livelihood, the Budget has obviously doled out pieces of "biscuits" among various political parties. In regard to the overall financial situation, as some of Hong Kong's major lifelines are undergoing changes, special assessment and guidance should be given in the Budget. Those lifelines I referred to include the following:

- (1) The decline and relocation of industries and the loss of interest in industrial land auctions have led to a reduction in the wealth generated by the industrial sector. However, as it is very difficult for workers aged over 40 who have been engaged in industries requiring traditional workmanship to find other jobs, there are more people unemployed, which will definitely affect expenditure on welfare.
- (2) Hong Kong is experiencing an economic transformation and there are insufficient local workers suitable to render service. There are also difficulties in the importation of labour, and businessmen are finding it hard to further develop their businesses.
- (3) No date has been given for the construction of Container Terminal Nine to commence; and the re-export trade is facing competition from the cheaper container yard in the adjacent Yantin port which will start operation next year.
- (4) High interests are being charged for bank loans; banks are faced with intensified competition after the revocation of the interest agreement.
- (5) Lastly, the stock market has nosedived, and unfamiliar financial instruments have been introduced into Hong Kong.

All the above factors will greatly affect the economic trend and the financial development of Hong Kong in the next few years. The Government should provide us with specific figures when it gives its response next week to enable us to assess the prospect of our economy.

The demands of various political parties concerning their share of "the biscuits" are met and it seems that the biscuits have been shared rather appropriately, as reflected by the responses of the parties concerned. Basically, the Government has used the income generated by economic growth to boost the expenditure on the people's livelihood which is most needed. I believe the public will agree to this approach. Therefore, I will support this Budget.

My speech will mainly be focused on several less obvious but very important aspects. I hope that the Government can pay attention to the following:

Firstly, the drug problem. The Governor has already admitted that the strategies adopted in the past have not been effective, and this Budget should re-deploy resources to tackle the problem. In fact, the usual practice of detecting and wiping out drug abuse is only a temporary solution. We should rely on education to get at the root of the problem. However, we can only spend about \$2 million a year on education, which is equal to 2%-2.5% of the amount spent on the stopgap measures. As to the drug traffickers, they obtain at least \$400

million a year from selling heroin which helps to promote their drug trafficking business. At present, the funding for the voluntary agencies responsible for getting at the root of the problem is being scrutinized by the Social Welfare Department, but the Security Branch is fighting for the funding on its behalf. The Security Branch has all along denied that drugs constitute a major problem in Hong Kong. Therefore, when it fights for resources to prohibit drugs on behalf of the Social Welfare Department, it has not been very active. The subsidy obtained this year is only one-tenth of what is originally requested. Some agencies are being run on what remaining money the Social Welfare Department may have had. This year, the funding for the Hong Kong Council of Social Service in this area is not even enough for employing an officer, let alone employing other assistants and clerks. It is not certain whether they can obtain the funding next year. Those staff who were willing to stay last year are going to resign this year. The Government should adopt an approach similar to that for preventing AIDS in this year's Budget and set up an anti-drug abuse fund. The Government can follow the other countries' practice where the funding comes from the confiscated wealth of the drug traffickers. It is estimated that a fund of \$300 to \$400 million will be enough. The term of the deposited amount will automatically be renewed every year and the interests or added value can be used to promote anti-drug education. It is projected that there will be a fund of several million dollars available each year, and this is the only long-term solution to the resource problem.

My work in the St. James' Settlement proves that, in reality, the prevention of diseases is an effective means to promote health and save medical expenditure (this is also agreed to by the Government). In the past couple of years, I have repeatedly pointed out that the pace of implementing health care for the elderly has been too slow. People who apply for joining the health care programme run by St. James' Settlement have to wait for more than 10 months, and this trend of demand exceeding supply has already been in existence for a long time. Although the fees charged by the Government's elderly clinic in Nam Shan Estate are one-third of that charged by our organization, only 690 people have visited the clinic within eight months from last April to the end of last year while the target of the clinic is to serve 3 800 people a year. The St. James' Settlement has to cope with a great demand while the clinic in the Nam Shan Estate does not have enough patients. The heart of the matter lies in the fact that a mismatch exists between resources and the form of services in clinics operated by the Government. This can be proved by specific figures: the public only pays \$29 for a visit to the government clinics, and only around \$120 if they visit private practitioners, for both consultation and medicine. However, when elderly people who are not sick go to the Nam Shan clinic for screening, the mode of service provided is the same as that when they fall sick and visit the doctor, and blood screening which is necessary for disease prevention is not provided, but they still have to pay \$220. It is hard for the consumers to appreciate the value of such services. Although these clinics also provide supportive service such as courses in Tai Chi, it is far cheaper and more interesting for people to take part in these activities in the park helped by their friends. The Government should re-match the resources and services from the

users' point of view, otherwise, even when these elderly health centres are set up, they will only be reduced to places where the staff gather and knit!

As regards medical resources, the Government should have a complete service philosophy and it should clearly define the target resources and orientation of general medical treatment and medical treatment for rare diseases. There is a new item in this year's Budget - "Health Care and Promotion Fund" which amounts to \$80 million. Last year, I pointed out that, generally speaking, medical funding is appropriated for the purpose of curing as many people as possible at a minimum cost. Adequate protection should be given in this regard and funding should be increased every year having regard to medical inflation and the needs of the public so that the majority of patients will be given the care they need. However, some patients who have contracted rare diseases need advanced technology for treatment, and this is a case of curing the minority at great costs. Proper arrangements should, in principle, be made, but the small costs for curing the majority of patients should not be eroded. Therefore, I had requested that a separate budget be prepared in respect of advanced technology medical treatment, where the total expenditure each year should be fixed according to the economic situation and the priority of treatment be set according to the seriousness of individual diseases. The "Health Care and Promotion Fund" mentioned in this year's Budget is a correct start. As to which diseases should be treated by locally trained practitioners and which by practitioners overseas, this should be considered on the basis of individual diseases, in order to achieve greater cost effectiveness. The amount of \$80 million should be adjusted according to the economic situation of Hong Kong and geared to the fund-raising programme of individual hospitals. This, coupled with the payment for expensive medical accessories such as artificial joints needed by individual patients, should solve the existing thorny issue of "itemized charges".

Concerning the expenditure of the Hospital Authority, the expenditure on medicine and equipment takes up a relatively lower percentage. The speedy rise in the prices of new equipment and medicine has caused the medical inflation rate to grow fast. This year, expenditure of the Hospital Authority on medicine and medical treatment only accounts for 17% of its total expenditure, which reflects that the rate of expenditure growth in respect of the salaries of medical and nursing staff is similar to the inflation rate of medicine and new equipment. After the establishment of the Hospital Authority, the front-line workers have been hard pressed in their work. Among the 1 800 people to be recruited by the Hospital Authority next year, 40% are not front-line workers and cannot help to relieve the work of those directly giving medical treatment. Last year, I urged the Hospital Authority to streamline its manpower structure and suggested that it had to re-organize the departments which had already contracted out their work, for example, the laundry staff. The Hospital Authority has a new chairman this year who intends to further improve the authority's efficiency by modelling the authority upon private organizations. This is a good opportunity for it to consider streamlining the administrative staff. This also is a feasible approach for the Government to control the medical inflation rate so that more

resources will be reserved for use in improving medicine and purchasing new equipment to benefit the patients directly.

There is an item in this year's Budget which I consider to be unreasonable. Last year, the Government claimed, without any scientific ground, that all the incinerators, both old and new, in hospitals were not up to standard. The Government even refused to issue licence to the newly completed medical incinerator in the Pamela Youde Nethersole Eastern Hospital which was the largest one in Hong Kong. This wasted several million dollars of taxpayers' money. However, the Government wanted to replace the said incinerator with a central medical incinerator. When several American scientific studies proved that domestic waste was as contagious as clinical waste, the Government determined that a special transportation company had to be paid to collect clinical waste. This will surely cause the medical costs to increase, and there is the risk of increased bacterial infection in the course of transporting the clinical waste to Tuen Mun for centralized treatment. The American studies have sufficiently demonstrated that the more complex and expensive the method of disposal of medical waste, the more it will discourage the patients from properly disposing of medical waste, which will lead to the adverse result of more and more illegal disposal. The Hospital Authority has calculated the future volume of medical waste according to the Government's instructions. It is discovered that the total volume of medical waste produced is less than one-third of that as projected by the consultants. This shows that the incinerator cannot achieve a balanced budget on the basis of the prices estimated by the consultancy. However, the Government still designs the incinerator on the basis of the original figures and prepares to sign the construction contract in respect of the incinerator this year. The design of this incinerator lacks any scientific basis, but it is designed so as to match the building capacity of the consultancy company which is going to build the incinerator. It is not known whether the incinerator will fall into disuse very soon. It seems that this expensive incinerator which is only built for the sake of the consultancy will have the same fate as that of the waste gasification plant of the desalination plant. It will only increase the medical costs and increase the burden of the public and the patients. This is the worst point raised in the Budget.

In order to have a balanced budget, I agree that the Government should stand firm on its bottom line regarding financial management even under pressure exerted by various parties. It should ensure that the increase in spending does not exceed the rate of economic growth. Concerning this bottom line, I also agree that the Government should not use up all the surpluses, but should leave such surpluses in the pockets of the taxpayers as is stressed in paragraph five of the Budget. The Financial Secretary should carefully consider the Liberal Party's suggestion of widening the tax band. I do not agree to the Honourable Frederick FUNG's suggestion of increasing the profits tax because the experience of foreign countries has demonstrated that the higher the rate of profits tax, the less would be the total tax revenue in the long run. It is because investment will be shifted to other places and this will intensify the problem of tax evasion and tax avoidance in Hong Kong. Therefore, the

worldwide trend is to lower the rate of profits tax and to strive for an increase in the total tax revenue.

Mr President, the Liberal Party proposes that we should attach importance to our economy and pay attention to the livelihood of the people. I am most concerned with the proper use of public resources. The Honourable Allen LEE pointed out yesterday that the prosperous development of industry and trade will benefit Hong Kong people and economic development will generate more resources for use to better people's livelihood. This is the key to improving people's livelihood.

The "biscuits sharing" game actually involves the art of co-ordination; no one will be fully satisfied. However, if we can cut back on unnecessary expenditure and even pick up the biscuit crumbs to further share them among people, I believe all parties will have a greater sense of satisfaction.

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

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

MR MAN SAI-CHEONG (in Cantonese): Madam Deputy, first of all, I would like to talk about culture, art and the preservation of cultural relics. In the policy speech delivered by the Governor in October last year, the Government had stated in black and white its commitments regarding the development of art and culture and that it was determined to preserve and conserve Hong Kong's archaeological and historical heritage. Regrettably, however, we only need to take a look at the Budget this year, and we can see clearly that the Government's actions are not in keeping with its words. Now that the Recreation and Culture Branch has taken up the important mission of promoting the development of cultural activities and that the Government has made commitment in the Governor's policy speech that it will invest considerable resources in this area, I wonder why the Government has to reduce funding for recreational and cultural affairs with the result that there are fewer staff at the Branch thus adversely affecting the launch and the progress of various programmes.

Moreover, whilst the Recreation and Culture Branch emphasizes that providing more support to visual art and literary art organizations is going to be one of its major tasks in the coming year, funding for this purpose has only increased by \$6 million. One can hardly imagine how this sum of \$6 million which even fails to catch up with inflation can be regarded as an actual increase. The Secretary for Recreation and Culture has said in public that films are not purely a form of art but a synthesis of various forms of art and that, as making film is an industry, it has to take care of itself. Therefore, we can see that the Government only provides funding for film censorship work or the amendment of the Film Censorship Ordinance every year. The Secretary also defined cinematographic art as something of a commercial nature and films as

commodities, not art. This only reflects the ignorance of the Recreation and Culture Branch and the Government on art. If film making is regarded as an industry because films generate income from sale of tickets, can writing literary articles be regarded as publication industry because books sold generate income? Whilst the Government provides financial support for alternative literature, why can it not subsidize films having artistic value? An ironical fact is that when the Chief Secretary promoted the image of Hong Kong in overseas countries and engaged in international diplomacy, she sought the limelight by referring to local movie stars. However, the Government has been turning a blind eye to local film workers who have been working seriously and conscientiously and who only need substantive support from the Government. The plan for setting up a film commission which has been proposed by the film industry for many years is believed to have been shelved because of a lack of consensus between high ranking government officials and their subordinates. We fully understand that the Government has limited resources, but the allocation of its resources should be focussed, with a bottom line set. It is also impossible for the Government to subsidize every area. However, the Government must advance convincing arguments to justify its choice. The Government has committed itself to the promotion of arts. It should not show its indifference to some important areas of the field nor should it look on without doing anything.

Next, I would like to talk about the preservation of relics and historical sites. A 4% increase in the funding for this area is mentioned in the Budget which apparently shows that the Government does not intend to further develop the work being done in respect of relics and historical sites. The fact is, however, that expediting the identification and preservation work in respect of historical sites is now a task which brooks no delay. In the course of economic development, old buildings of significant historical value, whether Government or privately owned, have gradually been demolished, making Hong Kong a place with neither memory nor a historical touch.

Materially, the living standard of Hong Kong people is up to international standard, but spiritually, in particular, as regards the conception of history, the public lacks such conception. It is because the colonial government has not adequately preserved and repaired historical sites in the past, and this has gradually caused mutilation to the historical features of Hong Kong. Whether the Hung Lau in Castle Peak related to the National Father, Dr SUN Yat-sen, can be designated as a statutory historical site will depend largely upon whether the Government is sincere enough. We shall wait and see.

If we have to summarize the provisions in the Budget concerning funding for art and culture, we can say that even a token increase with the rate of inflation taken into account has not been made. If the Government still continues to hold such a short-sighted view, it will make people worry more about the prospects of art and culture in Hong Kong in the long run. There will be even less room for development, let alone room for a breakthrough or upsurge.

The Government has inadequately preserved relics and historical sites and this has further alerted us to the fact that the Government has achieved little in respect of preservation and natural conservation. It is because we all know that the natural environment and natural resources are important assets of the community. For the sake of developing large-scale projects in tandem with the fast growth of our economy, we have actually sacrificed our beautiful natural environment. Many people have become aware that we have destroyed nature for the sake of economic development, and we may have to pay a higher price if we want to make up for what we have lost. Sustained economic growth should be kept in harmony with "sustained development", and "environmental conservation". It is a pity that up to now we still do not have a complete set of environmental conservation guidelines. So-called conservation is carried out in an unsystematic and piecemeal manner. The various government departments have not set consistent objectives for their conservation policies. There is no systematic and specific conservation policy being adhered to by various departments. Conservation policy is not about idle theorizing. It is a policy which requires the Government's full support and promotion before it can have desirable effects. The Government should not think that after the Environment and Conservation Fund has been established, it can shift the burden to non-governmental groups and organizations for them to promote the relevant work. I urge the Government to provide necessary resources for the future budgets and for the financial allocation of the coming year in order to fully implement the conservation policy of Hong Kong.

I would like to take country parks as an example to illustrate this point. The existence and management of country parks are indeed a very important aspect of our conservation policy. According to the Territorial Development Strategy of 1993, 14 potential sites have been identified as suitable for designation as country parks or special zones. However, the Government said that as it has insufficient financial resources, it is impossible for these 14 potential sites to be designated as new country parks in the new fiscal year. If we care to examine the available information we will know that, if these sites are designated as country parks for management, only 218 staff members will be required, at a cost of around \$26 million. The capital expenditure and the recurrent expenditure within five years will be \$80 million and \$2.5 million respectively. Taking five years as the basis for calculation, to our Government which has a sizeable surplus now, the total costs involved are indeed minimal. But as far as the public is concerned, these country parks are very important assets and very important resources for leisure and outdoor activities. I hope the Government can look squarely at this issue and substantively increase the funding for the development of country parks in the coming year. In particular, in respect of the country park on Lung Fu Shan in Hong Kong West and the country park in Lantau North the designation of which has long been desired by the public, the public earnestly hopes that the Government can allocate funds as soon as possible, so that there are resources for developing these two sites as country parks for the public.

The Financial Secretary, Sir Hamish MacLEOD, has used a very interesting term when he generalizes the Government's philosophy of fiscal management this year, which is "Consensus Capitalism". On the first page of the Budget, the Financial Secretary writes that it is "a consensus about the need to encourage free enterprise and competition, while promoting equity and assistance for those who need it". It seems that the Financial Secretary regards Hong Kong as a model of the classical school of economics which believes that economic prosperity is achieved through free competition. This way of thinking and "positive non-interventionism" can indeed be traced to the same origin. But it can be said that it is more advanced than positive non-interventionism, that is to say, in an imperfect market environment, the Government hopes that it can "promote equity and assistance for those who need it" through certain measures. However, the Hong Kong Government plays a conservative role in economic development. It only wants to maintain an environment for fair competition and it has overlooked the fact that, at this stage of our economic development, the Government should not simply ensure that there are fair rules for the game, but it should also exert influence on the outcome of the game. Let us consider that the small and medium-sized enterprises in Hong Kong are facing strong competition in the international market. Besides providing relatively low tax rates, it seems that the Government has not done anything to increase the competitiveness of these enterprises. In respect of basic research, Hong Kong is lagging far behind other places, in particular, its neighbouring countries. The Government has all along given a very low priority to scientific research for the promotion of economic development. As to the service sector, such as the film making and tourist industries, the Government does not have any long-term policy for the further development of these industries. When these industries encounter difficulties, the Government cannot say what assistance it can offer.

As regards the social policy of the Government, "assistance for those who need it" is still a slogan which lacks substance. In fact, many elderly people who have lost their competitiveness are in desperate need of government assistance. However, the Government gives scant response to their demand. As to workers who have lost competitiveness as a result of economic transformation, the Government also does not offer them much assistance. On the contrary, the labour importation policy of the Government makes them worry about losing their jobs. I really hope that, under the slogan of "Prosperity Through Consensus", the Financial Secretary, Sir Hamish MacLEOD, and his successor, Mr Donald TSANG, would offer more assistance to people at the grass-roots level and to those who lack competitiveness. "Consensus" should not only be reached by the Government and the business sector, the fruits of "prosperity" should also be enjoyed by the general public.

MR ERIC LI (in Cantonese): Madam Deputy,

Who should be thanking who, and who should be thanked?

On this occasion every year, the Legislative Council thanks the Financial Secretary. Despite the "compliments" he receives, however, the Financial Secretary should neither allow himself to get complacent nor expect that Members would be lenient with him and concentrate only on his good work. Even though the Financial Secretary has done his job, Members would still be very critical, as if they are marking his work instead of thanking him on behalf of the public. What is so exceptional is that the Financial Secretary can still remain broad-minded. Having portrayed such an unsound political phenomenon as a sign of "progress", he even thanks Members right at the beginning of the Budget, in the hope of currying favour with them. I have no idea how other Members have felt about the Secretary's thanks over the past four years. On my part, I feel a bit "embarrassed".

Neither the Government nor Members of this Council have created the wealth Hong Kong has. It is the hardworking people, especially those in the industrial and commercial sector, who have created the wealth of the community and the huge reserves of the Government. Financial Secretaries in the past did not forget to thank these people for their contributions. In contrast, Sir Hamish MacLEOD only remembers to thank the Members who have criticized him, and the first thing the Financial Secretary-designate did soon after the announcement of his appointment was to send flowers to lady reporters. This is mere political tactics. Five marks should be deducted because they have overlooked the people and the industrial and commercial sectors who should be thanked most for their real contributions.

The accuracy of the Budget this year is in marked contrast to the serious inaccuracy of the Medium Range Forecasts over the past four years. Inaccurate forecasts, nevertheless, may not be really that bad, especially when the errors are on the side of underestimating the volume of our future reserves. The business sector is often compared to a goose which can lay golden eggs. Now, this goose has laid three dozens of golden eggs instead of two dozens as originally expected. How can we still blame it for such a commendable achievement?

However, when this Council realizes that it cannot find any fault in the Budgets, it turns to scold the goose for consuming too much (profit); it also criticizes that the eggs laid (government expenditure) are not big enough. Even the Financial Secretary, who is responsible for taking care of the goose, is not excused. Last year, perhaps due to similar criticisms, the Financial Secretary appeared rather modest before Members. However, at the same time, he turned his attack on taxpayers, which form the minority of the people of Hong Kong. Apart from narrowing the tax base to increase the tax burden of the sandwich class and the high income group, he also tried to squeeze more money from them on the pretext of combating tax avoidance. This he did by introducing a

new piece of legislation directed at service companies, a common lawful means used by this group of people for the purpose. Although the Government is less aggressive this year, five more marks should still be deducted for this policy of "bullying the weak and fearing the strong".

Advice complied with and bull's-eye hit

Having said the above, I must point out that the Financial Secretary has been almost "in full compliance with" all the advice I put forward during the consultation exercise. The forecast of our reserves is so accurate that it "hits the bull's eye". He should have scored 100 marks if not because of the 10 marks already deducted. Let me explain why he can score as high as 90 marks.

When the Financial Secretary conducted the consultation exercise, I strongly advised that in terms of financial strategy we should adhere to the basic principle of "preserving our strength and avoiding drastic moves." I tendered the advice because of these considerations: our huge reserves; uncertain prospects of Sino-Hong Kong politics over the short-run; slowing down of China's economy under its macroeconomic adjustment and control policy; and the Sino-American tension caused by their trade negotiations.

In regard to government expenditure, I made the following proposals: teacher training for pre-school education should be strengthened; the growth rate for welfare service grants in real terms should not be less than 10%; Comprehensive Social Security Assistance (CSSA) payments for children should be increased and subsidy for hostel service should be maintained at a reasonable level. All these suggestions have been put into practice by the Government.

As a reasonable Legislative Council Member, I, of course, will not withhold my thanks if my requests are duly entertained. I thank the Financial Secretary for his positive response to the reasonable requests I made on behalf of the community. However, the demands of the community are ever-increasing and members of the public will not stop voicing their demands. Since the close of the consultation exercise in mid-November 1994, like other Members, I have put forward more demands regarding government expenditure. To be fair, I will not criticize the adequacy or otherwise of the Budget on the basis of these demands. A more reasonable approach is for Members to single out the requests they put forward after the close of the consultation exercise and specify them in this debate as priority expenditure items in the 1996 Budget. For me, I have the following requests:

- (1) to inject a capital of no less than \$10 billion, an amount originally proposed under the Old Age Pension Scheme, into the mutual insurance fund of the Mandatory Provident Fund Scheme, and the CSSA Scheme for improving payments in the next three years;
- (2) to expedite the fulfilment of the objectives of family services as set out in the White Paper on Social Welfare by increasing the number

of caseworkers in order to meet increasing demand and to reduce the number of cases they have to handle to below 65;

- (3) to provide, as soon as practicable, one social worker per school to help youngsters deal with worsening problems like drug abuse, triad societies and emotional problems;
- (4) to provide an additional teacher in each school whose sole responsibility is to plan and organize extracurricular activities; and
- (5) to upgrade the training and salaries of child care workers to a level currently enjoyed by qualified kindergarten teachers.

Shifting to Low Gear for Smooth Transition

While quite a number of Members have described the Budget as unimaginative, it has in fact given some pleasant surprises to the public. For instance, \$2.5 billion has been allocated for the purchase of welfare premises to speed up the provision of welfare services. This deserves my thanks on behalf of the public. What is more, the Medium Range Forecast projects that there will be a reserve of \$151 billion by 31 March 1997, \$31 billion more than what was projected last year. This reflects our strong economic growth in real terms in recent years and also our bright economic prospects in the three years to come. If this Council still describes such encouraging projections as unimaginative, it should really ask itself whether it has become so politically myopic that it cannot see the wood for the trees.

On the very same day when the Budget was released, I referred metaphorically to "a shift to low gear to facilitate the alighting of the Hong Kong Government and the boarding of the Chinese side". The Financial Secretary's enterprise and foresight are reflected in the Budget, which contains a meticulously compiled Medium Range Forecast and a full account of our sophisticated fiscal strategy. At a time when our huge financial strength has led to more confidence, he also puts forward a detailed and opportune proposal to consult the Chinese Government on the 1997-98 Budget. This has already received positive responses from the Chinese Government. All these far-sighted proposals, put forward by Sir Hamish as a Financial Secretary who is forced to retire early because of civil service localization, are a show of his exceptional broad-mindedness. He has remained dedicated to the well-being of Hong Kong people although he is going to retire. For that reason, he should be commended as a paragon of civil servants.

Holding fast to fiscal strategy with a pragmatic display of real art

This year's Budget contains some pleasant surprises and some proposals which are both progressive and far-sighted. However, all this cannot compare with Sir Hamish's deliberately plain approach and it is this approach that can best illustrate the "real art" of his holding fast to the fiscal strategy concerned.

The Financial Secretary has painstakingly described the entire budget process in great detail, reiterated and reaffirmed his budget strategy and even referred emphatically to this strategy as a kind of "clear and consistent" "consensus capitalism" which has stood the test of time. Then, in an almost "deliberate" attempt to "conform", he has drawn up this year's Budget simply by "copying" last year's. Is this really unimaginative? Or, has he deliberately shifted to low gear to let others see the secret of his success more clearly, in the hope that Members, thus "impressed", can refrain from taking "rash actions"?

The Hong Kong people, who attach great importance to stability, certainly would not want the Chinese authorities to introduce any rash changes before they have fully grasped the working mechanisms of our market economy. Conformity and strong reserves are the best insurance for smooth transition to 1997. Colleagues knowledgeable about business administration will surely understand this. In regard to those Members who believe that reforms are the answers to everything, I think the Financial Secretary will share my view that they should really think carefully before they act in the coming two years. They must not act in such a way that we do not even have to wait until 1997 before our well-tried and well-integrated fiscal strategy, drawn up so painstakingly by professional civil servants over the years, is dismembered.

Joint Efforts in Forecast to Enhance Confidence

Any applications of forecast techniques to portray economic prospects are bound to be prone to errors, as rightly evidenced by the glaring inaccuracies of the Medium Range Forecasts over the past four years. Such glaring inaccuracies have been caused, among other things, by the delayed implementation of infrastructure projects, the strong growth of our GDP initiated by the economic development of China, and fluctuations of property prices. But, if we realize that in a market economy, economic forecasts are just a tool enabling us to look at and evaluate our prospects so that prompt contingency measures can be taken to cope with uncertainties, we will then agree that what is more important should be the macro indications we can get during the forecasting process. Accuracy or otherwise at the end of the day does not really count that much.

On the above understanding I suggest that the Government should, as soon as possible, reveal to the Chinese authorities all the information related to the Medium Range Forecast drawn up this year and invite their participation in drawing up the Medium Range Forecast for the 1996-97 Budget. This can give China an early opportunity to have an overall picture of Hong Kong's economy, and an understanding of the specific differences between a market economy and a planned economy. In addition, when it comes to Sino-British negotiations on the land sale programme and Airport Rail link financing, China will be better able to grasp the possible blows to Hong Kong's overall financial situation in the long-and medium-run should any delay occur. Of course, the Hong Kong people as well as overseas investors also hope that China and Hong Kong can eventually agree to adopt a more uniform approach to the Medium

Range Forecast. This can enable them to see the indication of Hong Kong's prospects as clearly as China does, thus giving them more confidence when planning their investments. Sino-British co-operation in this respect can certainly help ensure stable economic developments during the transition period.

Here, I think two more points are worth mentioning. They are closely related to economic forecasts and I mentioned them as early as the 1992 Budget debate.

- (1) Gross National Product (GNP): Owing to the immense offshore wealth of the Hong Kong people, in foreign countries and in the Pearl River Delta, using the GDP as a yardstick to measure the real growth in the wealth of the Hong Kong people and their ability to pay tax may result in a trend of persistent underestimation. In 1993, the Government agreed to examine the possibility of formulating the GNP as an alternative indicator. It is expected that an initial finding will be available by the end of 1995 and this proposal can be put into practice in the 1996 Budget.
- (2) Airport Core Programme (ACP) as a separate account. In principle, the Government has accepted my proposal that with the exception of government funded items all ACP revenue and expenditure should be excluded from the Budget, and recorded in a separate account administered by the Provisional Airport Authority. However, except the submission of a relatively comprehensive Business Plan Summary (BPS) to this Council in June 1992, no further briefing has been given because the British Government and Chinese Government have been unable to reach any agreement on financing. Now, after all the developments that have taken place, I am afraid that the BPS is already altered beyond recognition. With regard to this very significant programme which is not covered in the Budget, I urge the Financial Secretary to submit, as soon as possible, the revised BPS to this Council because I believe that the various issues related to the ACP, such as possible capital injection delay, significant land grant along the rail link and other commercial proceeds, will all produce significant economic implications that can affect the Medium Range Forecast.

Sincerity is the essence of politics

In my budget debate speech last year, I said that the Financial Secretary had billions of dollars to realize the people's dream. In fact, this is a difficult but thankless task.

The hardworking taxpayers and the professional people in the business sector are the goose which lays golden eggs. Actually, they do not really want to be thanked. As long as they can remain "well-fed", they can lay more golden eggs to share with others. Although the Financial Secretary's job is to look

after the goose only, his efforts of taking good care of the goose and carrying out his duties methodically over the past four years are well appreciated. It is therefore only reasonable that we should all thank him on behalf of the community. I hope each and every Member of this Council can be more sincere and less political, and give Sir Hamish's last Budget a vote of total confidence before his retirement. I also take the opportunity to wish Sir Hamish and Lady MacLEOD every happiness and good health wherever they alight from the political train.

With these remarks, Madam Deputy, I support the motion.

MR LEE WING-TAT (in Cantonese): Madam Deputy, on behalf of the Democratic Party, I will talk about issues concerning housing in the Budget.

Regarding the section devoted to housing in the Budget, I wonder if all these proposals can meet the needs of applicant on the Waiting List, tenants suffering from high private rentals and residents in the Temporary Housing Areas, squatter areas and rooftop flats.

With the establishment of the Housing Branch, it is generally hoped that land supply and housing construction will be expedited so that the families on the Waiting List will be allocated public housing soon. It is also hoped that operation of the property market will be monitored so that property prices will fall back to a level that the average family can afford. These are what we look forward to.

Firstly, we think that the Housing Branch should be responsible for monitoring the supply of flats by both the public and the private sectors. Actions should be taken as soon as a supply shortfall is observed. Besides, the Branch should also monitor the property market and step in if necessary. In 1994, 34 170 new flats were built but 40 413 were left vacant. We can see that there are more vacant flats than new ones. When encountered with such situations, the Government often resorts to its pretext of "non-intervention in market operation" for not adopting measures to tackle the problem of flats being left vacant. Since no punitive or intervening measures are taken against vacant flats, developers who are laden with capital are virtually not affected, even if rates are levied on all properties.

It is very easy for developers to free themselves from the regulations laid down by the Government and hold their flats until the property market booms again. For instance, the developers may extend the construction period so that the time to put up their flats for sale will be under their control. Once the Government has devised some measures to combat the soaring property prices and speculation in properties, developers will think of even more tricks to counter these nominal measures. Should the Government still fail to find a way to plug these loopholes, efforts to curb the soaring property prices will be

futile, even if the supply of private housing is further increased, and the problems will stand as they are.

Moreover, the Housing Branch estimates that 26 000 and 27 000 flats will be produced in the private sector in 1995 and 1996, respectively. These numbers are a far cry from the average annual production target of 35 000 private flats as set by the Government. Insufficient supply of private flats caused by insufficient production has all along been the reason for soaring property prices. We hope that the newly-established "Inter-departmental Housing Project Action Team" will expedite the development of housing projects so that the annual production target of 35 000 private flats can be met. I hope that in their reply next week, the Financial Secretary and the Secretary for Housing will explain to us if this target can really be met in the future. It is advised that the team will expedite the examination and approval of 19 works projects involving 32 700 flats. However, the number of private flats to be built in the next two years will remain small. They will still be in short supply, even if the team strives hard to meet the target. Hence we suggest that in addition to a significant increase in land supply and early release of land for auction, the Government should also adopt the following four measures: (1) to impose a time limit on redevelopment works in the urban area; (2) to ensure that building contractors will carry out and complete construction works on schedule; (3) to monitor the internal pre-sale of flats closely; and (4) to take more intervening and punitive measures against vacant flats so as to increase the cost of holding vacant flats. I hope that the Government will respond to these issues and proposals.

The Financial Secretary stated in his speech that the prices of existing residential properties had fallen by 14% from their peak in 1994. Yet he admitted that the prices of residential properties were clearly beyond the reach of the average family. Property prices still remain high but the Government takes no special measures to cope with the situation. In this regard, instead of putting forward more substantial measures to cope with this situation, the Government announced clearly that no further intervention was planned. We cannot agree to the view of the Financial Secretary. Firstly, the package of measures introduced by the Government in June last year only brought about a little increase in the cost of the speculators. At that time I already criticized these proposed measures as too weak. We cannot say that these measures have "squeezed out" speculators. Besides, the Financial Secretary himself admitted that though property prices had fallen by 14% from their peak last year, they were still high and were beyond the reach of the average family.

Prices in January this year were still some 37% higher than they were in January 1993. It is a shame that the Financial Secretary, instead of reiterating the importance of combatting the soaring property prices, announced that measures to curb property prices would be frozen, as if they "would be buried for good", without consulting this Council and the public. Obviously, the property market goes buoyant again under the encouragement of the Financial Secretary. The Financial Secretary can see that many people have started lining

up again to buy properties as they all believe that property prices have bottomed out. We cannot say that such mentality of following the herd has nothing to do with the Government's weak stand to curb property prices as shown in the Budget. Can the Government simply do nothing about this? In fact, the Government should take some remedial measures by allocating more land for the use of high-density residential properties in the Land Sales Programme for 1995-96. As the Government believes that increasing land supply is an economic measure to regulate property prices in the long term, the Government must honour this commitment. I hope that the Government will give a forecast of land grants for the coming year in its reply.

The Financial Secretary stated clearly in the Budget that soaring property prices was one of the major factors contributing to high inflation. Yet he announced that measures to curb the property prices would be halted. It seems that he has "lifted a stone to crash his own foot". I would like to ask the Financial Secretary whether he wants property prices and inflation to remain high or to come down, or whether he still has not made up his mind as to which stand to take, just like what he is doing now?

Madam Deputy, many people from the Chinese side, members of the Preliminary Work Committee and property developers recently raised strong queries about the reclamation projects in the urban area. Apparently, they said they were worried about the safety and environment of the harbour. However, the real reason behind it, I think, is that they want to suppress the increase in local land supply so that the value of their own land reserve will shoot up. They object to the reclamation projects in order to protect their own interests. I have a doubt here. As the planning of these reclamation projects was started many years ago and some of the projects have already been completed, why do these people wait until now and say that China should be consulted on this matter on the ground that these reclamation projects straddle 1997?

Obviously, they are now unscrupulously aggrandizing the principle of "China should have a say on Hong Kong affairs". Through this and political intervention by China, their goal to exploit the middle and lower classes to boost only the interests of the property developers and the capitalists will be achieved. I hope that the Government will stick to the principle of supplying land on a long-term basis and never yield to the pressure of China and the Preliminary Working Committee.

That the supply of public housing and Home Ownership Scheme flats falls far short of demand has been the subject of debate in this Council numerous times. Unfortunately, when this Council last time held a motion debate on land supply for public rental housing, the Government indicated that it would need to carry out an assessment before a decision on further allocation of land could be made. We must understand that, to realize the target of home ownership by the year 2001 under the Long Term Housing Strategy (LTHS), the Government has yet to make available 38 hectares of land for housing construction. If the Housing Authority is not granted such land, not only will it be impossible to

attain the LTHS's home ownership target for the year 2001, the supply of public rental housing will also be affected.

The completion by 2001 of 141 000 additional public rental housing units will only cater to the housing need of no more than three quarters of the families on the Waiting List in 1997. That is to say, at least 19 000 families will not have been rehoused by 1997. Let us not forget that no fewer than 10 000 families will be added to the Waiting List each year. It is estimated that by the year 2000 100 000 families may still be awaiting their turn to be rehoused in public housing units. Granted that the LTHS can be implemented as scheduled, families on the Waiting List generally will have to wait for five to 10 years before they can be rehoused. It can thus be seen that the LTHS is unable to cater to the present housing needs.

The Housing Authority will, at the end of this year, formulate the post-2001 long term housing strategy. If the Government yet again evades reality and misinterprets demand, the issue of lower income people's long wait for public housing and high property prices will forever be a subject of persistent debate. To solve this problem, the Government must formulate a long term housing strategy with the focus on public sector housing development.

We hope that the Government will make a more accurate calculation of demand and will not deliberately keep the upper income limit low in order to curb demand; nor should it deliberately suppress the come-forward rate. If the come-forward rate is suppressed time and again, we shall have a state of affairs where housing demand is calculated at a considerable discount, not only once, but twice and even three times. This way we will of course fail to arrive at a correct figure that truly reflects housing demand. I hope the Financial Secretary and Members will consider this. It has been 23 years since Lord MACLEHOSE (then Sir Murray MACLEHOSE) first launched the 10-year scheme in 1972 to build public housing. If by the year 2000 we are still unable to solve the basic housing problem of the Waiting List applicants, for how many years more shall we need to discuss this problem before it is eventually solved? I suggest that the Housing Branch should draw up performance pledges to say how many years more it will take to satisfy the varied housing needs of the Waiting List applicants. Furthermore, the post-2001 long term housing strategy will have a far-reaching impact on the well-being of the general public. I suggest that the Housing Branch should carry out extensive consultation before it draws up the strategy to avoid going it alone without regard to outside input. Here I would request the authorities not to ignore the housing needs of the low income people because such neglect will result in Hong Kong people continuing to live in crowded, environmentally unacceptable or financially unaffordable accommodation.

Madam Deputy, on behalf of the residents of the Tsing Yi Constituency, I have to thank the Financial Secretary, the Secretary for Transport, the Secretary for the Treasury, the Secretary for Economic Services, the Secretary for Works and the Secretary for Planning, Environment and Lands. I thank them first

even before I begin to say what for. It is because they have been very attentive to the requests made by myself, the Honourable Albert CHAN and Tsing Yi residents with regard to the traffic problem of Tsing Yi. The Financial Secretary has now given a firm go-ahead to the Tsing Yi Duplicate South Bridge whose construction is to start as soon as possible. I attach great importance to this construction project and would like to thank the Government for implementing it which will alleviate to a certain extent the traffic congestion on Tsing Yi's external road links. Here I would like to express the hope that the Government will do its best to monitor the progress of Route 3 (Urban Section) and the Airport Railway so as to ensure their expedite completion; at the same time nuisance to residents caused by these works projects when they are under way should be reduced to a minimum.

Madam Deputy, lastly, I would like to reflect the praise that Members from the Democratic Party have for the Financial Secretary. I attended every budget consultation meeting called by the Financial Secretary. Although the Financial Secretary talked little and did not quip or joke, he listened intensively to the diverse views and suggestions given by the Members and considered them with an open mind. Even though some thorny issues under discussion then might have caused him to knit his brow, the hairline on his forehead does not seem to have receded appreciably. His hair is still thick. I hope the Financial Secretary will look young and light-hearted when he retires to Scotland.

Here, I would like to congratulate the Financial Secretary-designate Mr Donald TSANG and to say I very much appreciate his liberal and positive attitude. The only thing which worries me is that Mr TSANG's financial management philosophy is yet more conservative and he regularly keeps a tight hand on the public purse. I hope Mr TSANG can relax his grip somewhat and do more to satisfy the actual welfare needs of the humble citizens.

Madam Deputy, I so submit.

MR HENRY TANG (in Cantonese): Madam Deputy, some people say that Sir Hamish has been extremely lucky because he has been able to serve as the Financial Secretary during an uneventful period with no stock crash, but strong economic growth coupled with huge surpluses and rapidly growing reserves. However, I do not think that the Financial Secretary's term of office has been an easy one at all because he has been torn between two demands: one for rich reserves, and the other for welfare spending as a matter of top priority. For example, last year, when the Financial Secretary introduced tax reduction measures, he was attacked by a barrage of severe criticisms. This year, Hong Kong's economy showed signs of potential problems right at the beginning, but the Financial Secretary's rather prudent Budget is still criticized for being over-cautious. Thus, the kind of difficulty the Financial Secretary needs to face lies not in the lack of funds to work with, but in having to please everyone, which is rather impossible.

We must be clear that we should not take our good fortune for granted. In the past couple of years, while countries in the West were badly hit by economic recession, Hong Kong managed to stay prosperous. The main reason is that the rapid economic growth in China in recent years has given impetus to Hong Kong's commercial, financial and trading sectors as well as other service industries. Nevertheless, China has started to slow down its economic growth to curb inflation, and Hong Kong's re-export trade has been the first to receive the blow. If we take a careful look at the volume of re-export trade between Hong Kong and mainland China, we will notice that although mainland China is still our largest re-export trade partner, the growth in our re-export trade is not as rapid as that in the previous year. It will, of course, be good for Hong Kong, if in the long run, China can cool down its over-heated economy and curb inflation without triggering off a drastic economic recession. At the moment, however, we just cannot afford to take everything for granted and squander what we have saved over the years.

Indeed, the Financial Secretary has managed to find a proper way out in this year's Budget - while keeping wealth in the pockets of the people, he has managed to maintain adequate reserves for future contingencies, as summed up in the subtitle on the cover of his Budget speech: "The way to make a country prosperous is to be prudent in public spending, to improve the well-being of the people and to maintain good reserves." This advocacy of Xunzi strikes a good balance between the two extremes of "maintaining adequate reserves" and "welfare spending as a matter of top priority." Xunzi, a Confucian scholar, also advocated a naturalistic view of "utilizing the dictates of Heaven to the benefit of the people". In modern perspectives, this can be construed as a bold spirit of putting trust in the ability of human determination to overcome nature. This view, held by the Financial Secretary, is what I am glad to hear. We must note that the prospects for 1995 are such that things "began on a more pessimistic note" and we need to face a situation in which "inflation will remain relatively high at 8.5%". Moreover, after enjoying many years of prosperity, Hong Kong's economy has entered an adjustment stage. Our economic growth is closely affected in every respect by China's macro-economic control measures, interest rate fluctuations, developments in the stock and property markets, and the uncertainties that exist in the transition period. Therefore, although the Financial Secretary believes that "our business opportunities for 1995 appear to be promising", he has refused to over-spend. Obviously, this is a pragmatic approach which is no doubt prudent, but without being over-pessimistic. This approach also fully illustrates the Financial Secretary's fiscal strategy whereby allowances are made for the rainy days by not letting government expenditure grow faster than the economy as whole. I fully understand and support this strategy. For human determination to be able to overcome destiny, naturally we must save for the rainy days. This view can perhaps do some justice to the Financial Secretary amidst accusations such as "shifting to low gear to facilitate the Hong Kong Government's alighting", or "being over-cautious".

I would describe this year's Budget as "unexciting yet not without any show of concern", particularly in the area of health care services, for which the Financial Secretary proposes to inject \$80 million to promote awareness of health issues and provide financial assistance to the small number of patients who suffer from rare diseases. The Budget also proposes to introduce a new allowance for disabled dependants. Although the Government has been criticized for "boasting too much and spending too little", those measures can still provide some form of timely help. Hong Kong is not a welfare state, but we need to give a helping hand to the vulnerable members of our community. The Government simply should not evade its responsibility in this respect.

Another responsibility that the Government has ignored is this Council's call for an increase in Comprehensive Social Security Assistance (CSSA) payments to \$2,500. I regret that the Government has rejected the call on the grounds of "insufficient time", "lacking rational discussion" and "oversimplified reasoning".

The Financial Secretary has stressed that many suggestions made by Members have been included in the Budget, and he has also expressed the hope that we can resist the temptation of focusing only on the excluded requests. Despite this, I still want to pass some criticisms on the Budget because such criticisms are related to the requests made by the community and Councillors over the years. Besides CSSA payments, pre-school education is also an issue that has been discussed for a long time without any concrete results. Although the Government has announced that \$80 million will be reserved in September this year to subsidize pre-school education, this \$80 million, as we all know, in fact comes from the savings within the Education Department. What about the funding for workers in child care centres under the Social Welfare Department? We have heard government officials repeatedly saying that the standardization of pre-school education is a very difficult task. However, what progress has they made? Is it so difficult that no progress is possible? Each year, pre-school education workers renew their contracts with their employers in April or May. So, it is clear to everyone that time is running short. Prolonged delay will only add to the anxiety of kindergarten teachers and child care workers. Some people in the profession have already started to suspect that the Government is delaying the announcement of details, so that it can defer the allocation of funds on technical grounds. I hope that the Government can allay such anxieties by taking concrete actions before the end of April.

Besides, the Budget has left future industrial developments out in the cold. This is a great disappointment to me. Of the \$260 million allocated for the purpose of supporting industrial development, \$50 million will be used for implementing research projects jointly undertaken with relevant experts from China, and \$83 million will be used to fund projects which were approved but not committed last year. The remaining \$127 million will have to finance altogether 30 to 40 new projects. This amount is just a drop in the ocean.

In fact, the structural development of Hong Kong's economy is now in a critical state. Faced with the strong competitive edge of Taiwan, Korea, and Singapore, Hong Kong has fallen to the bottom of the list from the leading position it used to occupy, primarily because of our lack of a far-sighted and focused strategy to assist our industries during the period of economic restructuring. At a time when other countries have fervently embarked on hi-tech intensive economic plans, I hope that our government can discard its present attitude of nonchalance or incompetence, and, instead formulate as quickly as possible a set of long-term industrial policy to strengthen the competitive edge of Hong Kong in the Asian Pacific region.

I am very grateful to the Financial Secretary for setting the precedent of collecting the views of Members belonging to various political parties before drawing up the Budget. I hope that the new Financial Secretary can continue this practice and strive to strike a right balance between upholding the market economy and free competition on the one hand and promoting social services and welfare security on the other, so that Hong Kong may continue to enjoy the prosperity it has been enjoying so far.

Finally, I must express my heartfelt thanks to Sir Hamish MacLEOD, in particular for his prudent and pragmatic attitude towards work during his term of office. I sincerely wish Sir Hamish a happy and relaxing retired life after leaving office. But then, Sir Hamish, when you are enjoying fine red wines at low cost in Scotland, please think of your old-time colleagues in the Legislative Council who need to pay more for the same enjoyment!

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

THE PRESIDENT resumed the Chair.

MR TIK CHI-YUEN (in Cantonese): Mr President, I respond to the call by the Honourable LEE Wing-tat and, like other Members, I thank the Financial Secretary Sir Hamish MacLEOD for his contribution to Hong Kong, in spite of my opinion that this last Budget presented by Sir Hamish is nothing but commonplace. However, as he has been willing to listen to the views of Members of the Legislative Council as well as people from various sectors over the past few years when the Budget was being worked out, the gap between the wishes and demands of the people and the work of the Government has been narrowed. Take the community facilities of New Territories North as an example. The Financial Secretary has listened to our views and allocated funds, so that some important facilities can be realized. These include the construction of the North District Hospital, the Shenzhen River training project and the speeding up of the construction of secondary schools in Tai Po and North District. Such an open-minded approach really deserves our praise.

I now turn to this year's Budget. The Financial Secretary hopes to achieve the goal: "to be prudent in public spending and to improve the well-being of the people". I can say that the Budget will be able to "be prudent in public spending" but unable to "improve the well-being of the people". Of course, the fiscal management philosophy of the Chinese attaches great weight to getting prepared for rainy days, and we do not want the Government to be wilfully spendthrift. But we should not be cheeseparing as regards what is worth spending on. One has the impression of this year's Budget that it is "too prudent in public spending", and it is even a little "cheeseparing" in that funding is not appropriated to some important social facilities and services. If, with its sound financial position, the Government had further improved the livelihood of the people, the unhealthy gap between the rich and the poor could have been reduced. Unfortunately, the Budget has not done enough to improve the livelihood of the lower class people. Now, what we see is that things the Budget proposes to do differ from what the people expect. These include the raising of the Comprehensive Social Security Assistance rates for the elderly, the introduction of an old age protection scheme, the setting up of a central provident fund and improvements on medical services and public housing, and so on. But the Government adopts a delaying tactic in dealing with these expectations, which is really disappointing. Clearly, the Government has failed to show sympathy to lower class people who are suffering, and failed to return wealth to the people.

On improving the livelihood of the people, I would like to air my views in relation the education services and the developments in new towns.

Mr President, this year's recurrent expenditure appropriation for education is over \$30 billion, the highest among all policy area groups. However, its growth in real terms is only 4.9%, which still lags behind local economic growth in real terms.

Also, this year's Budget proposals offer scant improvement to education. It mainly follows up the recommendations made in the Education Commission Report No. 5. But I must say that the recommendations in the Education Commission Report relate to only part of the areas the education profession has called for improvement to be made. Apart from this, we also want to see improvements in other areas. Therefore, the education profession is indeed disappointed to find that the Budget has proposed no improvement relating to important issues like the under-provision of school places, floating classes, the use of mother tongue as a medium of instruction, the one school - one social worker system and curriculum reform.

Among this year's Budget appropriations, one thing that pleases us somewhat is the Financial Secretary's commitment to provide for the subsidization of kindergarten education so as to enable kindergartens to employ qualified teachers as well as to encourage teachers to receive training. However, the Government has yet to announce the details of the subsidy scheme to date, and we find it worrying whether the subsidy scheme can be

implemented in the coming school year beginning next September. We think that if the subsidy scheme for kindergartens is to be implemented this year, given that time is running out, the details of the package concerned have to be announced by early April this year so as to enable parents, teachers and schools to make arrangements in time.

Another thing is that we regret that the Government has long neglected the need to effect improvements to creches. Over the years, creche workers have been calling for improvements as regards the entry requirements and remuneration. But unfortunately, the Government is unmoved by these reasonable suggestions and a lot of time has been wasted. Now that improvement is about to be made to kindergartens, the Government is of the view that, with the subsidy to kindergartens, there will be an impact on creches. In saying this, the Government has erected a barrier for the implementation of the kindergarten subsidy scheme. We find the Government's dilatory style very unsatisfactory. We strongly demand of the Government to implement the kindergarten subsidy scheme as soon as possible and, at the same time, to improve the entry requirements and remuneration of creche workers so that all these improvements can be carried out simultaneously this September.

Mr President, the Democratic Party is very concerned about the work to provide support services to schools with Band Five students. In 1992, the Government set up the Working Group on Support Services for Schools with Band Five Students, and the report, together with its recommendations, was published subsequently. Unfortunately, the recommendations of the report have not been properly carried out over the past few years. In our opinion, the main reason for this is that the Education Department does not have a systematic supporting team and there are not sufficient resources to go with it.

We note that the Education Department is now experimenting with the School-based Curriculum Tailoring Pilot Scheme in 10 secondary schools, and the result of this scheme is encouraging and a certain degree of success is achieved. Therefore, the scheme will be extended to include 70 other secondary schools. For this reason, we urge the Government to employ additional staff to support the scheme and change the current practice of having teachers seconded from other secondary schools to one of employing them on contract terms, so that this pilot scheme can be carried out more smoothly and be given the fullest play. Furthermore, we also demand that the Government should allocate a reasonable amount of resources for the implementation of other recommendations put forward by the Working Group on Support Services for Schools with Band Five Students. This will help students whose standard of academic attainment is less than satisfactory to develop more effectively.

Mr President, because of the Government's inadequacies in planning, there has been a serious under-provision of school places in new towns over the years. In order that students living in new towns do not have to travel a long way to go to schools in other districts, some schools do provide additional

classes and increase the size of each class as requested by the Education Department, so that more places can be provided for students from the district.

For example, in Tai Po and North District, most of the secondary schools there have provided an extra number of Form One classes; in addition to this, 10 secondary schools in North District and nine in Tai Po will admit students in excess of the permitted student intake in the coming school year in 1995. We are of the view that the Government cannot shift the blame on others for the under-provision of school places in these districts. In view of the necessity for secondary schools of new towns to provide extra classes and increase the size of each class, it is the responsibility of the Government to do something and provide additional financial assistance to these schools so as to reduce teachers' burden of teaching and administrative work.

As for special education, it is an area that has been neglected by the Government over the years. At present, the Education Commission has set up a working group on special education to specifically study the approaches to improve special education, and the report of the working group will be completed shortly. Therefore, we urge the Government to make funding provisions so that we will have the necessary resources to go with the recommendations submitted by the working group and for their expedite implementation.

Mr President, I am an elected Member from New Territories North, and I would like to raise a few points concerning the new towns in North District, hoping that the Government can address these problems and make improvements:

Strengthening of family services in new towns

Since community facilities in new towns are not sufficient, many family problems have thus arisen. Examples are matrimonial discord, family disintegration and juvenile problems. In order to address these problems, apart from remedial measures, it is more important to prevent problems from occurring. In this respect, the developmental and preventive family services provided by the Government are not sufficient. In the Budget of last year, it was proposed that family activity and resource centres were to be set up in all the 19 districts, and the existing manpower and resources of these community centres were to be reinforced for the diversified family activities to be expanded. We think this is a good start, and we also hope that the Government can assess the work of the family activity and resource centres over the past year, and that the Government should further expand them if the result is found to be outstanding. Moreover, the Government should allocate funds for voluntary organizations to provide similar service, and we call for such kind of family services to be provided to every housing estate eventually.

Improvement on the traffic of North East New Territories

The traffic problems that people of the North East New Territories are facing are the following: traffic congestion, noise and environmental pollution caused by busy China-Hong Kong transport; insufficient internal and external transport facilities as a result of the ever-growing population, especially the acute shortage of bus links with other districts. The Government does not seem to have dealt with these traffic problems in a positive way. We hope that the Government can address these problems by suitable allocation of resources and formulation of policies.

Improvement on insufficient rural services

As the rural population is aging, the living environment is also deteriorating. However, the Government has not provided rural residents with services, especially services for the elderly and children. We call for a review to be made by the Government on the strategy of providing services to rural residents in order to improve their living.

Thorough resolution of the problem of flooding in North West New Territories

Over the years, serious flooding had occurred many times in North West New Territories. It caused tremendous financial losses. This has exposed drainage and planning problems in the New Territories. We are glad to have learnt that the river training project of the Shenzhen River has commenced, but we still hope that the Government can carry out improvement work in other major rivers such as River Indus, Beas River and Lam Tsuen River. Besides, we have to step up the annual cleaning up work of watercourses. Only in so doing can we completely solve the flooding problem of Northwest New Territories.

Mr President, this is the last Budget presented by Sir Hamish MacLEOD, yet we hope that the open-mindedness he has displayed in formulating the Budget will be perpetuated by his successor.

Thank you, Mr President.

MS ANNA WU: Mr President, the ability of the Government to coin new terms never ceases to amaze me. In place of "Consensus Politics", we now have "Consensus Capitalism". Save for the replacement of the word "politics" with "capitalism", has there been any real change in the way our Government governs?

What does "Consensus Capitalism" mean? Does it mean shying away from controversy and acting upon the lowest common denominator only? Does it mean consulting but not accepting any views?

Mr President, I am a believer in enterprise. I am a believer in competition. I am a believer in a low and simple tax regime. I believe also that the Government should provide the best infrastructure support to business but should leave market decisions to those who know best, the businessmen.

I wonder however why that spirit of enterprise and competition is not applied towards helping people to help themselves - to cultivate the spirit of self-reliance.

This society is not a welfare state, but this community and this Government spend an inordinate amount of time conjuring up fears of welfare dependency. Surely, the best way to reduce our welfare bill is to provide the individual with the incentive to wheel and deal as would an enterprise, to provide the individual with the motivation to achieve and to stimulate the only resource we have - our human capital.

Mr President, I am clearly leading up to the reasons for my Equal Opportunities Bill. The principle behind the Bill is simple - to provide each individual with the same opportunity as business would ask for itself. Business asks for the opportunity to access the market. Business asks for distortions to field. Business asks for barriers to be removed. Business asks for distortions to be removed. Business asks for a fair reward.

Why should an individual be deprived of a job because the person is a woman, a divorcee or a catholic? Why should someone be rewarded less for the same work because of the colour of the person's skin?

Are women truly brain dead after the age of 35? Our Government seems to think so. Government job advertisements in the recent past required office clerks to be between 17 and 24. The private sector thinks so. The job advertisements make that dreadfully clear. Our Government does not think there is anything wrong with such advertisements - it refuses to either acknowledge the problem or enact legislation against age discrimination

We have people without jobs but our Government says we have to resort to the importation of labour. We have job vacancies but we have older women being barred from applying for those jobs.

The Financial Secretary indicated that in our battle against inflation, there was a welcome expansion of the workforce. It increased by 2.9% in 1993 and by 3.5% in 1994. There was an increase of about 100 000 last year. It makes even more sense then to expand our workforce and reduce the inflationary spiral by outlawing arbitrary exclusions from the workforce.

A non-discriminatory regulatory framework would provide that environment for maximum utilization of our human resources, the only form of capital and asset that Hong Kong has. It would reduce the anomaly between the importation of labour and the local jobless. It would have to pave the way to

equal pay for equal work. It would provide the individual with the incentive to work and to succeed. It would result in self reliance and a reduction in our welfare bill. The community pays for every opportunity denied to someone.

I urge the Financial Secretary and the Government to make good its description that, "we are an open, meritocratic society, where success inspires emulation, not envy" and that, "..... all can rise as far as their talents can take them." The Government must ensure that, "we maintain an environment in which prosperity can be created and competition can flourish" for businesses as well as individuals. A highly motivated workforce will contribute to the generation of Hong Kong's wealth and a highly motivated workforce must be able to expect a fair deal.

Mr President, one particular group that is having a raw deal in life are the people suffering from chronic and long-term illnesses. Their life is not made any easier without financial assistance to pay for operations, special treatments and medical items. While those on public assistance may apply for funding for certain types of items, patients who are not on public assistance are denied access to badly needed items. The Samaritan Fund managed by the Hospital Authority was able to help alleviate some of these needs but I understand even this Fund has now dried up. Some of these patients would work the best they can for several years, hoping to save enough money to pay for an artificial joint, only to find that inflation has eaten away their savings and they only had enough money at yesterday's price.

For this group of individuals who try hard to be self reliant, life is a complete struggle. I would make the plea that specific measures be designed to help them. I hope that the disability allowance under the salaries tax could be expanded to cover the cost of operations, treatment and medical items of this group. I would also ask that they be given consideration under the Health Care and Promotion Fund. I share Dr LEONG Che-hung's sentiment that \$80 million is hardly enough. I would urge the Financial Secretary to consider establishing a Medical Loan Fund to extend interest free loans to those patients who are in active employment but have difficulty catching up with inflation. A little bit of help would at least enable them to buy an artificial joint at today's price.

With the rising cost of medical attention, it would be wise for the Government to start discussion with insurance companies to provide standard and basic medical facilities and to encourage individuals to start buying medical insurance. Perhaps the premium too can also be made deductible against salaries tax. Tax incentive schemes to encourage enterprises to invest in product and service development for the disabled should also be considered. If I heard right, I wish to echo Mr ARCULLI's call for a housing allowance to be introduced as well.

Turning to technology development in Hong Kong, I support the establishment of a new Hong Kong Industrial Technology Centre and the

comprehensive reforms undertaken to protect intellectual property rights. I also welcome funding for technology development and the setting up of the Applied Research Council to enhance links with China's research institutes. Hong Kong is no longer a cheap manufacturing base. To stay ahead, Hong Kong will need to rely on all kinds of value-added measures such as advancement in technology, know-how, automation, speedy data transmission, development of local trade marks, designs and copyrights and establishing efficient and reliable management and service systems. That extra touch can be translated into extra sales.

To promote Hong Kong as a world class service centre for the Asia Pacific region represents a welcome though belated move. My only disappointment is that there are no details as to what the areas targeted for promotion are and how the promotion is to be undertaken.

In conclusion, I would only add that I hope the very limited and diluted retirement scheme, now called the Mandatory Provident Fund, will get started at an early date and will not in any way be gender or age biased.

Mr President, I support the motion and may I wish our Financial Secretary a retirement as robust as our Budget.

Thank you.

MR JAMES TO (in Cantonese): Mr President, I would like to speak for the Democratic Party on the aspect of expenditure on security in the Budget.

Firstly, I would like to talk about the command structure and manning level review of the Police Force. For three years already, the Security Panel has been urging the Government to release the findings of the review and to inform us of any possible financial implications involved. We have hoped that the Government can discuss with us at the earliest possibility so that we can provide information and advice. Unfortunately, not even a single paper has been circulated to Members over the past three years. At one time, I still thought that the matter would have to be disclosed sooner or later because, at the end of the day, when funding was sought under the Budget, information had to be provided for Members' reference. Regrettably, even when funding is now sought in the Budget to implement the review's recommendations, no information whatsoever has so far been provided. My conclusion is that this is an irregular practice as far as the Budget and funding are concerned. As we do not have sufficient information, we find it extremely difficult to decide whether or not to support the recommendations in question.

The second point concerns the manning level and beat number in police districts. It seems to us that the actual police strength in some police districts, including Wan Chai, Eastern, Yau Tsim, and Kwai Tsing has been 10% below their respective establishment levels. We do know that flexible redeployment is

sometimes required. However, we notice that in the last two years the actual police strength deployed in Yuen Long and Tuen Mun remained all the time higher than their establishment levels. I cannot help asking whether this was inter-district redeployment or an actual indication of insufficient manpower in the entire Police Force. In particular, when the Budget gives no good reasons for the reduction in beat number, we cannot help asking this question: is the Police Force short of manpower? On the other hand, in relation to allowing 1 500 police officers to take leave or undergo training at any one time, the related manpower problem has not been addressed. No solution has been proposed to tackle this loss in manpower.

My third point is about efficiency. Performance seems to vary from district to district. After observing for a long time, I have found that the leadership and performance of District Commanders and management level staff is very important. This is the second year that I have to commend the performance of the Sham Shui Po police district, where the same commander and the same number of police officers have performed several times more effectively than before. District Fight Crime Committee members, District Board members, Legislative Members and even kaifong leaders have all highly commended their performance because the same number of police officers have been mobilised to carry out raiding operations every day, every night and every hour to combat drugs, pornographic videos, or extortion of protection fees (local bully). In brief, raids are carried out every day. This leads me to think that the Administration, in particular the Police Force, should consider the introduction of a scores system to assess the performance of all District Commanders, or even to closely examine their work effectiveness. Much to the delight of the public, the police have recently done a good job in anti-triad operations, forcing a lot of triad elements to go into hiding. This should be commended and this should be continued. At the same time, however, we can see that the number of identity card checks conducted in 1994 during beat patrols stands at 3.8 million or so, an increase of 1.2 million when compared with the 2.6 million or so conducted in 1993. Of course, one may say that the increase was related to Operation Levington or anti-triad operations. However, we should still be able to see whether resources have been utilized effectively or whether checks were conducted in the streets just as a matter of routine. In terms of effectiveness, the whole thing appears to be a bit of a waste. Last year, about 7 000 wanted persons were caught as a result of identity card checks. This year, despite an increase of 1.2 million identity card checks and stop-and-searches, only an additional 1 000 illegal immigrants or suspects were caught.

Fourthly, I hope that the Administration can consider releasing the police from some of the duties not related to their main duties. This is the second year I have made this request. An example of this kind of duties is the arrest of unlicensed hawkers. In 1994, 12 771 police officers assisted in arresting hawkers. This led to a substantial loss of man-hours, causing disruptions in beat duties because every operation against unlicensed hawkers would entail charge procedures in a police station that would tie up a police officer for several hours before resumption of beat duties. This is a waste of police manpower.

Furthermore, matters such as illegal parking should be left to traffic wardens. Further civilianization should be implemented to enable more police officers to focus on discharging the duties of the disciplined services.

Fifthly, police training should be stepped up. I think recent shoot-outs and hostage-taking incidents have pointed to the importance of more training on dynamic shooting and crisis management. I also hope that there will be more training for police officers to better equip them to handle domestic violence, child abuse, sex violence, and civil disputes bordering on a criminal nature, such as illegal repossession of premises and forced eviction. Often, police officers simply treat such matters as civil cases and take them lightly.

My sixth point is that I welcome the manpower increase in the Organized Crime and Triad Bureau and the Narcotics Bureau, the stepping up of anti-triad operations in school neighbourhoods and the establishment of a new police station on Lantau Island.

My seventh point is about crime prevention. This year, the Crime Prevention Bureau (CPB) has devoted a lot of resources to advise high-risk shops other than banks to step up their security measures. Officers from the CPB visited 2 151 shops. Only 9.81% of them, that is 211 shops, were willing to step up their security measures. I must point out that the stepping up of security measures by these shops is very important to our work in the prevention of serious crimes. I suggest that the Administration should consider the adoption of legislative means to ensure their compliance if these shops still refuse to take actions after the authorities concerned have put in resources to give them well-meaning advice.

My eighth point is that the Democratic Party is agreeable to the anti-crime priority items in the Budget, including violent crimes, in particular armed robberies, narcotics offences, triad offences, juvenile delinquency and organized crimes. The Organized and Serious Crimes Ordinance, enacted last year, has recently come fully into force. With this new Ordinance, it is reasonable to expect that the Administration should be able to make marked progress, with or without any increase in the resources devoted to the purpose. I hereby call on members of the public to co-operate with the police by reporting crime information.

My ninth point concerns the lay-off and protection of some former Special Branch officers. On this, I urge the Administration not to be tight-fisted, but to stick to principles instead. When the Financial Secretary is sipping his red wine in Scotland, many officers of the former Special Branch, numbering fewer than 1 000 (of whom just a few tens are applying), may be facing the persecution, interrogation or physical torment of the Chinese Communist regime in Hong Kong. Where has our Government's moral obligation towards these people gone?

My tenth point is about juvenile delinquency. The police must join hands with the Education Department and the Social Welfare Department to provide more target-oriented publicity, family counselling services, and family education services. I also hope that more resources can be devoted to the Superintendent's Discretion Scheme.

Lastly, I want to talk about the independence of the Complaints Against Police Office (CAPO). The recent press report on an assault case involving a dentist quoted the judge hearing the case as saying that CAPO had failed to win any public confidence and that it had even failed to look into some cases that required prompt investigation. Obviously, given the way it is doing things now, CAPO lacks any credibility. Nor can it convince people that it can find out the truth after using public resources. This has amounted to a waste of resources. On the basis of effective utilization of resources, I think the entire CAPO should be made independent of the Police Force.

According to a recent ICAC investigation report, 70% of the respondents are worried that corruption may worsen as a result of 1997. This is an issue that has caused great concern among members of the public. However, the fact is that when compared with the corresponding figure in 1993, the number of reported cases of corruption in 1994, involving either public or private institutions, showed only a slight increase. With the exception of election-related complaints, there was in fact only a slight increase in the number of reported corruption cases, with a sharper rise for complaints against police corruption. ICAC intelligence also indicates that corruption of a localized nature involving small syndicates or eight to ten police officers as a group is beginning to emerge, signalling a relapse of the problem. I agree that the Administration should deploy more manpower to the ICAC to fight corruption in public bodies, especially the disciplined services.

However, we must look at the efficiency side of the matter. Although ICAC spends hundreds of millions of public funds each year, I do not believe it has managed to do much to protect the basic rules of the game of our Society. When we look at such a huge expenditure, we really should reflect whether the money has been well-spent. In 1993, only 70 people or so were prosecuted under the Prevention of Bribery Ordinance, of whom 56 were convicted and 24 acquitted. For conspiracy charges, the ratio was almost 2 : 1 with 22 people convicted and 12 acquitted. Of the 25 persons from the public sector convicted of corruption, 14 belonged to the disciplined services. In other words, we need to look closely at those figures though the ICAC and members of the public may find their implications worrying. If only 14 people from the disciplined services were successfully prosecuted, should we not be more careful in allocating resources?

We also have to note the possible abuse of power by the ICAC. In recent months, members of the public have been talking about the series of ICAC prosecution operations against officers of the police, Correctional Services Department and other disciplined services. Each of these operations was carried

out in the presence of newspaper reporters, and every time, large numbers of people, as many as dozens, were arrested. However, in the end, only a handful of them were successfully prosecuted. In contrast, the efficiency several years ago appears to be higher. At that time, although only eight or ten persons were arrested each time, as many as several of them were prosecuted later on. However, a whole team consisting of several dozens of officers is now mobilized to conduct one single arrest operation. I cannot help asking whether this is largely meant as a show. So, care must be taken to avoid power abuse as this will adversely affect the relationship between the ICAC and the police and damage the morale of those dutiful officers in the disciplined services. A recent survey reveals that nearly one third of the respondents believe that the ICAC has abused its power and carried out unjust investigations. This worries us. Since statistical figures indicate that about one tenth of the arrested people were eventually prosecuted, I hope that we can pay attention to this problem. Lastly, I hope that the Administration can implement the relevant recommendations of the Review Board as quickly as possible. This can increase the transparency and supervision of ICAC operations, as well as help ensure the effective use of public funds.

As regards the problems of drug abuse and drug addiction among young people, I understand the Governor has recently convened a Summit Meeting, during which it was said that \$30 million would be injected for the purpose of tackling the problems. I must point out that this is misleading because a lot of existing resources have been included as part of this \$30 million. In other words, the Administration will not actually inject an additional \$30 million. I can see that a lot of people have been misled by this, and I hope that instead of presenting a grand total that includes existing resources, the Administration can state clearly the exact amount of additional resources to be used for implementing the action plans outlined during the Summit Meeting. Furthermore, I am dissatisfied that the Administration has up to now failed to increase its funding support for the work on rehabilitation of drug addicts undertaken by religious bodies. In view of their evident achievements in this respect, I hope that the Administration can stop adhering rigidly to the flimsy excuse that religious activities should not be subsidized. In fact, a lot of their work in other areas is already receiving government funding. Should the Administration insist on sticking to this principle, I hope that it can exercise some flexibility by, for example, setting up some funds for this particular purpose. In addition, more resources should be devoted to the enhancement of the education and promotion work required.

Illegal workers and immigrants. This year, the Immigration Department will be given 46 additional officers for the setting up of a task force. However, this task force will definitely be unable to cope with the situation. The problem of illegal workers is an especially serious one involving a significant number of foreign domestic helpers, holders of Two-way Permits, and overstayers who work without legal permission. This is a problem that closely affects the livelihood of local residents. In case the Administration's treatment of the problem makes local residents feel that foreign domestic helpers and holders of

Two-way Permits are taking away their jobs, resentment will begin to grow and finally develop into a big and dangerous social problem. At the same time, the Administration must step up its supervision of the Importation of Labour Schemes so as to prevent employers from imposing unreasonable requirements or arbitrarily dismissing local workers to make room for imported workers. More manpower should be employed to conduct inspection and enforcement work directed especially at employers. Laws providing for heavier penalties should be considered.

The Democratic Party does not agree that the Administration should try to ease the overcrowding of our prisons by not prosecuting people who have entered Hong Kong illegally for the first time to take up employment. We are worried that the deterrent effect will be lost and a wrong message conveyed. A pro-active alternative is for the Government to consider the drawing up of an exchange of prisoners agreement with China so that illegal immigrants can be repatriated to China to serve the remaining parts of their sentences.

Furthermore, now that Vietnam has agreed to take back 1 800 Vietnamese boat people a month, I hope that the Secretary for Security can make a commitment as soon as possible to the effect that, however tight manpower and resources are, the Administration will endeavour to attain the target of returning 1 800 Vietnamese boat people a month. The Administration should also undertake to bring pressure to bear on the United States government for the recovery of the \$1 billion that the United Nations owes us. Time is running out. So I do not think that I have enough time to comment on other areas. As far as possible, I will give my other opinions in writing for public information.

Thank you, Mr President.

MR HOWARD YOUNG (in Cantonese): Mr President, as the representative of the Tourism Functional Constituency in the Legislative Council, I welcome the commitment made by the Financial Secretary in his Budget speech early this month that the existing limit on plot ratio for hotels would be reviewed. Since 1993, the tourist industry has been plagued by an inadequate supply of hotel rooms while no less than 10 hotels have been demolished or converted to commercial premises within these two years. For the developers, the building of office premises will of course enjoy a higher plot ratio, and there will be more attractive investment returns and thus a more attractive period for recovery of invested capital. However, this will adversely affect the prospect of the hotel industry. Moreover, the supply of hotel rooms has restricted the growth in the number of visitors to Hong Kong. Not only the hotel industry, but also the other trades, such as the business of the travel agents, the retail industry, or even the taxi drivers, would be hit. For the sake of the future development of the tourist industry as a whole, the Government should set objectives for the development of the infrastructure required by the tourist industry. I believe the commissioning of the new airport can stimulate an enormous growth in the volume of passenger traffic. However, with an

inadequate supply of hotel rooms, how can Hong Kong receive a larger number of travellers? Therefore, I think the Government must finish the review on the existing plot ratio limit for hotels within this year, so as to encourage investment in the building of hotels. After a development period of about three years, by the time the new airport is commissioned, there should be sufficient hotel rooms in Hong Kong to cope with the rapid growth in the volume of passenger traffic.

There are a number of objective factors and reasons in support of my request for the Government to review and relax the plot ratio limit for hotels. In fact, from a microscopic point of view, the plot ratio for a particular place is usually determined on the basis of town planning, that is, on the basis of whether a particular type of building can be erected upon a particular site. However, from a microscopic point of view, there are three factors to take into account in order to ascertain whether a particular site is suitable for the construction of hotels or residential or commercial premises: 1. whether the site has adequate sewage facilities; 2. whether there are adequate road and transport facilities in the vicinity of the site; and 3. population density, that is, the density of people in a particular building. In fact, population density also determines whether there are adequate sewage and transport facilities. Since there is a dense population in residential buildings which lays a heavier load on the sewage and road network, the Government has formulated on this basis the principle that the plot ratio limit for residential premises should be 10 times at the most. At present, the principle governing the construction of hotels follows the plot ratio limit for residential premises while the plot ratio limit for commercial premises is 15 times at the most. In other words, a site with an area of 10 000 square feet can have a built-area of 150 000 square feet. I request the Government to relax the plot ratio for hotels to 15 times, the same as the plot ratio for commercial premises, instead of fixing the ratio at around 10 to 15 times. There are three main reasons for my suggestion. From the viewpoint of population density, first, if Members have dwelled in hotels, they will know that most hotel rooms are suites, with areas larger than that of ordinary rooms in residential premises. Second, there should be a maximum of two persons living in a hotel room every night and, sometimes, a person even occupies a double room. Moreover, during the low season, 20% hotel rooms are left vacant. Third, many hotels in Hong Kong are run as apartments, and many travellers rent such rooms. They are actually the resident staff of commercial organizations in Hong Kong who supervise the businesses in Southeast Asia. As they often travel abroad on business, they do not live in their apartments very often. Therefore, I think that it is inappropriate for us to compare hotels with ordinary commercial premises such as Tai Koo Shing and Kornhill when assessing the population density of a hotel. Therefore, I believe the Government should relax the plot ratio for hotels to 15 times so that it falls in line with the plot ratio for commercial premises.

When the Government reviews the plot ratio for hotels, I hope it can do something more than that mentioned by the Financial Secretary in the Budget. In the Budget, the Financial Secretary has only said that he has an intention to

make a review but he has not revealed the actual ratio to be reviewed nor given any specific schedule. I believe that the review should be finished before the end of this year, preferably, by this summer. As far as I know, extensive consultation has already been conducted within the tourist industry and the hotel industry. I am looking forward to an outcome as soon as possible.

With respect to the traffic infrastructure, I urge the Government to take the request of the tourist industry into consideration when constructing or planning to construct roads. At certain tourist spots, such as the shopping areas in Tsim Sha Tsui, Central and Causeway Bay, or some sightseeing spots, the road facilities are often inadequate and lay-by and loading/unloading bays for coaches are not available. At present, road facilities catering for the needs of travellers are not available in these tourist areas. Therefore, the coaches lack places to park and the tourists have to spend much time before they arrive at their destinations. This reduces the time they have for shopping in Hong Kong. We know that almost half of the annual proceeds of \$60 billion from tourism come from shopping. We should let the tourists have more opportunities for spending money in the shopping areas.

As to traffic and transportation, government figures show that public expenditure on transport under the policy area group of infrastructure in 1995-96 will be about \$11.2 billion. I heard some Members comment yesterday that this was a negative growth. Certainly, the Government has explained that there will be a reduction in public expenditure because many development projects will be contracted out to the private sector for development. Therefore, government expenditure in this respect may be reduced. While I support that private groups should be encouraged to develop public facilities, this does not mean that the Government can take this as an excuse to lessen its commitments. A shortcoming in doing this is that if the development of traffic and transport facilities is contracted out to the private sector, the private sector would usually consider their development schemes in the light of the rate of direct returns and the utilization of the facilities, and they would give less consideration to the indirect gains. Take the example of a road project. If a lay-by is provided for coaches to park and let the tourists go sightseeing, although this will not bring direct gains to the project, there will be indirect income for the other trades in Hong Kong, such as the tourist industry. In view of this, I think that when the Government is planning these infrastructural projects, it should take into account the direct gains by the project itself and also the indirect gains by the other trades.

The third point is the issue of labour shortage which has been discussed by many Members. At present, there are indeed some people who cannot find jobs and there are some jobs not filled by appropriate candidates. The tourist industry and the hotel industry are frequently troubled by the fact that there may not be enough appropriate candidates for their jobs. The Government has been actively launching many retraining programmes these two years. But government information shows that 40 000 people have completed retraining under the retraining programmes and out of these people, 5 000 are retrained

through on-the-job retraining while the remaining 35 000 are retrained through various other training courses.

During the Finance Committee meetings held last week, the Government admitted that the resources spent on 5 000 trainees who received on-the-job retraining programmes were, on average, much less than those on conventional training methods. When replying to a question raised by a Member, a government official even claimed that, in terms of the amount of resources spent on each trainee, the actual efficiency of on-the-job retraining courses was 40 times that of conventional courses. Therefore, the Government should adjust the allocation of resources and funding for retraining programmes by diverting more resources to on-the-job retraining programmes. In this respect, the tourist industry and the hotel industry welcomed mostly the mode of on-the-job retraining because this can guarantee that the retrained staff can find jobs immediately after retraining.

The Government has all along adopted a low-profile approach in respect of the policy area of recreation and culture, in particular, culture and sports, because both government officials and Members think that they cannot gain political capital in this area and they would not attach importance to this respect. However, culture, arts and recreational activities can definitely raise the living and cultural standard of our community and are helpful in giving the entire society a civilized outlook. Therefore, I hope that the Government can allocate adequate resources to further develop this area so as to enrich the lives of the public. I request that the Government should at least perform the two tasks as follows:

- (1) I hope the Government can continue to provide the recreational and educational camp sites managed by voluntary organizations with adequate subsidies, so that they would not be forced to close down as a result of a lack of funds. These camp sites can actually provide an ideal environment for young people and their families to establish harmonious relationship, which should be helpful in alleviating the family and youth problems.
- (2) I also hope that the Government can inject more funds and resources into Radio Television Hong Kong (RTHK). Since the corporatization of RTHK is no longer a controversial issue these days, I think the RTHK should be provided with adequate resources so that more good quality programmes can be produced for the public to enjoy. In particular, after the commissioning of Cable TV, besides broadcasting the programmes produced by Cable TV itself, it also broadcasts a number of RTHK programmes originally scheduled for broadcasting by the two local television stations. I hope that not only old RTHK programmes can be shown on Cable TV. Therefore, I urge that more resources should be allocated to RTHK to allow RTHK to continue to display its creativity in

production, and to provide the public with a chance to choose to tune in to more good programmes.

Mr President, I also hope that after the Financial Secretary has retired, he can continue to be interested in the affairs of Hong Kong and that he will find that Hong Kong is prosperous. I also hope that his successor can adopt a prudent and good fiscal philosophy, as did the Financial Secretary in the past years, to make greater contributions to our society.

With these remarks, I support the motion.

MR ROGER LUK (in Cantonese): Mr President, last week, when the Singaporean Parliament debated its budget, year-after-year surpluses formed the focal point of argument between the two parties. One party advocated that the government should accumulate more abundant surpluses as soon as possible. It argued that surpluses were "political assets" and, as the ratio of annual surpluses to gross domestic product has been decreasing year after year, the accumulated surpluses were less than half the gross import value per annum, which was not a large sum. Hence, the government should not liberally give away the taxpayers' money but should save for a rainy day. The other party questioned "how many umbrellas would the government still want to keep". It believed that surpluses for successive years were not brought about by economic growth but by high taxation. Being financially affluent at present, the government need not maintain a considerable surplus because maintaining such surplus may not be beneficial to the economy. As a result, the government should, besides reducing taxes, improve the well-being of those in need and benefit the nationals.

In Hong Kong, there have been endless debates on financial surpluses. As compared with Singapore, Hong Kong enjoys even more exceptional advantages and it has sound fiscal management. In addition, it seems that the Financial Secretary has a magic wand which turns stone into gold. Year after year, he has been transforming deficits into surpluses and deficit has become these days rare. According to the Financial Secretary's Medium Range Forecast (MRF) for the year 1992-93, in the following four consecutive financial years, there would be deficits to the tune of a few billion dollars. But when the time came for account settlement, there were huge surpluses in two successive years. The deficit as forecast for the year 1995-96 is also less than that projected in the MRF in the year 1992-93, most probably there will be a surplus at the end.

In fact, the reasons for the Government's surpluses being larger than projected year after year are more or less the same. Economic growth has always been better than forecast, which brings additional revenue; expenditure has all along been strictly controlled; infrastructural projects have been delayed from time to time; and, as a result, the annual expenditure has always been less than forecast. As expenditure falls while revenue rises, surpluses would naturally exceed the projected figures and the deficits budgeted for would change to surpluses. Last year, surpluses conformed to the forecast because the

rise in the prices of assets was restrained, which resulted in significant adjustment in the stock and property markets. In the event, revenue was affected.

If the above is understood, it is indeed unnecessary for people to worry about the more than two billion dollars deficit as projected in this year's Budget. This does not go against the living-within-our-means principle. It is hard for people to understand why verbal attacks and criticisms have been drawn. Conceptually, keeping expenditure within the limits of income and keeping income in line with expenditure are different but, actually, both apply the same principle. The crucial point is that revenue is subject to objective conditions and taxes levied cannot exceed the limits of the economy's financial capabilities.

The Financial Secretary said in his Budget speech that there are mainly four Budget strategies.

First, to control the growth in government expenditure so that it does not grow faster than the overall economic growth within a certain period.

Second, to live up to past promises and not to make new commitments which are beyond the means of the Government.

Third, to maintain adequate reserves to deal with unforeseeable circumstances.

Fourth, where possible under the overall economic and financial circumstances, to reduce tax so as to relieve the burden of the taxpayers.

We can see from this that the basic principle of public finance management in Hong Kong is neither keeping expenditure within the limits of income nor keeping income in line with expenditure but "to spend according to our capabilities". Upholding the principle that the people should carry more weight than the Government, the MRF should be taken as the basis on which the Government should keep future expenditure in line with the pace of economic growth and on which the Government sets the annual priorities of expenditure within the scope of its disposable resources so as to fulfil its commitments. As to the source of revenue, the Government should assess its existing economic strength in co-ordination with other policy targets and adjust the sharing of tax liabilities on an annual basis. This is precisely what the Financial Secretary meant by "Consensus Capitalism", that is, to strike a balance between the market economy and the welfare safety net. Through careful calculation, the Government has always managed to make its revenue exceed its annual expenditure and put aside adequate reserves to meet future needs.

The most contentious thing about this budgetary formula should be the definition of adequate reserves. Moreover, the Government has often adopted fiscal means to achieve its policy targets. In his Budget speech, the Financial Secretary reiterated time and again that the territory required strong reserves to

cushion the territory against uncertainties during the transition period. But, since the Government acknowledges that wealth should be kept by the people so that they can make full use of it, would the estimated reserves for the year 1997 which is as much as \$150 billion or equal to 80% of that year's annual expenditure be somewhat excessive?

The theme of this year's Budget is "Prosperity Through Consensus". The Financial Secretary quoted from the essay "On Enriching the State" by Xunzi and said that we should be "prudent in public spending, improve the well-being of the people and maintain good reserves", and that we should take this as the principle of fiscal management by the Government. Perhaps the Financial Secretary believed that Xunzi would support his maintaining huge reserves.

In fact, Xunzi believes that "the way to make a country prosperous" is 'to be prudent in public spending by referring to the rules of proper conduct and to improve the well-being of the people according to policy'. "LI" refers to a disciplined political framework, a social system. The distinctions between noble and base, old and young, rich and poor, and important and unimportant are all subject to objective criteria. Countries have borders, land is either fertile or barren. We should make the best use of the land and give full play to the talents of people so that everyone will perform his assigned task, engage in production, earn more as he works harder, will not worry about food and clothing, have balanced income and expenditure and have savings. These are the benefits of a disciplined system. Therefore, "prudence" is not frugality as advocated by Mozi. To be prudent is to allocate resources appropriately and without waste. As regards this point, Xunzi had put forward two points: first, cut down redundant personnel, since "too many civil servants make a country poor"; second, levy less tax, that is, "to reduce agricultural tax, stabilize tariffs and sales tax, and control the number of traders".

As regards "improving the well-being of the people according to policy", this means bettering people's living. It is Xunzi's belief that a country should be run so that the needs of the people could be met. The only way to make a country rich and the livelihood of its people easy is to take full advantage of climatic and geographical conditions as well as human harmony, and act appropriately according to circumstances. In the words of Xunzi, this means "to maintain harmony, reduce expenditure and broaden sources of income". As long as the people become well-off and every household has savings, the country will naturally become strong.

Therefore, "maintaining good reserves" does not refer to reserves being kept by officials but by the people. This precisely means that if the people are rich, so is the state. Xunzi believes that the superb state of government is realized when the people become well-off without a cent being taken by the government and when the people benefit without tax being levied by the government. How can a country be strong if "the fields are unattended while the warehouse is full, the people are poor while the government repository is

full?" The Financial Secretary is thus grossly mistaken if he thinks that having huge surpluses is the same as "maintaining good reserves".

Mr President, I am absolutely in favour of the government maintaining adequate reserves. But going too far is as bad as not going far enough. How can filling the treasury to overflowing be considered good fiscal management? And how the Government can maintain the purchasing power of the reserves is a question which requires deliberation. Of course, grain should be saved for a rainy day. But if it is kept without being used, this is the same as not having any grain at all.

A classic example of devising fiscal measures to fulfil policy targets is the levy of heavy taxes on gambling, alcoholic drinks and tobacco in order to prohibit people from taking up bad habits. We all know fairly well the effectiveness of doing so. The problem is that if the Government does not adjust other taxes correspondingly in order to balance income and expenditure, this will be overtaxing the people. The consequence of the proposed transport policy would most probably be "an overflowing treasury, but there is going to be equally serious traffic congestion."

However, returning wealth to the people is not equal to offering a lot of welfare benefits. As criticized by Xunzi, eliciting the applause of the people by "feeding them thick porridge in winter and melon soup in summer" is merely trying to please the public with empty words and this is by no means a long-term solution. Many Members have criticized the Government for being too miserly in regard to increasing the expenditure on welfare, education and housing. But if the Government heeds all the good advice and gives top priority to every item, what is the point of having a budget? Of course, we all know that wool comes out of the sheep's body. In order to widen the welfare net, we have to widen the tax base. But, would there be any wool if all of us think that wool can come out of other sheep?

A high level of inflation has been the concern of the public in recent years. The Government seems not able to do anything about this and it has been criticized by Members. In his Budget speech, the Financial Secretary has put forward three factors that would help to curb inflation in the future. But the basic question is whether inflation will return to a low level.

Hong Kong's economy has always been trade-oriented. Originally, there was a cycle of increase and decrease in the rate of economic growth and inflation. With brisk exports comes increased economic growth; the people's income has increased and there has been a boost in domestic consumption, which has aggravated the inflationary pressure. Then, escalating costs and the weakened absorptive capacity of the market has slowed down the growth of exports, and declining economic growth has made domestic consumption fall, removed inflationary pressure, lowered production costs and revived exports. In this export/consumption cycle, Hong Kong's economy has been automatically adjusted through exporting inflation.

In recent years, industrial production has continuously been shifted northward, taking advantage of the low costs in mainland China to increase the export competitiveness of the industry while Hong Kong beefs up the development of its service industries. As a result, Hong Kong has managed to maintain about 5% economic growth in recent years but the rate of inflation has continuously been relatively high, about 10%. However, this has brought about the fundamental change in the cost-price structure.

Since the cost-price structure of the export sector is detached from the domestic cost-price structure, domestic inflation has almost no effect on the export prices. In addition, as the export sector is more ready to adapt to fluctuations in the market, the original adjustment mechanism has basically lost its effects. Continuous stable growth and relatively high inflation have now replaced the growth/inflation cycle. In fact, so long as the rate of increase in real wages continues to rise, although it is not a welcome phenomenon in respect of the overall economic growth, inflation is the price we have to pay in order to maintain economic growth. Suppressing demand will naturally help to reduce inflation, but it may also lead to reduced economic growth, which makes us lose more than we gain. "It is more difficult to be officials in court than to be ordinary people". I wonder whether those who criticize the Government for not trying its best in curbing inflation can think of any practical and effective measure.

Mr President, on the surface, the Budget is prosaic and lacking in lustre. There is not any substantial increase or decrease in taxation, and various expenditures are budgeted for in line with set principles. But the Financial Secretary has covered a number of important fiscal strategies in his speech. These strategies have far-reaching effects and they deserve close analysis by Members and economists. The Government encourages free enterprise and competition, as well as promotes equity and helping the old, the feeble and the unfortunate. How balance can be struck between the two and consensus be reached has to be further explored. No matter which move we support, it will not be helpful to our future development.

If "to be prudent in public spending, to improve the well-being of the people, and maintain good reserves" is the motto of the Financial Secretary, I believe the lines "Never buy popularity by meeting everyone's aspirations, and never pursue ambitions with no regard to the wishes of the people" from the essay "On enriching the State" should be regarded as the essence of "Consensus Capitalism".

Mr President, this Budget speech is the last one delivered by Sir Hamish MacLEOD, the outgoing Financial Secretary. Sir Hamish does not stick to conventions. He listens to public opinions and good advice. Not only has he reduced our tax liability, but he has also brought us surpluses every year. I would also like to take this opportunity to welcome Mr Donald TSANG as the next Financial Secretary. As the first local official to assume this post, Mr

TSANG has to shoulder heavy responsibilities. Given his talents, I am confident that he would succeed.

Mr President, I support the motion and I wish Sir Hamish good health and happy living after retirement.

MR WONG WAI-YIN (in Cantonese): Mr President, this is a farewell Budget of Sir Hamish MacLEOD prior to his retirement from office as Financial Secretary. However, I can hardly find any promising substance in the entire Budget. This fully reflects Sir Hamish's conservative style in financial management. Today, I will speak on the transport section of the Budget on behalf of the Democratic Party.

Among the 114 paragraphs of the Budget speech, only two of them, namely, paragraph 40 and paragraph 68, are related to transport matters. Transport is a topic of much public concern, but the coverage devoted to this topic is really limited. I believe this has something to do with the Governor's policy address, as it is a normal practice that the Financial Secretary will prepare the Budget according to the policy address. The more an item is covered in the policy address, the more funding it will be allocated in the Budget. On the contrary, an item not much mentioned in the policy address will surely not receive much attention in the Budget. We feel that in the past few years, in the eyes of the public, the Governor as a policy-maker has not been paying much attention to transport matters, and neither is he fully aware of the gravity of the problem of traffic congestion. In his policy address, there is comparatively less coverage on traffic problems and correspondingly not much has been said in this regard in the Budget. Moreover, no long-term and large-scale transport planning has ever been formulated by the Administration. No wonder the public has to suffer from the problem of traffic congestion all the time.

The Financial Secretary has forecast that the fiscal reserves at 31 March 1997 would stand at an impressive \$151 billion, which is six times the \$25 billion reserves prescribed in the Basic Law. The Hong Kong Government has also forecast that after taking full account of the Special Administration Region (SAR) Government Land Fund, the total reserves in 1999 would stand at \$361 billion. Such an enormous sum of reserves will certainly strengthen the confidence of the residents and the investors in the future SAR Government. But we cannot help wondering whether the Administration has, for the sake of leaving a huge amount of reserves to the future SAR Government, strictly controlled the expenditure on or delay the implementation of the projects designed to improve our existing society and people's livelihood. As a result, there are insufficient infrastructure or social facilities to cope with future needs. This, in turn, will result in the lowering of the living standard of Hong Kong people as they will be denied the services that they deserve with their incomes earned from hard work. What I just said does not mean that I am against keeping reserves for the future SAR Government. I only worry that the

Administration will, in order to keep the reserves impressive, deliberately delay implementing those projects for infrastructure and social services which could have been carried out much earlier and thereby causing the infrastructure and social services to fall far behind public needs. And not until the condition has become intolerable will the Administration adopt some remedial measures or temporary transitional measures. This stopgap approach is totally out of line with the Administration's role to provide against possible troubles.

Transport planning

First, in the area of transport planning, the attitude adopted by the Administration is always extraordinarily conservative. It has also failed to look forward. This is especially conspicuous in the transport planning of new towns. As a matter of fact, it was the plan of the Administration long time ago to move the urban population in Hong Kong to new towns in the New Territories. In this way, not only could the crowdedness in the urban areas be relieved, the remote areas in the New Territories could also be developed. It was the wishful thinking of the Administration to make the new towns self-sufficient. Unfortunately, the Administration has failed to make arrangements in areas like providing job opportunities, infrastructure, community services, schools, medical services and so on in the new towns in order to co-ordinate with population relocation. As a result, residents in the new towns have to travel between the new towns and the urban areas to get to and from work or school everyday, creating enormous pressure upon the already defective transport network. Traffic congestion becomes the order of the day and people suffer badly. These problems could in fact have been avoided. Regrettably, the Administration has been too stubborn and too reluctant to commit itself. It insisted on waiting until the population has grown to a certain size before making further investment in the development of another stage of infrastructure and community services. However, it takes a long time to develop such infrastructure. During this transitional period, the public has to continue putting up with the nuisance brought about by serious traffic congestion. Route Three is the most obvious example. In fact, the planning of Route Three was put forward more than a decade ago. But the Administration has been totally regardless of the development of New Territories West and has procrastinated time and again. It has also grossly underestimated the growth in cross-border transportation. As a result, serious traffic congestion along Tuen Mun Highway becomes a daily occurrence. Both the residents and people involved in the freight industry have to suffer. It was not until this year that the Administration entrusted the development of Route Three to a private consortium. In spite of this, since this project will not be completed until 1998, the residents and people involved in the freight industry will have to suffer from traffic congestion for a few more years and it is difficult to estimate the economic losses so incurred.

The conservative attitude adopted by the Administration towards long-term planning is absolutely undesirable. Therefore, I urge the Administration to take into consideration the future demand of the Tuen Mun residents when building the North West Railway and extend the railway so that its terminus will

be located at Tuen Mun Town Centre rather than the presently envisaged Tuen Mun North so as not to add extra burden on the local transport network of Tuen Mun. As regards the amount of resources needed to extend the railway to Tuen Mun Town Centre, if the proposal put forward by the Democratic Party is adopted, that is, the stretch of Tuen Mun River between Siu Hong Court and San Fat Estate be bridged for railway, only an additional \$2 billion will be needed according to the Administration's preliminary estimation. Given the existing financial condition of Hong Kong, this addition expenditure is affordable.

Traffic congestion

Traffic congestion is at present the biggest headache for Hong Kong. Last year, the Transport Branch conducted a study of traffic congestion and put forward a series of improvement measures. Unfortunately, in this Budget, we fail to notice any substantive action or sincerity on the part of the Administration to solve the increasingly serious traffic congestion problem. The Hong Kong Government once promised to allocate a total of \$30 billion in five year's time for building new roads. Originally, I thought that the Administration made this decision because it was determined to solve the problem of traffic congestion. But to my surprise, there is a negative growth in the expenditure on transport this year. The Administration explained that since many large-scale projects such as Route Three and Western Harbour Crossing had already been contracted out to private consortiums, it was thus unnecessary to use public funds in this regard. It is of course desirable if we are able to make use of the resources of the private sector to develop the transport infrastructure. However, private consortiums should only play a supporting role and should not take the place of the Administration. Therefore, the Administration should not take this as an excuse to shirk its responsibility to further develop our transport network in order to reduce expenditure.

Of the aforementioned \$30 billion assigned for transport development, only \$16 billion will be spent on projects which do not relate to the Airport Core Programme (ACP). And of that \$16 billion, only \$5 billion, that is, 15% of the original \$30 billion, will be spent on redressing the problem of traffic congestion in urban areas. But the so-called urban areas do not include those heavily congested downtown areas like Central, Causeway Bay, Mong Kok and Tsim Sha Tsui. Besides, it seems that the Administration is not going to allocate more resources to build car parks so as to solve the problem of insufficient parking spaces. Due to the lack of parking spaces, drivers are reduced to illegal parking or have to drive hither and thither in order to find a parking space. As a result, the problem of traffic congestion is further aggravated. Although the Administration already commenced a study on parking needs in Hong Kong a year ago, the report concerned is still not yet ready. Government officials have undertaken that the report would be published by the end of last year. But the authority concerned has kept on procrastinating, and the date of publication had been delayed from the end of last year to February this year, and was then further delayed to the middle of this year. I would like to ask the

Administration whether it has any resolution to ease the problem of traffic congestion.

Perhaps the Administration will reply that there is already a plan to allocate \$1 billion to construct the Duplicate Tsing Yi South Bridge this year to relieve the traffic congestion in Tsing Yi. But I must point out that had the Administration agreed to appropriate funds for the construction of the Duplicate Tsing Yi South Bridge a few years ago, the Tsing Yi residents would no longer have to suffer from traffic congestion. But it is not until now that the Administration agrees to build the Bridge. And by the time the project is completed, that is, 1998, traffic congestion will already have numbed the senses of the Tsing Yi residents. In fact, the Administration should not adopt an approach of solving the problem of traffic congestion when it tries to address the transport issue. Solving the problem of traffic congestion is only a remedial measure. What is important is to have comprehensive and long-term town planning so that transport development will not lag behind urban development and population growth. This is the best way to deal with this issue. The Administration should learn a lesson from the past and find a solution to the present difficult situation. The Democratic Party urges the Administration to allocate adequate resources to solve the problem of traffic congestion.

Ferry policy

In drawing up measures to relieve traffic congestion, the Administration always focuses its attention on land transport and neglects the role ferries can play. To date, Hong Kong still lacks a comprehensive and long-term ferry policy. When the Administration is dealing with ferry problems, it only concentrates on outlying districts services. But actually, ferries have been serving the urban areas in Hong Kong for some time and have long been serving as a means to supplement land transport. For example, many people use the ferry services between Central and Tsim Sha Tsui or between Central and Tuen Mun everyday. To a certain extent, vehicular ferries can also help to relieve the congested tunnel traffic. It is a pity that certain vehicular ferry services have been terminated as a result of the relocation of the quays due to reclamation. In view of Hong Kong being surrounded by water on three sides, the Democratic Party thinks that the Administration has never fully utilized ferries in relieving traffic congestion. The Administration should draw up a long-term ferry policy without delay and conduct a study on the development of ferry services in new towns, so that the public can have one more choice of public transport thereby relieving the congestion of land traffic.

Cross-border infrastructural development

With the rapid development of cross-border freightage and trade, cross-border traffic has become more and more frequent. Last year, there were altogether 7.5 million vehicle trips between China and Hong Kong. Therefore, co-ordination of the cross-border development of transport network to the best interests of both sides should be a very important topic of discussion.

Nevertheless, some of Hong Kong's neighbouring Chinese cities in the past, for their own benefits, unilaterally proposed, and attempted to finalize their plans to construct roads linking to Hong Kong. And for long, Hong Kong has been placed in a passive position. We are glad to see the establishment of the Co-ordinating Committee on Major Cross Border Infrastructure and hope that this committee can effectively play its role of co-ordinating the cross-border infrastructural development. However, nothing tangible has been done since its establishment. It is said that both sides have not yet reached consensus over quite a number of issues. We hope that China and Hong Kong can co-operate sincerely in regard to this matter, and jointly develop the infrastructural projects in the interests of both sides.

Road safety

Now I would like to talk about road safety. In reality, in most cases, traffic congestion is caused by serious or minor traffic accidents. According to the data disclosed by the Transport Department, there were 15 000 traffic accidents in Hong Kong last year, with over 20 000 casualties. The situation is very serious. The causes of traffic accidents are driving too fast, being too close to other vehicles or careless driving, which in fact can be avoided. The Administration is also responsible for reducing the incidence of traffic accidents. However, it seems that the Administration has not done its best in reducing the number of accidents. Notwithstanding that the bill relating to driving under the influence of alcohol has already been submitted to the Legislative Council and that the topic on mandatory wearing of rear seat belts will be discussed by the Legislative Council Panel on Transport, in the face of the great number of traffic accidents, the Administration should indeed put in more efforts in dealing with road users who put others' lives at risk. At the same time, educational and promotional campaigns should be widely launched to educate the public about the importance of road safety. All the time, I have been saying that the efforts made by the Administration in road safety education are just "window dressing without enough efficacy". All along, the Administration has been fond of organizing its educational and promotional campaigns in the form of carnivals and concerts. I do not think that simply by inviting one or two superstars to hold one or two concerts or carnivals, distributing gifts and giving the participants, or strictly speaking, the fans, a good time, the public will understand what is road safety. The Administration should consider adopting a better approach to educate the public so that resources will not be wasted with nothing achieved.

As regards marine transport, the situation is getting worse. Recently, there were a number of collisions of vessels in the waters of Hong Kong which might be attributable to the continuous reclamation works which have narrowed the bays causing swift currents. To ensure the safety of marine traffic in Hong Kong, I urge the Administration to review the existing policy on the safety of marine traffic. For safety's sake, the speed control area, if necessary, can be extended from Victoria Harbour to other water areas of Hong Kong. Besides, from time to time, we can see some fishing boats criss-crossing the fairways of

ferry vessels. While the small boats staying along the fairway will naturally affect the safety along the fairway, the ropes, fishing nets and other rubbish left behind by the fishing boats will also affect the safety of vessels, especially the high-speed ferries. The Marine Department should indeed do more in this regard. If there are insufficient manpower resources or facilities, the Administration is definitely responsible for increasing the funding in this respect in order to ensure the safety of ferry passages.

There are my remarks.

MR ANDREW WONG (in Cantonese): Mr President, I rise in support of the Second Reading of the Appropriation Bill for the year 1995-96.

This is the fourth Budget prepared by Sir Hamish MacLEOD and also the last one before he retires. Yesterday, many colleagues congratulated Sir Hamish and gave him their best wishes. Many also did so just now. I fully agree with what they said but I am not going to repeat it. I know Sir Hamish has decided to continue serving the public when he returns to his hometown and so I wish he would continue to make contributions after his retirement. I would like to congratulate Mr Donald TSANG, the Financial Secretary-designate. Hong Kong should rejoice in having the right person. But as it happens that he becomes Financial Secretary during this transitional period, I may as well wish him good luck.

The Honourable Mrs Peggy LAM suggested yesterday that the Budget was like a glass of fruit punch. I do not think so. In my opinion, the Budget is lacklustre, and debate on it has never been intense. Therefore, it would be more appropriate to compare the Budget to a glass of water, something which fails to arouse any excitement. There is no alcohol, no caffeine, no salt, no sugar; it is neither tea nor coffee, neither hot nor cold. For this reason, various parties and Members have not delivered any very strongly-worded speeches. Nevertheless, the Liberal Party tends to accuse or reprove the Democratic Party for advocating welfarism and fermenting division; whereas the Democratic Party tends to accuse or reprove the Government and those who are not with the democratic camp for being partial to the capitalists.

Mr President, the Financial Secretary Sir Hamish has coined a new term "Consensus Capitalism" which is stated clearly in the third paragraph. Let me draw a simple analogy between capitalism and a big pie. We advocate capitalism so as to promote liberty, enterprise and competition and so on. But as to the word "consensus", I find it quite strange in this context. I cannot figure out its source. I think it probably means the sharing of the pie. If the pie is shared more or less equally, it can be and largely be described as social justice. However, I just cannot understand how consensus can contribute to the more equal sharing of the pie. Or we may put it the other way round, that is, the more equal the pie is shared, the less "disagreements" there will be. Therefore, it is probably right. Although some Members said yesterday that

this strange term coined by the Financial Secretary might arouse much discussion in the academic circle, it has the same effect of confusing people as the term "positive non-interventionism" coined by the ex-Financial Secretary Sir Philip HADDON-CAVE. How can society be positive if there is no intervention? It could be that non-interventionism may yield positive effects. The preparation of a big pie embodies the idea of the traditional Chinese saying of "worrying about scarcity"; whereas having the pie more or less equally shared would entail "worrying about unequal distribution". The Liberal Party has given us the impression that it "does not worry about unequal distribution". But this is only an impression. It is not entirely true that the Liberal Party "only worries about scarcity, but not unequal distribution." On the other hand, the Democratic Party has given us the impression that it "does not worry about scarcity but about unequal distribution only." It seems that they think everything will be all right if there is equal distribution. In fact, both may be wrong. Our attitudes should be that we "worry about scarcity as well as unequal distribution." Therefore, I hope the two parties can restrain themselves in future debates, otherwise consensus can hardly be reached in Hong Kong.

Mr President, the Honourable Roger LUK just quoted the sayings of Guanzi. I would also like to quote some more from his "On ruling the people": "Only after the need for food and clothing is satisfied does one know honour and shame". This saying seems to refer to the overall economy, but in my opinion, we can interpret it in two aspects. The first one relates to the order in the society as a whole - that means society should become more affluent, and therefore economic growth has to be ensured. However, there are also orders for individuals in society. As far as individuals are concerned, it means that the poor should get help and assistance. Sir Hamish stated clearly in the third paragraph that there has to be assistance for those who need it. This is one of the elements which contributes to consensus capitalism as defined by the Financial Secretary. What the Financial Secretary really meant is "worrying about scarcity, unequal distribution and also sufferings." By sufferings, I refer to the plights of the widower, the widow, the orphan, the childless and the disabled. Thanks to Mr Roger LUK who quoted a passage on ideal society from "On the Evolution of Rites". This is exactly the belief of Sir Karl POPPER whom I have long admired. He believes that in administration, the Government's priority is to alleviate sufferings. Mr President, the Budget does contain the element of "alleviating sufferings as a priority". For example, the newly introduced additional tax allowance of \$11,000 for a disabled dependent, a significant increase of single parent allowance as well as dependent parent and grandparent allowances; and the realization of the commitments made in the Governor's 1994 policy address, such as the establishment of various welfare facilities and the provision of quotas for such facilities. A paper concerning the purchase of premises in private development for welfare purpose will be tabled at the meeting of the Finance Committee to be held next week. By doing all these, the Government has taken the first step and has established a principle. But the question is whether this is enough. Will golden chances be lost in the process of implementing the policies? I would cite just a few simple examples.

First, I moved a motion on 22 February, 1995 to ask for an additional 90 hectares of land for construction of rental housing to satisfy public demand. My intention is very simple. It was pledged in the policy address that an additional 141 000 units would be built. Please note that its an "additional" 141 000 units. However, this is not the Government's intention at all. This is only the target of the Housing Authority. That is, a total of 146 000 units of rental housing will be built. But, at the same time, 105 000 units will be demolished. In other words, only an additional 41 000 units will be built. How can the plights of those people living in roof-top structures, cottage areas, temporary housing areas and overcrowded public housing flats be improved in such a way? Of course, this is not the responsibility of the Financial Secretary. But I hope the Government will consider it more carefully after hearing what I have said. If the Government does not clarify the pledge, it is obviously nothing but a lie.

Second, the Honourable Michael HO moved a Bill concerning labour importation on the same day, which was technically an Immigration (Amendment) Bill. I did not speak on that motion. In fact, I voted against it because I did not support the Bill. Nevertheless, the importation of labour has in fact driven many Hong Kong people into difficulty as regards their employment prospect. They are in difficulty simply because they are deprived of their employment opportunities. I am not sure whether we should import labour or how many should be imported. But generally speaking, I feel that there are certain professions or trades which can hardly find any workers. For example, fishery. Therefore, I support the importation of fishermen. It is acceptable for the Government to import labour in respect of certain professions or trades. It would also be acceptable even if labour is imported generally. However, the important thing is that the Government should ensure that local workers who have lost their jobs due to structural changes of the economy should be given priority in employment after retraining. In my opinion, not only the functions of the Labour Department in relation to local employment should be enhanced, its authority should also be strengthened. Otherwise, no matter whether the employers are mean or not, they will certainly employ the less costly labour for they are obviously economic beings. If the Government does not adopt more stringent control, employment problems will result.

Of the four essential elements of everyday living, namely, clothing, food, housing and transport, the first point I raised just now relates to "housing" and the second to "food". The third point I want to talk about has nothing to do with these problems. What I want to talk about is related to the old age allowance. It is a problem of the old and the sick as well as a problem of the widower, the widow, the orphan, the childless and the disabled, for in many cases, the old people are also widowers, widows, orphans, childless or disabled. At the Legislative Council sitting held on 8 March 1995, two motions were moved. One of them was the replacement of the Old Age Pension Scheme by the Mandatory Privately Managed Provident Fund as proposed by the Secretary for Education and Manpower. I rose to oppose the motion but I am not going to repeat my opinions and arguments here. I supported the motion moved by

Dr the Honourable YEUNG Sum, that is, to express strong dissatisfaction at the Government for shelving the Old Age Pension Scheme, and urge the Government to reconsider the issue. I believe that problems of the old and the sick are urgent cases that have to be resolved without delay, and that Old Age Pension Scheme is the only answer. If the Government still insisted on carrying out the Mandatory Privately Managed Provident Fund Scheme only even though both motions were carried, I would think the Government simply has no concern for the needs of the elderly and the sick who are also widowers, widows, orphans, childless and disabled.

Finally, I want to talk about the issue of "transport". The Honourable Mrs Miriam LAU moved a motion on 15 February 1995 concerning a consultative paper on addressing the congestion problem. I did not speak on that particular occasion, but I was in favour of the motion. I agree that priority should be given to the construction of the Northwest Railway. But please note that today's Sha Tin, Ma On Shan and Tseung Kwan O are just the same as Shau Kei Wan in the past - "when one gets stuck in Shau Kei Wan, he will never know when he can reach Central". The Tai Wai station is already over-crowded. The two tunnels are also congested. Under these circumstances, I think priority should be given to a railway project connecting Kowloon, Tai Wai and Ma On Shan. The Tseung Kwan O Mass Transit Railway extension should also be given priority, for despite the short distance between Tseung Kwan O and Kwun Tong, Kwun Tong is rather distant from other places.

Mr President, I do not want to drag on as it is already eight o'clock or so. I just quoted the saying "Only after the need for food and clothing is satisfied does one know honour and shame" from Guanzi's "On ruling the people". But adequacy of food and clothing does not mean affluence of the entire country, the entire community or the entire economy. It means that those who are in greatest need of help in society should be able to enjoy the riches of society. Therefore, the word "sufferings" from the saying "worrying about scarcity, unequal distribution as well as sufferings" refers to the sufferings of the widower, the widow, the orphan, the childless and the disabled. The idea of alleviating sufferings proposed by Sir Karl POPPER should be the guiding principle of the Hong Kong Government. Mr President, I urge that we should join together to create a better tomorrow, to create a better Hong Kong which is caring, cultured and affluent as suggested by the Governor, Mr Chris PATTEN.

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

MR JAMES TIEN: Mr President, I congratulate the Financial Secretary for presenting a cautious Budget for 1995-96 - one adjusted only to inflation. I thank him for resisting social welfare pressure to give a handout to whoever has the loudest voice. Just as he quoted Xunzi, I would like to quote him: "To sum up the secret of Hong Kong's remarkable success, I would ascribe it to our commitment to what might be called consensus capitalism, a consensus about the

encouragement to free enterprise and competition while promoting equity and assistance for those who need it."

Let me repeat the key phrase for emphasis: "encouragement to free enterprise and competition while promoting equity and assistance for those who need it."

The Financial Secretary has got the Hong Kong success formula just right. But the question is: Can his successor maintain that balance in today's charged political climate? I hope he can. But I am worried that, by September, when the social welfare-oriented democrats and their allies gain a majority in this Council, the new Financial Secretary would not become a simple "silence of the lambs" but is likely to turn into a "slaughter of the lambs".

Mr President, these are not very easy times for business. Companies are facing stiff competition, soaring inflation, rising salaries, a weak dollar, high interest rates, uncertainty about 1997, steep rent, acute labour shortage, mounting regulations and extreme demands from various pressure groups. Many industries are in rapid decline and some are vanishing from Hong Kong altogether. In 1991, the manufacturing sector employed 630 000 people. Three years later, that was reduced to 438 000. What unemployment there is today - a mere 2% - is caused mainly by people unable to take up more skilled occupations. Some factories have relocated because they cannot hire enough people at competitive wages. There is nothing in the Budget that can reverse the trend.

I suggest to the Financial Secretary more should be done to spur on free enterprise while leaving more to the market to bring about "equity and assistance", which in layman's term means more social welfare spending.

The Financial Secretary has managed to exempt 500 000 people from income tax during his four years at the helm. The tax base has been further eroded. At the same time, less has been done to assist those who must bear the heavier burden. The end result is that business has to contribute a bigger share to revenue, either by way of user-pay fees and charges or profits tax.

I suggest the Financial Secretary can give a little relief to business through reducing corporate profits tax by 0.5% or 1%. This concession will only trim about \$1.7 billion from public coffers, small change to a government laden with riches. However, the impact on the investors' confidence in the economy will be far greater than the amount itself. Businessmen will look upon it as a surplus-budget government's gesture of being committed to free enterprise incentives. They will then know for sure that not only people asking for more social service spending are getting a hearing.

The Financial Secretary likes to portray a prosperous Hong Kong living within its means and in harmony. Such a description may be a bit too rosy now. Why? Because some forces are at work to disrupt this harmony and to make

Hong Kong live beyond its means. By September, this Government will be under even more pressure to cave in.

The process is already underway. Unions and democrats want the Government to shelve its modest 25 000 workers labour importation programme one way or another. This is despite annual inflation of almost 10% being fuelled by an unemployment rate that has not gone above 3% for a decade which, by world standard, is full employment. Full employment tilts the balance of power heavily in favour of the employees. The result is that Hong Kong businesses are losing our competitive edge.

Soon in this Council, a legislator will submit a motion to increase workers' benefits further. Only two months ago, the Labour Advisory Board was forced to raise severance and long service payments. The Government recently also revised the Pneumoconiosis Compensation Fund levy for the second time within two years. Earlier this month this Council passed a motion to adopt a Mandatory Private Provident Fund (MPF). This will force employers to pay an additional 5% of their employees' wages for retirement. The move is also sure to have an effect on business - particularly small businesses. The message is that activists will be needed. The business sector has to bear all the additional costs, period.

In the meantime, our regional rival, Singapore, is spared the trouble and is doing far better than Hong Kong. Their inflation rate is half of ours while their GDP growth is almost double ours. Why? One is that Singapore is flexible about labour importation. With a working population about half of ours, their labour importation scheme is four times ours - 100 000 versus 25 000. Two is that the Singaporean Government can withstand union pressure which is almost non-existent there. Three is that consensus capitalism is thriving in Singapore but it is under stress in Hong Kong.

The Government here implements a policy that our foreign workers should be paid a Hong Kong employee's median income when minimum wage is actually sufficient. This practice is unfair on both local employers and employees. Employers should be allowed to pay guest workers at the lower end of the local wage band so that they can afford to pay local employees more. I object to local employees receiving lower wages in many instances than guest workers. Paying foreign workers Hong Kong's lower band wages does not mean exploitation. However much the guest workers are paid here, the amount would be many times what they can earn in their home country and may amount to a small fortune when they go home and retire one day. Workers of Hong Kong have to live and retire here where inflation goes on forever.

Mr President, the Government is in a practice of passing activists' demands onto the business sector. We have to concede to all kinds of benefits when many of us are less and less capable of giving more and more. I suggest the time has now come for the Government to consider "shared responsibility" by taking some of the load off the business sector. Today, Mr President, the

truly wealthy is not business but the Government. The Financial Secretary predicted that the Treasury would accure about some \$151 billion in reserves, excluding the Land Fund, by 1997. Together with the Land Fund, Hong Kong could accumulate \$361 billion in reserves by the spring of 1999.

There is no compelling reason why the Government should not chip in to offset labour demands for more benefits. So far the Government has baulked at such a suggestion. MPF is an example. The Pneumoconiosis Compensation Fund is another.

Business once counted on the executive-led Government to act as a referee or umpire. I fear that soon will no longer be the case. I will not use the metaphor about "killing the goose that lays the golden egg". I just figure, and dread, that may well happen to Hong Kong if the present situation continues.

I have misgivings and a warning about the future. I absolutely agree with the Financial Secretary that we have to have compassion. Having compassion means helping those who are the less fortunate in society and those genuinely in need. Having compassion does not include giving \$2,500 a month to an old lady in a chauffeur-driven car. I object to our sense of compassion being manipulated by certain political groups less interested in the overall well-being of Hong Kong than in their quest for votes. Business should not be punished; it should be encouraged. A prudent Budget should never lose sight of that.

Mr President, the Government does not give business inducement in the form of tax rebates. What it claims to offer is land for an industrial park by restricted users and grants of \$300 million for research and development through Industry and Technology Development Council (ITDC) which now unfortunately go mainly to the tertiary institutes. The University of Science and Technology, the Polytechnic University, the Chinese University and the University of Hong Kong and Hong Kong Productivity Council get the lion's share of funding by ITDC.

No one denies the importance of the academics. However, they are funded from the University Grants Committee. I suggest that ITDC resources should be channelled less towards the academics but more directly to industries for research and development.

I also believe more funds should be used to promote our economic transformation to a service centre. As Hong Kong evolves, it needs upgraded financial facilities, such as banking, transport, insurance and so on, as well as the white-collar staff to service them. Workers displaced by the manufacturing sector have to be retrained much better for new, more technical jobs. We must cater for our professionals, true, but not at the neglect of our other workers.

Finally, Mr President, I would like to applaud the Financial Secretary again for a job well done over these four years. He has been brilliant but he has been very lucky. Lucky in that he came into this office in August 1991 just

after the Bank of Credit and Commerce crisis. No financial disaster has affected the territory since then. Lucky for him too that Mr LEESON worked for Barings Singapore and not Barings Hong Kong. He is also lucky to retire by August this year and not after September when the new legislature may undo the philosophy he has firmly believed.

I would also like to wish the Financial Secretary and Lady Fionna the best and good health in retirement. I have no doubt he and Lady Fionna wish us the same in our Legislative Council work. With those remarks, Mr President, I support the motion.

PRESIDENT: Mr Alfred TSO, I have to interrupt you in four minutes.

MR ALFRED TSO (in Cantonese): Mr President, Hong Kong people, through 30 years of hard work, have contributed to Hong Kong's much envied economic success. In the course of creation of our wealth, due to the dynamism and talents of our people, Hong Kong has risen to occupy a prominent position in the international market. Successful individuals are now enjoying the fruits of their achievements. However, lurking behind this facade of prosperity, a cruel social phenomenon is gradually unveiling itself - "The rich become richer, and the poor poorer."

A professor of economics once told me that he was well-acquainted with three former Financial Secretaries, they were Sir Philip HADDON-CAVE, Sir Piers JACOBS and Sir John Henry BREMRIDGE. They, the three former Financial Secretaries, explained to him their philosophies in financial management. All three of them held fast to the same principle, that is, "You do not need to do what others deem to be the right thing, just do not do the wrong thing". This governing attitude of allowing unrestrained freedom to market forces is the "positive non-interventionism" that sounds familiar to all of us. Fortunately, such a unique philosophy in handling economic affairs together with the diligence, dexterity and entrepreneurial dynamism of our people, plus a favourable environment resulting from the economic opening up of China, have all contributed to our economy which bloomed, bore fruits and flourished.

However, I believe that no success is eternal. As the social circumstances change, the Government's financial management philosophy should be revised accordingly to keep up with the times. Today, in the 1990s, Hong Kong has transformed herself from a developing city into an affluent city. In the run-up to 1997 our political environment is also undergoing radical changes. Our citizens no longer subscribe to the colonial style of administration by a "liberal minded dictatorial" government. Since direct elections were introduced to this Council in 1991, there have been changes to the way the Administration governs and the traditional way our financial affairs have been managed. In the process of preparing the Budget, Sir Hamish MacLEOD has been responsive to those changes and has actively consulted and responded to this Council and to the

public. His reform-mindedness and his progressive attitude is therefore generally well received in this Council.

Mr President, the economic success of Hong Kong has not benefited the general public, and social inequalities are ubiquitous. The "Consensus Capitalism" the Financial Secretary advocated in this Budget aims to strike a balance between market economy and the provision of a comprehensive welfare net. This slogan sounds rational and enterprising, but upon detailed study, it is found that the proposals contained in the Budget are nothing more than litanies.

In high profile, Sir Hamish and Mr Donald TSANG the Financial Secretary-designate, have promoted over and over their so-called sound "formula for financial management" - that is, to restrict the growth of public spending to a level below real economic growth. This is the reason why there has been no major improvement in the expenditures on livelihood and social welfare. Furthermore, the Financial Secretary has skillfully led the public into believing that the Administration could, under a low tax rate, still accumulate a surplus of \$151 billion in the next two years, and that by 1999, the total reserve will be as high as \$361 billion inclusive of the surplus and the land fund. What a fancy picture they have drawn!

"The way to make a country prosperous is to be prudent in public spending, to improve the well-being of the people and to maintain good reserves". Quoting Xunzi's "On enriching the state", the Financial Secretary describes it as a healthy way of financial management, talking taxpayers into believing that surpluses should be turned into reserves, while those who are in need could only console themselves with false hopes. Being a British gentleman, Sir Hamish may have only limited knowledge of the teachings of Xunzi. He might not be aware that Xunzi has pointed out that "fondness for affluence and hatred of paucity is human", and therefore Xunzi also advocated that the needs of the people should be satisfied. As the Government has an ample surplus, citizens' demands should be squarely considered.

The positive response of the Financial Secretary was but a superficial gesture. In substance, he was holding fast to his conservative approach. With such sophistication and such skills in prevarication, the Financial Secretary deserves the title of a Tai Chi Master.

I believe, Mr President, "consensus capitalism" should include the following two major aspects:

- (1) A strategic development plan for Hong Kong's economy so as to generate more wealth;
- (2) The acquisition of more resources by means of levying taxes so as to improve people's livelihood and enhance social welfare.

8.00 pm

PRESIDENT: It is now eight o'clock and under Standing Order 8(2) the Council should adjourn.

ATTORNEY GENERAL: Mr President, with your consent, I move that Standing Order 8(2) should be suspended so as to allow the Council's business this evening to be concluded.

Question proposed, put and agreed to.

MR ALFRED TSO (in Cantonese): The opening up of China and its development have directly benefited Hong Kong. Although the importance of such have been repeatedly stressed by the Governor in his policy address and by the Financial Secretary in his Budget speech, up to now, a long-term comprehensive development strategy to facilitate Hong Kong's commercial and industrial developments is still absent. I urge the Administration to study or implement as quickly as possible the following targets:

1. To seek consensus and support from the Chinese side in formulating a cross-border development strategy and a timetable, so that the development of Hong Kong can dovetail with that of the Pearl River Delta's, thus achieving a complementary effect;
2. To conduct an immediate review on the development plan for the north-western part of the New Territories and its land use;
3. The strengthening of transportation networks will surely benefit economic development, and therefore major cross-border infrastructure projects such as the North West Railway, the Ling Ding Sea Bridge and the cross-border crossings and so on should be implemented as quickly as possible;
4. To formulate far-sighted and long-term economic policies, to allocate additional research and development funds in nurturing commercial and industrial development, so as to enhance competitiveness in the international market and promote employment opportunities.

With the wealth created and a stupendous surplus accumulated, the Government can still improve people's living standards and social welfare by means of a widened tax base and an appropriate increase in taxes, so that the general public will be able to enjoy the fruits of prosperity. The Administration should make up its mind and appropriate more funds to achieve the following objectives in respect of which a "consensus" has already been reached:

1. To restrain inflation lest the public's consumption power and savings may be eroded. A persistent high inflation rate is disadvantageous to the economy's healthy development;
2. To promote employment opportunities, local workers should be accorded priority in getting employment. To improve and enhance employees retraining schemes, to impose strict control on imported workers and to safeguard the public's level of income;
3. To allocate more land and funding for additional public housing and Home Ownership Scheme flats. Property prices should be further restrained, so that people can live in peace;
4. To formulate expeditiously a retirement protection scheme to relax and enhance retirement benefits and assistance for the elderly; and
5. To relax gradually restrictions on the eligibility for Comprehensive Social Security Assistance and to increase the payment under the Scheme to benefit those families and people in need.

Mr President, the consensus Hong Kong people have reached is their aspirations to "prosperous economy, full employment, wealth generation and success sharing". Such are our wishes in the Year of the Pig. However, in my opinion, the above consensus cannot be achieved by merely adopting the "positive non-interventionism" and the traditional conservatism in handling financial affairs as we did in the past. The Administration has to adopt a more vigorous and daring attitude, and to formulate citizen-oriented policies.

The Governor's policy address released every October leads to extensive discussions among the public. I hope the Administration will discard its dictatorial style of government and reforms will be undertaken in phases in deference to the public's demand. The objectives of those reforms shall be contained in a positive and enterprising Budget prepared by the Financial Secretary so as to facilitate their implementation.

I hope Mr Donald TSANG, the Financial Secretary-designate, will adopt a positive approach to financial management, and not simply hold fast to established practice, so that Hong Kong's prosperity will be maintained while the people's living standards and welfare benefits can be improved.

My comment on the latest Budget is that nothing new and refreshing has been introduced. It has neither taken into account people's hardships, nor has it addressed the public's consensus. I wanted to abstain at first. But since this is just a motion of thanks and the last Budget prepared by Sir Hamish, I finally made up my mind to vote for it, to offer it as a present on Sir Hamish's retirement, and to encourage Mr Donald TSANG, the Financial Secretary-designate, to reform in good earnesty the way the Government manages its

financial affairs, so as to satisfy the public's aspirations and give effect to the consensus reached by Hong Kong people.

Mr President, these are my remarks.

DR YEUNG SUM (in Cantonese): Mr President, I believe the Financial Secretary will treasure very much my speech as well as the Honourable LEE Cheuk-yan's speech tonight, since we will probably be the last Members ever to speak on his Budget.

Mr President, Members from the Democratic Party have taken turns to give their views on the revenue and the various expenditure items in different policy areas as listed in the Budget. Now it is my turn to sum up on behalf of the Democratic Party. I will concentrate on elucidating the Democratic Party's interpretation of the concept of "Consensus Capitalism" - a concept which has been given so much emphasis by the Financial Secretary. We are of the view that interaction at the conceptual level is as necessary as having debates on the specific content of the Budget.

In his Budget speech, the Financial Secretary generalized the Administration's philosophy in financial affairs into seven major principles, including leaving money in the pockets of taxpayers, keeping a living-within-our-means rule of public expenditure, having a small government, undertaking basic social responsibilities, and maintaining a fair and orderly market. The Financial Secretary is of the view that, following the launching of an open political system, since there is no serious dispute over these tested principles among the public, this approach can thus be called "consensus capitalism", a social consensus in regard to the operation of capitalism in Hong Kong.

The principles generalized by the Financial Secretary have in fact been the governing principle adopted by the Administration in the past, which at times can be called *laissez faire* policy or positive non-intervention policy. In fact, this kind of philosophy in public finances, which has long been in practice, may find their counterparts in the Western world. In the 1980s, when governments were faced with the crisis of over-spending, neo-conservatism gained ground in the Western world. The British Government under the prime ministership of Mrs Margaret Thatcher was an example. It was at that time that limited liability government, privatization of public social services, as well as individual and family responsibilities were being brought up again. It was also around that time that they were regarded as the basis for building up social consensus. But such ideological projects have not yet been accomplished. Indeed, what is a small government? What are the basic social responsibilities of a Government? Up till now, such questions are still under heated debate.

For this reason, I was, naturally, sceptical upon hearing the Financial Secretary's pronouncement that the Administration's philosophy in public finances has become a consensus. This is because although this governing

principle has long been in practice in Hong Kong, it has never been politically tested. The major reason is that the Government is not elected, while the legislature is only a partially open assembly. In an undemocratic constitutional framework where policy decisions are dominated by the executive, there is simply no way that the principles on public finances can be challenged. To my belief, "consensus capitalism" will really be put to test only when both the executive and the legislature are fully open, and it will not be until then that a conclusion can be drawn.

We may start with discussing the controversial areas concerning the concept of "consensus capitalism".

To begin with, what is a small government? The history of Hong Kong has proved that the definition of small government is a dynamic process which cannot be interpreted in a dogmatic manner. Back in the 1960s, the Government's major task was to take care of the poor, so that refugees coming to Hong Kong would not be reduced to street sleepers or be starved to death. The 1970s under the governorship of Sir Murray MacLEHOSE was an era of social development. The 10-year Housing Development Programme was initiated to provide low-cost housing for the public, while the nine-year compulsory free education was carried out in phases to provide educational opportunities for school-age children. Mr President, the limited responsibilities of the 1970s were qualitatively different from those of the 1950s and the 1960s in the sense that there were dramatic changes in terms of the proportion of public expenditure to the Gross Domestic Product. Therefore, one can hardly define the roles and the responsibilities of a small government in the 1990s without, I believe, a good grasp of the tempo of current society gained through dialogues between the Government and the public. The debate on retirement security is a typical example of failure in defining limited responsibility. How to set the level of comprehensive social security assistance and the poverty line are topics in respect of which a social consensus has not been reached between the Government and the public in the 1990s.

From the historical perspective, the success of Hong Kong is actually a result of expansion rather than contraction of the Government's social responsibilities, and much less the result of restraining public expenditure.

We can hardly imagine what Hong Kong of today would be like if not for the Government's expansion of social responsibilities in the 1970s and the 1980s. With economic development, services like social welfare, education, housing, medical and so on can expand progressively. Public expenditure has resulted in more reasonable redistribution of social resources. Education has fostered social mobility to provide human resources for society's further economic development as well as to alleviate the inner conflicts of society. From these Hong Kong derived its success. Therefore, government responsibility is to be understood in a dynamic perspective, that is, it has different substances under different stages of economic development. It is this dynamic concept that the Democratic Party has been trying to promote, and we are not being so

unrealistic as to ask for expansion of public expenditure *ad infinitum* or ask for free lunches. However, we find it unacceptable that the responsibilities of a small government should be interpreted with rigid dogmatism.

Members may recall our endeavour in soliciting education resources for expansion of tertiary education in the 1970s. Today, in the 1990s, our focus of discussion has switched to the quality instead of the quantity of education. This is just a footnote for understanding the dynamic changes of the social responsibilities of the Government. To put it in a nutshell, the Democratic Party is of the belief that the Government's responsibilities and roles should be such as to render it responsive to social changes. Its fundamental responsibilities and roles are to promote economic development, improve living standard, foster social equality, develop democratic political system, maintain the rule of law and strengthen society's solidarity.

Mr President, the colonial government of Hong Kong, deriving its ruling mandate from a foreign source, can still maintain certain support and credibility today. We understand that this colonial government derives its mandate from its being able to foster economic development and to expand its social function, none of which is dispensable.

It is also our belief that the living-within-our-means rule of public finances should by no means be regarded as a golden rule. The fact that this principle worked in the past should not be taken out of its social context. Under an undemocratic system where executive power was highly concentrated, this principle of handling financial affairs could simply perpetuate itself without interruption. But the public is demanding more and more of the Government as the open political system has increased their civic consciousness. Under the circumstances, the Government's policies should be flexible enough to enable it to fulfil its responsibilities so as to satisfy public needs where it is financially viable.

To put it in a nutshell, Mr President, Hong Kong's economic success today has demonstrated that having a government competent in managing public finances is an important factor. At the same time, as the economy grows, and society goes through different stages of development, it is even more important that the Government should be able to appropriate public resources properly, expand its social responsibilities, create opportunities for competition, foster social mobility and alleviate conflicts in society. These are the foundations of prosperity to all. Therefore, a small government refers not to the one which is making no headway in terms of administration, but the one that encourages social development through financial and social policies.

Consensus capitalism cannot be justified, nor can consensus really be reached, until the day, the Democratic Party believes, when there is full participation from democratically elected representatives who can fully reflect the views of public and who can conduct detailed discussion with the Government.

Finally, Mr President, the Democratic Party and I have on several occasions discussed with the Financial Secretary the Budget. His open-mindedness has greatly impressed me. Financial Secretary, Sir Hamish MacLEOD and I are going to open a new chapter of our lives. And I wish him, like me, a pleasant life lived with ease, with peace of mind and with enthusiasm.

Mr President, these are my remarks.

MR LEE CHEUK-YAN (in Cantonese): Thank you, Mr President and those Members who stay behind. Mr President, when I read the Budget, I felt that I was back to China at a time when it was undergoing the "Great Leap Forward". It is because the Budget only reports good news but not the bad news. According to the Budget, it seems that Hong Kong is a place without problems. Hong Kong's economy performs well, cross-border trade flourishes, inflation has been brought under control, reserves and land fund are impressive, public expenditures are met and the taxation system is sound. It seems that the whole territory is booming. When reading between the lines, we sense that the Financial Secretary is complacent. I would like to tell the Financial Secretary that the conditions of Hong Kong portrayed in the Budget is not the reality. The Financial Secretary only knows the life of the upper class in Hong Kong. He has not the faintest idea of the sufferings of the general public. Inflation has been staying at a high level and disparity of wealth between the rich and the poor has become greater than before. While the unemployment rate is on the rise, workers have difficulties in switching to other trades. The population is aging but there is no retirement protection scheme. The public also has to worry about problems such as housing and transport. However, the Budget has not mentioned anything about the sufferings of the people. It tries to divert attention away from the unpleasant aspects of society by boasting about the prosperity of Hong Kong.

The Financial Secretary has failed to address many problems and, among all these problems, I think the most important one is the employment prospect in Hong Kong which should be dealt with immediately since it affects the livelihood of all wage earners. Regrettably, the Hong Kong Government and the Financial Secretary have been trying to avoid this problem. They hold that the unemployment rate stands at 2% and they use this percentage to support their argument concerning labour shortage and full employment. Yet, the latest unemployment rate of 2.5% as announced last week has set the alarm bells ringing. Besides, it has been the view of the Confederation of Trade Unions that the statistics provided by the Census and Statistics Department cannot reflect the true picture of the seriousness of unemployment since they fail to include those women workers who are forced out of the labour market and are staying at home doing housework. Disabled people are also being excluded. Therefore, the actual unemployment rate must be higher than 2.5%. Even if we analyse the unemployment problem on the basis of the 2.5% unemployment rate, it is still the highest for the past seven years and this shows that the unemployment problem is critical. Factors leading to the employment crisis include:

Firstly, the importation of labour is widespread and imported workers are found in almost every profession or trade. Local workers are stripped of their employment opportunities directly. The blow is all-out. From labourers to professionals, all are affected. This is because the number of imported workers is not just 25 000 as mentioned by the Honourable James TIEN. The reality is that, in addition to the 25 000 general workers, there are also 27 000 workers to be imported for the Airport project in 1996, the 1 000 mainland professionals, 10 000 employees of states enterprises, 40 000 overseas professionals, an unknown number of Britons working in Hong Kong and the 130 000 domestic helpers. The Hong Kong Government has always stated that its policy is to require employers to accord priority to local workers but it is not doing a good job in its monitoring work, thus allowing some of the employers not to employ local workers by purposefully making things difficult for them when they come for the interviews. Employers can then take on imported workers as they wish.

Secondly, the emergence of a large number of illegal workers may bring an even greater impact on the community than that of the legally imported workers. It is because illegal workers will surely accept working conditions which are poorer than those of the legally imported workers. Moreover, it is impossible to contain and estimate the number of such illegal workers.

Thirdly, another factor which gives rise to the employment crisis is that many major institutions have resorted to scaling down manpower in order to enhance competitiveness and to control labour cost. For example, the Hong Kong Telecom will reduce its staff by 2 500 in two years under its staff retrenchment policy. The China Light and Power Company Limited intends to force some of its staff to resign by freezing the salary of the engineers. The Hong Kong School of Motoring has also started to cut the number of staff lately. I believe that this trend will prevail for the next few years, thus creating waves of unemployment.

Fourthly, it is an indisputable fact that local workers engaged in the manufacturing industry are being forced out of work as the manufacturing industry continues to move north. What worries us more is the relocation to China of the processes of the service sector. With the advanced development in communication and computer technology, this is only a very simple thing. Therefore, the Confederation of Trade Unions envisages that the service sector will gradually relocate its processes in the Mainland in the coming years. Consequently, workers in the service sector will also be eliminated.

The Government has remained unconcerned about these four factors which have posed a threat to the employment opportunities of local workers. It just simply turns a blind eye to the plight of the workers. If things go on like this, the unemployment rate as well as the underemployment rate will continue to rise and social stability will certainly be affected. The employment crisis will become a time bomb during the period up to and beyond 1997. I hope the Financial Secretary can address the employment crisis positively and will not adopt the short-sighted "ostrich policy" to deal with the case. Let me stress

again that in order to achieve full employment, the Government must repeal the labour importation policy and at the same time, enforce the law strictly so as to eradicate illegal workers. The Government should also draw up legislation to prohibit age discrimination as soon as possible so that the right to employment of local workers can be safeguarded. The employment crisis is, in my view, originated from the Government's economic policy which is just like someone groping for stones to cross a river. Hong Kong has relied too much on the service sector and given up the manufacturing industry. This will inevitably cause Hong Kong to lose its production capability. At the time when China has successfully developed its own service industry, Hong Kong will lose its production capability completely. It is because Hong Kong will by that time lose the favourable position that it currently has since our manufacturing industry fails to continue to develop. If the Hong Kong Government does not take any immediate and positive actions just as the other three "little dragons" have done and start to work out the direction in which our economy should develop, it will be too late to do anything when Hong Kong loses its production capability completely. For this reason, I hope that the Financial Secretary and his successor will not treat the matter lightly, otherwise, it will be too late to grieve when the time comes.

Another drawback of the Budget is its ambiguous position towards inflation. The Government's attitude to inflation is that it will not bother to tackle the problem. The Financial Secretary estimated that in 1995, the inflation rate will remain relatively high at 8.5% and described this as the least encouraging and an uncomfortable level. However, I do not see any positive measures being taken by the Financial Secretary to combat inflation. He even claimed that the Government has gained considerable results in combatting inflation. Is this really the case? It is obviously not.

First, one of the culprits in causing high inflation in Hong Kong is the Government's policy of "three highs". That is, to maintain high land prices, high property prices and high inflation rate. While the prices of residential properties have fallen by around 10% from their peak subsequent to the first-phase measures introduced by the Government in June Last year to halt the rise in property prices, just as the Budget has point out, prices in January this year were still some 37% higher than they were in January 1993 and it is obvious that the prices are less affordable in relation to median household incomes than in earlier years. But it is disappointing that as soon as the measures have taken effect in lowering property prices, the Financial Secretary ordered that these measures should be stopped and said that no further intervention was planned and that we had to let market forces play their part. Is it really the case that the Government is so naive as to look to the self-regulation of the market or is it the case that the Government is purposefully holding back from taking actions fearing that its perseverance with the measures to curb property prices may give rise to opposition from major developers, thus jeopardizing its high land price policy? We all know the answer.

Second, the Financial Secretary mentioned that a rise in the interest rate and an increase in the number of returning emigrants which has enhanced labour supply are conducive to containing inflation. But the Financial Secretary has lost sight of the fact that these two factors have nothing to do with the Government and they cannot be taken as measures initiated by the Government to combat inflation. The Government has not mentioned a word about its being the culprit in causing inflation. This year, public utility companies have applied for increase in fares or charges one after another simply on the ground that profit was insufficient and the Government approved all such applications. I do not understand why Mr James TIEN said that the Government had not given incentives to the business sector but was in fact punishing the sector. I think this is not true. In fact, the Government has been partial to the business sector. The profit of all public utility companies grows at a rate far beyond the inflation rate and still they increase their fares or charges every year. There are altogether 10 items of services provided by public utility companies and major services provided by the Government for which fares or charges have been or will be increased this year. They include a 7% increase in the fares of Kowloon Motor Bus; 7%-9% for Mass Transit Railway and Light Rail Transit; 9.6% for China Light and Power; 3.6% for Hong Kong Electric; 11% for taxi; 7%-15% for water charges; 68% for Tate's Cairn Tunnel; 12% for rates, and so on. In other words, the pressure exerted by inflation is shifted onto the "lowly paid workers" and consumers.

The way the Government handled the application for increase in fares or charges illustrates the Government's collusion with the business sector. The Government only has the mind to shield the profits of major capitalists from being eaten away by inflation but sits idly while lowly paid workers who are devoid of any bargaining power are bearing the unfavourable consequences of inflation. Under these circumstances, the Administration is in fact deceiving itself when it says that it has been successful in combatting inflation.

Under this policy, the unfavourable consequences brought about by inflation are shifted from one social stratum onto the other, eroding the interests of the community in a downward direction along the social ladder from developers onto the industrial and business sector and then onto consumers and employees. Finally, the Government's policy of "three highs" will impinge on the quality of life of the lower class and bring about conflicts between employers who always try to lower wages, and employees who object to any reduction in wages. Developers, however, can stay aloof from all these and continue to make money. If such situation persists, our prosperous economy will in the end be upset by these developers who have made huge profits, leaving honest businessmen and hardworking workers to suffer the aftermath.

Now, I will turn to the needs of society. Dr TANG Shu-hung, Head of the Department of Economics of the Baptist University, pointed out when commenting on the objectives and guiding principles of the Government's policies that the Government always stressed the golden rule for financial management, namely, that government expenditure should not grow faster than

the economy, but it has failed to take into consideration the priorities of spending. He said the Government had squeezed resources out of other areas in order to raise funds to meet the enormous cost involved in the construction of the new airport. However, the Government has not rearranged the priorities of spending according to the needs of society. The most pressing issue at the moment is the problem of retirement protection caused by the rapid ageing of population and the unequal distribution of wealth which has existed for years. Yet, the Government simply stands aloof. The Government's attitude shows that it is stubborn and blindly insists on sticking to its golden rule. It is unwilling to review and amend its policy of pegging government spending to economic growth in response to the needs of society.

Moreover, with our fiscal reserves standing at \$151 billion, the Government, unquestionably, will have adequate resources to cope with the needs of society. But like a skinflint, the Financial Secretary refuses to use the reserves. The nice phrase, "to maintain good reserves", is indeed meant to cover up the Financial Secretary's failure to use the reserves sensibly. Hong Kong does have the resources, but the point is that the Government is being excessively conservative and mean. It fails to make the best use of our resources to realize its undertaking to care for those who are in need.

I would like to draw a comparison between the undertakings of the Financial Secretary and the Social Welfare Department for the year 1995-96 and the actual needs during the same period as projected by the Social Welfare Department and see how they differ:

- A shortfall of 11 home-help service teams.
- A shortfall of 14 clinical psychologists who play a very helpful role in the treatment of mentally-retarded and autistic children.
- A shortfall of 3 714 places in day child care centre.
- A shortfall of 53 social centres for the elderly.
- A shortfall of eight multi-service centres for the elderly.
- A shortfall of eight day care centres for the elderly.

I still have a number of figures on hand but I do not have the time to read them out. Nevertheless, the above figures show that services in many areas are inadequate.

Similarly, the Labour Department is also a victim of restricted public spending. Industrial safety is a matter which concerns human lives but there are only 250 factory inspectors responsible for inspecting dangerous construction sites as well as all the factories and restaurants in the territory. It is most shameful that there are only three inspectors responsible for the entire food

industry in Hong Kong. There are 200 deaths each year. However, despite this sad and appalling fact, the Government has remained tight-fisted and refused to allocate more resources. How many more workers will be sacrificed as a result? As regards the problem of workers changing their trade which has a direct bearing on the livelihood of workers, the Government has also failed to provide the resources required. Only three additional posts are created in the Local Employment Service of the Labour Department. How can the fast growing needs of the community be coped with? How is it possible for the Government to properly monitor employers as regards the issue of giving preference to local workers in recruitment? Besides, the Government only agreed to make a provision of \$115 million to the occupational deafness fund which is going to be set up soon. In addition, the unions have demanded that the period within which the relevant regulations will take retrospective effect should begin at an earlier time, that is, 1987, so that more victims can be reasonably compensated. They have also demanded that the amount of compensation should increase to 100% instead of 60%. However, the Government keeps on "shaking its head and saying no" to all these demands.

Moreover, the Financial Secretary simply paid no attention to the request put forward by all sectors in the community for an increase in the Comprehensive Social Security Assistance (CSSA) payment for the elderly. All the Financial Secretary had said was that the Government would adjust the CSSA payment after completion of the report of a review on this subject in September. He also remarked hypocritically that money would be reserved for the purpose. In my opinion, he is only stalling. When answering questions from Members, the Secretary for the Treasury made it clear that if the reserved sum was inadequate to serve the purpose, recommendations for adjustment of the CSSA payment would not be fully implemented, and under such circumstances, we would have to look to the 1996-97 Budget. As we do not know how much should be reserved to effect the adjustment, the Government's undertaking of setting aside money for the purpose has become meaningless.

Apart from the fact that the elderly are not offered a reasonable CSSA payment, the Government has even gone back on its word and abandoned the Old Age Pension Scheme (OPS). By doing this, the Government has dashed the hopes of the old people who are in urgent need of assistance. The Government excused its action by saying that the Legislative Council did not support the OPS. It is really cunning and crafty. In fact, the general public and the three major parties in the Legislative Council were in favour of the OPS. Yet, due to opposition from the Chinese side, the Government slackened its pace and eventually abandoned the OPS. Those who support the OPS were furious at what the Government had done. What is more, the Government is trying to threaten the public and the Legislative Council by saying that if the Mandatory Privately Managed Provident Fund was turned down, the Government would not implement any other retirement protection scheme. Is this the proper demeanour of a Government which has undertaken to fulfill its social obligations?

Originally, I intended to speak about the taxation system but, due to the time constraint, I cannot but spend the rest of the time on the conclusion.

All in all, the last Budget prepared by the Financial Secretary, Sir Hamish MacLEOD, is a continuation of policies consistently adopted by the Hong Kong Government. Basically, there is no difference between the philosophy of "consensus capitalism" regarding public finance and positive non-interventionism. His so-called "consensus", in my view, refers to a consensus reached between government officials and businessmen, but not between government officials and members of the public. The Government's refusal to increase the CSSA payment for the elderly serves as the best illustration for this and also makes a mockery of the so-called "consensus capitalism".

Lastly, I call on the people of Hong Kong not to "be silent lambs". They should voice their own opinions about the Budget. I hope the Government can review the following comprehensively when formulating the next Budget:

1. The golden rule which lays down the principle that government spending should not grow faster than the economy;
2. The appropriate level of fiscal reserve and its use;
3. The taxation system on the basis of narrowing the gap between the rich and the poor;
4. The future of our economy and the prospect of employment; and
5. Measures to combat inflation.

I also call on Members of this Council who share my view on the OPS to vote against this Budget as a move to fight for the implementation of the OPS. This seems to be contrary to the appeal made by the Honourable Eric LI requesting Members to vote for the Budget unanimously. Yet, the Government still has the time to include the OPS in its Budget. Under such circumstances, I think it will not be too difficult to secure an unanimous vote.

Thank you, Mr President.

ADJOURNMENT AND NEXT SITTING

PRESIDENT: In accordance with Standing Orders, I now adjourn the Council until 2.30 pm on Wednesday 29 March 1995.

Adjourned accordingly at twenty-nine minutes past Eight o'clock.

