

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 29 March 2000

The Council met at half-past Two o'clock

MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE MRS RITA FAN, G.B.S., J.P.

THE HONOURABLE KENNETH TING WOO-SHOU, J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, J.P.

THE HONOURABLE DAVID CHU YU-LIN

THE HONOURABLE HO SAI-CHU, S.B.S., J.P.

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

THE HONOURABLE ALBERT HO CHUN-YAN

THE HONOURABLE MICHAEL HO MUN-KA

IR DR THE HONOURABLE RAYMOND HO CHUNG-TAI, J.P.

THE HONOURABLE LEE WING-TAT

THE HONOURABLE LEE CHEUK-YAN

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

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

THE HONOURABLE LEE KAI-MING, S.B.S., J.P.

DR THE HONOURABLE DAVID LI KWOK-PO, J.P.

THE HONOURABLE FRED LI WAH-MING, J.P.

DR THE HONOURABLE LUI MING-WAH, J.P.

THE HONOURABLE NG LEUNG-SING

PROF THE HONOURABLE NG CHING-FAI

THE HONOURABLE MARGARET NG

THE HONOURABLE MRS SELINA CHOW LIANG SHUK-YEE, J.P.

THE HONOURABLE RONALD ARCULLI, J.P.

THE HONOURABLE MA FUNG-KWOK

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING

THE HONOURABLE CHRISTINE LOH

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN

THE HONOURABLE BERNARD CHAN

THE HONOURABLE CHAN WING-CHAN

THE HONOURABLE CHAN KAM-LAM

DR THE HONOURABLE LEONG CHE-HUNG, J.P.

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, J.P.

THE HONOURABLE GARY CHENG KAI-NAM, J.P.

THE HONOURABLE SIN CHUNG-KAI

THE HONOURABLE ANDREW WONG WANG-FAT, J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

THE HONOURABLE JASPER TSANG YOK-SING, J.P.

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

THE HONOURABLE LAU WONG-FAT, G.B.S., J.P.

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

THE HONOURABLE AMBROSE LAU HON-CHUEN, J.P.

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

THE HONOURABLE TIMOTHY FOK TSUN-TING, S.B.S., J.P.

THE HONOURABLE LAW CHI-KWONG, J.P.

THE HONOURABLE TAM YIU-CHUNG, G.B.S., J.P.

THE HONOURABLE FUNG CHI-KIN

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

MEMBERS ABSENT:

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE LEUNG YIU-CHUNG

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE MRS ANSON CHAN, G.B.M., J.P.
THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE DONALD TSANG YAM-KUEN, J.P.
THE FINANCIAL SECRETARY

THE HONOURABLE ELSIE LEUNG OI-SIE, J.P.
THE SECRETARY FOR JUSTICE

MR MICHAEL SUEN MING-YEUNG, G.B.S., J.P.
SECRETARY FOR CONSTITUTIONAL AFFAIRS

MR CHAU TAK-HAY, J.P.
SECRETARY FOR TRADE AND INDUSTRY

MR GORDON SIU KWING-CHUE, J.P.
SECRETARY FOR PLANNING AND LANDS

MR NICHOLAS NG WING-FUI, J.P.
SECRETARY FOR TRANSPORT

MR DOMINIC WONG SHING-WAH, J.P.
SECRETARY FOR HOUSING

MR RAFAEL HUI SI-YAN, G.B.S., J.P.
SECRETARY FOR FINANCIAL SERVICES

MISS DENISE YUE CHUNG-YEE, J.P.
SECRETARY FOR THE TREASURY

MR STEPHEN IP SHU-KWAN, J.P.
SECRETARY FOR ECONOMIC SERVICES

MR DAVID LAN HONG-TSUNG, J.P.
SECRETARY FOR HOME AFFAIRS

MRS LILY YAM KWAN PUI-YING, J.P.
SECRETARY FOR THE ENVIRONMENT AND FOOD

DR YEOH ENG-KIONG, J.P.
SECRETARY FOR HEALTH AND WELFARE

MR LEE SHING-SEE, J.P.
SECRETARY FOR WORKS

MR PHILIP CHOK KIN-FUN
SECRETARY FOR EDUCATION AND MANPOWER

MS ANISSA WONG SEAN-YEE, J.P.
SECRETARY FOR THE CIVIL SERVICE

MS EVA CHENG, J.P.
SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING

MR TIMOTHY TONG HIN-MING
SECRETARY FOR SECURITY

DR EDGAR CHENG WAI-KIN, J.P.
HEAD, CENTRAL POLICY UNIT

CLERKS IN ATTENDANCE:

MR RICKY FUNG CHOI-CHEUNG, J.P., SECRETARY GENERAL

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

TABLING OF PAPERS

The following papers were laid on the table pursuant to Rule 21(2) of the Rules of Procedure:

Subsidiary Legislation/Instruments	<i>No.</i>
Electoral Affairs Commission (Electoral Procedure) (Legislative Council) (Amendment) Regulation 2000.....	L.N. 65/2000
Chinese Medicine (Fees) Regulation	L.N. 69/2000
Public Revenue Protection (Revenue) Order 2000.....	L.N. 70/2000
Import and Export Ordinance (Amendment of Schedule 3) Notice 2000.....	L.N. 71/2000
Adaptation of Laws (No. 16) Ordinance 1999 (36 of 1999) (Commencement) Notice 2000	L.N. 72/2000
Road Users' Code	G.N. 1754/2000

Other Paper

No. 85 — Report No. 34 of the Director of Audit on the results of value for money audits — February 2000

WRITTEN ANSWERS TO QUESTIONS**Drug Abuse by Youngsters**

1. **MR SZETO WAH** (in Chinese): *Madam President, regarding the problem of drug addiction and abuse of psychotropic substances among adolescents, will the Government inform this Council:*

- (a) *of the annual breakdown, for the past three years, on the number of drug abusers aged below 21 by age groups each covering three years, the respective percentages of the drug abusers in the age groups of 15 and above who were students, and the distribution of the locations where adolescents were found abusing drugs;*
- (b) *of the channels through which adolescent students get access to drugs, and how the authorities concerned track down the sources of drugs and combat drug trafficking activities; and*
- (c) *whether it has assessed the effectiveness of publicizing the harmful effects of drug abuse and providing addiction treatment and rehabilitation services for adolescent students; if so, of the results of the assessment?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) According to the record of the Central Registry of Drug Abuse, the numbers of reported drug abusers aged below 21 over the past three years are as follows:

Drug abusers aged below 21

<i>Year</i>	<i>Below 9</i>	<i>9-11</i>	<i>12-14</i>	<i>15-17</i>	<i>18-20</i>	<i>Total</i>
1997	-	1	140	1 094	1 914	3 149
1998	-	2	123	950	1 754	2 829
1999	-	2	103	839	1 499	2 443

The respective percentages of drug abusers in the age groups of 15 and above who were students are as follows:

<i>Year</i>	<i>Percentage of students aged above 15 over drug abusers aged below 21</i>
1997	5.9%
1998	6.3%
1999	9.2%

The numbers of reported drug abusers aged below 21 by district of residence from 1997 to 1999 are as follows:

<i>District of Residence</i>	<i>Year</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
Central and Western	111	76	77
Wan Chai	31	27	21
Eastern	109	121	127
Southern	169	195	177
Yau Tsim Mong	110	110	95
Sham Shui Po	142	132	106
Kowloon City	88	77	65
Wong Tai Sin	174	149	126
Kwun Tong	324	231	193
Kwai Tsing	185	153	132
Tsuen Wan	80	58	76
Tuen Mun	388	328	282
Yuen Long	261	233	172
North	231	252	262
Tai Po	342	341	252
Sha Tin	217	200	155
Sai Kung	96	66	39
Islands	24	27	28
Total	3 082	2 776	2 385

- (b) Our intelligence shows that adolescent students usually obtain drugs and psychotropic substances at black spots for illegal drug sale, such as discos, party venues, amusement games centres and street corners, or from peers.

The Administration has put in place comprehensive legislation to curb drug trafficking activities. In Hong Kong, the maximum penalty for drug trafficking offence is life imprisonment and a fine of \$5 million. To tackle the problem of drug traffickers using youngsters as a tool, the relevant legislation was amended in 1997 to empower the Court to impose heavier sentences on adult criminals who involved/employed young people in drug offences.

On law enforcement, stringent measures have been adopted by the Hong Kong Police Force (police) and the Customs and Excise Department (Customs). Both have set up dedicated units to deal with drug trafficking and related crimes. Anti-drug trafficking activities include regular inspections of drug trafficking black spots, putting more efforts on gathering of intelligence and in-depth investigation into drug syndicates. The police has enhanced its liaison with schools to suppress drug trafficking on campus. Through thematic activities, such as seminars, it has also established mutual trust relationship with students, thus encouraging them to report to the police on known drug trafficking activities.

Apart from inspecting drug trafficking black spots, the Customs intercepts the import of drugs at all entry control points. The Customs is concerned with recent reports that young people go to Shenzhen to abuse psychotropic substances and bring them back to Hong Kong. It has stepped up surveillance of travellers at all control points, in particular Lo Wu where the passenger flow is the highest. In 1999, the number of inbound travellers checked by Customs officers at the Lo Wu control point increased by 8%, and 47 cases involving psychotropic substances were detected, representing an increase of 38% over 1998. A total of 51 persons were arrested, 19 of whom were youngsters under 21.

The Department of Health monitors the supply of dangerous drugs for medical use by controlling the import and export of such drugs through a licensing system and conducting inspections on importers, wholesalers, manufacturers and retailers (that is, dispensaries) to check their compliance with the law and prosecute offenders vigilantly as necessary. In the past three years, the Department of Health created 10 additional posts to step up such inspections and enhance the effectiveness of control over the import and sale of dangerous drugs.

Furthermore, the Narcotics Division has also established a special task force to deal with the problem of psychotropic substance abuse and to recommend specific measures. The task force, comprising more than 20 multi-disciplinary professional and government representatives, will convene its first meeting in late April 2000.

- (c) Between November and December 1998, the Narcotics Division conducted a survey to collect views of more than 3 000 secondary school students on anti-drug activities in Hong Kong. The findings indicated that more than 80% of the interviewees considered participation in anti-drug activities worthwhile, as it would make them more alert to the evils of drugs and the harmful effects of drug abuse. They also acquired the necessary refusal skills and information on how to seek assistance when faced with drug-related problems. Moreover, through an independent researcher, the Narcotics Division is also conducting a survey on assessment and audience utilization of Hong Kong Anti-drug Announcements of Public Interest (APIs). The survey aims to assess changes in the level of awareness, perception and attitude towards such APIs amongst members of the public.

On drug treatment and rehabilitation services, with the assistance of the Chinese University of Hong Kong, the Government evaluated the effectiveness of the services provided by non-subvented voluntary drug treatment and rehabilitation agencies in 1997. Four Christian therapeutic drug treatment and rehabilitation centres were found effective and were being subvented by the Social Welfare Department since early 1998. With regard to other subvented drug treatment and rehabilitation centres, they are being assessed regularly under the subvention scheme.

The effectiveness of other drug treatment services is also being periodically reviewed. For example, a working group was set up in May 1999 to review the effectiveness of the Methadone Treatment Programme, as well as to advise on improvements to the Programme. The review is currently ongoing and is targeted for completion within this year.

Composition of Boards of Supplementary Medical Professions

2. **MR AMBROSE LAU** (in Chinese): *Madam President, regarding the various boards of professions established under section 5 of the Supplementary Medical Professions Ordinance (the Ordinance) (Cap. 359), will the Government inform this Council:*

- (a) *of the respective numbers of members of such boards who are registered practitioners of the relevant professions and their percentages in the total membership, and of the boards whose chairmen are members of the relevant professions; and*
- (b) *whether it will implement a policy to ensure that the chairmen and the majority of members of such boards are drawn from the relevant professionals; if so, of the details and the implementation timetable; if not, the reasons for that, as well as the measures in place to prevent a situation in which professionals are led by non-professionals?*

SECRETARY FOR HEALTH AND WELFARE (in Chinese): Madam President, the primary objective of the Ordinance (Cap. 359) is to promote adequate standards of professional practice and conduct among members of the respective professions. The ultimate aim is to protect the public through a system of registration and discipline of persons engaged in occupations and professions supplementary to medicine. A Supplementary Medical Professions Council (SMPC) and five professional Boards are established under the Ordinance. Each Board is responsible for regulating the respective profession. The SMPC co-ordinates and oversees the activities of the five Boards. Under section 5 of the Ordinance, the respective chairman of the five professional boards shall be appointed from among the members of the SMPC but the person shall not be the member appointed in his capacity as a member of any of the five professions regulated under the Ordinance. At present, none of the current Board chairmen is a member of the relevant profession.

In the five professional Boards, the percentages of members drawn from the relevant profession are tabulated below:

<i>Board</i>	<i>Total no. of members (including chairman)</i>	<i>No. of members from the relevant profession</i>	<i>% of members who come from the relevant profession</i>
Medical Laboratory Technologists Board	10	7	70%
Physiotherapists Board	10	8	80%
Occupational Therapists Board	9	7	77%
Optometrists Board	10	7	70%
Radiographers Board	11	9	82%

As described above, a majority of the Board members are drawn from the respective professions. Professional views are fully taken into account in the Boards' deliberations and, where necessary, the Boards will further consult the profession before taking major decisions.

The present composition of the boards ensures a balance of input from members of the respective professions and from members of other backgrounds. We consider that the current system is working well to achieve the objective of the Ordinance, and that there is no need to introduce changes to the Board structure.

Detention of Ex-prisoners Pending Deportation or Removal

3. **MISS CYD HO:** *Madam President, regarding the detention of persons without the right of abode in Hong Kong, will the Government inform this Council:*

- (a) *of the number of such persons who were pending deportation or removal after having served a sentence as at 1 March 2000, irrespective of whether a deportation order or removal order had been issued or against which an appeal had been lodged, together with a breakdown of such figure by:*
- (i) *reason for detention;*
 - (ii) *legal basis of detention;*
 - (iii) *nationality of detainee; and*
 - (iv) *the lengths of detention (two days or less, three to seven days, eight to 14 days, 15 to 30 days, 31 to 60 days, 61 to 180 days, 181 to 365 days, and over a year);*
- (b) *whether it will consider publishing the above information regularly; if not, of the reasons for that; and*
- (c) *whether it will adopt measures to avoid any such detention in the light of Article 9(1) of the International Covenant on Civil and Political Rights, which provides that "no one shall be subjected to arbitrary arrest or detention"; if not, of the reasons for that?*

SECRETARY FOR SECURITY: Madam President,

- (a) Detention of persons pending deportation or removal is governed by section 32 of the Immigration Ordinance. As at 1 March 2000, 19 persons were detained pending deportation whilst 38 were detained pending removal after having served a sentence.

In all cases, the period of detention is limited to that period which is reasonably necessary to effect the deportation or removal. Such period may include the time taken to secure the necessary entry facilities to countries to which the detainees are to be deported or removed, and the time taken to await the result of statutory/administrative appeals. In cases where the time taken to challenge deportation or removal is substantial, consideration may be given to releasing the detainees on recognizance pursuant to section 36 of the Immigration Ordinance. The initial decision to

detain, rather than to release on recognizance, takes into account the likelihood of the individual person's absconding and the security risks posed to the society.

A breakdown of the 19 deportation cases by the nationality of the detainees and the length of detention is as follows:

<i>No. of cases</i>	<i>Length of detention (days)</i>	<i>Nationality</i>
5	3-7	Bangladeshi (1), Pakistani (1), Filipino (3)
7	8-14	Nepalese (1), Filipino (1), Vietnamese (5)
5	15-30	Nepalese (1), Bangladeshi (1), Indian (1), British (1), Vietnamese (1)
1	31-60	Nepalese
1	61-180	Nigerian

A breakdown of the 38 removal cases by the nationality of the detainees and the length of detention is as follows:

<i>No. of cases</i>	<i>Length of detention (days)</i>	<i>Nationality</i>
31	2 or less	Chinese (30), Filipino (1)
3	3-7	Chinese (1), Thai (1), Filipino (1)
2	8-14	Malaysian (1), Mongolian (1)
2	15-30	Nigerian (2)

- (b) The above information is not published regularly but will be provided on request. If there is a substantial demand, we will consider releasing the information on a regular basis.
- (c) The circumstances in which detention may take place are specified in relevant provisions of the Immigration Ordinance. Decisions to detain are not arbitrary and are consistent with the International Covenant on Civil and Political Rights. Safeguards are provided under section 32 of the Immigration Ordinance against abuse of power by specifying the lawful periods of detention and the level of public officers to authorize detention.

Detention under section 32 is restricted to effecting the detainee's deportation or removal. The length of time taken by the Administration to effect removal or deportation has always been subject to close scrutiny under our judicial system. Persons alleging that their detention is unlawful may apply for a writ of habeas corpus to the Court or apply for a judicial review.

Gambling Activities in Communal Facilities of PRH Estates

4. **MR FRED LI** (in Chinese): *Madam President, regarding gambling activities within the communal facilities in public rental housing (PRH) estates, will the Government inform this Council:*

- (a) *of the number of complaints about such gambling activities it received, and the number of cases in which the suspected gamblers were prosecuted, over the past three years;*
- (b) *of the specific measures in place to crack down on such gambling activities, and whether it has reviewed the effectiveness of such measures; if it has done so, of the time and outcome of the review; and*
- (c) *whether it will consider adopting other measures, such as revising the design of the communal facilities in PRH estates, to curb gambling activities; if so, of the details; if not, the reasons for that?*

SECRETARY FOR HOME AFFAIRS (in Chinese): Madam President, my replies are as follows:

- (a) The number of complaints received by the Housing Department (HD) in the past three years on gambling activities in communal facilities of PRH estate is as follows:

<i>Year</i>	<i>Number</i>
1997	170
1998	207
1999	238

As many of these complaint cases involved senior citizens who saw such activities as a pastime, staff of the HD would normally give verbal warning to these people and where warning is heeded, as normally is the case, HD staff might not refer all complaints received to the police for law enforcement action.

From police enforcement figures in 1998, two cases were detected with four persons charged. In 1999, 25 cases were detected with 95 persons charged, covering housing estates in Sau Mau Ping, Tai Po, Tsing Yi and Wong Tai Sin divisions. No prosecution figures are available for 1997.

- (b) Some communal facilities within PRH estates are very popular amongst senior citizens who gather there for different sorts of activities and some might have taken part in gambling. According to the police, gambling in these communal facilities is not serious. Where gambling does occur, activities tend to be small scale and occasional. They are not syndicated or organized in nature. Local Police Commanders maintain close liaison with the PRH estate management and constantly monitor the gambling activities thereat. The open areas are visited regularly by Uniform Branch officers tasked to patrol the housing estates. Whenever gambling activities are spotted, suitable warning or arrest actions will be taken by the patrolling officers or District Special Duty Squad, depending on the evidence available. However, since the gamblers are very alert and in some cases lookouts are being deployed, to arrest them red-handed is not all that easy.

The HD is also taking proactive preventive and deterrent measures to abate gambling activities in PRH estates, as follows:

- (i) giving verbal warnings to gamblers if gambling activities are found during routine patrol;
- (ii) referring such cases to the police for intensified patrol and enforcement action;
- (iii) organizing joint operations with the police to deter the malpractice;
- (iv) clearing obstructions like chairs, tables and so on at rendezvous of gambling activities regularly; and
- (v) promulgating the legal consequence of gambling in Estate Management Advisory Committee (EMAC) newsletters.

Measures to abate the malpractice were reviewed by the HD in 1997 where (v) above was introduced. During the review, it was also revealed that most of the gamblers were elderly tenants in the estates and the malpractice was virtually a pastime of the retired elderly people. Gambling activities would usually die down for some time after a series of operations but might relapse from time to time.

- (c) Estate offices of the HD would consider, depending on local situation and in consultation with the relevant EMACs, to change the setting of the public areas and recreational facilities such as trimming down undergrowth and tree branches to eliminate dark corners to abate the malpractice. The HD is also working on the public education front by promulgating in EMAC newsletters messages against such gambling activities.

Telephone Hotlines on Medical Services during Holidays

5. **MR YEUNG YIU-CHUNG** (in Chinese): *Madam President, at present, the Department of Health (DH) and the Hong Kong Medical Association (HKMA) each operates a telephone hotline for the public to inquire about general out-*

patient services available on holidays and information regarding private medical practitioners who maintain consultation services during holidays. In this connection, will the Government inform this Council of:

- (a) the respective numbers of inquiries made through the above two hotlines in each of the past three years; and*
- (b) the measures to encourage more people to make use of the two hotlines?*

SECRETARY FOR HEALTH AND WELFARE (in Chinese): Madam President,

- (a) Information on the DH's Sunday/public holiday clinics is accessible to the public through the DH's year-round 24-hour telephone information and fax service. The number of inquiries received through this service in the past three years is as follows:

<i>Year</i>	<i>By Telephone</i>	<i>By Fax</i>	<i>Total</i>
1997	2 988	73	3 061
1998	4 951	582	5 533
1999	8 248	1 525	9 773

The HKMA provides information on the consultation hours of private medical practitioners during public holidays through a telephone hotline called MediLink. The information is available on long public holidays lasting three days or more. The MediLink also provides information on the DH's Sunday/public holiday clinics. According to the HKMA, the number of inquiries received through the MediLink during long holidays in the past three years is as follows:

<i>Year</i>	<i>Telephone inquiries</i>
1997	60 629
1998	22 889
1999	17 211

- (b) The telephone information service of the DH and the MediLink managed by the HKMA are presently publicized through press releases, Announcements of Public Interest, the Internet, MediLink cards, the information service provided by mobile phone companies and pager companies and posters displayed at the DH clinics, Hospital Authority hospitals, public housing estates, centres for the elderly and District Offices. The posters will be distributed in future also to District Council members for display in their offices to further promote the use of these two hotlines.

Subsidies to District Council Members for Procuring IT Equipment

6. **MR LEE WING-TAT** (in Chinese): *Madam President, will the Government inform this Council whether, in order to facilitate District Council (DC) members in managing DC business and communicating with the public by using information technology, it will provide DC members with funds and regular subsidies for purchasing personal computers and peripheral equipment, setting up personal websites and updating the contents of their webpages regularly; if so, of the details; if not, the reasons for that?*

SECRETARY FOR HOME AFFAIRS (in Chinese): Madam President, the Government is assisting DC members to manage DC business and communicate with the public through a number of channels. Members receive a monthly honorarium, covering expenses arising from, and compensating them to some extent for the time spent on, council business. The current rates of honorarium (for single membership) are \$36,380 for DC Chairman, \$27,290 for Vice-chairman and \$18,190 for members.

Moreover, in the 200-01 financial year, the Government will provide over \$62 million in accountable allowances for DC members for the employment of assistants and the running of their offices for discharging their duties. These expenses include rental charges, management fees, rates and government rent, water charges (including sewage charges), electricity and fixed telephone and/or fax lines, and for a fixed datum line for the Internet and e-mail services which members may wish to install in their offices.

The Home Affairs Department has set up a working group to develop homepages for all 18 DCs which will allow, among other things, communication between DC members and members of the public. As an interim measure, details of the members of all DCs, including official addresses, contact telephone numbers and e-mail addresses, and the schedules of DC meetings for the year 2000, have been included in the Department's homepages for use by members of the public. The Department is also exploring the feasibility of providing computer facilities within the DC Secretariat for DC members.

Publishing Government Publications in CD-ROMs

7. **DR TANG SIU-TONG** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *of the respective numbers of annual reports, special issues and public consultation papers published by various government departments over the past three years; the number of copies printed and the cost incurred in respect of each publication;*
- (b) *of the respective numbers of CD-ROMs made for each of the above-mentioned publications which were also available on CD-ROMs, and provide a comparison of unit manufacturing cost between the paper and CD-ROM versions of these publications; and*
- (c) *whether it has plans to formulate a policy to replace the paper version of publications of a similar nature with CD-ROMs; if so, of the details and the department responsible for the co-ordination work; if not, the reasons for that?*

SECRETARY FOR HOME AFFAIRS (in Chinese): Madam President, the Government does not keep statistics on the matters asked in the question. To collect detailed information on all annual reports, special issues and public consultation papers published by the 85 bureaux and departments in the last three years would be a manpower-intensive and time-consuming exercise. The following provides the information relevant to the question which can be collected within the time available.

- (a) Over the past three years, at least 33 bureaux/departments have produced annual departmental reports. Some 240 000 copies of such reports were printed at a cost of about \$8.3 million. In addition, 117 000 copies of the Hong Kong Annual Report were printed at a cost of \$4,775,000.
- (b) The Hong Kong Annual Reports published by the Information Services Department are available on CD-ROMs. The Social Welfare Department (SWD), Environmental Protection Department (EPD), and Research Grants Council (RGC) have also produced some of their annual reports in CD-ROM in addition to the printed version.

The costs of CD-ROMs vary, depending on their contents, designs, navigational features and number of copies produced. In general, the production cost per unit is lower than that for the printed version. For example, the following is a comparison of the production costs of some of the reports:

	<i>Cost per copy</i>	
	<i>CD-ROM</i>	<i>Printed version</i>
SWD's 1996-97 annual report		
Bilingual	\$48.50	
English		\$40.48
Chinese		\$40.48
RGC's 1998 annual report (bilingual)	\$106.00	\$179.90
1998 Hong Kong Annual Report		
Bilingual	\$45.30	
English		\$45.89
Chinese		\$45.89
EPD's 1999 annual report		
Bilingual	\$24.50	
English		\$42.70
Chinese		\$54.60

It is relevant to note that 13 departments (including the EPD) have uploaded their annual reports onto the Government Homepage on the Internet.

- (c) As many people still prefer to read printed materials and printed versions are still in substantial demand by members of the public and organizations, the paper versions of publications cannot be completely replaced by CD-ROMs. However, the general direction is to reduce the number of printed copies of government publications over time by increased use of the electronic medium.

Bureaux and departments are urged to upload their publications onto their homepages. These currently include the Hong Kong Annual Report, all consultation papers, publicity materials for major publicity campaigns such as booklets and pamphlets, government fact sheets, the annual policy address and related information, Budget and related publications, parts of the Government Gazette and the Laws of Hong Kong. They will be encouraged to produce CD-ROM versions for particular publications having regard to the cost of production and the demand.

The Information Services Department, apart from being the publisher of the Hong Kong Annual Report, gives general advice to bureaux/departments on the format of departmental reports and publicity materials.

Processing of Subscription TV Broadcasting Licence Applications

8. **MR LEUNG YIU-CHUNG** (in Chinese): *Madam President, it was reported that the Television Broadcasting Limited had recently applied to the Government for a subscription television broadcasting licence through its wholly-owned subsidiary, with an ultimate target of providing 40 channels, including six for programmes produced on its own. In this connection, will the Government inform this Council whether at present, in vetting and approving applications for a subscription television broadcasting licence, it will consider the combined market share of the applicant and its associated companies in the entire television broadcasting industry, and their dominance in producing and providing programmes, as well as network services upon the acquisition of the licence; if it will, of the details; if not, the reasons for that?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Chinese): Madam President, following the completion of the review of television policy in late 1998, the Government announced the policy decision to open up the television market. In August 1999, the Information Technology and Broadcasting Bureau issued a guidance note to invite applications for the provision of new television services. We believe that a vibrant television market would attract investment, encourage innovation and, most important of all, widen viewers' choice of programmes. Subject to physical or other constraints, there will be no pre-set limit on the number of licences to be issued.

We have received a total of 10 applications, including the one submitted by Galaxy Satellite Broadcasting Limited, a subsidiary of the Television Broadcasting Limited. The licence applications are currently being assessed.

The assessment criteria, as detailed in the above-mentioned guidance note, include among others the financial commitments undertaken by the applicants; the variety, quantity and quality of programme services; technological innovation; the service rollout plan; and the compliance of applicants with the relevant statutory and licence requirements, and so on.

At present, the Television Ordinance imposes certain restrictions on cross-media ownership. In accordance with the relevant statutory provisions, the Chief Executive in Council may, on grounds of public interest, approve exemptions from such restrictions. Public interest considerations would include such factors as the effect on competition in the relevant service market, the extent to which viewers will be offered more diversified programme choices, the impact on the development of the broadcasting industry and the overall benefits to the economy.

In a liberalized and competitive television market, the Government considers it most important to provide a level playing field for both incumbents and new entrants. To this end, the Broadcasting Bill, which has already been introduced into the Legislative Council, has incorporated competition provisions to prohibit a licensee from engaging in anti-competitive conduct and a licensee in a dominant position in a television programme service market from abusing its dominant position. Subject to enactment by the Legislative Council, the Bill will provide an environment conducive to fair competition in the television market and this, in turn, will benefit consumers.

Incidents Involving Air Traffic Safety

9. **DR RAYMOND HO** (in Chinese): *Madam President, it was reported that the frequency of incidents involving air traffic safety at the Chek Lap Kok airport doubled that at the former airport, and half of the incidents were related to directions given by air traffic controllers. In this connection, will the Government inform this Council of:*

- (a) *the total number of incidents involving air traffic safety since the opening of the airport, and the details of these incidents;*
- (b) *the number of such incidents which were related to inappropriate directions given by air traffic controllers; and*
- (c) *the training courses currently provided for air traffic controllers; whether it will consider strengthening their training in radar operation techniques and emergency response capabilities; if it will, of the details?*

SECRETARY FOR ECONOMIC SERVICES (in Chinese): Madam President,

- (a) According to the data provided by the Civil Aviation Department (CAD), a total of 27 air traffic incidents have been recorded since the opening of the new airport. Of these incidents:
 - 12 involved loss of standard separation;
 - six involved missed approaches resulting from aircraft on the ground not vacating the runway in time;
 - two involved aircraft deviating from normal flight path;
 - two involved aborted take-off by aircraft on the runway which have started the take-off procedures;

- two involved activation of Traffic Alert and Collision Avoidance System in aircraft despite there being no loss of separation;
- one involved fire vehicles crossing the runway without permission;
- one involved improper handling of request for assistance from aircraft; and
- one involved aircraft having been transferred at wrong level.

According to classification criteria under international practice, these incidents are classified under the category of "no risk of collision".

- (b) The CAD's investigations showed that of the above 27 incidents, 14 were caused by inappropriate directions given by air traffic control personnel. However, in all the cases timely rectification measures were taken and there was no risk of collision.
- (c) An air traffic controller is required to undergo about two years of basic training. Subjects covered include meteorology, telecommunication, navigation, aviation law, air traffic control procedures and aircraft operations. The training process comprises classroom lectures, simulator practice and on-the-job training. During this period, the CAD would also send the controller overseas to receive Aviation English and Primary Air Traffic Control Training as well as flying training in light aircraft. This overseas training aims to increase the controller's aviation exposure and knowledge.

On successful completion of the basic training, the controller would continue his training in Aerodrome Control and Area Control. This training similarly includes classroom lectures, simulator practice and on-the-job training. He would be qualified for assuming such control functions only after passing the required written and practical examinations.

As regards radar control, the controller must have accumulated at least one year's experience each in practising Aerodrome Control and Area Control. He must also receive additional training in Approach Radar and Area Radar Control, which covers a wide range of subjects, including radar theory, basic knowledge of radar systems, local radar equipment, radar data/display processing and radar control operating procedures. The controller would also receive intensive practical training in the radar simulator to develop radar control technique through different traffic scenarios. The controller would become qualified to provide radar control service only after completing on-the-job training and passing the written and practical examinations. The total training period takes about six to seven years after joining the CAD. The training syllabus and arrangements comply with the standards of the International Civil Aviation Organization.

To further reinforce the level of situation awareness and to improve the skills in handling emergencies, the CAD has designed a Refresher Training Programme for all radar controllers. This programme enables radar controllers to practise the control of traffic under emergency and different heavy air traffic situations in radar simulators at regular intervals. Furthermore, the CAD created three Air Traffic Control Officer II posts in December 1999 to strengthen the establishment of the training unit concerned.

Lay Prosecutors Conducting Prosecutions at Magistracies

10. **DR DAVID LI:** *Madam President, at the Ceremonial Opening of the Legal Year 2000 held on 17 January this year, the Chief Justice called on the Government to review the present arrangement whereby prosecutions at magistracies are predominantly conducted by lay prosecutors trained by the Department of Justice. In this connection, will the Government inform this Council:*

- (a) *of the entry qualifications of lay prosecutors;*
- (b) *of the training provided for lay prosecutors before they take on prosecution duties; and*

- (c) *whether the Department has plans to recruit new lay prosecutors this year?*

SECRETARY FOR JUSTICE: Madam President,

- (a) Entry Qualifications of Court Prosecutors

The minimum entry qualifications required for the post of Court Prosecutors are as follows:

- (i) a pass in two subjects in the Hong Kong Advanced Level Examination and Grade C or above in three other subjects including English Language (Syllabus B) in the Hong Kong Certificate of Education;
- (ii) Grade E or above in Chinese Language in the Hong Kong Certificate of Education;
- (iii) good spoken English and fluent Cantonese; and
- (iv) at least one year working experience.

At present, there are 113 Court Prosecutors. Most of them (about 77%) are degree holders: 21 have obtained law degrees, and 56 have obtained other degrees. In addition, 22 Court Prosecutors are studying for law degrees. Ten have been admitted to the Bar.

- (b) Training provided for Court Prosecutors before they take on prosecution duties

Court Prosecutors are trained for the job. Before they take up prosecution duties, Court Prosecutors are required to attend a nine-month full time training course on criminal law, court procedure and presentation of evidence in court. In the course of the training programmes, sample charges are considered and mock trials conducted, to be followed by one month's attachment to the court under supervision of qualified counsel. At the end of the course, they are required to pass a written as well as a practical examination. Failure in either examination would result in their appointment being terminated.

In order to provide an effective and high quality service to the public, Court Prosecutors have to attend training seminars and refresher courses to update their knowledge and to improve their skill in advocacy.

- (c) Is there any plan to recruit new Court Prosecutors this year?

No. The Department of Justice does not have any plan to recruit Court Prosecutors this year.

Potentially Dangerous Facilities in the Vicinity of Schools

11. **MR CHEUNG MAN-KWONG** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *whether any legislation or town planning guidelines are in place to prohibit the setting up of potentially dangerous facilities in their vicinity; if so, of the details; if not, the reasons for that;*
- (b) *of the total number of schools in the territory with petrol filling stations or other potentially dangerous facilities in their vicinity;*
- (c) *of the number of complaints it received from schools last year about the presence of potentially dangerous facilities in their vicinity, and how it handled the complaints; and*
- (d) *whether it has carried out risk assessments and offered remedial measures for schools with potentially dangerous facilities in their vicinity; among those schools, of the respective numbers of cases in which the schools or facilities involved have to be relocated; how it can ensure that before those remedial measures have been implemented, the contingency plans worked out by the schools concerned are adequate for protecting the safety of their teachers and students?*

SECRETARY FOR PLANNING AND LANDS (in Chinese): Madam President,

(a) and (d)

The first and the fourth questions are related. Under the Hong Kong Planning Standards and Guidelines, Potentially Hazardous Installation (PHI) refers to an installation which stores hazardous materials in quantities equal to or greater than a specified threshold quantity for the materials concerned in accordance with international safety standards. Examples of existing PHIs in Hong Kong include Liquefied Petroleum Gas storage facilities with a storage capacity of 25 tonnes or more; chlorine stores with a storage capacity of 10 tonnes or more; and petrol stores (mainly at oil depots) with a storage capacity of 10 000 tonnes or more. Petrol filling stations do not fall within the category of PHIs. Nevertheless, they are subject to stringent fire safety requirements. The Hong Kong Planning Standards and Guidelines have set out the environmental and fire safety requirements for the location of petrol filling stations.

The Government's policy is to minimize the potential risks associated with a PHI to internationally acceptable levels by controlling the siting of PHIs and the land use in the vicinity, and by requiring the installation to be constructed and operated to specified standards. The Hong Kong Planning Standards and Guidelines set out detailed guidelines and requirements for PHIs. Further details are available from the Planning Department's homepage on the Internet. These guidelines and requirements include:

- (i) an assessment zone (ranging from 150 m to 1 km radius from the PHI depending on the quantity and nature of hazardous substances) is delineated for every PHI within which a hazard assessment is to be conducted to assess the risks posed by the PHI on the present and future population, and the required mitigating measures to reduce such risks. Given these stringent hazard assessments and mitigating requirements for the PHIs, the schools within the assessment zone are not required to relocate nor to adopt other mitigating measures; and

- (ii) in addition to the hazard assessment, the Government also undertakes a planning study to examine the present and future land use and development proposals in the assessment zone and the necessary planning control measures to be taken within the zone.
- (b) Our record reveals that there are 15 schools within a distance of 50 m from a petrol filling station, and 54 schools within the assessment zone of a PHI.
- (c) In the past year, no complaint had been lodged by schools about the presence of a PHI in the vicinity of their premises, although the Environmental Protection Department received two complaints from one school against odour from a petrol filling station in the vicinity. Investigations established that the petrol filling station concerned had already installed vapour recovery system for their underground petrol tanks and measurement at the school indicated that the benzene concentration did not exceed international safety standards.

Overcharging of Fees by Kindergarten Operators

12. **MISS EMILY LAU** (in Chinese): *Madam President, the Administration informed this Council on 10 November last year that the Education Department (ED) would require the kindergartens found overcharging to return the overcharged fees to parents. However, it was reported that Gloria Kindergarten and Gloria Kindergarten (Norfolk Extension) had not yet refunded the fees they overcharged during the 1997-98 school year. In this connection, will the executive authorities inform this Council:*

- (a) *of the names of the kindergartens found overcharging in the 1997-98 school year, the total overcharged amount, the number of pupils involved and the progress in returning the overcharged fees;*
- (b) *whether they have any plan to invoke the Education Regulations (Cap. 279 sub. leg.) to prosecute the operators of kindergartens found overcharging; if not, of the reasons for that; and*

- (c) *whether they have investigated if the aforesaid two kindergartens had overcharged fees in other school years?*

SECRETARY FOR EDUCATION AND MANPOWER (in Chinese): Madam President,

- (a) Apart from Gloria English Primary School and Kindergarten and Gloria Kindergarten (Norfolk Extension), the ED has not found any other kindergartens overcharging school fees in the 1997-98 school year.

The estimated amount of school fees overcharged by the two Gloria kindergartens during the 1997-98 school year is as follows:

	<i>Enrolment</i>	<i>Total Amount Overcharged</i>
(i) Gloria English Primary School and Kindergarten	870	\$3,993,000
(ii) Gloria Kindergarten (Norfolk Extension)	940	\$3,429,000

Up to now, Gloria English Primary School and Kindergarten have only refunded to one parent the overcharged school fees for the 1997-98 school year.

- (b) The ED takes a serious view of cases of kindergartens overcharging school fees in breach of regulations. Other than issuing warning letters and requiring the operator to refund the overcharged school fees to parents, the ED would also consider withdrawing the approval of the supervisor or instituting prosecution action against the operator. In July 1999, the ED found out that the two Gloria kindergartens had overcharged school fees in the 1997-98 school year. Although the two kindergartens undertook in October 1999 to refund the overcharged fees to parents, they failed to keep their promise. The ED considers this a very serious malpractice and is seeking legal advice before deciding on what further action to be taken, including the possibility of prosecuting the operator.

To prevent overcharging of school fees by kindergartens, information on approved school fees is published in the Kindergartens Profiles. Furthermore, to increase the transparency of fees collected by kindergartens and to make the information readily available to parents, the ED will require kindergartens to provide, in school pamphlets or admission application forms, information on approved school fees and other fees.

- (c) The ED found in an investigation last year that apart from overcharging school fees in the 1997-98 school year, the above-mentioned Gloria kindergartens had also overcharged school fees in the 1998-99 school year. The ED issued written warning letters to the kindergartens immediately, requiring them to refund the overcharged school fees as soon as possible. As the two kindergartens have refunded to parents the amounts overcharged for the 1998-99 school year, the ED did not take prosecution action against the operators of the kindergartens.

Complaints about Driving Tests

13. **MR LAU KONG-WAH** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *whether it knows how Hong Kong's current driving test fees for various driving licences and the average instruction fees paid by learner drivers compare to the corresponding figures in other advanced countries in Europe and America;*
- (b) *of the number of complaints about driving tests it received over the past three years, with a breakdown by the subject of complaint; and*
- (c) *of the follow-up actions it has taken on these complaints?*

SECRETARY FOR TRANSPORT (in Chinese): Madam President,

- (a) In Hong Kong, the driving test fee for all types of vehicle is \$510. For comparison, taking private car as an example, the test fee in a few European and North American cities are as follows:

Toronto	HK\$ 1,330
London	HK\$ 1,070
Belgium	HK\$ 390
New York	HK\$ 350

In Hong Kong, the fee paid by learner drivers for driver training varies depending on the type of vehicle, the number of hours they practise, and the mode of training (private driving instructors or driving schools). If we take private car driver training as an example and using a 35-hour course as a basis, the fee ranges from \$5,250 for a course of lessons from private driving instructors to \$8,000 for a course operated by a driving school. For a similar training course in a driving school in Belgium, the cost will be around HK\$9,700. The average hourly fee for a lesson from a private driving instructor in Hong Kong is about \$150 as compared with HK\$130 in Toronto.

- (b) The number of driving tests conducted by the Department in the past three years together with the number of complaints received are:

<i>Nature</i>	<i>Year</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
Driving Tests Conducted	211 232	215 072	199 457

Breakdown of Complaints by Subject:

- Uncommitted mistakes	61	81	101
- Manner of examiner	2	3	6
- Both Uncommitted mistakes and manner of examiner	5	6	8
- Unclear Instructions	-	2	2
- Miscellaneous	1	7	10
Total	69	99	127

- (c) All complaints on driving tests are handled by a Complaint Unit of Transport Department comprising one Senior Driving Examiner and one Driving Examiner. On receiving a complaint on a driving test, the investigation officer will review the driving test results on the basis of the Driving Examiner's report. He would seek further statements from the Driving Examiner and conduct site visits if necessary before conducting an interview/telephone discussion with the complainant. During the interview/telephone conversation, the investigation officer will collect further information from the complainant. Depending on the circumstances of the complaint, the complainant may be advised of the reasons for his failure, or be given a free re-test if the complaint is substantiated. If the complainant is dissatisfied with the investigation result, the case may be brought up to the Commissioner for Transport for review and a final decision. The number of re-tests granted in the past three years is eight, nine and 17 respectively.

Low Water Pressure of Potable Water Supply in PRH Buildings

14. **MR FRED LI** (in Chinese): *Madam President, it is learnt that the pressure of the potable water supply at the top floor flats in a number of public rental housing (PRH) buildings is too low to enable the town gas water heaters in these flats to operate, causing inconvenience to the households there. In this connection, will the Government inform this Council:*

- (a) *of the types of PRH buildings whose top floor flats are plagued by the problem of low water pressure; the reasons for the substandard water pressure in these buildings, and whether this is related to the design of these buildings;*
- (b) *of the number of complaints it received from PRH tenants about excessively low water pressure, over the past three years, and how it handled these complaints; and*
- (c) *whether it has considered adopting measures to find a thorough solution to the problem of excessively low water pressure in these buildings; if it has, of the details; if not, of the reasons for that?*

SECRETARY FOR HOUSING (in Chinese): Madam President,

- (a) The block types affected are Linear 1, Linear 3, Linear L, Single H, Double H, Triple H, Double I, Old Slab Block, Twin-Tower, Mark 5 and Harmony 3. Although the water pressure design standard for the top floors of these old estate blocks was adequate at the time of completion, water pressure has been affected by the ageing of plumbing installations.
- (b) The Housing Department received 146 complaints in 1997, 166 complaints in 1998 and 231 complaints in 1999 about low water pressure at the top floors of PRH estates. To respond to these complaints, the Housing Department has replaced the old pipes and defective control valves for these blocks and has liaised with the Water Supplies Department to clean the filters of water meters of the affected flats.
- (c) The Housing Department has been conducting trials using booster pumps at the rooftops of Lai King Estate and Kwai Fong Estate in order to upgrade the water pressure at the top floors. These trials will be completed in April 2000. If satisfactory, the Housing Department will implement the upgrading programme in all the affected blocks.

Accountability of the Commissioner of ICAC

15. **MISS EMILY LAU** (in Chinese): *Madam President, in respect of the accountability of the Commissioner of the Independent Commission Against Corruption (the Commissioner) in discharging his duties, will the executive authorities inform this Council:*

- (a) *whether a mechanism is in place regarding how the Commissioner should be accountable to the Chief Executive operationally; if so, of the implementation date and details of such a mechanism; if not, the reasons for that;*

- (b) *of the number and contents of meetings held between the Chief Executive and the Commissioner since the establishment of the Government of the Hong Kong Special Administrative Region;*
- (c) *how the independence of the work of the Commissioner is ensured; and*
- (d) *whether the contents of meetings between the Chief Executive and the Commissioner will be made public regularly; if so, of the commencement date of such an arrangement; if not, the reasons for that?*

CHIEF SECRETARY FOR ADMINISTRATION (in Chinese): Madam President, the independence of the Independent Commission Against Corruption (ICAC), and its accountability to the Chief Executive, are guaranteed by Article 57 of the Basic Law. Moreover, section 5 of the Independent Commission Against Corruption Ordinance (Cap. 204) (ICAC Ordinance) provides that the Commissioner is subject to the orders and control of the Chief Executive in respect of the direction and administration of the ICAC, and that the Commissioner is not subject to the direction or control of any person other than the Chief Executive.

Under section 12 of the ICAC Ordinance, the Commissioner discharges his duties on behalf of the Chief Executive. The Chief Executive meets the Commissioner from time to time to discuss the work of the ICAC. The frequency of such meetings varies according to the actual need. As matters discussed at the meetings include operational issues which are confidential in nature, it is inappropriate to disclose the content of such meetings.

Overdue Payment of Government Loans by Graduates of Tertiary Institutions

16. **MR LAU KONG-WAH** (in Chinese): *Madam President, it was reported that the number of cases of overdue repayment of government loans by graduates of local tertiary institutions is on the rise. In this connection, will the Government inform this Council:*

- (a) *in respect of each of the loan schemes available for application by students of local tertiary institutions,*
- (i) *the number of loan applications approved and the total amount of loans;*
 - (ii) *the number of cases of overdue repayment and the total overdue amount; and*
 - (iii) *the number of cases in which deferred loan repayments were allowed and the total deferred amount involved*
- in each of the past five fiscal years;*
- (b) *of the criteria adopted for deciding on the overdue repayment cases to be referred to the Department of Justice; the number of cases referred to the Department of Justice over the past five years, the follow-up actions taken by the Department of Justice, and the number of cases in which the outstanding loans were successfully recovered;*
- (c) *of the criteria adopted for approving applications for deferred loan repayments; and*
- (d) *whether it will consider imposing penalties on those borrowers who can afford repaying the loans but deliberately delay or refuse doing so; if it will not, of the reasons for that?*

SECRETARY FOR EDUCATION AND MANPOWER (in Chinese): Madam President,

- (a) There are three loan schemes available for application by students of local tertiary institutions. Relevant statistics for the past five years are as follows:
- (i) The number and the total amount of loans awarded:

<i>Academic Year</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i> ⁽¹⁾
(a) Local Student Finance Scheme ⁽²⁾					
Number of loan recipients	34 986	35 828	34 075	30 351	30 056
Total amount of loans (\$m)	806.1	880.2	884.5	714.5	660.0
(b) Non-means-tested Loan Scheme ⁽³⁾					
Number of loan recipients	-	-	-	10 417	8 702
Total amount of loans (\$m)	-	-	-	335.3	283.6
(c) Student Finance Assistance Scheme ⁽⁴⁾					
Number of loan recipients	825	872	827	869	890
Total amount of loans (\$m)	5.8	7.6	14.4	15.2	15.3

- (ii) Failure to repay two or more consecutive quarterly instalments constitutes a default case. Since the first quarterly instalment of the Non-means-tested Loan Scheme was due as recent as 1 January 2000, no students are in default. As for the other schemes, details are as follows:

<i>Fiscal Year</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i> ⁽¹⁾
(a) Local Student Finance Scheme					
Number of default cases	221	308	400	674	969
Amount of loans defaulted (\$m)	1.45	1.95	3.18	5.72	9.67
Total number of repayment accounts	26 767	39 045	54 287	68 275	79 528

⁽¹⁾ Figures as at 8 March 2000.

⁽²⁾ The Local Student Finance Scheme provides financial assistance in the form of grant and loan to eligible full-time students of the University Grants Committee (UGC)-funded institutions, the Hong Kong Academy for Performing Arts, the Hong Kong Institute of Vocational Education and the Prince Philip Dental Hospital. The figures shown relate to loans only.

⁽³⁾ The Non-means-tested Loan Scheme, introduced in 1998-99, provides financial assistance in the form of loan to eligible local students enrolled in full-time or part-time courses offered by the UGC-funded institutions, the Hong Kong Academy for Performing Arts, the Hong Kong Institute of Vocational Education, the Prince Philip Dental Hospital and to full-time students of the Hong Kong Shue Yan College as well as students of the Open University of Hong Kong. In 2000-01, the Scheme will be extended to cover more continuing education courses.

⁽⁴⁾ The Student Finance Assistance Scheme provides financial assistance in the form of grant and loan to students of approved post-secondary colleges. At present, the Hong Kong Shue Yan College is the only institution participating in the Scheme. The figures shown relate to loans only.

Fiscal Year 1995-96 1996-97 1997-98 1998-99 1999-2000 ⁽¹⁾

(b) Student Finance Assistance Scheme

Number of default cases	25	36	14	11	18
Amount of loans defaulted (\$m)	0.08	0.15	0.08	0.07	0.13
Total number of repayment accounts	986	1 136	1 260	1 351	1 300

- (iii) The Student Financial Assistance Agency (SFAA) does not have any statistics on the total amount involved in approved cases of deferred loan repayment. The number of applicants allowed to defer repayment of loans is as follows:

Fiscal year
Grounds for approval 1995-96 1996-97 1997-98 1998-99 1999-2000 ⁽¹⁾

(a) Local Student Finance Scheme

(1) Further studies	783	1 176	1 312	1 460	1 514
(2) Financial difficulties (including unemployment)	11	20	17	370	249
(3) Serious illness	10	2	4	14	12
Total	804	1 198	1 333	1 844	1 775

(b) Non-means-tested Loan Scheme

(1) Further studies	-	-	-	-	60
(2) Financial difficulties (including unemployment)	-	-	-	-	10
(3) Serious illness	-	-	-	-	0
Total	-	-	-	-	70

(c) Student Finance Assistance Scheme

(1) Further studies	32	21	19	20	18
(2) Financial difficulties (including unemployment)	0	0	0	4	16
(3) Serious illness	0	0	0	0	0
Total	32	21	19	24	34

⁽¹⁾ Figures as at 8 March 2000.

- (b) The SFAA will issue reminders at regular intervals to the defaulters whose repayment instalments remain outstanding for more than two quarters. Should they fail to settle the outstanding amount before the deadline, the SFAA will demand settlement by their indemnifiers. Most default cases can be satisfactorily resolved by such means while the remaining cases have to be referred to the Department of Justice for settlement through legal proceedings. After studying a case, the Department of Justice will normally write to urge the defaulter and his indemnifier to settle the arrears. If the defaulter and his indemnifier fail to do so within the prescribed time limit, the Department of Justice, depending on the outstanding amount involved, will file a claim with the Small Claims Tribunal or apply for a court order through civil proceedings against the parties concerned to demand for loan repayment. Over the past five years, the SFAA has referred a total of 72 such cases to the Department of Justice for appropriate action. Among them, 24 cases were settled with approximately \$320,000 successfully recovered. In three cases, defaulters were allowed to make repayment by instalments on the ground of financial difficulties. The remaining 45 cases are still being processed.
- (c) The SFAA will consider applications for deferred loan repayment on the merits of individual cases. Approval may be granted if the applications are made on grounds of further studies, financial difficulties or serious illness. The applications have to be supported with such valid documentary proofs as student cards, financial records or medical certificates.
- (d) A surcharge of 5% is currently imposed on the loan defaulters. If the case involves court proceedings, the Government will also recover from the loan recipient or his indemnifier all the legal costs incurred and will levy on them a post-judgment statutory interests (the current rate being 11.5% per annum).

Chemical Spills from Inbound Containers at Container Terminals

17. **MR LEE KAI-MING** (in Chinese): *Madam President, on 8th this month, an incident in which chemical liquids spilt from inbound containers occurred at the Kwai Chung Container Terminals, and 11 dockers felt sick after inhaling the poisonous gas. In this connection, will the Government inform this Council whether:*

- (a) companies importing toxic chemicals are required to notify the government departments concerned prior to the arrival of the containers carrying such chemicals; if so, of the details; if not, the reasons for that;*
- (b) international laws are in place to stipulate the safety measures that must be adopted when conveying toxic chemicals by sea; and*
- (c) it will formulate measures to prevent the recurrence of such incidents?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) The Dangerous Goods (Shipping) Regulations under the Dangerous Goods Ordinance (Cap. 295) require that the owners, agent or master of any vessel having dangerous goods on board shall furnish a manifest to the Director of Marine in not less than 48 hours before the vessel may arrive in the waters of Hong Kong. The manifest shall include particulars including port of shipment, chemical and trade name, classification or category, quantity, and so on, of the dangerous goods;
- (b) The International Maritime Dangerous Goods (IMDG) Code published by the International Maritime Organization sets out the detailed requirements for the safe carriage for dangerous goods by sea. These requirements cover, *inter alia*, documentation, marking and labelling, stowage, segregation, packing and packaging arrangements. Hong Kong adopts the IMDG Code.

- (c) A Dangerous Goods Management Unit was established in the Marine Department in mid-1999 to carry out random inspections on vessels and ensure their safe carriage of dangerous goods by sea in compliance with our statutory requirements. To help prevent the recurrence of the chemical spillage incident at the Kwai Chung Container Terminals earlier this month, the Marine Department will further step up liaison with port authorities in the region to ensure proper packaging of classified dangerous goods at source.

Filming Crews being Extorted of Protection Money while Shooting on Location

18. **MR YEUNG YIU-CHUNG** (in Chinese): *Madam President, regarding the extortion of "protection money" by lawless elements from production crews of television programmes and motion pictures shooting on location, will the Government inform this Council:*

- (a) *of the total number of such cases reported to the police during the past three years, and the number of those cases involving filming crews of non-Hong Kong television programmes and motion pictures production organizations being subject to extortion;*
- (b) *of the total number of convicted cases and the average penalties imposed by the Court in such cases;*
- (c) *whether it has assessed the gravity of the above extortion problem; and*
- (d) *of the specific measures in place to combat such illegal activities?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) The number of extortion reports received by the police in relation to filming since 1997 is as follows:

<i>Year</i>	<i>No. of Reports</i>	<i>No. of Persons Arrested</i>
1997	0	0
1998	2	2
	(with 1 case with no arrest)	
1999	1	5
2000 (till 22 March)	1	1

No report has been received from non-Hong Kong film crews.

- (b) Of the three cases with arrest, one case has been tried and the other two are pending trial. In the tried case, one of the two defendants was convicted and sentenced to imprisonment for six months and nine months (to run concurrently) for the offences of "blackmail" and "claiming to be member of triad society" respectively. The other defendant was acquitted.
- (c) The police constantly monitor triad activities at regional, district and divisional levels. Appropriate action will be taken to eradicate any extortion activities, including those targeting the film industry. The number of reports of extortion of film/TV crew received by the police is relatively low. The problem does not appear to be serious.
- (d) The following measures have been taken to combat extortion activities targeting the film industry:
- Divisional officers have been briefed to pay attention to any filming activities which take place in public areas in their divisions. Officers are also advised on how to handle cases of extortion related to filming through guidelines issued by the Police Public Relations Branch (PPRB).
 - The film/TV industry has been encouraged to notify PPRB of their intended filming activities so that the PPRB can in turn inform the divisions concerned for their necessary action. The PPRB (Films and TV Liaison Section) also monitors the

problem of extortion of film/TV industry at the headquarters level and maintains close liaison with the industry. Whenever such incidents are reported in the newspapers, the PPRB will liaise with the division concerned to ascertain the truthfulness of the report.

- The PPRB has included in its "Advisory Guideline to Film Industry" appropriate advice on what action should be taken in case of extortion. This booklet is available to all members of the film/TV industry.
- The Film Services Office of the Television and Entertainment Licensing Authority has given similar advice regarding extortion to the film/TV industry in its booklet entitled "Guide to Filming in Hong Kong". The Office will also distribute the Guide overseas during the annual location trade show so that non-Hong Kong film/TV crews will also be kept informed.

Airport Facilities for Transit Passengers

19. **MISS CHOY SO-YUK** (in Chinese): *Madam President, will the Government inform this Council whether it knows:*

- (a) *the respective average time required currently for transit passengers to complete their transit procedure and to have their luggage conveyed interline at the airport; how these figures compare to those of Changi International Airport in Singapore, Narita Airport in Japan and the Frankfurt Rhein-Main Airport in Germany; and*
- (b) *if the authorities concerned have assessed the capability of the passenger flow design and the facilities at the airport at Chek Lap Kok in making Hong Kong a hub for passenger interchange?*

SECRETARY FOR ECONOMIC SERVICES (in Chinese): *Madam President, we have consulted the Airport Authority (AA). Replies to the two parts of this question are as follows:*

- (a) The actual time taken for the processing of transfer passengers and their baggage depends on a number of factors which vary between airlines and between flights. These factors include whether a transfer passenger has a confirmed seat and boarding pass for the connecting flight before arrival in Hong Kong, the distance between the gate of the incoming flight and that of the connecting flight, the procedures adopted by airlines for processing the baggage of transfer passengers, and the speed of airlines and/or their appointed agents in handling the transfer of passengers and baggage.

In order to ensure a smooth transfer of passengers and baggage between airlines, a Minimum Connecting Time (MCT) has been established by airlines. In brief, the MCT is the shortest time interval required for the processing of the transfer passengers and their baggage between the scheduled arrival of the incoming flight and the scheduled departure of the connecting flight. The MCT for each airport is widely treated by airlines as a guide for the acceptance of transfer passengers, taking into account the factors mentioned above.

The MCT for Changi Airport in Singapore is 60 minutes. For Narita Airport in Japan, which has two passenger terminals, the MCT is 60 minutes for Terminal 1 and 110 minutes for Terminal 2. The MCT for Frankfurt International Airport in Germany is 45 minutes.

For the Hong Kong International Airport (HKIA), the MCT is generally 60 minutes, although it varies between airlines and between flights. In some cases, the MCT is shorter. In other cases, a longer MCT is needed, for example, when passengers confirm their reservations for the connecting flights upon arrival in Hong Kong and therefore need to clear their baggage through Customs.

- (b) Facilities are available at the HKIA to provide a good transfer service. These include the provision of five transfer areas at strategic locations inside the Passenger Terminal Building to facilitate the ticketing of transfer flights, and the provision of six access points so that transfer passengers can quickly move from the

arrival level to boarding gates. In addition, the central Baggage Handling System (BHS) is specifically designed to handle transfer baggage. There is also a separate BHS for the quick processing of transfer baggage which requires speedy delivery between connecting flights.

In view of the strong growth of transfer passenger traffic in the past two years, the AA and the airlines concerned are undertaking a review of the facilities for transfer passengers. The review aims to shorten the processing time for transfer passengers and their baggage and to provide better services for them. These efforts will help enhance the competitiveness of the HKIA as a passenger transfer hub.

Growth Enterprise Market's Function as a Financing Channel for Small-scale Emerging Enterprises

20. **MISS CHAN YUEN-HAN** (in Chinese): *Madam President, the Administration is implementing the recommendations of the Commission on Innovation and Technology in order to promote the development of technology-based industries in Hong Kong, and the Growth Enterprise Market (GEM) has been established primarily to provide a channel for emerging small-scale enterprises of innovations and technology to raise capital. In this connection, will the Government inform this Council whether it has assessed the effectiveness of the GEM in performing the above-mentioned function; if it has, of the criteria adopted for and the outcome of the assessment; and of the measures it will adopt to strengthen the capability of the GEM to perform this function?*

SECRETARY FOR FINANCIAL SERVICES (in Chinese): *Madam President, the GEM was launched by the Stock Exchange of Hong Kong Limited (SEHK) in November 1999 as an alternative market to provide emerging growth companies easier access to the funds of the investing public. The GEM is open to companies from all industries and of all sizes. At the same time, this new market also serves the purpose of providing an efficient venue for fund raising by small and medium enterprises, particularly those engaged in emerging technology-related businesses. Since the inception of this new market, the SEHK has been actively promoting fund raising through the GEM by conducting*

visits and seminars targeting at small and medium firms, including the technology-based companies.

This new market has so far received favourable response from the market and has attracted considerable interests from technology-based companies. In about four months after its launching, the GEM has raised approximately \$8 billion for 16 issuers, far more than the amount raised by any of its major Asian counterparts in 1999 (please refer to the table for comparison at Annex). It is estimated that the total capital raised will be increased to \$9.4 billion by the end of April.

As at 27 March, there are 16 companies listed on the GEM, with most of them involved in computer/Internet or other technology-related businesses. The local technology-based companies are estimated to have raised a total of \$6.6 billion so far through listing on the GEM, or about 82% of the total funds raised. Meanwhile, more than 20 applications are currently under consideration for listing on the GEM and more than half of them are in computer or technology-related businesses, reflecting the increasingly important role of the GEM in facilitating capital raising for the development of technology-based industries. It is estimated that the fund raised by local technology-based companies will reach \$8 billion by the end of April.

In the light of the experience gained so far and in particular the concerns raised over some recent cases of initial public offerings on the GEM, the Hong Kong Exchanges and Clearing Limited (HKEx)/SEHK has announced, after consultation with the Securities and Futures Commission (SFC), on 11 March 2000 a number of modifications to the requirements and restrictions under the GEM listing rules. These modifications, which concern mainly the granting of certain waivers under the GEM listing rules, are intended to ensure a level playing field and transparency in the application of the GEM listing rules while enhancing the competitiveness of the GEM. The HKEx has recently undertaken to conduct a review on GEM listing rules with a view to improving the operation and facilitating the development of the market. A paper will be prepared and issued for full market consultation as soon as practicable. The Panel on Financial Affairs of the Legislative Council was briefed by HKEx/SEHK and the SFC of the review on the GEM listing rules at the meeting held on 13 March 2000 and welcomed that initiative.

The HKEx/SEHK is committed to continuing its efforts in the promotion of the GEM and will regularly review the listing rules in consultation with the SFC and the market. Changes will be made as necessary with a view to improving the competitiveness of the market on the one hand and to ensure reasonable protection to the investors on the other. The Government will continue to closely monitor the development of the GEM.

Annex

GEM's Asian Counterparts

	<i>GEM</i>	<i>MESDAQ</i>	<i>MOTHERS</i>	<i>ROSE</i>	<i>SESDAQ</i>
	<i>Since</i>	<i>(Malaysia)</i>	<i>(Japan)</i>	<i>(Taiwan)</i>	<i>(Singapore)</i>
	<i>opened</i>	<i>1999</i>	<i>1999</i>	<i>1999</i>	<i>1999</i>
New Listings	*16	1	2	102	21
Funds Raised	*1,000	2.6	144	22	129

*USD Million**Market Cap*
(US\$M)*opened since*

GEM	11,795	November 1999
MESDAQ (Malaysia)	14	April 1999
MOTHERS (Japan)	7,968	December 1999
ROSE (Taiwan)	46,795	1989
SESDAQ (Singapore)	5,062	1987

* up to 27 March 2000

BILL**Second Reading of Bill****Resumption of Second Reading Debate on Bill**

PRESIDENT (in Cantonese): Bill: Second Reading. At the meeting today and tomorrow, we will resume the Second Reading debate on the Appropriation Bill 2000. The question before Council is: That the Appropriation Bill 2000 be read the Second time.

I will try to maximize the number of Members speaking on the question today, and will suspend the meeting at an appropriate time.

Under the Rules of Procedure, each Member has a maximum of 15 minutes for his or her speech. I will direct a Member to discontinue when he or she speaks in excess of the specified time. Debate now commences.

APPROPRIATION BILL 2000

Resumption of debate on Second Reading which was moved on 8 March 2000

DR LEONG CHE-HUNG (in Cantonese): Madam President, I rise to speak in support of the Second Reading of the Appropriation Bill 2000.

Many people heaved a sigh of relief when the Financial Secretary concluded his Budget speech in this Chamber three weeks ago, as there were not any proposals for tax increase or new tax items contained in the Budget. To the businessmen, profits tax rate remains at 16%, a low enough level. To those who frequent the Mainland and back, they will enjoy yet another year, at least, without land departure tax. To the general public and even our tourists, Hong Kong remains to be a tax-free shopper's paradise. In these respects, the Budget could be considered to be worth applauding.

Indeed, with the local economy just turning the corner, any tax increase attempts could impact gravely on the economic recovery of Hong Kong. Moreover, as the Legislative Council Election is only some six months away, this is the most important time for incumbent Members and the various political parties to secure votes. Hence, the Budget would most likely be voted down if it should contain any proposal for tax increase.

So, this Budget, which introduces no tax increase or new taxes while highlighting the least revenue proposals as compared to the other budgets prepared by the Financial Secretary during his five years of office, could generally be described as a "prudent" and "politically correct" budget.

I should like to congratulate the Financial Secretary for presenting such a timely budget. Furthermore, I must also congratulate senior officials of the Finance Bureau for their mastery of the art of psychological warfare. For months, the people of Hong Kong were led to worry about and to get psychologically prepared for possible tax increases. But then it turns out that there is practically no tax increases, naturally the people would welcome the Budget with applause.

Nevertheless, amidst the accolade and applause, let me be bold enough to point out a few areas of misgivings for the public to take note of and the Administration to take into consideration.

As a matter of fact, the Budget this year does not dig into people's pocket, but neither does it offer the public any benefits.

On the surface, the Budget does offer certain tax concessions. These include extending the temporary concession of diesel duty reduction to 31 December; extending the first registration tax exemption for electric vehicles for another three years; and reducing the stamp duty on stock transactions by 10%. However, to the majority of the people, these concessions do not concern them at all and will not put any gains into their pockets.

As a matter of fact, the Budget has in many places left hints foreshadowing increases to the people's burden.

For example, the Budget proposes to defreeze the various government fees and charges and to restore the "user pays" principle. To members of the lower income groups and those who are not included in the tax net, any adjustments to the various government fees and charges would impact gravely on their daily lives.

Madam President, a considerable part of the Budget has been devoted to the civil service reform, including the Enhanced Productivity Programme (EPP), as well as measures to contain the size of the Civil Service and to cut down civil service posts. All these are heading in the right direction. Yet, how effective will they be? This is indeed a question worth looking into. On the surface, a reduction of 10 000 civil service posts in three years' time is a sizeable number; but not really so after taking into account the existing number of vacant posts and the projected natural wastage. Moreover, we must also take into consideration

the total sum taxpayers need to pay to send away those who opt for the Voluntary Retirement Scheme before concluding whether or not the "trimming" measures are indeed cost-effective.

Trimming fat and measures to contain costs are effective ways to cut back on expenses. However, since there is, after all, a limit to the amount of fat that could be trimmed off, unless and until there are also measures to increase revenue, the effectiveness of the "trimming" measures in containing budget would not be long lasting.

Madam President, the problems arising from a narrow tax base have become more obvious over the past two years as the economy of Hong Kong remained on a downswing after almost a decade of prosperous development.

It is true that our simple tax regime has attracted many local and foreign investors to invest in Hong Kong, but can Hong Kong forever depend on its low tax rates and narrow tax base for survival? In the long run, can we rely on occasional earnings from the stock market or profits arising from the Tracker Fund for income, to keep our financial reserves afloat, and to ensure that our budget will always be in compliance with the principle of keeping expenditure within the limits of revenues as required by the Basic Law?

One thing is for sure, proposal for tax increase will hardly be welcomed by the public. Yet, how long could Hong Kong survive on revenue arising from a narrow tax base, bearing in mind that our profits tax rate stands at a low 16%, and that only profits originating in Hong Kong are chargeable to tax? What is more, while only 40% of our working population have to pay salaries tax, only 0.3% of the entire working population pay the tax at the standard rate of 15%.

When is the right time to put forward proposals for widening the tax base? Actually there cannot be any right timing that finds favour with all members of the public. When the economy is booming and fiscal reserves are maintained at a healthy level, naturally the public would query whether there is any need for levying more taxes; when there is a downturn in the economy, it is neither possible nor appropriate for the Government to add to the burden of the people.

So, it may perhaps be the best time to improve on the taxation system when the economy of Hong Kong has just started to revive, as the public are able to contribute a little bit more after experiencing some of the possible demerits of

a deficit budget. If this is true, then the 2000-01 Budget could have missed the golden opportunity to widen the tax base to assure that the Government will have a more stable source of income without resorting to weaving any ad hoc magic wands.

Certainly, given the wisdom of the many senior officials in the Finance Bureau, the 2000-01 Budget may most probably be part one of the Financial Secretary's clever plan. With part one focusing on capping government expenditure, part two may be dealing with measures to increase revenue. Should that be the case, we would just earnestly hope that the Government could very soon come up with prudent and far-sighted decisions on measures to increase revenue.

However, before doing so, the Government must conduct extensive public consultation and discussion on the review of the taxation system, with a view to formulating a set of proposals for widening the tax base that will be accepted by every sector of the community.

Madam President, now I should like to switch to issues relating to health care.

Earlier on, I pointed out that trimming down the size of the Civil Service and cutting back on expenses were moves heading in the right direction. Having said that, I must also point out that there are certain kinds of public services the demand for which will inevitably surge when the population continues to grow, the rate of unemployment remains high, or when the economy is at its downswing. Health care and welfare are two typical examples. As far as these fields of public service are concerned, no EPP measures shall be implemented at the expense of the interests of the service users, nor shall any privatization proposals be made use of by the Government as an excuse to shirk its responsibilities.

I am therefore disappointed to find that in his Budget speech the Financial Secretary has made no mention of how the ever-increasing demand for medical services could be catered to with a tight health care budget. Instead, he only emphasized that a green paper on health care financing would soon be published by the Government. Yet we have been waiting for the green paper for quite some time, when on earth will it be ready for publication? Furthermore, any financing proposals, however miraculous they may be, will take effect only after

being implemented for some time. But the problem before us remains that our public hospitals are now filled with temporary beds (which were called camp beds in the past), and that our health care personnel have to work inhumanely long hours in the face of the rapidly increasing workload. Does the Government have any effective measures to tackle the situation?

For many years the health care profession has been advocating development of a family medicine type of proper primary health care, as proper primary health care could, to a certain extent, play the role of a "gatekeeper" for hospital admission which is extremely costly. Our health care officials have given support to this idea all along.

If we are to develop proper primary health care, adequate manpower supply and manpower training would be indispensable. Regrettably, however, training resources for Family Physicians are lacking in the existing health care structure.

With its tight budget, the Hospital Authority (HA) could only provide an accumulated total of 256 training posts in family medicine in the coming year. Upon completion of the four-year training programme provided by the HA, these trainees still need to undergo further training in a training clinic approved by the College of Family Physicians for two years before they could become Family Physicians. In this connection, although six out of its 66 clinics have been approved for such training purpose, the Department of Health is not providing any training posts in this respect at present and does not have any plan to do so in the next three years.

Madam President, recently there have been rumours that the Government is considering out-sourcing the medical and dental services provided for civil servants. This could well be a right move. Given that services for civil servants and their dependants take up more than 16% of the total funding allocated to the Department of Health, it should be more cost-effective to contract out the services concerned.

However, at the same time the Government must also introduce measures to prevent the contracted-out services from falling into the hands of profiteering health maintenance organizations manipulated by some intermediaries. In order to maximize profit and minimize cost, many of such organizations would resort to all kinds of tactics to limit the professional autonomy of doctors in providing

patients with the best medical and health care services. In the end, health care standards would inevitably fall, thereby affecting adversely the health conditions of civil servants as well as other patients.

Finally, Madam President, I cannot allow the Budget to pass by without making my comment on tobacco duty.

Some members of the community, and even certain anti-smoking groups, have expressed their delight that the Financial Secretary does not propose to reduce tobacco duty this year. But I will not settle for this. I hold that tobacco duty must be raised. As indicated in the research results of the World Health Organization, increasing the rate of tobacco duty is one of the effective ways to discourage youngsters from becoming smokers.

The Financial Secretary has for more than once remarked that increasing the rate of tobacco duty would only serve to induce smuggling of cigarettes. I am afraid I cannot subscribe to such kind of logic. The way to tackle cigarette smuggling is to step up law enforcement actions, rather than by bringing down prices to encourage the public to buy those so-called "legal" products that are visibly harmful to people's health.

I am therefore strongly support the provision of funds for the Custom and Excise Department to combat the sale of contraband cigarettes; besides, I am all the more in support of the Government reserving \$20 million for the Council on Smoking and Health to carry out public education programmes in the coming three years. However, for the sake of people's health, and for the purpose of cutting back medical expenses caused by smoking in the long run, the Government should pluck up the courage to adopt a three-pronged approach which comprises also increase in tobacco duty rate.

With these remarks, Madam President, I support the Second Reading of the Bill.

MR LAU CHIN-SHEK (in Cantonese): Madam President, just as the Financial Secretary said in delivering the Budget, he has proposed fewer revenue measures in this Budget since he assumed the office. Since there has been a constant leak of information indicating that substantial tax increases and even new tax items will be introduced, the decision of "not raising any tax" has given the public a

great surprise. The public is, relatively speaking, quite satisfied with this Budget. The strategy adopted by the Financial Secretary this time around is, I believe, even if the Budget fails to win applause, it will at least not attract criticisms from the public. Judging from this angle, this Budget has, as a start, been able to achieve the results desired by the Financial Secretary.

But obviously, the Secretary's remark of "a gentle hand on the tiller" has paved the way for tax increases in future. It is very likely that the wolf will really come in next year's Budget. I think members of the public should really keep an eye on the beast.

To enable the Financial Secretary to put a "gentle hand on the tiller", so to speak, a Task Force, to be headed by the Secretary for the Treasury, will be set up to examine whether there are structural deficits problems and an independent committee will be established to look into the suitability of introducing new types of broad-based taxes and the specific arrangements related to how such taxes should be levied. In his Budget speech, the Financial Secretary has even given particular emphasis on the fact that the new taxes under consideration would include consumption-based taxes.

Madam President, the Hong Kong Confederation of Trade Unions has all along believed that our tax regime should undergo a revamp. Nevertheless, if we are to conduct a truly meaningful review of the tax system, we must do it in a most open manner. This will include setting up a representative tax review commission. More importantly, extensive discussion among members of the community should be conducted with respect to such matters of principles as objectives of the review and the direction to be taken. It is only in doing so can members of the public be given maximum benefits. Unfortunately, the so-called "two-pronged" study approach advocated by the Financial Secretary will be government-led and work behind closed doors. This means that the vast majority of the public will be barred from taking part in the study and review. I can tell the Government in unequivocal terms that it will definitely fail to gain support from the vast majority of the public if it insists on reviewing and mapping out changes to the tax system under this framework.

In the past few months, the whole city was thrown into chaos, with people displaying great anxieties, as a result of the constant media disclosure of a wide range of new tax proposals by informed sources close to the Government. The Financial Secretary explained afterwards that it was because the Government had

wanted to tell the public its way of thinking and, at the same time, find out the public view of the matter. It has now become clear that the Government has made a fool of itself in flying all these balloons. Even the Financial Secretary has admitted that he needs to carry out a review of public consultation on budgeting. If the Government is sincere in learning from the lessons, it should refrain from "formulating" new taxes "behind closed doors" and gauging public opinions by way of "hinting" again. To enable the tax system to develop healthily, members of the community should be allowed to take part in open and extensive discussion in respect of the overall review of the tax system. I hope the Financial Secretary can consider this seriously.

As far as the review is concerned, another issue of grave concern to me is that the review being carried out by the Government is built on a premise, that is, priority consideration must be given to the Government's purse. If the study conducted by the Government shows that it is caught in financial troubles, the next step it will take is to "target" at the general public, regardless of whether there are any reasons for doing this. For the Government, the more targets the better. It is understandable that the Financial Secretary and the Secretary for the Treasury, as the government "treasurers", should be concerned with whether government finance is having a structural problem. However, a more pressing problem before us now is the worsening disparity between the rich and the poor in Hong Kong. It is undeniable that family incomes of the lower stratum have dropped by nearly 30% in real terms over the past two years. The Government has apparently failed to address the major social problem of narrowing the gap between the rich and the poor. Why has the Government failed to do so in its current review of the tax system? Why did the Government care only about whether its own "purse" is still expanding while turning a blind eye to the predicaments of the lower stratum?

I must reiterate that I will raise my objection firmly if the Government keeps on ignoring the widening gap between the rich and the poor in implementing its taxation and other fiscal policies at the expense of the public in general!

Madam President, this Budget has not made any big movements as far as taxation is concerned. While the Government is apparently trying to "put a gentle hand on the tiller", it is also determined to raise charges for more than 3 000 government services one after another in the coming year. I fail to understand it at all. Although the increases will be implemented in two phases

by first raising items unrelated to the people's livelihood while charges involving the people's livelihood will not be increased until the end of this year, the Government is nevertheless determined to increase charges across the board within this year by all possible means.

In the briefing session held after the publication of the Budget, I asked the Financial Secretary whether the Government would take into account some relevant indexes in considering raising charges involving the people's livelihood. For instance, the Government should only consider increasing such charges when the 5.7% unemployment rate drops back to below 3%, that is, the unemployment rate registered in the previous normal period, and when the bad time is over so that the negative growth registered over the past two years will no longer affect the family incomes of the general public. I am extremely disappointed with the fact that the Secretary has been reluctant to give us a positive response.

The Transport Bureau presented a paper to the Legislative Council Panel on Transport in the middle of this month, informing us of the rise in tolls for the Tai Lam Tunnel from 1 April this year onward. It is mentioned in the relevant papers that the Government has asked the Tai Lam Tunnel Company to postpone its increases on the ground that "the economy has not yet fully recovered". However, the company finally decided in mid-March to raise tolls from April onwards as scheduled. If the Government really considers it not the right time for public utilities to raise charges, it should state it clearly. Moreover, it should set an example by not prescribing a time limit on raising government charges involving the people's livelihood.

I believe the Government's attitude will have a profound impact on whether the Government and public utilities should continue to freeze charges affecting the people's livelihood. This is because a large number of privately-run public utilities are actually watching the Government closely. Should the Government fail to hold fast to its position of safeguarding the livelihood of the general public, a new "tide of fare rises" will definitely be triggered off! Actually, after a freeze on charges for nearly two years, various fare increases have started to take effect one after another over the past several months. These include the toll increase for the Tate's Cairn Tunnel which took effect in early January, the recent toll increase for the Tai Lam Tunnel, and fare rises for a number of licensed ferry companies and even mobile telephone services. While trams and New Territories taxis have formally applied for fare increases, bus

companies and the Kowloon-Canton Railway Corporation have also indicated their wish to raise fares. We can thus see that if the Government fails to make it clear that it objects to the public utilities raising charges and takes the lead instead in raising charges, it will definitely lead to a chain reaction and trigger off fare rises across the board. At a time when members of the general public are still struggling very hard to make a living, the decision made by the public utilities to raise charges will definitely deal a heavy blow to the people's livelihood!

In my opinion, the Government must not evade this problem. It must account clearly to the public what attitude it is going to take and, at the same time, try its best to curb any attempts of raising charges.

Madam President, Mr LEE Cheuk-yan will speak on such issues as employment and civil servants later. Thank you.

MR AMBROSE LAU (in Cantonese): Madam President, this year's Budget has not introduced any new taxes, nor has it suggested any increases in tax rates, changes in allowances or increases in rates. Thus, there have been reports commenting that this is a "zero budget". However, this so-called "zero budget" does not mean that this Budget lacks substance. Rather, it has fully taken into consideration the fact that the economy of Hong Kong has just showed signs of recovery, and that the general public and the small and medium enterprises (SMEs) have not yet lifted themselves out of predicament and recovered. Therefore, it has been designed as a budget of minimal tax burden to facilitate recovery, and to achieve the objectives of recuperation, restoration of confidence and expedition of recovery. In fact, the Administration has listened to and accepted suggestions and opinions of the Hong Kong Progressive Alliance (HKPA) and all sectors of the community. Thus, it can be said that this year's Budget is more receptive to public opinion and more practical than past ones.

Madam President, for three consecutive years Hong Kong has experienced deficit budgets with its recurrent expenditure exceeding the Government's recurrent revenue, which is indeed unusual in the last 50 years. There are four methods to eliminate deficit: first, increasing taxes; second, offering government assets for sale; third, cutting expenditure on the part of the Government and the public organizations; and fourth, expediting economic recovery thereby resulting in a consequential increase in the Government's recurrent revenue. Before

deciding which of these methods should be adopted, consideration must be given to the long-term competitiveness of the economy of Hong Kong and our development prospects. I shall analyse the pros and cons of these four ways below. To begin with, I would like to point out that the Budget, with "Scaling New Heights" as its theme, actually implies that the Government has mainly adopted two of the methods mentioned above: first, expediting economic recovery, adding value to create wealth and increasing recurrent revenue; and second, cutting and controlling public sector expenditure. The HKPA approves of these two methods.

Madam President, the following is my analysis of the pros and cons of the four methods to eliminate deficit:

First, with regard to tax increases, one important precondition is our economic condition. The existing tax regime of Hong Kong was established in the '80s, with tax revenue coming from land sale, the property sector and the financial sector. However, Hong Kong is now facing its third structural transformation. Before the new industries can really become the a pillar of our tax revenue, can the Government's recurrent revenue support its recurrent expenditure? The fact that the estimated \$30-odd billion budget deficit for the 1999-2000 financial year was finally dramatically reduced to \$1.6 billion is mainly attributed to non-recurrent revenue, which includes proceeds from the offer of the Tracker Fund and the returns from investment of our fiscal reserves. Were it not for these "windfalls", the Government's recurrent revenue would not have been able to cover its recurrent expenditure and thus, it is necessary for us to look into the question of widening our tax base. However, both increasing tax rates and introducing new taxes will bring far-reaching effect. The HKPA believes that two principles must be considered in this connection. First, as our economy is showing signs of recovery, it is inappropriate for the Government to rush into the decision of changing the tax regime. Second, even if the right time has come for us to widen the tax base, it is still undesirable for the simple and low tax regime which Hong Kong has all along adopted to be changed because this is our competitive edge which we should not abandon.

Second, an offer of government assets for sale points to two problems. First, no matter how abundant government assets may be, the day will come when they will be all sold out. Thus, we cannot resort to this as the long-term solution to the elimination of deficit. Second, the sale of government assets must meet three conditions: (1) the quality of the public services concerned will not deteriorate; (2) it will not be in excess of what the people can afford; and (3) the services concerned will be subject to effective supervision.

As regards the third way to reduce budget deficit, it is extremely correct for the Budget to pick "cutting expenditure to make the people rich" as one of its themes. The specific measures for cutting expenditure include streamlining the public sector, downsizing the civil service establishment, reforming the subvention system and implementing the Enhanced Productivity Programme. The Budget suggests that apart from the annual natural wastage of civil servants, a further 10 000 posts should be slashed from the establishment within three years by way of the Voluntary Retirement Scheme and contracting out of certain types of work. This suggestion has however drawn some responses from civil servants. How can the Government strike a balance between cutting expenditure to make the people rich and maintaining the morale of civil servants? To this end, the Government must stick to the "small government" path and must also handle the case prudently, progressing step by step. Although it is extremely difficult to achieve the target of "cutting expenditure to make the people rich", it is nevertheless the global trend. Countries around the world are all streamlining their organizations, suppressing establishments, implementing electronic operations and vigorously boosting efficiency. The Government of the Special Administrative Region (SAR) must also keep abreast of the trend and go with the tide because cutting operating cost for the Government is an important aspect of enhancing the overall competitiveness of Hong Kong.

In addition, I have to emphasize that the original objective of "cutting expenditure to make the people rich" is to use the savings so made to better serve the people. Therefore, cutting expenditure should not be directed towards contracting reasonable public service and social welfare. Rather, the Government should continue to take an active approach to help the underprivileged. Among them, three types of people are particularly in need of help. First, it is the aged with no one to depend upon. The Government should provide them with sufficient Comprehensive Social Security assistance (CSSA) and put in place policy for the aged, which includes consideration of extending the base for retirement life of the aged to the Pearl River Delta. This

must of course be accompanied by a series of matching policies and measures. Second, it is the youths who have just left school but have not yet succeeded in finding jobs. The Government must set aside resources to provide occupational training for them. In this respect, the Government must put in great efforts to enable such youths, the number of whom is not small, to acquire new knowledge and skills so that they can adapt to the work pattern. Third, it is the middle-aged who have become unemployed as a result of economic transformation. The Government must help them learn new skills of living, particularly because the unemployment rate for this group may rise upon China's accession to the World Trade Organization (WTO). There has been speculation that the unemployment rate of Hong Kong will rise substantially subsequent to China joining the WTO. This may be over pessimistic but to prepare for the unemployment situation which may arise as a result of economic transformation and China's accession to the WTO, the Government should take all precautions.

Fourth, expediting economic recovery, adding value to create wealth thereby increasing the Government's recurrent revenue is the solution to tackling any structural or periodical budget deficit at root. In this respect, the Budget has positively tied in with the policy objectives of the Chief Executive: Designed as a budget of minimal tax burden, resources are directed towards improving education, promoting innovation and development of high technology, strengthening human capital and so on. The HKPA thinks that the direction of the Budget in this respect is correct, only that it has not gone far enough. One outstanding example is the insufficient support extended to the SMEs.

The Budget has mentioned little about the SMEs but suggested shelving the introduction of land departure tax and sales tax. These can help to prevent the business environment of the SMEs from deteriorating. In fact, although the economy of Hong Kong has shown signs of recovery, the SMEs have not benefitted much because they are still suffering from constant interest rate hikes. With the cost of borrowing standing at a high level, their marginal profits are being eroded continuously. The Government must understand that the SMEs represent 98% of Hong Kong's enterprises, employing 70% of Hong Kong's workforce. Also, 45% to 90% of our Gross Domestic Product (GDP) are attributable to the SMEs of various important trades. Despite the industrious efforts made by SMEs, they are making less money. We can almost say that the Government's tax revenue is likely to lapse into structural difficulty.

Therefore, the HKPA hopes that the Financial Secretary can accord top priority to assisting the SMEs. In this respect, the following three aspects particularly demand attention:

First, the Budget suggests looking into the proposal of establishing a central credit register which, in the long term, should be able to provide a new channel of financing for the SMEs. Apart from resorting to mortgage facility, banks will then be able to carry out a comprehensive assessment of the credit risk of the SMEs, and it will also be easier for the SMEs to secure banking facilities with reference to their state of business, performance or prospects.

Second, China's imminent accession into the WTO offers both a challenge and an opportunity to the SMEs of Hong Kong. The Government should grasp this opportunity to strengthen Hong Kong's function as a place of entrepot trade, transportation, consultancy service, financing, insurance, logistics management, technology processing and electronic transactions so as to attract foreign investors to co-operate with the SMEs and make their way into the mainland market.

Third, although the scale of capital and manpower required by electronic transactions is minimal, it can be used to do big business. This mode of trading is particularly advantageous for the SMEs. Although the present Electronic Service Delivery scheme of the Government helps to reduce the operating cost of SMEs, it falls short of bringing new business opportunities, thereby limiting its effectiveness. The Government must step up its efforts to assist the SMEs in developing the market for electronic transactions.

Madam President, generally speaking, having picked "Scaling New Heights" as its theme, the Budget deserves approval. At a time when the economy of Hong Kong is beginning to recover, the Government has humbly accepted the opinions and suggestions of all sectors of the community, various organizations and political parties (including the HKPA) and come up with a policy of minimal tax burden to give the people a chance to recuperate. In respect of "adding value to create wealth", the Budget has pointed out the relationship among the three beliefs of market orientation, maximum support and minimal intervention. However, the Government should not use market orientation and minimal intervention as the excuse for evading and avoiding the need to promote economic development. As regards "cutting expenditure to make the people rich", the most important thing is to take care of the morale of

the civil servants on one hand, and stick to the "small government" path on the other. Apart from cutting overall government cost, practical measures must be taken to increase efficiency of government.

Madam President, I so submit.

MR JASPER TSANG (in Cantonese): Madam President, the Democratic Alliance for Betterment of Hong Kong (DAB) supports this year's Budget which has neither introduced any new taxes nor increased any taxes. In my speech today, I have made the sentence which the Financial Secretary likes to hear most. *(Laughter)*

The Financial Secretary has complained that some Legislative Council Members would under no circumstances allow the Government to increase taxes: When the economy is good, there should be no tax increases because there is not such a need; taxes should not be increased when the economy is bad because that will be beyond the affordability of the people.

There is nothing wrong with this. In fact, both of these arguments are sensible. The main reason is that for all these years, the Government has been having budget surpluses and accumulating substantial reserves. When the economic condition is good, government revenue is more than enough to cover expenditure, thus rendering it unreasonable to increase taxes. The Financial Secretary himself has also said that the Government should only levy taxes according to its need. Therefore, there should be no tax increases when the Government has surplus. On the other hand, during economic recession, people's income will fall and they will have to lead a hard life. This is the time for the Government to make use of the fiscal reserves to ease the hardship of the people. So, how can it increase taxes to add to the people's burden?

However, we have lately heard some forceful arguments suggesting that there is the need to consider increasing taxes or introducing new taxes. If there is the problem of a structural shrinking of tax base for the Government's finance, then even if the economy is prosperous, the Government's recurrent revenue will still not be enough to cover recurrent expenditure. In that the case, it will really become necessary to look into the issue of introducing new taxes and opening up new and stable sources of revenue.

The Financial Secretary has announced that a Task Force led by the Secretary for the Treasury will monitor the correlation between our recurrent revenue and economic growth. The Task Force will establish whether the problem that emerged the year before, that is, recurrent expenditure exceeding recurrent revenue of the Government of Hong Kong, is a short-term phenomenon or a fundamental one. In giving his reply to a Member's question during the Legislative Council meeting, the Financial Secretary once emphasized that if the findings show that there is no structural problem, then the Government will not need to take any fiscal action.

However, I am afraid that it will not be easy for the Task Force to monitor for only a certain period and come up with the conclusion that there is no structural problem with the financial situation of Hong Kong. This is because the Government will think that factors affecting recurrent revenue, such as the replacement of diesel by more environmentally friendly fuels, the constant increase in electronic transactions and so on, are continuously under development. It does not mean that problems which have not cropped up during a certain period will certainly be non-existent, and therefore we can put aside the consideration for introducing new taxes.

In fact, apart from monitoring and collecting related data, I think we can also conduct some analytical studies. For example, the existing restrictions on the expenditure of the Government are sufficient to ensure that government expenditure will not go beyond a certain percentage of the GDP. If our analysis finds out what structural changes will take place when the GDP changes in line with the state of our economy, we may then also be able to predict the revenue situation based on the present tax regime. Such an analysis may shed some light on the future state of our revenue.

The Financial Secretary has also announced that an independent committee will be set up at the same time to look into the feasibility of introducing new taxes and what specific arrangements need to be put in place. It seems that the Secretary is actively preparing for the introduction of new taxes.

As we all know, some time earlier, sales tax and land departure tax are the two most speculated issues. In his Budget speech this year, the Financial Secretary mentioned "departure tax". He said he had suggested in the last Budget to study the question of introducing a land and sea departure tax. I checked the Budget speech of last year and discovered that the Secretary made no

mention of introducing "departure tax". What he said was only "land and sea departure tax". The Secretary may perhaps think that terming it "departure tax" is more politically correct than calling it "land and sea departure tax". No matter what we call it, we all know what it means. The Secretary said that the principle for introducing this tax is correct, only that the time has not yet come this year. I believe a lot of people will not agree with this. Instead, they are against the introduction of land departure tax in principle. If we do a bit of arithmetic, we will be able to know that introducing this controversial tax will only bring about limited revenue. Whether or not it is worth introducing is a matter for the Secretary to ponder.

As for the introduction of a general sales tax, the effect it has on the community is widespread. It means that our tax regime will have to undergo great changes, so we have to be prudent with this. I find it worrying for the Government to cite the case that many countries around the world have been levying sales tax as its reason that Hong Kong can and should also introduce sales tax. Many countries around the world are imposing salaries taxes of up to 30% or 40%. Does it mean that Hong Kong should also follow suit?

We often hear treasury officials say that the tax base for Hong Kong's main revenue is narrowing. They are always repeating that at present, salaries taxpayers account for only 40% of the working population and among them, 17% have contributed 80% of our salaries tax. Similarly, this imbalance also exists in respect of profits tax. Among the companies paying profits tax, 5% have contributed 80% of our profits tax. What problem is there with this? With this phenomenon, there are two problems: First, is this fair from the point of view of the society? Second, is this healthy from the point of view of the Government's fiscal revenue?

It may not necessarily be socially unfair for the minority to contribute to the bulk of the salaries tax and profits tax. People earning more pay more tax, people earning less pay less; as for those with no income, not only do they not have to pay but are also subsidized by the Government, and taken care of with public fund. This general tax and welfare policy applies everywhere. We cannot simply look at what percentage of the people contributes to what percentage of our tax. Instead, we have to look at their income. Among the employed population of Hong Kong, 45% of the working population are making a monthly income of below \$10,000, while over 90% are making a monthly income of below \$30,000. On the other hand, we have also heard that some

"superior workers" are making several millions of dollars annually. In fact, it is highly likely that the income of less than 10% of our working population may have accounted for more than half of the total salaries in Hong Kong. The difference in profit among companies is also great: the amount of money made by 5% of the companies with the highest profit level has roughly taken up three quarters of the total amount of profits in Hong Kong. Thus, we can only say that having only a small number of individuals and companies shoulder the bulk of our salaries tax and profits tax is a manifestation of the actual gap between the rich and the poor in the community. It is not necessarily the result of an unfair tax regime. Does it mean that regardless of whether a person is rich or poor, everyone must be made to pay the same amount of tax to make it fair?

From the point of view of government finance, some officials express that it will be difficult to guarantee a stable revenue for the Government if we rely on a small number of individuals and companies shouldering the bulk of our tax revenue, as it will be easily affected by economic fluctuations. It seems that this argument may not hold water because unless all the people of Hong Kong are not making profits, otherwise, if there exists a structural gap between the rich and the poor in the community, there will still be profits for the making so long as the economy is good. The higher income group and the companies making big profits will still exist. Whether this one or that one, they can provide a stable source of tax revenue, making no difference. Thus, we think that this does not constitute a forceful argument for changing the existing tax regime.

Madam President, the DAB does not object to reviewing the tax regime. In fact, the DAB thinks that it is necessary to carry out a comprehensive review. It is only through a comprehensive review that we can decide on whether or not new taxes should be introduced or the existing tax regime should be changed.

With these remarks, Madam President, I support the Second Reading of the Appropriation Bill 2000.

MR JAMES TIEN: Madam President, this year, the Financial Secretary has given Hong Kong the right budget, a conservative budget for fast changing times. We need such a budget to give us stability and continuity as we adjust to the new economy.

A year ago, the Financial Secretary presented a bold budget. It was full of initiatives like the Cyberport and Disney theme park. We needed such a budget then to lift our confidence during the Asian financial crisis. We needed it to tell the world that we will bounce back.

The latest economic figures show that the confidence boost is working. We are bouncing back. Unemployment is falling. The gross domestic product is rising along with consumer spending.

Our economy is different now than it was 30 months ago when the Asian financial crisis struck. Back in 1997, we lived off banking, retailing and servicing China. Now suddenly, we are converting into e-commerce. Online companies are sprouting everywhere. Our people are proving that they are creatures of opportunity. They never miss a chance. We have got information technology (IT) capitalists everywhere. Even our favourite critics, Mr WONG Yok-man and Mr Albert CHENG, have started their own dot coms. Perhaps having joined the ranks of employers and capitalists, they will not be as critical on the Liberal Party.

The Financial Secretary has mentioned that there are now new structural changes to the economy. Hong Kong has always evolved and adapted to such changes. Our people thrive on the challenge. The spirit is alive now as it ever was, and it is encouraging. It proves that our people have rejected the unionists' line that you should not work for what you get but shout, demonstrate and ask us to legislate for it.

Madam President, about 50 years ago, when my parents first brought me to Hong Kong, land was cheap and so was labour. They and others like them built factories. They struggled and made a living. I would think that enterprising people like them made the Hong Kong miracle. In the 1970s, those people diversified into the real estate and in the 1980s, they moved into the new, booming financial and servicing sector.

At the start of year 2000, dot coms are attracting the same sort of entrepreneurs. IT is not just a craze, but a fact. Many of these startups may go under, but enough will continue. The law of the survival of the fittest applies.

My glimpse into the future is a very challenging one. We all have to understand the dynamics and prepare for the impact. E-commerce will reduce the need for big shop space and it will let businesses and consumers compare prices and trade through broadband Internet. It will save time and money and it will cut out some of the middlemen who add cost, but it will also ruin those who cannot keep pace. A new "lifestyle" will emerge and there will be new ways for the Government to raise revenue or to lose it if nothing is done.

I agree with the Financial Secretary who has decided to bring the Information Technology and Broadcasting Bureau under his command. He must come to grips with what the Internet means for the treasury. From now on, he and his successor and financial chiefs around the world will have to learn new ingenious ways to bring the IT industry into the tax net.

This brings me to the point of taxation. The Financial Secretary is clever for postponing his plans for a retail sales tax and a land departure tax. He has only asked for a consultative study into these and other possible new taxes. He can wait because the economy is recovering and there is no pressure. The deficit this financial year is only \$1.6 billion instead of the earlier cry-wolf forecast of \$35 billion, and it could well turn into a surplus before this financial year is done.

Madam President, unlike the Honourable Jasper TSANG, I think Hong Kong has a very narrow tax base. Only 37% of our working people pay salaries tax, whilst in the United Kingdom, 91%, in Australia, 89%, in Canada, 94% and in the United States, 68% of the employed pay salaries tax. Some 17% of those taxpayers in Hong Kong pay 80% of that tax, and just 0.3% of the 3.5 million working people pay the full rate of 15%. Professionals and businessmen also pay a lot of so-called "user pays" fees and charges. Relying on so few for so much is dangerous and it is also unfair.

Some propose a tax reform. I propose a tax review. Such a review has to consider how many more people should be paying tax and what the tax should be.

Right now, we already have an erratic consumption tax. Like the retail sales tax, a consumption tax is only imposed when the person consumes. For example, the Government levies a very heavy 60% motor vehicle first registration tax. You only pay when you buy a car, so the first registration tax

is actually a car sales tax. The Government imposes a liquor import duty of 30% to 100%. You only pay when you buy liquor, so this is actually a liquor sales tax. The Government also imposes a stamp duty on property transaction of 2.75% to 3.75%. You only pay when you buy a property, so this is actually a property sales tax. The Government imposes 0.225% stamp duty on stock market transaction. You only pay when you buy shares, so this is actually a share sales tax.

I think the Government should be fair on taxes. Fair means being consistent and logical. The above-mentioned examples are neither consistent nor logical. It is simply up to the Government over these many years to charge whatever rate on whatever item that they, at that time, feel like it.

Madam President, Hong Kong now has the second highest per capita foreign exchange reserves in the world. Still, the Financial Secretary often pleads poverty. Still, he works hard trying to think up new taxes. If one looks at the budget forecasts for the past 10 or even 20 years, one will find that these are always off the mark, but always on the winning side for the Government's coffers. One cannot help calling them "cry-wolf" budget forecasts. How can our people take the Government seriously when it now again says that it may go broke?

Madam President, the Liberal Party has reservations about the much-talked about land departure tax. But we are not completely against it. The Financial Secretary should not have designed a land departure tax but a land departure fee with the proceeds going to cover the costs of immigration and customs checks. Such a fee agrees with our "user pays" principle. Consideration should be given to waiving the fee for daily users, such as students as well as bus and truck drivers. If the Financial Secretary puts the levy in that context, we might consider it.

I also do not buy the argument that our Government is going bust after only one big deficit of \$23 billion last year. Nor do I believe that our Government will not be able to raise money from its present tax structure. For the past couple of years, the property market has been flat. The poorer than expected returns in land auctions suggest to the Government that it cannot tap that resource of revenue any longer. I think this assumption is wrong.

Hong Kong has a scarcity of prime development real estate. This is not going to change. The Census and Statistics Department estimates that our population will reach 8.2 million by 2016. This is a conservative estimate since our population is already near 7 million. The extra people will need space — for housing, shopping, playing and leisure. There will always be demand for property. Private developers will, for years to come, pay the Government huge premiums for land and swell the Government's coffers. This is especially so now when so many home buyers have lost confidence in government built housing due to recent problems of mismanagement and possible corruption in the Hong Kong Housing Authority and the Housing Department.

Madam President, the Government should be less worried about finding more revenue and more about cutting expenditure. Around two thirds of government spending goes into staff costs. If less money goes towards hiring redundant civil servants, then more is left to take care of our people. This is better than raising tax any day.

The Financial Secretary is for a cosmetic civil service review. I am for its reform. This is exactly the opposite position to what I take on taxation. The reason is simple. Our taxes need minor tinkering. Our Civil Service needs a major overhaul.

The Financial Secretary is proud of the cost cutting by government departments. He plans to cut spending through the Enhanced Productivity Programme. The aim is to reduce the number of staff in the Civil Service by 10 000 up to the year 2003. But I think we can do a lot better than this. We should replace many more of them by computers and automation. We can do it with faster voluntary retirement. We will have to do it, because the Government cannot go on ignoring the world trend of leaner, meaner and better.

In recent years, the Government has been playing around with staffing numbers. In reality, the Civil Service has been growing faster than it admits. The Government has been putting civil servants into statutory bodies, which quite a few of us call "quangos". These employees continue to get civil service pay and benefits. Such pay and benefits are roughly 30% higher than those for similar private sector jobs. I have said it before and I will say it again: Hong Kong can afford civil servants job security or high pay, but not both, nor can we

keep on letting the Government disguise its works through the quangos. The actual Civil Service employs 198 000 people. The subsidized organizations employ 140 000 people. Some of those duties overlap and the rest of Hong Kong people are paying for it.

The Financial Secretary is keen on limiting the Government through transferring work to these subsidized organizations. He is not keen on my suggestion that more government services should be privatized. This has resulted in areas of overpaying, overstaffing, over-hiring and, at the same time, underachieving. Out in the real world, you perform or you perish. In the Government, you get promoted until you retire.

Madam President, the Financial Secretary is bullish about employment. He is optimistic that the job market can heal itself. He mentions the United States where the IT revolution has in turn created new jobs for trucking and storage.

Future job growth will be IT-related. Hong Kong is in the same strait as a lot of developed societies. We have an excess of low skilled workers but we do not have enough technological talent. Our education system is not producing enough. The obvious answer is to recruit or lure imported talent.

But the unionists and their allies in this Council balk at the idea. They think that we must protect all jobs for locals. They have made it so hard for companies to hire from outside Hong Kong, especially from the Mainland. They say that we should retrain our own unemployed. However, not everyone can be retrained for IT.

Since the Financial Secretary has mentioned the United States as an example, I will do the same. During President Bill CLINTON's recent visit to India, the Cable News Network (CNN) noted that the United States would import 30 000 high-tech workers from India this year. The Americans are bringing in these people for reasons of prosperity — not just for high-tech companies, but for the whole economy.

Highly skilled and highly paid people do not take jobs away from locals who are not qualified for these occupations. They create jobs and wealth for many locals who, otherwise, do not have the menial jobs to do. What has been happening in the United States will be happening to Hong Kong, too. If we slam the door on these people, we slam the door on our own people, on their own future and on their future job prospects. That is wrong and immoral. But unfortunately, that is what our unionists want.

Finally, Madam President, the Liberal Party supports the Motion of Thanks. We think that a conservative budget this year would give us time to mull over the need for any new taxes and the impact of IT. We believe that the Financial Secretary is wise not to rush into decisions. Our job now is to contribute our views to the drafting of future budgets that will also be right for future times.

DR DAVID LI: Madam President, this is the fifteenth budget that I have commented on in this Council. I believe that it may be the most significant one.

This Budget may be summarized in two sentences. First, there is no need to make substantial changes to taxes and spending at this time. And second, there is probably a need to make significant changes later, and this will be reviewed very seriously.

The Finance Functional Constituency strongly supports this approach. In particular, we warmly welcome the Financial Secretary's decision to establish a serious review of our overall fiscal system. We urge all concerned to be creative, bold, and imaginative.

This is a golden opportunity to wipe the slate clean and build for ourselves a new fiscal system. A fiscal system that gives more encouragement to enterprise than any other in Asia. Such a system must be simple. It must be fair and equitable to every member of our community. And it must consistently balance the budget, while keeping the overall tax burden low, as stated in the Basic Law. It must replace volatile sources of revenue with stable ones. It must produce revenues in a far more transparent and predictable manner.

Personally, I believe that this could well include a consumption tax of some sort. And I urge the Government to exercise leadership in explaining how a broader tax base can benefit every member of our community.

At the same time, I hope that we can broaden our thinking. I would like the review process to ask, "How can we make the Government fit the revenues?" Not the other way around. In other words, how can we make the Government smaller?

The Financial Secretary told us three weeks ago that his plans to reduce the size of the Government were already "enterprising". And he told us that 10 000 civil service positions will be phased out in three years. I believe that we need to be much more enterprising than that. It is not simply a question of staff numbers. It is about the overwhelming presence of the Government in large parts of our economy. Big government suppresses enterprise. And it reduces the freedom of choice.

In Hong Kong, the Government owns half of all our housing. It provides most of the medical care. It provides, or at least tightly controls, most of our schools. If we aspire to be a world city, alongside New York and London, we need to ask if this is necessary. In America and Britain, they are privatizing bad schools, they are privatizing public housing, they are even privatizing prisons. It is true that we need to find better ways to raise revenue. But let us also ask how much of that money would be used more wisely if it was left with the people who earned it.

Madam President, the Finance Functional Constituency wishes to contribute to this fiscal review process. One specific suggestion that we have at this stage is not a new one.

We, in the banking industry, have been arguing for many years in favour of tax relief for general provisions for bad and doubtful debts. We continue to believe that the current system is unfair and penalizes prudence. And we urge the Government to consider giving tax relief on such provisions — as in Japan, South Korea, Taiwan and Singapore, among many others. I also believe that the Administration should consider a reduction in estate duty. In order to escape estate duty, people move funds to offshore centres. And I believe that this represents a loss of business for our financial industry.

We believe that there are many ways in which a revised fiscal system can help to enhance Hong Kong — as a leading financial centre, and for all who live and work here. We, in the financial industry, look forward to offering many such ideas on how this can be achieved.

In this context, I would like to take this opportunity to welcome the Financial Secretary's remarks three weeks ago about our financial infrastructure. Moves to develop a multi-currency capital market and a leading regional debt market deserve praise. I am also pleased to learn that the Administration plans to consider the introduction of deposit insurance and the establishment of a central credit bureau. And I welcome the moves to make our investment promotion activities more effective.

Madam President, may I conclude by restating the support of the Finance Functional Constituency for this Budget.

We are in total agreement with the Financial Secretary's decision to leave taxes and spending as they are for the time being. And we warmly welcome the decision to conduct a serious, objective review of our entire fiscal system.

We believe that this is an exciting opportunity to make Hong Kong an even better environment for business and for all the community. And I urge all those concerned to examine more than just the Government's cash flow. I would urge them to ask what the Government itself should, and should not, be doing.

As our Financial Secretary said three weeks ago:

"..... investors and entrepreneurs understand markets far better than officials"

"..... private initiatives are a surer way to build Hong Kong's prosperity than any bureaucrat's blueprints".

Those are indeed wise words. They should be printed on government stationery, next to the message about recycling papers. Let us bear those words in mind as we review our fiscal system. We have a golden opportunity to create the best system of government funding in the world. Let us take this opportunity. And let us do it boldly.

Let us do it with two aims in mind.

- First, an economy that is in the hands of the private sector, unless state involvement is unavoidable, and
- Second, a government that comes down in size to match revenues, not revenues that grow to match government.

Let us not simply ask how much revenue that the Government needs. Let us ask how much Government that Hong Kong needs.

Madam President, I take great pleasure in supporting the motion.

MR MARTIN LEE (in Cantonese): Madam President, the Budget published recently by the Financial Secretary has catered to the wishes of the people to a certain extent. With the plan to introduce new taxes affecting people's livelihood being shelved for the time being, not only are the majority of the people given a pleasant surprise, the local economy which has turned fragile in the wake of the financial turmoil is also given a chance to recuperate and revive. For this reason, the Democratic Party is basically in support of the Budget.

Nevertheless, despite the pleasant surprise, Hong Kong is still plagued with many hidden and obvious problems. As a responsible political party, the Democratic Party can never and will never report only the good news but hold back on the bad. Some people consider that the Democratic Party has adopted too negative a viewpoint. But I must stress that we have been elected by the people of Hong Kong to this Council to represent them in monitoring the work of the Government and to assess the potential problems concerned, with a view to applying the right solution to resolve them. For this reason, whenever we identify any problems, rather than shirking our responsibilities, we will point them out in the interest of the public and to prevent the Government from abusing its powers or neglecting the lives of the people.

Hence, after painstaking researches, the Democratic Party has come up with a number of concerns relating to the Budget prepared by the Financial Secretary, the administrative policy and approach of the Government of the Special Administrative Region (SAR), as well as the realization of the various policy objectives. I should like to begin with the credibility of the Government.

I believe Honourable Members should have heard about the fable of the "Wolf-crier" when they were small, so I am not going to repeat it here. Over the past few years, the Financial Secretary has either explicitly or implicitly indicated that he could not help but consider taking measures to increase government revenue as the financial crisis facing Hong Kong had developed to an extent that could hardly be resolved by cutting back on expenses. Nevertheless, every time the Secretary presented his Budget, some dramatic development would always take place to give new meaning to the fable of the "Wolf-crier".

In 1998, before the annual Budget for the year was published, the Financial Secretary had openly appealed to the public to discard any unrealistic expectations of substantial tax reduction, saying that he was not Moses and could not, therefore, lead the people to the Promised Land. Apart from that, during meetings with the various political parties he had also hinted that no concession would be granted in relation to rates or profits tax. However, in presenting the Budget for that year, the Secretary introduced a series of tax reduction measures, including reducing the overall rates percentage charge to 4.5%, reducing the corporate profits tax rate to 16%, and raising the basic personal allowance to \$108,000. All these have won the Secretary rounds of applause. So, this was the first "crying wolf" incident.

Then, in 1999, before publishing the Budget of the year, the Financial Secretary told the press that while a budget deficit of more than \$30 billion had been forecasted for the year, the estimated government revenue for the coming few years were by no means optimistic; hence there should not be much room for further tax reduction. But then when he presented his Budget for that year, in addition to granting taxpayers a 10% tax rebate, the Secretary also offered to ratepayers a one-off concession of 50% of the rates payable for a quarter of the year. This was the second "crying wolf" incident.

Towards the end of last year, the Financial Secretary again hinted that there would still be a need for the Government to increase revenue, since the budget deficit might perhaps amount to more than \$20 billion. All kinds of rumours were then doing the rounds in the community. People generally believed that the Government would introduce the land departure tax or sales tax, or even raise the rates of profits tax, first registration tax and licence fees. As a result, many vehicle owners and drivers hurried to the Transport Department to renew their licences. However, it turned out that the Secretary had forecast a deficit of just \$1.6 billion in his recently published Budget, a figure far less than both the original estimate and the level hinted in the leaks towards the end of last

year. Besides, there is no proposal for either the land departure tax or the sales tax, nor is there any proposed increase in profits tax rates or licence fees. So, people heaved a sigh of relief and accepted happily another "pleasant surprise" from the Secretary. This is the third "crying wolf" incident.

As a matter of fact, the wolves have never come and the sheep are still alive. The Financial Secretary is all the more delighted now, since shots of these kinds have been banned, and scenes of wolves eating up the entire flock of sheep will never be shown.

I can understand the sentiments of the SAR Government in defending the Budget, and I also consider that playing the "opinion card" is no cause for criticism. Having said that, the Democratic Party and I should still like to remind the Financial Secretary of the possible price for the three "surprises", for the public would most probably question his credibility as well as that of the Government. Next time when the Secretary appeals to the public to ride out the storm together with the Government the budget of which has been over-stretched, the public may not believe in his words or sympathize with the Government that easily. As such, I urge the Government not to grow addicted to this "crying wolf" game but take special care to deal with this credibility issue.

The second issue I wish to discuss is the change in the philosophy of governance — the rule of law has been replaced by the rule of man which highlights the importance of clout.

Following the major change in political climate that took place after the reunification, not only has the structure of the Civil Service in Hong Kong undergone changes, government officials have also taken the initiative to make adjustments to their culture promptly. The principle of "work more, err more; work less, err less; work not, error not" upheld during the colonial era has now changed to "follow the chief's order to avoid error". As regards the Government, its concept of administration has also changed from adhering to the rule of law in the past to basing on the rule of man as at present. The practice of the SAR Government has served to rationalize the belief that law is a matter of human relationship, which is based on connections. With the rule of law being undermined, the Government's *modus operandi* has partly returned to the paternalistic days. Some major decisions were made on the basis of connections and nepotism.

With regard to the SAR Government's governance of Hong Kong in the past two-odd years, there are plenty of cases in which the factor of "connections" has been highlighted. In June 1998, the Government announced a nine-month moratorium on land sale and thereby disrupted the adjustment mechanism of the property market. Another example is the *Hong Kong Standard* false accounting case. Although three senior executives of the newspaper were successfully convicted, their boss, Sally AW, is still at large. As regards the Cyberport development project, the Government awarded the contract to the Pacific Century Group without putting it out to tender. Further still, it was also due to the factor of connections that the Government changed its mind and gave the Asian Games bid its full support. Given that people tend to follow the example of their leaders, the influence of this connections-based culture on the different sectors of the community will certainly be immense. What is more, it will also develop further and spread more extensively to the general public at large.

In the past, the Mainland used to be criticized by the people of Hong Kong for its connections-based practices. Yet, today, the connections-based culture has started to take root and flourish in Hong Kong. In order to facilitate its admission to the World Trade Organization, China is now putting in its best efforts to establish the mechanism of the rule of law to remove the negative effects of the connections-based culture. However, the SAR Government is now taking retrogressive actions. On the one hand, it can scarcely wait to receive this orphan "connections" abandoned by the Mainland; yet on the other hand, it is sparing no effort to deny the reportedly 1.67 million strong mainland children of Hong Kong residents the right of abode. From this we can see how the SAR Government has attended to trifles to the neglect of essentials.

Madam President, another cause for concern is the SAR Government's practice of not doing what it preaches.

In paragraph 15 of his 2000-01 Budget speech, the Financial Secretary says, "Our best defence against external attack and the biggest boost to confidence come from upholding the rule of law, running a clean, transparent and accountable government, maintaining free speech and a free flow of information, operating strictly in accordance with best international standards, and providing a level playing field for all businesses." Other than the Civil Service which could still be considered as clean and the limited degree of free speech and free flow of information, do we still have in place those confidence-boosting factors? I doubt that very much.

Let us now take a look at paragraph 17 under the heading of Market-led Economy. In this paragraph the Financial Secretary states, "Market-led means that Government does not seek to direct or plan the course that our economy or economy should take. Instead, we believe that investors and entrepreneurs understand markets far better than officials and the private initiatives are a surer way to build Hong Kong's prosperity than any bureaucrat's blue prints." We cannot help but wonder what was the role of the Government in such issues as the 85 000 flats pledge, the Cyberport development, as well as its intervention in the stock market. There is indeed a world of difference between what is said in the paragraph and what has happened in reality.

Then in paragraph 21, the Secretary says, "In addition, the Government has a special responsibility for removing market restrictions and promoting fair competition." As a matter of fact, so far the Government has not the slightest intention to enact laws on fair competition. Even though Mr Fred LI from the Democratic Party submitted a Member's Bill on fair competition more than two months ago, the Government has yet to indicate support.

The last point I should like to raise is that despite the many slogans it has chanted, the Government has never set any administration targets. Even if it has, more often than not the targets are not supported by any matching policies or measures.

Take the issue of environmental pollution as an example. While the Chief Executive has made environmental pollution an important point in his last policy address, the air pollution index in Hong Kong has scaled new heights in these two days. This morning, when I listened to the English channel of the Radio Television Hong Kong, I heard the Director of Environmental Protection, Mr R. LAW, said in an interview that the appalling air quality in Hong Kong should partly be attributed to the fact that the then Legislative Council had not supported the proposal put forward by the Government in 1995 to ban the use of diesel fuel. However, the Director did not tell the audience the reasons why the government proposal had failed to win the support of the then Legislative Council Members. One of those reasons was the lack of matching measures conducive to the successful implementation of the policy objective. Besides, there were neither any measure put forward by the Government to compensate the affected taxi owners. In order to achieve its aims promptly, the

Government had tried to force its policies on the public without making any efforts to understand fully their difficulties or to provide them with any assistance. As I read through those papers again, I noticed an expert's advice that even if we should switch from diesel fuel to unleaded petrol as suggested by the Government, although less black smoke would be emitted, people's health would still be affected because the amount of other toxic substances like carbon monoxide would increase as a result of the switch. It was for this reason that the then Legislative Council did not lend support to the proposal. Today, even though the Government is giving publicity to LPG vehicles and putting in efforts to encourage operators of taxi and light bus services to switch to LPG vehicles, there are only a few LPG filling stations in Hong Kong. This is another example demonstrating the lack of relevant measures to support the policies concerned.

As I said at the Council meeting on 13 October last year, environmental protection efforts should start with members of the public. For instance, the Government may introduce its environmental protection programmes at the school level and urge students to bring home with them the environmental protection messages. That way, the idea of environmental protection should be able to take root in Hong Kong. With the supportive measures taken by all parties concerned, the Government could then resolve the problems faster and easier.

Madam President, we can see quite a number of students sitting in attendance in this Chamber today. If the Government should encourage each of our schools to put forward proposals for environmental protection and give the students an extra holiday to clean up the streets in the vicinity of their schools or the beaches, I am sure the students would be very happy to do so. Then, as students return home, they would tell their parents about the details of the activity, thereby passing onto them the environmental protection message. In the end, the students and their families will be making joint efforts to protect the environment. If each family in Hong Kong should participate in protecting the environment, we would be able to achieve our objectives very quickly and without incurring any expenses. I just do not understand why the Government still refuses to implement this proposal which I have put forward for quite some time.

Last but not least, I should like to stress once again that it is out of our love for Hong Kong that the Democratic Party and many other members of the public have made so many criticisms against the Government. The more we love Hong Kong, the severer will be our criticisms. I just hope the Chief Executive and other SAR Government officials could adopt an open attitude to contribute towards the long-term benefits of the public by enhancing the transparency of their governance of Hong Kong. With the collective wisdom of the public, not only could the problem of social disintegration be alleviated, a better future for Hong Kong could also be attained.

With these remarks, the Democratic Party and I support the Appropriation Bill 2000.

MR ERIC LI (in Cantonese): Madam President, just now Mr Martin LEE talked about wolves in his speech, but my speech would mainly focus on "dragon" and ".com".

Our first annual Budget for the new millennium is published in the Year of the Dragon. While the dragon is a symbol of the vigour and vitality of the Chinese people, Hong Kong is also known as one of the four small dragons in Asia.

The year 2000 has seen many major changes in the Hong Kong economy, particularly in the development of high technology and the financial markets. As I recall, before the publication of the Budget, the Honourable President, the Chief Secretary for Administration and I visited the Great Wall to witness an event named "Dragon Dance on the Great Wall". More than 3 000 Chinese young people coming from different parts of the world united as one in front of our President, who was the attesting officer of the event, to wave a 10 000 ft dazzling golden dragon. The dragon dance, which was an event celebrating the new millennium, has now been put on the Guinness Book of World Record.

What we need to arouse in Hong Kong is this kind of high morale. To give this sluggish economy of Hong Kong a boost is tantamount to raising and waving this 10 000 ft long enormous golden dragon. In addition to a high morale, we also need to have hearts that unite as one, diligence, and a concerted effort; there is simply no room for tricks or deceits. Certainly, in the case of an economic dragon, we must have a diversified economy as the framework to

support the strong body of the dragon as a whole, and a HKSAR.com with plenty of ideas for technological development as the head of the dragon. We hope very much that the Financial Secretary could be leading before the dragon with the gigantic spinning pear in his hand and guiding Hong Kong to confront competitors coming from other parts of the world.

A laudable budget should be able to provide a blueprint for the development of the Hong Kong economy as a whole. In particular, at this juncture of globalization of world economy and China is on the threshold of accession to the World Trade Organization (WTO), multinational enterprises armed with the most up-to-date technologies and substantial financial power will certainly pose a new round of business competition to Hong Kong. Unlike what happened in the past, this time the local enterprises would need, on top of financial engineering techniques, talents and a keen market sense, the close co-operation of the Government in terms of matching policies. Regarding the role to be played by the Government, it is inevitable that the Government will have to identify the right directions in which markets should develop, and to take the lead in removing any artificially imposed obstacles for businesses. Besides, the Government should be capable of adjusting swiftly to changing circumstances and managing the risks facing investors that are developed from the rapidly changing market situations. What is more, the Government must also pluck up the courage to pilot the massive dynamics of the market. That way, the talents of local enterprises would be able to make the best use of the business opportunities available and to compete with strong rivals overseas.

However, I am not asking the Government to lead the market with its subjective wishes, nor am I inviting the Government to indiscriminately take the lead in embarking on economic activities with public funds. What I am asking for is a government capable of identifying a principal course of development and making use of a more higher level and clearer world view to boost and enhance both the competitiveness and the momentum of the market. I should like to envisage for the Government using the recent development in the field of high technology as an example.

With regard to the co-operation between the Government and the business sector, I suggest the Government consider the following points: (1) supporting more actively the efforts made by local businessmen in developing markets in the Mainland; (2) developing with full strength support services and matching infrastructural facilities for e-commerce, including logistics centre, goods

delivery service and data processing centres; (3) expeditiously establishing a risk management culture for investments in technology stocks; and (4) stepping up overseas promotional efforts.

As regards the internal operation of the Government, efforts conducive to electronic development should be stepped up. In this connection, the Government should consider using high technology to enhance service efficiency and to explore new sources of income. These would include Electronic Road Pricing System, E-commerce Tax, as well as privatizing government departments the services of which could be delivered by electronic means.

China's accession to the WTO would indeed bring along many business opportunities for Hong Kong. However, it is easier said than done to enter this market which is still awaiting further development. The enterprises in the Mainland are either supported by the Central Authorities or the local authorities concerned, while the American Government is also making the WTO as its pretext for paving the way for enterprises from the United States to enter China. Regrettably, however, local enterprises in Hong Kong have to fight on their own to enter markets on the Mainland.

Let me explain with the example of the technology market. As a densely populated small city, Hong Kong cannot offer too large a business opportunity or market for high technologies and telecommunication applications. If we are to develop a high-tech and telecommunications sector with a competitive edge in the international market, the market in the Mainland would be indispensable. As a matter of fact, however, anyone engaging in the telecommunications industry or high-tech investment knows that the high-tech market in the Mainland is not fully opened. The various stringent administrative measures and requirements make it very difficult for enterprises to enter the market there. Otherwise, the United States Government would not have used its support for China's accession to the WTO as a means to pave the way for American enterprises to enter the mainland market. Under such circumstances, it would be extremely difficult for Hong Kong enterprises to enter the mainland market on their own.

At present, Hong Kong is capable of providing financing services and management skills for the technology market. As far as the development of real technologies or products is concerned, it would of course be the responsibilities of the various enterprises. As regards the entry to the mainland market, however, the SAR Government should make more active moves on the political

front and by means of policies to secure for the local enterprises the best position possible. At least it should strive to enable the local enterprises to enter the mainland market earlier than their counterparts overseas, with a view to enhancing co-operation with the mainland enterprises, thereby helping the mainland enterprises to warm up in time for China's accession to the WTO. That way, both the local enterprises in Hong Kong and the mainland enterprises will be benefited.

With regard to the technologies that the general public would easily come across, such as web information, on-line shopping, smart card and mobile phone, while they all seem to be high-tech products not difficult to manufacture, to really give effect to their value-adding capacities would require a handsome amount of financial resources and a lot of infrastructural facilities as backup.

The development of e-commerce requires many other ancillary conditions like secure and confidential information transmission and reception system, laws on e-commerce and other commercial rules and regulations applicable to the e-commerce environment, bank lending (such as credit cards) and settlement networks with comprehensive coverage, highly efficient sea, land and air-borne transportation systems, logistics services centres, goods delivery services, adequate supply of suitably-located storage facilities, professional-level investors interested in investing in high-tech industries, financing market with high cash flow and massive capacity. Besides, relevant professionals would be required for invention, management, promotion and data processing. All these conditions must be well co-ordinated for the sector's flexible use.

We cannot rely on the market alone for the establishment of these conditions. A suitable level of government participation and management would be indispensable if the emerging market is to develop in a healthy and balanced manner. That way more employment opportunities would also be created to help sharpen the competitive edge of Hong Kong in the international arena.

The first and foremost task of the Government is to review the existing infrastructure, with a view to eliminating the useless and keeping the best, and to giving publicity to our strong points like a well-developed financial services sector and an excellent legal system. In addition, the Government should also actively improve, by means of development and co-ordination, our less competitive aspects. In this connection, the Government could consider

developing logistics management centres and establishing some suitable matching transportation network and storage facilities which are now lacking in Hong Kong. Besides, it should also explore and develop new services, including providing training for the apparently surplus lower-skilled technicians, making use of the almost idle industrial land, and encouraging the business sector to provide data processing centre services that are competitive internationally.

Even though we do have some advantageous conditions conducive to the successful restructuring of our economy, we should still keep a close watch on the transformation process. In the event of investors becoming overly enthusiastic, the Government should intervene and monitor the situation, so as to avoid the market from making any "Great Leap Forward" kind of lopsided progress in a "praise-singing" atmosphere. In this connection, the technology stocks investment market has developed to a situation where warning signals should be sounded.

With the property market restoring its stability, the flexible developers are leading the business sector to put handsome capitals into developing businesses in the fields of technology and telecommunications. Those who are well versed in financial engineering techniques are establishing and splitting up listed technology companies for sale at a pace as fast as they construct buildings for sale. The short-term investors who used to be active in the property market may have moved their hot money and pool to the stock market, giving an enormous impetus and a strong sentiment of bull to the financing market.

If all goes well, there will be a continuous supply of capital. However, the danger remains that if there should be any mismatch of resources where market participants' financial engineering technique lags far behind the amount of capital available, economic bubbles would be formed, thereby adding to the risk that participants are exposed to. In particular, playing the stocks market is like playing a drinking game; non-professional investors who are anxious to make instant profits would most easily become the ultimate victims. If the Government should look on with folded arms, although there would not be any legal responsibility on its part, it would still be held responsible morally and politically.

I have recently made a public call on the Government through the media to establish a new risk management culture for technology stocks, with a view to adjusting slightly the strategy for the Growth Enterprise Market to provide fairer

treatment and protection for non-professional small investors and professional intermediaries like accountants. With regard to some of the specific suggestions proposed, I should like to put forward a motion on them for debate at the meeting of the Council to be held on 3 May.

Technological development also poses opportunities as well as challenges to the internal operation of the Government. One very good example is the services provided by the Post Office. Earlier on I have written the Secretary for Economic Services a letter expressing some of my views in this respect. I forecast that if the restructuring of the Post Office should be successful, it would pose another privatization opportunity following that of the Mass Transit Railway Corporation. In my opinion, if the Post Office could pair up with electronic services to play the role of a goods delivery centre, its existing framework would indeed make the most of factors like timing, locality and human resources. As I have already written a letter on this matter, I do not wish to go into the details here.

On the contrary, if the Civil Service should focus on haggling over shortsighted immediate gains, they would in fact be closing their doors to the rest of the community. I hope that the Civil Service could draw on the experience of the business sector and make an effort to streamline its structure, cut back on costs and keep on investing flexibly in technology, so that the efficiency of the Civil Service will not be lagging far behind that of the business sector. Otherwise, not only will the community be incessantly making request for outsourcing government services, their dissatisfaction with the Civil Service will also linger on incessantly. In the long run, the morale of civil servants and the confidence of the public in them will develop into a vicious circle and impact on civil servants far more severely than a one-off radical reform of the Civil Service.

Technology could help the Government to increase revenue and cut back on expenses. What is more, it could also enable the Government to explore more sources of income; electronic road pricing is one obvious example. Thanks to improvements in technology, what was regarded as impossible in the past could become ideas worthy of further consideration. At present, with the help of technology, electronic road prices, metered parking fees, tunnel tolls and public transport fares can be paid by a light-weight stored value smart card. What is more, in addition to helping the police to track down speeding vehicles on highways, smart cards can also be used for automatic fixed penalty payment

purposes. So, smart cards are indeed very cost-effective. The costs involved have been substantially lowered, compared to the time when the Electronic Road Pricing System was first introduced. I believe all these functions could be taken into consideration by the Government as standby sources of income.

Speaking of sources of income, I believe it should be the right time to conclude this technology-related part of my speech. Now I should like to turn to the question of whether the recurrent budget deficit of the Government is structural.

It is easily understandable that the economic cycle will repeat itself endlessly, with upswings and downswings. Besides, cyclical influences have always been there, they are by no means any recent phenomena. Recurrent deficit that exists for several years in a row can never be accounted for by the economic cycle alone. Moreover, if we do not face up to deficits when the economy is at its downswing, does it follow that we should wait until there are deficits when the economy is blooming to admit the problems? For any economic boom, there will certainly be a subsequent recession. Whether or not there is a downturn or an upturn in the economy, we still have to ensure the stability of government revenue, provide for the basic public expenditure, and to strive to achieve a fiscal balance as required by the Basic Law. As such, the most suitable tax system for Hong Kong should be one which, with its wide and stable tax base, is capable of resisting the influences brought about by the downturns and upturns of the economic cycle.

On the other hand, the structural changes in tax revenue are also very obvious. The measure to stabilize land price is an artificially imposed policy; so long as the land policy of the Government remains unchanged — and there is no reason for it to be changed — the land-related government revenue will immediately drop. The Government will be losing tens of billions of revenue arising from land sale and regrant premium annually. These losses are definitely an immediate and structural change, and is also the major factor accounting for the deficits incurred in the last three years. As regards the arrangements for avoiding tax liability through e-commerce, although this is something we could expect to see in the future, the influence is not yet felt at the moment. Nevertheless, with the rapid development in application of technologies in Hong Kong, and taking account of similar experiences of overseas economies, we could expect the revenue generating from the existing tax base to drop slowly and steadily, despite the painstaking efforts made by the

Inland Revenue Department. This should also be regarded as a middle-to long-term structural problem.

With regard to returns on investment, the Government has earned a total of \$80 billion in these two years, with \$36 billion earned last year and \$44 billion earned this year. This is mainly attributable to the local stocks the Government was forced to purchase in 1998. Given that the Hang Seng Index has risen considerably in these two years to over 10 000 points, the Government is able to make a total return of more than \$100 billion. In this connection, of the \$230 billion revenue generated this year, 19.2% or \$44 billion are investment returns, representing an even larger proportion of the government revenue than profits tax and salaries tax which stand at \$37 billion and \$23.8 billion respectively. If the return on investment should be reduced by half to \$22.2 billion as estimated, the amount of deficit would soar to \$23 billion. This would be too large an amount to be covered by increasing the rates of profits tax and salaries tax alone.

From this we can see that the tax increases hinted by the Financial Secretary are not "crying wolf" but "crying dragon" facts, for the stocks market is prospering like a dragon. Nevertheless, the non-recurrent revenue from this is never reliable. What is more, we are also faced with the risk of incurring losses as well. Actually, Mr Joseph YAM also made similar remarks this morning. Hence, the accountancy sector welcomes the far-sighted measures of the Government to actively review the tax system and to step up corporate governance. By taking precautionary measures before troubles occur, the Government could demonstrate to the public both its wisdom and its future financial management commitments in the long run.

Upon the publication of the Budget, I immediately welcomed the active attitude adopted by the Government to face up to international competition, as well as to restructure and reform both the structure and management of the financial markets and the government departments responsible for promoting Hong Kong in overseas markets. In addition to being helpful to Hong Kong in grasping business opportunities, these measures could also help to prepare Hong Kong to face up to the challenges brought about by China's accession to the WTO. Further still, I also welcome the decision of the Financial Secretary to "declare war" on the structure of the Civil Service, which I have criticized for being over-sized all along, as well as on its conservative culture, unwillingness to change, and lack of an enterprising spirit. I also welcome the active efforts made by the Government to prepare for future reviews of the tax system and

corporate governance which the accountancy sector has expressed concern for. For these reasons, I give this Budget my full support.

Madam President, the dance of the dragon in the new millennium has stirred up storms. The 21st century is the time for small dragon Hong Kong to take off. The head of the dragon, HKSAR.com, has lifted, and the business sector and investors are vigorously waving the gigantic economic dragon. I hope that

PRESIDENT (in Cantonese): Mr Eric LI, your speaking time is up.

MR ERIC LI (in Cantonese): Thank you, Madam President.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, the treasurer in a traditional Chinese shop or in a wealthy family holds all the financial reins. Those who are good at financial management will be able to bring in a lot of wealth to their boss, enabling them to buy land and farms. Those who are not so good will at least see to it that enough grains are in the barns for the cold bleak winter. They must keep a close watch on the family business and to be on the alert for any imminent crisis. If a crisis is around the corner, they will need to make the necessary financial arrangements and make the right response. The accountant and financial consultant of the present day are in charge of money matters. As we have said, our accountant Mr Eric LI is in charge of money matters for many people. The Financial Secretary is playing pretty much the same role in the Government. He is in charge of the distribution of wealth in our society. Taxes are a source of public revenue. The Financial Secretary makes use of the taxes collected to effect a distribution of wealth through public expenditure.

The Financial Secretary has presented his Budget, very much like the treasurer taking out his books to the family of 6 million plus members in society. However, these books can only let us see the amount of money which the family is expected to make. But for those members of the family who are suffering from serious illness or those who are starving, the treasurer can only ask them to look at these figures in the books and hang on. He may give a little bit of medicine to the sick to prolong their life. But our treasurer not reviewed the

sources of family income, nor has he tried to reallocate these sources to enable these members of the family to lead a better life or to heal their illness. How can this be possible?

The tax regime of Hong Kong places emphasis on the balance of income and expenditure. It disregards the issues of equity in taxation and the function of taxes in regulating the economy. Though there have been a few occasions where a review is made of the Inland Revenue Ordinance, these are confined only to technical and legal matters. No thorough considerations and public consultations are made to narrow the disparity between the rich and the poor, in the assistance given to the grassroots to find jobs and to establish a fair tax regime.

A lot of undercurrents are expected to swell in our economy. With China's accession to the WTO and the third wave in the restructuring of our economy, workers in Hong Kong will have to meet formidable challenges. The Financial Secretary admits that there are still 750 000 low-skilled workers in Hong Kong who are over 40 years of age and with an educational attainment of Secondary Three or below. Then what does the Government think of the employment prospects of these people? If we look at the analysis given in the Budget, we will find that the view held by the Government is that there will be employment opportunities when the economy turns for the better. But are things that rosy and optimistic? I do not think so, nor does the Hong Kong Federation of Trade Unions (FTU) to which I belong. We can see now that it is hard for many grass-roots workers to find jobs, their salaries are falling sharply, and there is an oversupply of labour. When the economy undergoes transformation, those knowledge-intensive trades will flourish while those workers at the grassroots will find it hard to adapt to the economic development. We think that the unemployment problem will become worse. The gap between the rich and the poor will widen. Many members of the working class will be eliminated. The Financial Secretary, the keeper of our purse strings, has not given any thoughts to this age of economic restructuring. The Budget speech only conveys the Government's belief in the existence of boundless business opportunities. Nothing has shown that it is aware of the crisis confronting the working class.

In this economic restructuring and change in the mode of knowledge in demand, we are worried that in future only those who can master new technology and culture will be able to make any improvements in their salary and living. Those without such requisites can only hope to get a meagre share or a job in the fierce competitions with well over 1 million workers. Leaving aside things in the distant future, I hope that the Financial Secretary can understand what I am saying. In the Civil Service which he is most familiar with, the latest developments like civil service reform, enhanced productivity, contracting out and privatization and so on, are hitting the civil servants hard, especially those at the basic ranks. We can notice that many of them, despite the so-called excellent compensation packages, still have great reservations about them. Why? It is because they know very well that it is very difficult to find a job in the job market these days. If they are compelled to compete with others in the private sector for a job, the success rate will be very low. Let me quote some specific examples. The Ward Attendants and Workmen II in the Hospital Authority currently earn a monthly salary in the region of \$10,000. If they are forced to find jobs in the private sector, it may not be possible for them to find any jobs at all. Even if they can, they will only get a salary of \$5,000 or so. How can they make ends meet? In addition, in the municipal services departments, some of the ticketing clerks and public relations staff in the cultural centres may have a Secondary Five qualification or even a university degree, but they are at a loss in the face of these reforms. They are aware of the oversupply of labour in the market and once they are out of employment, they will not know when they can find another job again. To some of the IT personnel in the Government, for example, that is, those who work in the Information Technology Services Department, the rapid developments in information technology are threatening them with the loss of their jobs. I would like to remind the Financial Secretary and the senior officials here that given the uncertainties faced by civil servants, how much more will the million-plus workforce face? If these problems are not effectively tackled, it would only lead to dire consequences.

What the FTU is concerned about is whether the so-called business opportunities described by the Government can shed a ray of hope on the working class. That is also our fervent hope.

There are in fact many ways of solving the problem. The Government could have made use of the tax system to help the workers solve their unemployment problem and to narrow the gap between the rich and the poor. We can see from many overseas examples that the tax system can be used to encourage the big companies and the businessmen to help workers find a job. They will also get help from many funds and, as a result the problem of unemployment being alleviated, the disparity between the rich and the poor will be reduced to a certain extent. It is unfortunate that to date the Government has not done anything like this in the Budget this year and there is no attempt to narrow the gap between the rich and the poor by tax measures.

A vertical, equitable and progressive tax regime can alleviate the disparity in wealth in society. The FTU has always been proposing to the Financial Secretary in the Budget debates to introduce the system of progressive taxation for profits tax. For example, there can be no tax increase for the small and medium enterprises, a 0.5% increase for those making a profit of \$5 million or more but below \$10 million, while those making \$10 million or above will pay at 1% more and so on. The Government can use this progressive system to make adjustments to our profits tax regime. If this is proven to be successful, that would bring a lot of public revenue. Profits tax in Hong Kong is on the low side when compared with 26% in Singapore, 30.8% in South Korea and 25% in Taiwan. Hong Kong only collects a mere 16%. There is a lot of room for adjustment. But the Government has not done anything on that.

The principle of "living within our means" is only a basic principle of fiscal prudence. It does not mean that we have no other more important objectives. Some countries like the United States which I have just mentioned have a tax regime the objectives of which match closely with the needs of society. The objectives of increasing employment and narrowing the disparity between the rich and the poor have become the yardstick of a government's success. I think this is very important. Last year when Japan wanted to raise its employment level, it spent a lavish HK\$40 billion to create 700 000 jobs. I think we have the means to do that. If we can impose progressiveness into our profits tax regime, then we can give full play to the distribution of wealth. The Government can levy profits tax from those companies making handsome profits and spend it on the welfare of the people. That is a most meaningful thing to do.

The Financial Secretary said in his Budget speech that he wished to set up an independent committee to study into new taxes and the widening of the tax base. Members of this committee would include tax experts and scholars. This is a move to be welcomed. But the committee should preferably not be led by the Government. In fact, as early as in the beginning of the 1990s, the Government set up a Joint Liaison Committee on Taxation which gave technical advice to the Financial Secretary on taxation matters. It acted as a think-tank for the Financial Secretary and gave advice on the annual budget.

However, a committee like this is not comprehensive enough because its composition should be able to convey the needs of the public — a point which is very important. So the committee should be formed by non-affiliated groups and that would make it more representative. Members of that committee should not just play the role of technical consultants, but they should also undertake a thorough review of the current tax regime. Failing this, I am worried about the results of this change. Even as the Financial Secretary proposes to set up such a committee, but if its objectives are different and if there is no representatives of the people, I am afraid it will end up like the Working Group on the Review of Profits Tax which was set up in July 1997. This Working Group advised the Government on matters like the rate of profits tax, depreciation, tax remissions and concessions and so on. One of the proposals made surprisingly was to lower the profits tax rate from 16.5% to 16%. As I have mentioned, a progressive element should be introduced into the profits tax regime in order to make it vertical and equitable. However, the proposals made by that Working Group fell short of our expectations.

In terms of taxation, apart from income, we should also try to solve our social problems by way of spending. As I have said earlier, we should be concerned about how this workforce of more than a million is going to adapt to the changed environment after an economic and cultural restructuring, and how these people are going to rejoin the workforce. Therefore, the Government should devise targeted measures in terms of public expenditure. Although the Government will set aside \$300 million as recurrent expenditure on a series of training and retraining programmes, and \$200 million on enhancing the Support for Self-reliance Scheme, these are but drops in the ocean if we wish to tackle the problems faced by this huge workforce. They will not give too much help to the unemployed. Over the past few years, the FTU has been pressing for a Re-employment Support Programme. Its aim is to urge the Government to give financial assistance to the unemployed so that they can be provided with a

package of measures to help them get employment again in the face of economic restructuring. The measures should be able to help them enhance their competitiveness and rejoin the labour market. If there is no action from the Government in this respect, these people may be forced to live on the CSSA in the end. I do not think that is something we want to see. Unfortunately, not a single word on this proposal has been mentioned by the Government. I think it may be the intention of the Government to ask the unemployed to hope for the best.

The Financial Secretary said that this Budget had made the least tax proposals. It is also one which attracts most of my attention. Just now many Honourable colleagues have talked about the story of the wolf. The Financial Secretary hinted on a number of occasions beforehand that he was prepared to levy new taxes. We are also prepared. But the Government does not put that into practice in the end. The public is very happy about it. Madam President, recently I went with my colleagues from the FTU to listen to what the public had to say on this. Most of them were very happy about it. But I told them not to be happy too soon, for there might be a sequel to the story of the wolf. Taxes like sales tax, departure tax and so on would come one after another. Some public utilities have already expressed that there is a need to raise charges. So there may be a lot of changes before the voting period next month. It is because many organizations would increase their fees and charges in around April. We are always on the alert because we still have doubts. We do not trust this philosophy of financial management because the risk is very likely to be transferred onto us. The Government has been talking about this crisis that there exists a structural problem with our tax regime. We have great doubts about this. We do not believe in this. However, I think the Government has got another way of doing things. It may transfer them onto the common people and make them bear the consequences. Therefore, the FTU has yet ceased to be vigilant. However, we welcome the present move made by the Financial Secretary not to make any tax increases.

Madam President, the Financial Secretary said in the debate in the Legislative Council that his views on the methods of solving the unemployment problem are different from ours. He and I are arguing different things. Therefore, I used the example of the Civil Service which he is most familiar with when I was giving my speech earlier. The purpose of this is to let the Financial Secretary understand the anxieties of the working class at present. Last night in a government office, our trade union heard the grievances of a few dozens of

front-line civil servants. They felt very anxious and helpless. The Financial Secretary did not understand what I said at that time and I asked him to listen to the views of the public. He agreed to that idea. But he said that this could only be done after the votes were cast. I have said to our think-tank in the FTU that we should ask the Financial Secretary to meet members of the public at an appropriate time. However, we have not fixed the time for that yet. My colleagues have also asked me to tell the Financial Secretary that although we do not have "milk tea" or "pineapple buns and butter" to treat him, we would treat him as an honoured guest.

I so submit. Thank you, Madam President.

MR TIMOTHY FOK (in Cantonese): Madam President, this year marks not only Hong Kong's first step into the new century, but also the first year into recovery from the economic recession. Everything is filled with vigour and vitality. Certainly, we should be all the more pleased with the fact that the new Budget has "introduced no new tax, raised no tax and increased spending appropriately". Therefore, everyone should be pleased with the Budget.

The most prominent feature of the Budget is that it can keep tap closely on the pulse of Hong Kong, which is still at an early and extremely sensitive stage of economic recovery, and that it has made no big movements. It is also determined to regroup and reshape together with the public to enable the community to pick up its economic momentum.

First, the Budget has not, like what it did in the past two years in times of difficulties, taken any relief measures and we can no longer find any substantial tax reductions. Programmes aimed at reviving the economy for the purpose of stabilizing confidence have also been suspended to enable us to lay "a gentle hand on the tiller".

Second, the burdens of the public and enterprises will be greatly relieved and new opportunities will be created for economic recovery in the absence of any new taxes or tax increases. Quite on the contrary, concessions are made for certain taxes.

Third, in spite of the increase in government expenditure, the Government has been able to keep it below the economic growth rate. This enables the

Government to maintain its public services on the one hand, and narrow on the other the "scissors-like gap" resulted from the fact that expenditure growth for the past two years was higher than our economic growth, so as to bring our economic development back to the right track.

Madam President, although the crisis brought about by the two-year financial turmoil is over, our economic system and investor confidence are still very fragile. Our first and foremost task is to reinforce our base for rejuvenation. From whatever angles, the Budget announced by the Financial Secretary is both timely and commendable.

However, it must be noted that the reinforcement of our base is only meant to be transitional. If we really wish to see a revival of our economic development, it is essential for us to make forward-looking preparations and carry out reform. In this aspect, the Financial Secretary has done some preparatory work such as restructuring the trade and industry departments, taking a proactive approach in introducing foreign investment, further disciplining the market order, upgrading the financial infrastructure, intensifying the civil service reform, conducting a comprehensive review of our tax system and so on, with a view to enhancing our competitiveness by way of self-improvement. This direction is right in spite of the fact that what he has done is not enough in terms of strength and depth.

First, although the Hong Kong economy has freed itself from the recession and resumed growth, "deflation" still remains and we can still see a big gap between the performances of various trades and professions. This shows that the economic recovery is restricted to some sectors of the economy only. A number of trades and institutions have not yet risen above their predicaments. The Budget appears to lack punch in giving support to industries lagging behind, which are predominately traditional manufacturing industries and small and medium enterprises. Members should understand that a great number of workers are employed by these industries, which do not have a high technology content. Under a knowledge-based economy and given the fact that these industries have greater difficulties in securing bank financing, it is imperative for the Government to provide them with greater assistance by way of policy.

Second, the recent "dramatic development" of government revenue and expenditure and the reliance on the listing of the Mass Transit Railway Corporation in the coming year for reducing the deficit have fully reflected the

instability of our fiscal structure and the great reliance of the coffers on non-recurrent proceeds. As problems and risks pertaining to our fiscal structure are still with us, the first and foremost task for the Government is to take action to perfect our tax system, stabilize our sources of tax revenue and widen the tax base. It is indeed necessary for the review group and committee proposed by the Financial Secretary to formulate practical and feasible reform packages in the shortest time possible. Otherwise, this potential crisis will pose serious threat to the prosperity of the Hong Kong economy.

Third, as a result of hyper growth, the information technology industry has become another "bubble" following the real estate sector. It has now become a priority task for the Government to figure out how to effect a "soft landing" for this bubble. It will find it hard to get the desired result by just relying on the verbal warnings given by officials. On the other hand, it needs to strengthen its work in this area too.

Fourth, in the light of the globalization of world economy, the rapid development of on-line electronic trading activities, the negotiation between the two sides of the Taiwan Strait for the fostering of the "three links" and the imminent accession of China to the World Trade Organization, Hong Kong should conduct a comprehensive assessment of its economic status as well as its positioning and development strategies. The Government must speed up its work in this area and enhance transparency to provide guidelines for the business sector to follow.

Madam President, after all, the key to developing innovation and technology and promoting the "new economy" lies in the availability of talented people. These people should possess not only high academic qualification, but also a quick mind, the courage to innovate and willingness to work hard as well as a team spirit. We will find it extremely difficult to nurture talents if we continue to rely solely on the impartation of knowledge and the expectation for each of us to devote to lifelong learning. More importantly, Hong Kong should meet the requirements for developing talents locally as well as attracting talents from abroad. This will mainly hinge on whether or not Hong Kong has a social environment conducive to the healthy development of our spiritual and physical well-being and a social atmosphere which displays the willingness and courage to innovate to enable it to develop into a city full of vigour, imagination and creativity.

With these remarks, I support the 2000-01 Budget proposed by the Financial Secretary.

MR LEE KAI-MING (in Cantonese): Madam President, this Budget can be described as having employed the tactic of "introducing no changes in coping with changes" and we can see that the effect produced as a result of a series of measures taken to revive the economy has gradually surfaced. From an objective point of view, the decision not to raise profits tax, and not to introduce land departure tax and sales tax shows that the Financial Secretary understands the feelings of the public and he is trying to meet the aspirations of the public, thus bringing new opportunities for our economy to speed up its growth. We are pleased to view the future of Hong Kong with confidence for the Financial Secretary has described at considerable length the impact of China's accession to the World Trade Organization. Some friends of mine even said this Budget impressed them more like a policy address. In short, this Budget can be described as unexpected. Members of the public are pleased with it for it has given them a sense of relief too. I can find only some slight imperfection and that is the "Treasurer" seems to have given too much emphasis on the difficulties we might encounter in future and overacted in probing the responses of the community. This is why we are given the impression that the Financial Secretary was trying to "cry wolf". I just cannot understand why the Financial Secretary chose not to tell the public frankly and in accurate terms the profits that the Hong Kong Government has made from investing in Hong Kong stocks. As our GDP growth in real terms this year might exceed 5%, it is very likely that this Budget will end up with a surplus. What the Government is trying to do at the moment is to prevent the public from pitching excessively high hopes on the Government. Nevertheless, the public will end up losing trust in the Government if it resorts to the tactic of "playing cat and mouse" with the public excessively. This is therefore extremely undesirable.

Madam President, globalization has already become a trend. An economy driven by knowledge is also approaching us unnoticeably. We can only prevent ourselves from lagging behind in the new century by adapting to the trend as well as learning and acquiring new knowledge and technology incessantly. Middle- and old-aged workers of low skill and education standard will be particularly hard hit by the knowledge-based economy. Hong Kong has at present approximately 750 000 low-skilled workers who are above 40 years old and with below Secondary Three education standard. Their situation is

indeed worrying. A failure to solve their employment problems will only aggravate the community's welfare burdens, widen the gap between the rich and the poor and intensify social contradictions. Although the Financial Secretary has made a rather conservative forecast of our economic performance, he is quite optimistic about our employment prospects. Citing the United States as an example, he thinks that "even in a technology- and knowledge-driven economy, the entire workforce stands to gain as long as the economy is vibrant and consumption continues to grow". Actually, according to the tentative figures published by the Government, the employment rate between December 1999 and February 2000 stood high at 5.7%, with the number of jobless people reaching 201 000. Furthermore, this figure was released after the Government had changed its definition of the term "employment size". By changing "working at least three hours a day" to "working at least one hour a day", the Census and Statistics Department considers people working at least one hour a day as employed. It is very likely that the actual number of unemployed people is far greater than this figure. The reality is that the unemployment rate remains high. Wages of the poorly educated and unskilled workers are still dropping and their benefits are diminishing too. We can also find more and more cases in which casual workers and people working on an hourly basis fail to gain employment protection because they cannot meet the 4-1-18 requirement. As a result, the gap between the rich and the poor continues to widen. The findings of a survey show that the present wages earned by 67.8% of the interviewees are lower than the wages they made from their previous jobs. Moreover, 42.3% of these people have their wages dropped by more than 40%. This shows much blood and tears have been shed by the labour sector in the course of lowering production costs. Without sacrifices made by the labour sector, it will be impossible for us to adjust the overall wages and enhance the competitiveness of our prices and today we finally see economic recovery in return. It is regrettable that the Government has been unable to come up with good solutions for solving the structural unemployment problems at the fundamental level. How can we stimulate employment and solve our problems by solely relying on economic growth? We should understand that Hong Kong is different from the United States in terms of social structure. There is a big gap in such areas as culture, social security and so on. In a growing technology- and knowledge-driven economy, we will naturally find it difficult to rely on natural adjustment made by the labour market in solving the employment problems of those who are unskilled and uneducated. The Government must keep sober-minded in tackling this issue.

Madam President, the Chief Executive has been urging the people of Hong Kong to engage in lifelong learning in order to cope with changes taking place in a knowledge-based society. However, the Financial Secretary is being miserly with the reserves for he has only reserved \$300 million for the purpose of giving support and training with respect to employment services. How can such a meagre sum of money help the public enhance their skills and achieve the ideal of full employment? Unstable financing will also deter retraining institutions from formulating long-term manpower training programmes. How can they cope with the demands of the community and help the unemployed and low-skilled people solve their job-switching and employment problems? In doing so, is the Financial Secretary actually paying lip service only?

It is mentioned in the Budget that "Every year some 20 000 of our young people between 15 and 19 leave school to look for a job. Within this group, 18% are Secondary Three school-leavers. Less than 10% have received any vocational or technical training. Last year, the unemployment rate of the 15 to 19 year olds reached 29%". Through the Youth Pre-employment Training Programme, the Government provides services to more than 10 000 secondary school students between 15 and 19 each year. Moreover, subsidies were given to the Vocational Training Council for the provision of 1 500 extra training places for Secondary Three school-leavers and Secondary Five graduates. We should attach great importance to the training and employment of young people. As it is essential for people of this age group to receive continuing education, we must try every possible means to enable them to continue with their study and education. More importantly, we need to take care of young people who are unable to continue with their education by offering them chances and channels to receive vocational training to let them know that the community cares for them. In doing so, they will be able to support themselves and serve the community rather than giving up hopes for themselves and posing danger to the community.

In order to enhance productivity and reach the target of lowering the growth rate of government spending by 2.5%, the Government plans to cut 10 000 posts in three years and proposes to "introduce in 2000-01 a Voluntary Retirement Scheme for existing staff in designated grades to leave the Civil Service on a strictly voluntary basis". Although this practice, aimed at "trimming and slimming", making good use of resources and saving expenditure, is in compliance with the interests of the community, the Government must act prudently and refrain from taking any involuntary retirement action to avoid undermining the morale of the Civil Service and affecting the operation of the

administrative framework. Madam President, with the development of our society and economy and the expansion of our population, there will be a constant growth in the demands for government services. The policy of reducing the size of the Civil Service has posed enormous pressure on civil servants working at the front line. I hope the relevant departments can strengthen communication with civil service unions to enhance mutual understanding and co-operation. Only through gaining support and co-operation from the civil servants can we ensure a proper and smooth implementation of the civil service reform.

As our society is in a constant state of changes, it is indeed essential for the Government to conduct a review of our tax system to cope with our current needs. The Government should also conduct a study to enable our tax system to achieve a more reasonable distribution of wealth and social resources, as well as trying every possible means to narrow the gap between the rich and the poor in order to build up a stable cosmopolitan city where the general public can live and work peacefully and happily.

Madam President, I support the Budget.

MR EDWARD HO: Madam President, after the storm of the Asian financial crisis that hit Hong Kong, with a dramatic twist, the Financial Secretary's first Budget for the new millennium brought renewed hope to the people of Hong Kong. From a widely expected large deficit, projected at \$36 billion, a technically balanced budget was achieved with a deficit of no more than \$1.6 billion. The Financial Secretary and his colleagues in the Civil Service must be congratulated for this fortuitous turn of fortune. The unprecedented and spontaneous applause that the Financial Secretary received at the end of his speech ought to assure a smooth passage of the Budget through this Council.

The turnaround of fortune must have vindicated the Financial Secretary's decision to incur into the stock market in August 1998, a decision that was supported by the Liberal Party, but was to come under tremendous fire from many political parties and some international financial and political observers. The various tax concessions and rebates given in 1999 no doubt also contributed to the economic revival of Hong Kong.

This year, the Financial Secretary rightly proposed no increase in taxes, and no new sources of taxation, allowing Hong Kong's people to catch a short breath of air before they, as the English title of the Budget Speech suggests, "scale new heights". Over the past two years, businesses in the private sector have had to resort to drastic cost adjustments in order to survive, and to face ever-increasing competition locally and from other territories. In an open market economy, this was a painful but necessary process for both employers and employees. The Financial Secretary's aim to scale new heights by "enhancing productivity to create wealth", which is the Chinese title of his speech, is in the right direction.

The Government's determination to reform the Civil Service should be supported. After the euphoria of this year's surprise Budget, it is projected that there will be several years of operating deficits to come. Whilst the Administration is looking into the suitability of introducing new types of broad-based taxes, it must also look into how it can cut cost, how it can be more accountable to the public, how its money is spent, and how its cost for providing services is comparable to that of the private sector. Members of the Liberal Party fully supported the privatization of the Mass Transit Railway Corporation. We hope that the Government will continue to explore corporatization or privatization wherever it is feasible. There is no stricter discipline for a government agency than when it is brought into competition with the open market.

Madam President, I commented on town planning, the environment, urban renewal and conservation in last year's debate in the Council. All of these topics still concern us very much today. On town planning, I am encouraged to see that the Administration has been much more aware of the need to consult the public before it proceeded too far with large scale development projects, such as the Central and Wan Chai Reclamation Phase 3, and more recently, the consultation on urban design issues. Whilst development must continue to cope with rising demand of our expanding population and economy, clearly both the Administration and the public now realized that a balance has to be found, as we can no longer take for granted that uninhibited and random planning and development would not cause irreversible damage to the environment that we live in. On this, we are waiting impatiently for the Government's implementation of a policy on sustainable development.

Just yesterday, air pollution index was recorded as an all-time high at 162 in Central. The problem of air pollution has plagued us for too long. Much more government action is necessary, both locally as well as through co-ordination with the mainland authorities, for positive improvement to the deteriorating quality of our environment. It is no longer sufficient that we have an Environmental Protection Department that sees its main role as a regulator and law-enforcer. Now that it is a department of the Environment and Food Bureau, rather than as a part of the then Planning, Environment and Lands Bureau, I am even more concerned whether its focus will be narrower than before.

In order to bring about real and accelerated improvement to our environment, I call for a strong institutional arrangement within the Government to co-ordinate the different Policy Bureaux and departments that have, within their policy portfolios, impact on the environment. Most obvious would be the Planning and Lands Bureau, the Environment and Food Bureau, the Works Bureau, the Housing Bureau and, most importantly, the Finance Bureau which controls the purse string.

There has to be a top-level co-ordinator, a Super Policy Secretary within the Government, to direct these relevant bureaux and their departments to actively pursue the improvement of the environment. In addition, strong co-ordination and direction from the top must be backed up by adequate financial resources so that action plans can be implemented as quickly as possible. The present pace of many of these plans are progressing much too slowly due to lack of adequate financial support from the Government. The conversion of taxis to liquefied petroleum gas is a clear case in point. It is no doubt that my colleague, the Honourable Mrs Miriam LAU, would have more to say on that.

Madam President, I moved a motion in this Council in November 1998 on air pollution. I am glad that the Administration is now looking into some of the proposals that I made: proposals such as pedestrian zones, electric trolley buses and exploration of alternate and environmentally friendly fuels for vehicles. However, all these are moving much too slowly. Nothing has passed the "looking into" stage. The environment cannot wait, it is time for commitment and action.

I now turn to another subject that is of current concern, that of public housing quality, the building industry and professional services. All three are subjects that are closely linked together.

I have argued for a more rational system for consultant engagement on many occasions before. Recently, a study of 15 years' changes in Australia showed that the move to consultant selection based on lowest fees have increased building costs and time. Building contractors priced their tender prices higher to allow for reduced services from consultants. Thus, it was not only false economy to base selection of consultants on fee levels, but had ultimately affected the efficiency of building and quality. For these reasons, many governments in Australia, the United States and the United Kingdom have abandoned fee-tendering and adopted a Qualification Based Selection (QBS) System for consultant selection. In the United States, it is mandated by law that QBS must be used in appointing architects and engineers for all federally funded projects.

The Administration will tell you that consultant selection was not solely based on fees, and that there is a 60% to 70% weighting on technical capabilities. A study carried out by the Hong Kong Institute of Architects of eight samples of fee submission on Architectural Services Department projects indicated that, whether the ratio of technical to fee score is set at 50:50 or at 70:30, projects have been awarded to the lowest fee-bidders. In other words, the present fee-tendering system failed to ensure a selection process based on quality.

Madam President, together with my colleagues in the professional institutions, we have argued for a quality based selection system for many years, especially with the Hong Kong Housing Authority (HA). Whilst I do not wish to pass judgment on the Housing Department at this stage, as there are pending lawsuits, it is clear that in the case of foundation construction, there has been a lack of adequate professional on-site supervision in the form of resident engineers, as are common for private sector projects. Recent problems of public housing quality possibly suggested that emphasis has been placed on the lowest construction cost.

But this is just the symptom to much more fundamental problems affecting the HA and the Housing Department. First and foremost, the portfolio of the HA and the functions of the Department have, over the past decades, grown to such a dimension that they are almost unmanageable. The HA is responsible

for policies and implementation of housing for almost half of Hong Kong's population. The Housing Department, with a staff size of over 14 400 people (as at August 1999), is the HA's executive arm as landlord, developer, consultant, sales and rental agent, and estate manager. The Department sets its own rules, and regulates itself. It is in itself an independent kingdom with a law unto itself.

With an organization of such a size and responsibilities, especially involving professional matters, a crucial question must be asked: Does it have the right leadership at the top? This is not meant to be a personal criticism of the abilities of the incumbent Director. My aim is to open up once again the debate of whether certain departments should be headed by professionals rather than by Administrative Officers.

Madam President, I draw no conclusion from the history of the Housing Department. It was headed by an architect and a surveyor consecutively from 1985 to 1996 with no major problems. My views are well known that, in principle, I consider that professionals should lead departments that by nature deal with professional and technical decisions. I have said before in this Council's debate that that should be a key element in public service reforms.

The Financial Secretary proposed to set up a dedicated agency under the Trade and Industry Bureau to develop a more proactive role to promote inward investment. I totally support that. But, the Government once again ignored the importance of promoting Hong Kong's professional services overseas, and in the Mainland. This task is conveniently left to the Hong Kong Trade Development Council whose main aim is to promote Hong Kong's products, not services.

One of the main headings of the Financial Secretary's speech was "Making the Most of Our China Advantage". To professionals in the Hong Kong Special Administrative Region (SAR), we certainly look to the Mainland as a potential market. Unfortunately, Hong Kong professionals do not have access to information to business opportunities in the Mainland. Many public projects in the Mainland are conducted through international competitions. The mainland authorities neither consider the SAR as "international" nor "local". Thus, SAR professionals are seldom on the invitation lists. We see many foreign architects successfully participated and obtained commissions in many large-scale public projects in the Mainland. I suggest that the Office of the Government of the SAR in Beijing should be turned into an Economic and Trade Office. This will

do more for Hong Kong, and may earn them the support of building a "Courtyard House" ("四合院").

The lack of active promotion on the part of the SAR Government for local professionals has not enhanced their business opportunities. At the same time, Hong Kong's open door policy and active inward promotion have reduced their opportunities for services even in their own territory. Madam President, nothing has changed. Hong Kong people have to rely on their own determination and resiliency to survive — words that the Financial Secretary used in his Budget speech last year. They must sharpen their competitiveness, but I hope that the Financial Secretary will include "professional services" in his vocabulary when he spoke about promoting Hong Kong as an international services centre.

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

DR YEUNG SUM (in Cantonese): Madam President, the 2000-01 Budget delivered by the Financial Secretary recently looks like a glass of sparkling and crystal clear water. From a distance, it appears that the glass is empty. On a closer look, however, we can find a lot of foreign matters and germs hiding in it. If we fail to deal with the germs properly, they will, with the passage of time, definitely multiply incessantly and jeopardize the health of the drinker.

At this stage, the Democratic Party does approve of what the Financial Secretary did with respect to the Budget for the next fiscal year for he has acted leniently by deciding not to levy any new taxes or raise any taxes which may affect mainly the lower and middle strata. Undoubtedly, the usual publicity tactic used by the Financial Secretary has worked once again and won overwhelming applause. However, after the applause is gone, the public can easily find numerous traces hiding behind this apparently unexcited but acceptable Budget. Moreover, it is very likely that they will become the direct causes for the levying of different types of new taxes in future.

In fact, the Financial Secretary has pointed out in paragraph 207 of the Budget speech that the Government will set up an independent committee specifically tasked to examine the feasibility of introducing new types of broad-based taxes. At the same time, the Secretary for the Treasury will head a Task Force which will continue to monitor if there is a structural correlation between

recurrent expenditure and revenue. We can see that the Financial Secretary has apparently never given up his hope for introducing new types of taxes such as land departure tax and sales tax and will, in the foreseeable future, put these ideas into implementation when a favourable opportunity arises.

According to the latest estimate on deficits as published by the Government, we can see a consolidated operating deficit for five consecutive years from 1998-99 to 2002-03 and our finance will not return to surplus until 2003-04. This shows that the Government's recurrent expenditure and revenue accounts were continuously plagued with deficit problems. However, is the real picture the same as the Government's forecast, that is, the public finance will be suffering from serious deficits? According to our experiences gained over the past several years, the Government's forecast often differed considerably from the actual value. For instance, the deficit for 1999-2000 was originally forecast to be \$36.5 billion but finally turned out to be \$1.6 billion, with the difference being as much as \$34.9 billion. Although the Government has attributed the substantial reduction in deficit mainly to the fact that our economy is improving and \$20-odd billion more has been yielded from the investment of fiscal reserves, it is still difficult for the Government to hide the considerable gap between its estimate and the actual value.

Actually, the Government's management of finance now relies mainly on cash basis accounting, that is, to calculate the revenue component which has been collected and the expenditure component which has been spent, without reflecting the component not yet collected or to be paid for in the fiscal year. Actually, many advanced countries, such as Japan and Canada, have switched to accrual basis accounting, so as to more accurately reflect the account on the government's expenditure and revenue in a fiscal year. To narrow the gap in making estimates, the Government should indeed seriously consider restricting its study to non-core accounts such as operating fund.

Putting aside technical elements, even if our actual financial situation is having a structural deficit like what the Government said, the Democratic Party still considers it inappropriate for the Government to focus its study on new tax types like land departure tax and sales tax. This is because these taxes, being indirect taxes, are unfair in the sense that they are regressive in nature. As a result, they will be unable to perform the functions of encouraging the redistribution of wealth among members of society and narrowing the gap between the rich and the poor. The Government is seemingly adhering to the logic that

if studies show that our expenditure and revenue is having a recurrent structural deficit problem, the only thing it can do is to do something with indirect tax types, which will have a profound impact on the middle and lower strata. However, the Democratic Party finds this logic disputable.

After the reunification, there is a growing tendency for the Special Administrative Region Government to give preference to big businessmen and it has attracted criticisms from the general public for doing this. The Government will only intensify its image of giving preference to businessmen if it really believes levying new taxes not conducive to the lower and middle strata is the only way to address its deficit problem. The public's dissatisfaction with the Government will also grow as a result. This is something the Democratic Party does not want to see.

The Democratic Party considers it essential for the Government to conduct a comprehensive review of the existing tax system by examining and considering salaries tax, profits tax, various miscellaneous taxes and other new types of taxes. We would also like to advise the Government against focusing on an individual type of tax and seeking the public's approval by way of publicity or by creating a trend. I must reiterate the position held by the Democratic Party — we object to all forms of sales taxes at all times for they will give rise to numerous problems. We also hope that the Financial Secretary can understand the possible negative impacts produced by the levying of sales tax.

I hope the Financial Secretary can enhance communication with various political parties or Members of this Council in formulating the next Budget. Actually, the Government has done a terrific job. However, it can do even better by providing us with more comprehensive choices and more in-depth findings of researches and analysis in respect of various existing taxes or new taxes. This will enable Members of the next Legislative Council and the general public to make their choices on the basis of more rational analysis and data and prevent both parties from putting forward rationales and drawing conclusions without the support of substantial data and in-depth studies, as what has happened this year. Insofar as the community and the public are concerned, this attitude is not advisable.

On the other hand, Madam President, I hope to take this opportunity to elaborate on the position held by the Democratic Party as well as its idea with respect to the Government's collection of tax. Actually, entrepreneurs in the industrial and commercial sectors have all along held the misconception that elected Members only care about the interests of the middle and lower strata for the sake of running for re-election and universal suffrage. As a result, in the area of public expenditure, they are perceived to be constantly urging the Government to increase expenditure in such areas as social welfare and medical services and, at the same time, reduce taxation burdens on people of the middle and lower strata in the area of public revenue. Members should understand that there is no definite contradiction between economic growth, an issue of concern to entrepreneurs in the business sector, and the increase in expenditure on social welfare. On the contrary, they are complimentary. Actually, during the financial turmoil, a large number of people of the middle and lower strata suffered greatly as a result of unemployment and wage reduction. If the Government fails to provide these people with basic livelihood protection in the form of acceptable social services and medical benefits, their discontent might eventually give rise to a certain degree of social disturbance and subsequently jeopardize the investments and interests of businessmen. This has not happened because such social services are available to us. By the same token, a lack of support in educating and training manpower in society will only deter people from upgrading their quality, inhibit social mobility and eventually reinforce social casting, thereby suppressing the initiative of the public. Through education, many of those from the middle and lower strata have become professionals. This has in fact enhanced the mobility of the community and strengthened their sense of belonging to Hong Kong.

Of course, the Democratic Party understands that excessive taxation will affect the desire of the business sector in making investment. This is why the Democratic Party has all along approved of the maintenance of a simple and low tax system. We only object to the Government's proposal of increasing taxes and government charges which have an impact on the people's livelihood in times of economic depression and when the people are still finding it hard to make a living. We also have adequate argument in objecting to the Government's levying of new taxes of an extremely controversial nature, such as land departure tax and sales tax. We simply cannot see any difference between the Government and the business sector in terms of their logic of thinking and what conflicts with economic growth it will bring forth.

Finally, I hope to tender the Government a piece of advice in respect of this Budget. I would like to call on the Government to conduct a comprehensive review of its tax system expeditiously instead of focusing its attention on the general public in examining the feasibility of levying land departure tax and sales tax for the purpose of meeting public expenditure.

Madam President, I so submit.

MR CHAN KAM-LAM (in Cantonese): Madam President, the Democratic Alliance for the Betterment of Hong Kong (DAB) welcomes the Government's making of a deficit budget not aiming at increasing tax and levying new taxes. With the economic recession moving gradually away from us, our economy should be able to recover fully through the continuous efforts made by government departments in implementing the Enhanced Productivity Programme. As a result of this, we should be able to avoid having a deficit mentioned in the Budget speech. In line with the public's aspiration, the Budget will also give the public a chance to recuperate and build up strength. This is consistent with the direction taken by the DAB in demanding the Government not to raise tax and levy new taxes.

Madam President, Hong Kong is still at the initial stage of economic recovery and, coupled with the overall economic restructuring, business in many sectors has yet to stabilize. As for the labour sector, it is still faced with increasingly intense market competition and subject to the threat of losing their jobs and being eliminated. For these reasons, we welcome the Budget's proposal of increasing charges which have no bearing on the people's livelihood and most enterprises. The DAB will pay close attention to the charges raised by the Government to ensure that the adjustment will not affect the people's livelihood and general commercial operations.

The DAB approves of the proposal made by the Financial Secretary of setting up an independent committee to conduct a comprehensive review of our tax system. We find it extremely difficult to state with certainty whether our tax system is having a structural deficit problem by solely judging from this year's budget with a \$6.2 billion deficit. We therefore consider that reviving the economy should remain the first and foremost task for the Financial Secretary. Once our economy improves, the Government will be able to completely rid itself of its worries over the deficit. Of course, we should not

count on the Government to make huge profits from the stock market each year. Nor should we readily allow the Government to rely on selling shares in the Mass Transit Railway Corporation, the Kowloon-Canton Railway Corporation or other assets to make up for its huge deficit every year. It is essential for the Government to review its tax system in a comprehensive manner.

We do understand that the Financial Secretary might be criticized for "crying wolf" in formulating a budget with a small deficit. However, judging from the angle of financial prudence, this can be said to be a safer approach. As various sectors are still unable to fully grasp the pace of the economic recovery, and coupled with such factors as the challenge posed to traditional trading by newly introduced electronic trading through the Internet, the Government should adhere strictly to the target of keeping expenditure within the limits of revenues and striving to achieve a fiscal balance as set out in the Basic Law.

One of the highlights of the 2000-01 Budget concerns how the Government can cope with and promote economic growth when the economy has just started to revive. This way of thinking has given us the hope that the Government will develop a new mindset in pursuing its work in supporting economic growth and will be able to achieve its goal of "business leads and government supports" as mentioned in the Budget.

We can tell from a number of data contained in the first few pages of the Budget that the Government is well versed in the global and domestic economic development. Insofar as members of the public are concerned, they will have greater confidence in the administration by a government capable of grasping the world's economic climate and the local economic environment. Of course, the public will not support a government which will not take concrete action despite having a good understanding. Moreover, the Government should also pay attention to the fact that the global economic environment is constantly changing. Following the restructuring of the Hong Kong economy, the Government might need to introduce new economic policies to tie in with our economy to prevent Hong Kong from lagging behind international economic growth. The DAB is of the view that, with the imminent accession of China to the World Trade Organization in the second half of this year, the further opening up of the mainland market will help Hong Kong to participate in China's economic development by providing capitals, management expertise and production skills. The Government of the Special Administrative Region (SAR) should indeed take

a proactive approach in helping the business sector to grasp the opportunities arising in the new century as well as exploring the market.

The Budget's proposal of raising the standard of corporate governance will actually help raise the competitiveness of the financial industry and the industrial and commercial sectors. As a matter of fact, company law reform is an integral part that Hong Kong needs to deal with urgently. The issues we are now faced with include reforming our corporate governance regime, improving our responsibilities of regulating corporate directors, the relations between the management level and shareholders, and improving arrangements for companies going into liquidation and so on. Nevertheless, in pursuing reform and new measures, the Government should also consult views widely, consider the market's acceptability and refrain from acting too rashly.

The DAB supports the Budget's proposal of setting up a department for promoting investment. As far as I remember, when the motion on "the establishment of a dedicated investment promotion agency" was debated in this Council last November, the DAB urged the Government to set up an "investment promotion agency" with specific responsibility for canvassing and attracting overseas investors, co-ordinating the government departments concerned and strengthening publicity for Hong Kong as an ideal place for investment. In fact, the current functions and regime for attracting foreign investment are rather loose and the relevant powers are limited too. Moreover, there is no dedicated department to receive large investors and co-ordinate projects in terms of land planning, transport, infrastructure and so on. As a result, investors often find it impossible to launch their investment programmes. This is why the DAB agrees to the setting up of an investment promotion department.

The Budget also shows that the Government is determined to strengthen its support for the industrial and commercial sectors for it has planned to restructure the support framework and functions related to the industrial and commercial sectors in order to cope with their changing needs for support as a result of the economic restructuring. The Information Technology and Broadcasting Bureau, originally under the Chief Secretary for Administration, will come under the jurisdiction of the Financial Secretary. We hope the Government's policy on information technology can work with the industrial and commercial sectors in developing their functions at a more complimentary level. Measures for supporting the industrial and commercial sectors must match closely with the pace of the new information era before a more favourable business environment

can be created. At the same time, the Government must see to it that its support services are sufficiently flexible and capable of adapting to the new economic model.

On the other hand, the Government will provide better support services for businessmen. The Business and Services Promotion Unit, originally under the Financial Secretary, will be handed over to the Trade and Industry Bureau to tie in with the functions of the Bureau. The Business and Services Promotion Unit should, in future, formulate more items to help business and undertake relevant studies. We understand that the Unit has received a total of 116 proposals for helping business from civil servants under the "1999 Helping Business Awards Scheme". Many of the proposals are aimed at improving the services provided by the Government. The DAB is of the view that the Government must take and consider these proposals seriously and put feasible suggestions into implementation.

Lastly, the work pursued by the SAR Government in protecting the interests of consumers and its competitive policies will be handed over to the Economic Services Bureau. In spite of the fact that the Trade and Industry Bureau has all along been responsible for protecting the interests of consumers, the Economic Services Bureau has often been asked to co-ordinate social issues of consumers' concerns and issues such as competition. For instance, fuel prices, electricity tariffs, gas charges and so on are a matter of concern to the man in the street.

Following the handing over of work related to consumers' interests and the promotion of competition to the Economic Services Bureau, there should be no more shirking of responsibilities among government departments. The Economic Services Bureau should also put the guiding principles related to competition policies into implementation by instilling in government departments a regulatory culture of promoting government support for competition. Furthermore, the Administration should not only promote competition among service providers in terms of quantity, but also encourage competition among various sectors in terms of quality. Only in doing so can we succeed in cultivating a competitive culture in society and provide the public with actual consumption benefits.

Insofar as the whole Budget is concerned, although the Government has hinted to raise government charges and levy new taxes, it is satisfactory for it has tried its very best not to aggravate the public's burdens.

Madam President, I so submit.

MR HUI CHEUNG-CHING (in Cantonese): Madam President, I have emphasized in this Council more than once that there is a close link between economic prosperity and downturn and the prosperity and decline of the import and export industry. The Financial Secretary has also stated in paragraph 37 of the Budget speech that "the economic recovery was largely export-led". Hong Kong was the busiest container port in the world in 1999 and the number of TEUs handled increased by 11.2% compared to 1998. With economic recovery underway, the Government may realize more and more the extreme importance of the import and export industry to Hong Kong, therefore, it has given stronger support to the import and export industry in this year's Budget. Last year, there was only one key measure for supporting the import and export industry, that is, reducing the declaration charge for re-exports. This year, an agency is set up to attract foreign investment and the Industry Department and the Trade Department will be merged as the Trade and Industry Department to provide one-stop services. I think that this is an appropriate proposal.

I hope that the above arrangement is only the first step taken by the Government to give stronger support to the import and export industry. Even though the successful accession of China to the World Trade Organization (WTO) this year will bring Hong Kong more advantages than disadvantages, the import and export industry in Hong Kong may still encounter many difficulties:

- (1) The hidden swell in the external environment. As the second largest export and re-export destination of Hong Kong, the United States is still under the shadow of the bursting of the economic bubble. Japan has recorded negative economic growth for two successive quarters, and as a result of a fall in Euro and Deutsche Mark in the European market, the products of Hong Kong appear more expensive than those of other light industry export countries.

- (2) Certain movements in the Greater China region are also unfavourable to the import and export industry of Hong Kong. Firstly, container terminal charges in Shenzhen are half of those in Hong Kong on average, and Shenzhen has plans to build up itself on the basis of ports. It plans to reorganize or merge nine major regions such as Shekou and Chiwan in the western port, and simplify customs formalities which will certainly increase the competitiveness of the Shenzhen ports. Recently, Taiwan has passed a law that officially confirms the communications of regions such as Jinmen, Mazu and Penghu with the Fujian Province in China. This will not only result in a decline in the re-export volume of Hong Kong, in the long run, it may also drive the connection between Taiwan and the Minnan Delta, forming an economy that can adequately compete with the Pearl River Delta.

Given the uncertainties above, the Government should actively consider further structural reorganization for more effective trade promotion. To assist Hong Kong businessmen in entering the mainland market, the Government should set up more standing business liaison bodies in the key provinces and cities in the Mainland. They will not only help Hong Kong businessmen resolve difficulties but also collect information on business problems and submit proposals for consideration by the Central Authorities so that the Central Authorities can formulate more policies that will look after the interests of mainland and Hong Kong businessmen.

Apart from structural reform, it is also very important to inject more practical resources for trade promotion. Unfortunately, the overall estimates of the Trade Department this year are only 1.5% more than the revised estimates last year. Some of the new provisions are only used to pay for increments of staff and replace the electronic systems within the department. In other words, there is a small rate of increase in resources and most resources are not directly used for trade promotion.

In my view, while the Government should strive for the success of the Enhanced Productivity Programme, the Programme should be flexibly implemented, making suitable increases and reductions. As the Trade Department is closely related to the import and export business of the industrial and commercial sectors, it deserves the injection of more resources so that it can more effectively cope with increasingly heavy trade promotion tasks, so that it

can show more creativity and popularize the services of Hong Kong more effectively in the Mainland and overseas. For instance, Hong Kong can make use of the stronger infrastructure to provide the central and western regions of China with stronger import and export freight services. After China's accession to the WTO, more and more foreign investors would like to do business in China and we should let these foreign investors know that Hong Kong can provide bridging services, thus, they will get twice the result with half the effort.

Given its long foreign trade history, Hong Kong has large numbers of people of talent, financial and trade policies and comprehensive transport infrastructure to make it become the biggest re-export and trading port of the Mainland. So, Hong Kong should have boundless room for foreign trade promotion. Apart from making full use of the superiority of "one country, two systems" and the free port, the Government of the Special Administrative Region (SAR) should also carefully consider other business opportunities for Hong Kong businessmen within "one country" instead of only emphasizing "two systems" and keeping Hong Kong outside the gate of our motherland.

The development of the central and western regions is one of the new policies of the Central Government in the year 2000, and I think that this is a new opportunity for Hong Kong. As opposed to the coastal provinces and cities, the central and western provinces are not economically prosperous but they are rich in natural and manpower resources, and they badly need the capital of and development by Hong Kong businessmen. From a geographical point of view, after the development of the western regions, as compared with other regions, they will need more Hong Kong services such as import and export trade and re-export freight services. On 6 March, the Central Government stated that it will consider the connection of the "Eurasia Bridge" joining China and the Asia Minor regions with the Beijing-Hong Kong Railway to take advantage of the prime geographical situation of Hong Kong for the attraction of foreign investment and to increase the export freight volume to Europe. In my opinion, the SAR Government should actively strive to participate in the studies on this project. So doing, it can comply with the national policy to develop the central and western regions on the one hand, and fight for more room for development for Hong Kong businessmen, make proper use of the resources of the regions and promote the import and export business of Hong Kong on the other.

Although the charges directly collected by the Government in respect of business registration, licensing, import and export declaration, other necessary handling charges as well as profits taxes are simpler and lower than those in other countries, there are many other factors indirectly affecting business costs. For example, national defence and diplomatic expenses are not borne by businessmen in Hong Kong but public expenditures account for 20% of the GDP, and the fuel duties closely linked with the daily life of every citizen are far higher than those in most foreign countries. The Government has recently planned to make over 3 000 fee increase proposals one after another, and it has not "shelved" but only promised to "further consider" other tax increase proposals such as sales tax and land departure tax.

In the business and industry sectors, I believe that the prices of exports from Hong Kong to various parts of the world have reduced in the past five years except those special or new products. Prices have rarely increased and it is already a blessing if the original prices can be maintained. How can the import and export sectors approve of the proposal to increase charges? Now that the Financial Secretary has said that "the economic recovery was largely export-led", the Government should definitely not lightly approve of fee increase proposals, when the export trade has only shown initial signs of recovery, in order to avoid causing chain effects and crippling our competitiveness.

In passing, I would like to ask if the Government knows the effectiveness of the enhanced productivity programmes of the private sector in the last two years. In the import and export sectors alone, most organizations, including large local and American companies, have tried to streamline personnel structure and enhance staff capability, and they have implemented target-oriented and responsibility systems for a year or two. "Nine to five" working hours have become history. If the Administration would like people and the business and industry sectors to approve of the applications for fee increase, it must first convince people that that it is keeping up with the business and industry sectors and is trying its best to enhance productivity, besides, it has not wasted the taxes painstakingly paid by taxpayers.

Lastly, I would like to stress that, regardless of the economic situation, the Administration must be devoted to upholding the financial philosophy of keeping expenditures within the limits of income, and increase transparency as far as possible so that the public and the business and industry sectors will know if the Administration has spent money properly.

Madam President, I so submit.

MR LEE CHEUK-YAN (in Cantonese): Madam President, as this year's Budget is the fifth Budget since the Financial Secretary assumed office, I believe this is the right time to square accounts with the Financial Secretary. What merits and achievements did the Financial Secretary have in the past five years?

The Financial Secretary published his first Budget in 1996. At that time, the average monthly income of the 20% households with the lowest income was \$6,050; by 1999, the average income of the 20% poorest households substantially dropped by 24% to \$4,600. During the same period, although there was a financial turmoil, the average income of the 20% households with the highest income still increased by 10% from \$58,900 to \$64,550, 14 times that of the 20% poorest households.

In a few budgets, the Financial Secretary gave out candies to taxpayers, and he even gave out wine in 1997, when he reduced the duties on wine from 90% to 60%, and reduced the tax revenue of the Government in that year by \$110 million. In the year 1998-99, a four-member household with an annual income of \$1 million was given almost 20% tax concession by the Financial Secretary.

In the year 1999-2000, although the Financial Secretary did not give salaries and profits tax concessions, he still granted \$8.5 billion without turning a hair and exempted big consortia and prime employees from 10% tax payments. This \$8.5 billion refresher is equivalent to the total annual expenses of 300 000 people belonging to the lowest income group. Meanwhile, Honourable Members and interested bodies shouted themselves hoarse inside and outside the Chamber asking the Government to increase the CSSA payments for the elderly by \$300, but the Financial Secretary rejected the request coldly. He even reduced CSSA payments last year, making many people in need even poorer.

There is no problem with making the upper classes of society delighted, but the worst thing is that the middle class lost more than they gained and the grassroots were destitute in these few years. This is the best portrayal of the budgets and the effects of the economic changes in these five years. We can see from the Budgets of the past five years that the Financial Secretary had proposed many business friendly measures but the grassroots were only given limited assistance. Perhaps the Financial Secretary is still a follower of the "dropper theory", thinking that so long as the Government gives the consortia the carrot, the whole community will be benefitted at the end and so long as there are more

business opportunities, more job opportunities will be created. I think that the left brain of the Financial Secretary is better developed, thus, for he has wrecked his brain to create more business opportunities for enterprises and consortia, but his right brain has begun to shrink for he has neglected that the middle and lower classes are badly off. Recently, the Government has created more business opportunities by contracting out government services, building the Disney theme park, developing the Hung Shui Kiu pollution-free city, redeveloping the North Point Estate, reducing stamp duty on stock transfers, developing the West Kowloon comprehensive cultural and arts area, reducing the construction of Home Ownership Scheme flats and encouraging the public to purchase homes. All these are done in an attempt to create business opportunities.

Yet, Members should not misunderstand me. There is nothing wrong with increasing business opportunities but I only hope that the Financial Secretary will attain balanced development of his left and right brains. Moreover, the Financial Secretary seems to have overlooked one point, that is, with globalization and the rapid development of information technology, business opportunities are no longer equal to job opportunities. Through digital networks, enterprises can distribute work process to various parts of the world. Even if the work process cannot be briefed out, the employers can take advantage of the absolute market superiority to suppress the wages of middle and lower class workers. As a result, "having work does not guarantee meals". What has actually happened is that "while big consortia have endless business opportunities, the public have slim hopes of survival".

Regardless of whether the themes of the previous Budgets of the Financial Secretary are "Building our Prosperous Future", "Continuity in a Time of Change", "Renewing Hong Kong Strengths" and "Onward with New Strengths" or "Scaling New Heights" this year, there is only one real theme in the past five years and that is "Mercilessly Pulling the Strings of the Purse". While the Government has a huge reserve of \$400 billion, it still upholds the golden rules and doctrines and restrains the growth in public expenditure. Under this fiscal policy of "pulling the strings of the purse and not spending even if there is money", the grassroots in need of services provided by the Government must fight for limited resources, as a result, they are split up and "the poor are fighting against the poor".

When the Government proposed the new CSSA policy last year, it intentionally gave a false impression that CSSA nurtured lazy bones. This is the best example of "the poor fighting against the poor". The high-sounding intention of the new CSSA policy is to encourage recipients to practise self-reliance, but the Government is indifferent to the fact that there are not enough jobs in the labour market and it has not taken any measure targeting at the downward wage spiral of low-skilled workers. The objective result of the tightening of the CSSA policy is that the grassroots have to clench their teeth and accept the cruel reality of an \$11 hourly rate offered by the McDonald's. Mr James TIEN said earlier that we unionists had not called upon workers to work. Mr TIEN is not here right now. On behalf of the Hong Kong Confederation of Trade Unions, I solemnly call upon workers to work and I also solemnly call upon employers to give workers dignified wages instead of maintaining the existing phenomenon of "the more you work, the less you earn". If it is the case that "the more you work, the less you earn", working will actually become punishment. We really hope that workers will work but they should be given dignified wages.

Under the premise of "pulling the strings of the purse", the staff of subvented social welfare organizations have become a target of suppression. Following a change in government policy, the Government will give subvented organizations a block grant. With such grants, the pay of the staff concerned is no longer pegged with the Master Pay Scale of civil servants and their remuneration will become unstable. Although the new system has not yet been implemented, trade unions have received complaints that the persons in charge of these organizations have begun to reduce the pay of the staff by 0.5% to 7%, and it is even said that their pension will also be affected. To achieve the purpose of "economizing", the Government has acted without conscience and it has even forced subvented organizations to follow suit. The staff of such organizations has to suffer from wage reduction and the social workers serving the underprivileged will also find that they will not be able to fend for themselves. As their morale will be seriously affected, it will ultimately affect the quality of their services and the underprivileged will again be victimized.

By "pulling the strings of the purse", the Government will not have adequate resources to launch new initiatives to cope with the rapidly changing socio-economic environment or solve the employment problem of workers. Most evidently, the Chief Executive and various sectors think that 750 000 workers aged over 40 and have lower than Secondary Three academic

qualifications are the most vulnerable class as far as employment is concerned. For them, this year's Budget is miserly. The Employees Retraining Board is not allocated funds this year but I do not know if that is why the Employees Retraining Board approved yesterday that retraining charges should be doubled. The Government also approved of the proposal made by a member of the Board to substantially reduce retraining allowances.

This year, the Government decides to allocate an additional loan of \$170 million annually to extend the scope of the recognized training bodies under the non-means tested loan scheme. So, the eligible applicants for the loans will increase to 700 000. Although the 8% annual interest under the loan scheme is not too high, can this policy help over 3 million in-service workers pursue lifelong learning and meet the challenges of the new economy? Through training vouchers, the United States Government directly subsidizes training for in-service workers while the British Government has also taken measures such as individual learning accounts. Apart from offering loans, can the SAR Government inject more resources to assist workers in acquiring the skills required by the new economy?

The new economy brings new instability in a faster, deeper and more extensive manner. While the grassroots have been adequately tortured by the non-regulated market forces after the financial turmoil, with the unclear new economy before them, they will more eagerly hope that the Government will offer them basic employment protection and occupational training as well as set up a social safety net so that those in need can tide over difficulties with dignity. Yet, the Financial Secretary has not made this consideration. Instead, he stated in the Budget speech that "the turnaround owed much to the remarkably flexible and adaptable attitudes of our workers and entrepreneurs. Amid the difficult business conditions, many companies have acted promptly to cut costs, raise efficiency and enhance productivity. Our workforce has had to cope with rising unemployment and falling pay." The Financial Secretary not only sincerely applauded the resolute decisions of enterprises to lay off workers and reduce pay, he also followed suit and announced that 10 000 civil service posts would be cut within three years. There are less and less stable posts in the labour market and we should not forget that this is not only a problem with civil servants, it also means that our next generation or the public will lose 10 000 job opportunities. The employment situation of the working class will become unstable and they face even stronger threats of losing their jobs.

The Government will surely say that it will adopt a voluntary retirement scheme to avoid layoff which is still a good policy. However, I am afraid the Government will first brief out certain services to create redundant staff and then implement the voluntary retirement scheme. At that time, as the work of involuntary staff has disappeared, they have to depart voluntarily and face the uncertain future.

Before the Budget was released, authoritative informed sources kept leaking to the media that there would be a tax increase, thus focusing public attention on revenue proposals in the Budget. Yet, they forgot that there was a high rate of unemployment, in particular, structural unemployment in the new economy. To pacify the grassroots, the Financial Secretary cited the data in the Manpower Assessment Report 1998-2008 of the Bureau of Labor Statistics of the United States in the Budget and stated that, in a knowledge-based economy, there would still be considerable growth in low-skilled posts and workers having low academic qualifications should have no cause for alarm. However, the Financial Secretary only told one part of the story, being completely silent on two important aspects.

Firstly, it is also stated in the Report that information technology will do away with some middle posts. If middle workers do not become professionals with good knowledge, they will have to move downwards and take up low-skilled work. If workers who can take up middle level work cannot keep their present posts, they will naturally have to compete with non-skilled workers, as a result, older low-skilled workers with lower academic qualifications will be eliminated and become unemployed.

Middle level clerical and management posts have actually become unstable in Hong Kong. The Government should consider how it can deal with a surplus of clerical grade staff that will be brought by information technology application. The Bank of China Group is strenuously figuring out placement arrangements for older middle managers, and it has recently said that it may have to lay off some staff. It is also said that the China Light & Power Company Limited has to substantially lay off clerks and office assistants. If the Government is still slow in responding, an employment crisis will start to break out at the middle level.

Secondly, the new economy may not necessarily bring low-skilled workers job opportunities, for any such opportunities must be backed up by a package of matching policies. When Mr Robert REICH, former Minister of Labour of the United States, summed up his experience, he said that the Government should properly lay down three piles in order that workers at all levels could enjoy the fruits of the new economy. These piles include a flexible economic structure, adequate macroscopic demand and basic protection and training for labour. As far as system is concerned, the United States keeps increasing the minimum wage protection amount and it gives "Earn Income Tax Credit" to poor households with low income. In a word, they provide grass-roots households with protection against abject poverty.

Turning back to Hong Kong, the Budgets of the Financial Secretary in the past few years only emphasized the flexibility of employers and enterprises but neglected the importance of employment and wage stability, thus, the lengths of the piles in Hong Kong are seriously imbalanced. That is why I have never voted for the budgets of the Financial Secretary. I really hope that I can vote for the Budget of the Financial Secretary one day, but it is a pity that I am afraid I will not be able to fulfil my hope before the end of this term.

Finally, I would like to talk about a facsimile I received today. It is issued by a group concerned about alimony recovery. They are very sorry that the setting up of an alimony authority is not mentioned in this year's Budget. I hope that the Financial Secretary can appreciate the needs of this group of people who fail to receive alimony payment after divorce.

Thank you, Madam President.

MR BERNARD CHAN: Madam President, despite all the threats and rumours on new taxes and tax increases, the Financial Secretary has surprised us by announcing a "happy-ending" Budget for the coming financial year. Members of the public are all relieved that they need not dig deeper into their pockets to pay for more taxes or any new taxes in the midst of the economic recovery.

Just days before the release of the Budget, reliable sources suggested that there might be possible increases of some taxes, such as the profits tax, a big rise of the annual motor licence fees, and the introduction of a land departure tax.

Today, I am not going to comment on the tactics that the Government used to release the Budget. I believe that officials know better the pros and cons of these tactics. What I want to address here is that the so-called "happy-ending" Budget has not really come to an end. There are numerous hidden problems.

Many of you would agree that our tax system remains narrow. Thanks to the increase in the Hang Seng Index, our deficit has been reduced drastically as a result of a windfall profit from the fiscal reserves invested with the Exchange Fund. But shall we cross our fingers and hope that the Hang Seng Index will continue to rise forever? This is simply impossible and irrational. Hong Kong people should be aware and prepared to accept a widening of the tax base. This is crucial in maintaining a long-term fiscal balance.

No one should enjoy free lunch at the expense of the public purse. It is always of no dispute that the weak, the needy and the elderly should be protected by the capable. But we cannot have ourselves blindfolded to the fact that only a small proportion of population in Hong Kong is shouldering the burden for the whole.

I appreciate the Government's prudent move to look into the entire tax system instead of making premature assumptions that the deficit has already become a permanent phenomenon. I support conducting a comprehensive study to find out whether there are any long-term fiscal risks under the present tax regime and looking at the suitability of introducing various types of broad-based tax schemes in Hong Kong. In-depth findings and comprehensive studies are indispensable to justify any possible reform to our tax system. We should let Hong Kong people have a clear and full picture.

My office has conducted a survey to seek views from senior executives of the insurance sector on tax reform. Results show that 62% of the respondents agree that Hong Kong needs a reform in the tax system and 58% say that Hong Kong needs a wider tax base. 44% believe that the existing number of taxpayers is too small compared with the entire population. When asked about the introduction of a sales tax or land departure tax, 72% say that land departure tax, or land departure fee as the Liberty Party has suggested, will be most feasible to broaden the tax base and to reduce deficits.

Regarding the reduction of stamp duty on stock transactions, the Government has made this timely bid to improve the competitiveness of the local stock market. I believe that such a measure will be beneficial in promoting Hong Kong as a financial centre as well as assist in reviving the local economy. Although signs have shown that Hong Kong's stock market has been recovering from its doldrums and continuing to thrive, we should always bear in mind the inherent risks of this game and stay vigilant.

Madam President, I also welcome the Government's move to revamp the Trade and Industry Bureau in order to address new needs of a fast changing environment like Hong Kong. In addition to luring investment into Hong Kong, I call on the Government to also consider setting up an authority to enhance our competitiveness in doing business worldwide, particularly China. Many other countries in Asia have already stretched out their arms to grab new, emerging business opportunities in other countries as globalization prevails.

Furthermore, the Government's decision to leave profits tax unchanged at 16% is good to maintain Hong Kong's competitiveness in doing business within the region and worldwide. The relatively low tax rate in Hong Kong will benefit the small and medium enterprises having just recovered from the economic downturn.

I also firmly agree with the Government's plan to establish a multi-currency capital market as well as to consider measures to implement a deposit insurance scheme. These moves will consolidate Hong Kong's credibility as an international financial centre.

With the use of the Internet and many other upcoming, advanced communication technologies, boundaries of nations will disappear in the near future. Huge transactions can take place overnight, and flows of electronic money can run in and out at any time as investors wish. Hong Kong must stay ahead in responding to these challenges and never let fall our strongholds to others. Our future success should not be only confined to this tiny piece of land.

Madam President, my Honourable colleague, Mr LEE Cheuk-yan, has just mentioned about the freeze on salaries of the employees. I would like to make a comment here. As Asia is emerging from the recession that forced so many companies to reduce or freeze salaries, both employees and employers are looking for ways to get ahead. Soon we will see the introduction of employee share options scheme which may become very popular. That is because it can

energize workers while providing bosses with a low cost incentive to encourage hard work, and to focus on shareholder value makes it especially attractive. The issue is not one of fairness, but of survival.

Madam President, I support the motion.

MR LAU WONG-FAT (in Cantonese): Madam President, the "no new tax, no tax increase" Budget of the Financial Secretary, Mr Donald TSANG, is generally welcomed by political parties and the media except those who swarmed to the Transport Department and queued up for the renewal of licences for they felt dejected after having hurried there in vain.

After being struck by the financial turmoil, it can be said that our economy has started to revive. The Budget "mildly levies taxes and gives people a rest" and it continues to improve the business environment and actively attracts inward investment. This is commendable from the political and economic points of view. It is especially precious that the Budget shows the Government's determination to reduce expenditures, in particular, to control the civil service establishment and public sector expenditure. The Financial Secretary understands public feeling thoroughly, judges the hour and sizes up the situation and knows when to press forward and shrink back, it is also commendable that he has worked out a Budget generally accepted by the public in spite of many difficulties.

The Government entered the market and fought against the "predators" a year or so ago and made profits. It has thus enabled the Financial Secretary to substantially reduce the estimated \$36.5 billion deficit for this year to \$1.6 billion. It is generally believed that the actual figure will eventually be considerably lower than the revised estimates. With continuous economic growth and the huge revenue to be brought by the privatization of the Mass Transit Railway Corporation, there may not be a \$6.2 billion deficit next year as estimated. Even so, the Financial Secretary has still emphasized that the fiscal deficit has to be tackled and he has also disclosed that he will make a study to find out whether the deficit is a structural or periodic one, and whether it is suitable to introduce new taxes to broaden the tax base. Evidently, these foreshadow possible tax increase and new taxes in the future. Given that the relevant study may lead to a redistribution of wealth in Hong Kong, the Administration should hold an extensive consultation among all sectors of the community, paying particular attention to the views of District Councils representing the views of the grassroots.

It is perfectly correct of the Government to provide for a rainy day and make a study early so as to achieve the objectives of prudent fiscal management. However, it must be very careful and look before it leaps before changing the tax regime, increasing taxes and introducing new taxes. One of the policies Hong Kong depended on for its success is a simple tax regime with low tax rates. The experience of the British Hong Kong era over a long time adequately proves that it is highly meritorious to maintain a simple tax regime with low tax rates. Although we encountered difficulties in the past, we failed to make ends meet and had budget deficits, the relevant policy was not changed. At present, Hong Kong has a huge reserve and the economy has stabilized and begun to recover. And given that there is still much room for the Government to reduce expenditure and the additional revenues brought by the partial privatization of some public bodies, I do not see a pressing need to change a proven policy.

The Financial Secretary has expressed worries about a deficit and announced that he will carry out a tax review. I believe some people are already worried. A neighbour concerned about current affairs asked me to express his views. He hopes that the Financial Secretary will continue to take charge of monetary affairs but not collect a lot of taxes. This neighbour may have overly worried, but his view more or less reflects that after the battering by the financial turmoil, the public would become terrified when they learn that there will be new taxes or a tax increase.

In respect of government charges, although I agree to the Financial Secretary's argument that we should first tackle charges that have no direct impact on people's livelihood and most enterprises, the question remains whether it is a must to increase charges. Even if the "user pays" principle is observed, I do not think there must be an upward adjustment in government charges. With the implementation among government departments of the Enhanced Productivity Programme, computerization, information technology application, the civil service reform and control on civil service establishment, the costs of service provision should become lower rather than higher. Thus, before the Government increases charges, it must ask itself whether it has done enough to reduce the costs of services and give a full account of this to the public, otherwise, the relevant fee increase proposals will hardly be passed by the Council.

Madam President, as I have said just now, the Budget deeply impresses the people with its emphasis on the Government's determination to "keep fit". I hope that my memory has not failed me. Not long ago, we often said there were "180 000 civil servants in Hong Kong" but the total number of civil servants has unwittingly increased to 200 000 today. Hong Kong has always flaunted high quality and highly efficient civil servants, but according to a recent report, there are far more civil servants in Hong Kong than Britain in terms of the average ratio of the number of civil servants to the number of people they serve.

It is an indisputable fact that the establishment of the Government is "oversize". When there is economic prosperity, "oversize" public departments do not offend the eye but the financial turmoil is just like a mirror that fully exposes that the Government is awfully "oversize". As the Financial Secretary has said, a series of measures will be taken with a view to reducing the civil service establishment to 198 000 by March next year, and 10 000 posts will be reduced in the next three years so that the establishment will revert to the 1995 level.

The "keep fit" action of the Government will surely be welcomed by the public but the question remains whether the "keep fit" action of the Government has an appropriate objective and whether it is adequate. Why will 10 000 but not 5 000 or 15 000 posts be reduced within three years? Similarly, when we keep fit, we will roughly calculate the standard weight of a person on the basis of his height and age, and he will then know how much weight should be lost. If the Government can give certain data for calculating a suitable civil service establishment and the time this will be achieved, complemented by the effects of the Enhanced Productivity Programme and the civil service reform, I believe the Government will suitably keep fit and become more healthy and more convincing.

Madam President, while keeping fit, I think the Administration should carefully consider giving private bodies more opportunities to participate in certain areas of service. For example, in regard to tertiary education, the Government should break its monopoly of universities. As a result of its monopoly achieved high-handedly since the British Hong Kong era by way of the so-called elitist policy, there is not even one private university in Hong Kong. Everybody knows that the remuneration of the professors and lecturers of universities in Hong Kong rank first in the world while the Government has to

subsidize every university student a total of \$700,000 over three years. The Government has enormous recurrent expenditures in this respect but it is most disheartening that such huge investments fail to train up adequate satisfactory talents and we have to import graduate professionals from China.

In Western countries, many private universities have been operating very well and become well-known universities, training up large numbers of people of talent. I think that the Government must give up its outdated concept, actively create the necessary conditions and encourage private bodies to establish and operate universities or take over the management of some existing universities. The establishment of private universities with save enormous government resources, promote competition among universities and raise the academic standards of universities, thus, we are actually killing two birds with one stone.

The Government has recently agreed to grant the Shue Yan College over \$4 million for meeting the expenses charged by the Hong Kong Council for Academic Accreditation for the accreditation of four proposed degree courses. This can be regarded as a gratifying step made by the SAR Government in making adjustment to its policy on university education. I expect the Government to make a bigger step in this respect, be bolder and carry out reforms to tertiary education as soon as possible so that tertiary education can take on a new look at the start of a technology century.

With these remarks, Madam President, I support the Second Reading of the Appropriation Bill 2000.

DR RAYMOND HO (in Cantonese): Madam President, I am most gratified that the Financial Secretary has prepared a "no new tax, no tax increase" Budget, having considered the fact that economic recovery is underway and the public has a heavy burden of life. Tax increase is the simplest and most direct way to resolve the fiscal deficit, but under the present economic circumstances, we should choose to reduce expenditures and maintain the simple tax regime with low tax rates in order to promote steady economic recovery and stimulate economic activities so that enterprises will have increased profits. This will also be conducive to the creation of job opportunities and increasing people's income, and the Government will then have more tax revenue and the problem of a fiscal deficit will be alleviated.

Future Tax Regime Review

While the Government "mildly levies taxes to give support to people and vitalize the economy", it is time for a tax regime review. Although we have not yet confirmed whether the existing deficit is structural or periodic, the present tax regime really calls for concern. As regards salaries tax, less than 40% of working people are taxpayers, nearly 80% of taxes are paid by 17% of the taxpayers and the number of taxpayers paying taxes at the standard rate only accounts for 0.3% of the total working population. Similarly, 80% of the profits tax revenue comes from about 50% of the companies paying profits tax.

Based on the above, I agree that the Government should set up an independent committee to examine if it is suitable to introduce new taxes to broaden the tax base. However, before the Government proposes to levy new taxes in future, it must hold an extensive public consultation to avoid implementing measures that will affect people's livelihood.

Promoting Innovation and Technology

In the Budget, the Financial Secretary has made proposals to improve the government structure and stated that the Government should give stronger support to the development of innovation and technology. I am very pleased that the Government has adopted the relevant proposals made by the Hong Kong Institution of Engineers and me earlier on. These proposals include setting up an innovation and technology department within the Trade and Industry Bureau and appointing full-time technological experts to help carry out the work of the innovation and technology department. I always think that the participation of adequate technological professionals is essential to the promotion of innovation and technology. As the incumbent Policy Secretaries may not have the relevant professional background and experience, the Financial Secretary has made fitting proposals.

Employment Promotion Measures

In regard to employment promotion, the Government has adopted an active attitude and proposed a series of relevant measures. The Government will subsidize the Vocational Training Council in offering 1 500 additional training places to Secondary Three and Secondary Five leavers. On the basis of actual needs, I hope the Government will consider offering more training places to help more needy young people receive suitable training.

The Government should also consider extending the scope of training, retraining and employment-related services to cover professionals. As the community upholds the "lifelong learning" spirit, professionals should also pursue lifelong learning in order to meet the needs of a knowledge-based society. If the Government can raise the \$30,000 ceiling of continued education allowance, it will help promote the culture of lifelong learning and self betterment.

Infrastructural Investment

Despite a budget deficit, it is projected that there will be a 7.4% real growth in public expenditure on infrastructure in the coming year. I warmly welcome this but the Government should use the expenditure to stimulate the economy and improve employment. It should also ensure the participation of local contractors in the projects and the employment of local workers. Our experience in recent years shows that large infrastructural projects are mostly monopolized by foreign contractors and the Government should carefully consider whether this can benefit contractors based in Hong Kong.

I am also worried because most of the major infrastructural projects to be launched next year are still at the planning or design stage and the Environmental Impact Assessment procedure may delay some of them, for example, the East Rail Extension from Hung Hom to Tsim Sha Tsui East, and the link road from Tai Ho Wan in Lantau North to Mui Wo in Lantau South. Thus, I am not optimistic about the implementation of these projects on schedule. The Government should try its best to shorten the time taken for the advanced works including the administrative and resumption procedures to ensure that the infrastructural projects can be carried out on schedule.

The Government has not touched upon the problem of urban ageing in this year's Budget, but the authority concerned has started to solve the maintenance problems of private buildings, and the Urban Renewal Authority encourages owners of private buildings to carry out preventive maintenance works to prevent buildings from ageing. But the Government has not taken corresponding measures in respect of huge infrastructure such as underground mains, ducts and sewers, and bursting of underground mains happens every now and then. Now that the Government has established a sound slope maintenance system, it should also establish an infrastructure maintenance system.

Building Safety Improvement

I have always urged the Government to improve building safety and it has finally made a positive response in this year's Budget. The measures to be taken include increasing the number of firemen and Buildings Department staff to raise the fire safety standards of private buildings. Apart from stepping up the inspection of fire service installations of private buildings by firemen, I think the structural engineers of the Buildings Department have the relevant professional knowledge to perform other monitoring duties especially those related to escape routes and building structure. In fact, the newly proposed measures can draw support from the experience of the building safety team of the Department in handling relevant problems in existing buildings.

I also welcome the Government's proposal to grant \$90 million in the next three years for the demolition of unauthorized structures, but I doubt if the grant is enough for an important action to be taken over three years. The Government should conduct a review one year after the work has been carried out and consider if the grant is enough.

I also hope that the Buildings Department will make more effective arrangements to reorganize its internal structure so that a responsible unit within the Department can handle problems involving dangerous buildings, unauthorized canopy and rooftop structures instead of having different units handle such cases together to increase efficiency and improve the quality of services provided to the public. Furthermore, the Government should consider applying the above mode of operation to the demolition of unauthorized structures in the future for more satisfactory results. I hope that the Administration will demolish the highly risky rooftop structures of 1 200 buildings and 800 000 unauthorized structures on external walls as soon as possible to protect public safety.

Better Environmental Protection

As regards recurrent expenditure on environmental protection and natural conservation, I welcome the 7.6% growth in the relevant provision but it is a pity that it is not targeted at the pollution of the harbour. Air and water pollution in Guangdong and China have mutual effects on one another and the Government

should make provisions for more studies to be made in Guangdong and China, and strengthen communication between the two places. I also support the implementation of the Pilot Scheme for Liquefied Petroleum Gas Taxis by the Government and I hope that the Government will take more matching measures for the smooth implementation of the Scheme. Furthermore, the Government's proposal to encourage more car owners to switch to electric vehicles is also an appropriate measure that will help alleviate the air pollution problem in Hong Kong.

Conclusion

On the whole, the new Budget is satisfactory especially because it has taken into account the fact that Hong Kong is confronted by a deficit budget. Madam President, I support the Second Reading of the Appropriation Bill 2000. I so submit.

DR LUI MING-WAH (in Cantonese): Madam President, the economy of Hong Kong is still in the process of recovery, and the unemployment rate still stands at a high level. The Government has shown appreciation of the people's plight and its willingness to heed their opinions in deciding not to increase taxes and introduce new ones; politically speaking, this is indeed a wise decision. Besides, the projected deficit for this year will only be \$1.6 billion, and if the economy continues to improve, there may even be surpluses; so, in a way, the Government's decision on no taxation adjustment is in fact very pragmatic. It can be said that the 2000-01 Budget is very much a tonic Budget, one which brings good tidings and a pleasant surprise to the people of Hong Kong and its industrial and commercial sector, boosting their morale and giving them concrete assistance in the course of economic recovery. As such, it deserves our applause.

However, if we conduct a rational analysis, we will notice that the revenue this year, as was also the case in the past, is mostly of a non-recurrent nature. It is unsafe to rely on non-recurrent revenue to meet recurrent expenditure. Such an unbalanced financial position simply should not be maintained for a long period. Let us also look at the dramatic turn for the better in our financial position this year (which sees an actual deficit of merely \$1.6 billion against the

original projection of \$36.5 billion). This is in fact entirely due to the sharp rise of the Hang Seng Index by 70% last year, which enabled the fiscal reserves deposited in the Exchange Fund to yield huge and unexpected returns. As rightly pointed out by the Financial Secretary, we must not forever count on the repetition of such luck. We must therefore give this unbalanced financial position an overhaul, identify the problem and tackle it directly by conducting a comprehensive review of the tax regime. I think this is the only way which can assist us in identifying the problem. That is why I very much agree with the Financial Secretary that while we must ascertain the dimensions and causes of the problem, we must also explore all feasible remedies. I hope that the task force headed by the Secretary for the Treasury and the independent committee comprising taxation experts can both conduct some in-depth studies on the correlation between recurrent revenue and economic development. I also hope that they can conduct a serious review of the existing tax regime, the feasibility of widening the tax base and the specific arrangements required. Amidst expectations that the Budget this year will introduce a sales tax and a land departure tax, the Financial Secretary has surprisingly sought to "reduce expenditure before seeking to create new sources of revenue", thus winning widespread applause. This is definitely a very clever strategy.

Statistics show that the civil service establishment has been expanding at an average rate of 1.3% per annum over the recent years. As previously estimated, the civil service establishment would exceed 200 000 by the end of 1999-2000, and the estimated expenditure on civil service salaries would be as high as \$67 billion for the year 2000-01. This, together with the expenditure of \$48.2 billion in other areas, would mean a combined expenditure of \$115 billion for the Government. In view of this, the Government must take steps to rein in the growth of the Civil Service, with a view to drastically reducing its financial burden. The goal of the Government is to cut 10 000 posts by means of natural wastage in the next three years. I hope that this is only the first "slimming" target of the Government. It should continue to scale down its establishment, so as to maintain a small government and reduce expenditure.

Besides, if we look at the public sector organizations in Hong Kong, we will notice that subvented organizations actually account for 40% of the total recurrent expenditure of the Government. This explains precisely why the financial burden of the Government is so heavy. In the year 2000-01, the total

amount of subvention granted to these organizations is as high as \$76 billion, and this covers the salaries of their 140 000 employees. If we are to raise the efficiency of the Enhanced Productivity Programme of the Government, a reform of this subvention system must be carried out. I therefore think that the two expenditure reduction arrangements mentioned just now are both reasonable and worthy of our support.

Madam President, as a whole, the Budget gives me both delights and worries, because despite the commendable strategy mentioned just now, it is still marked by inadequacies. As a Member representing the industrial sector, I wish to express the following views and hopes concerning the institutional reform and arrangements for the industrial sector as mentioned in the Budget.

First, since there are still many traditional manufacturing industries in Hong Kong, I hope that the Trade and Industry Department to be formed after the reorganization can continue to give vigorous support and assistance to these manufacturing industries, so as to maximize the benefits of the one-stop service for trade and manufacturing. Besides, although the new investment promotion agency responsible for attracting inward investment is nominally under the Trade and Industry Bureau, its policies and measures will be formulated by the steering committee under the Financial Secretary. I think that such a double-leadership will easily lead to grey areas in scope of responsibilities. On the investment promotion agency, the Financial Secretary says in the Budget that "the agency will work closely with all our Economic and Trade Offices and overseas offices of the Hong Kong Trade Development Council. Together, they will implement a unified strategy to attract inward investment." Experience tells us that with a working relationship like this, characterized by no hierarchy of supervision and co-ordination among the different organizations doing the same job in parallel, there can never be any co-operation, and waste of resources and low efficiency will probably result. Therefore I suggest that the Government should pool all resources and manpower together and give the investment promotion agency the sole responsibility for promoting inward investment.

Lastly, let me talk about the new Innovation and Technology Commission to be set up under the Commerce and Trade Bureau; the responsibility of the Innovation and Technology Commission is to manage and implement the government programmes on promoting innovation and technology. This

attempt of the Government to revamp the institutional framework shows that it is determined to promote innovation and technology in Hong Kong. Unfortunately, people may find its arrangements in regard to policy formulation a bit worrying.

First, from a macro perspective, there is a possibility that the Council of Advisors on Innovation and Technology responsible to the Chief Executive may well become nothing but an empty shell. The Council of Advisors may of course give advice on all aspects of innovation and technology, but whether or not the Government will accept its advice will depend very much on the decision of the inter-bureau committee led by the Financial Secretary. Since the Council of Advisors is supposed to play a mere advisory role after all, we can hardly compare it with the Commission on Innovation and Technology, which is appointed by the Chief Executive and chaired by Prof TIEN Chang-lin.

Second, this Budget also shows that the Government actually does not have any long-term policies on industrial and technological development. While it stresses its determination to promote innovation and technology, all its measures on attracting inward investment are focused only on finance- and trade-related industries (see paragraph 79 of the Budget). Does the Government want to take Hong Kong farther along the road of eliminating all manufacturing industries?

Third, the future of our economy will have to depend on the promotion of local innovation and technology and our ability to attract inward investment. All this requires the support of long-term policies and matching facilities. However, in the institutional reorganization this time around, we fail to see the establishment of any policy-making body which has both the foresight and administrative autonomy required for the provision of such support.

Other chambers of commerce and I are of the view that the establishment of an industry and technology board directly responsible to the Chief Executive will be the best framework to promote innovation and technology and to avoid the problems mentioned just now. On matters like long-term policies on industrial technologies, strategies of attracting inward investment, management of enterprises and provision of back-up services, the proposed industry and technology board can serve as a central co-ordination authority. Such an

arrangement is characterized by an unambiguous direction, and is also marked by a clear division of responsibilities, distinct priorities and high efficiency. I hope that the Government can consider it thoroughly.

Thank you, Madam President.

THE PRESIDENT'S DEPUTY, DR LEONG CHE-HUNG, took the Chair.

MR HOWARD YOUNG (in Cantonese): Mr Deputy, following the repeated attempts of the Government to "send up the trial balloon", and when most people hence expected to see a 2000-01 Budget stuffed with tax adjustments, the Financial Secretary simply gave all of us a pleasant surprise; in the Budget for the coming financial year, he proposes no new taxes, no tax increases and no changes to the existing personal allowance and deductions. Two of the unchanged tax items mentioned in the Budget, which relate to the maintenance of the existing levels of personal allowance and profits tax, were in fact the proposals of the Liberal Party, and they have now been accepted by the Financial Secretary.

A Licensing System for Inbound Tours

In order to improve our support and services to the industrial and commercial sectors, the Financial Secretary proposes to transfer the responsibility for consumer protection and competition policy from the Trade and Industry Bureau to the Economic Services Bureau. This means that inbound and outbound travel agents may both be placed under the regulation of the Economic Services Bureau. This can create the right conditions for placing the licensing of both inbound and outbound travel agents under the central regulation of the Economic Services Bureau, and is in line with the long-standing advocacy of the tourism industry and me. The tourism industry is of the view that there should be equal protection for both inbound and outbound tourists, and that it stands against reasons to regulate outbound travel agents only and ignore inbound travel agents completely. Therefore, I hope that the Government can submit a legislative proposal on the licensing of inbound travel agents to the Legislative Council as soon as possible.

Opinion Surveys

Before the announcement of the Budget, I conducted a questionnaire survey to gauge the opinions of my two groups of constituents about the Budget for the coming financial year. In view of the huge deficits of the Government, the respondents in general agreed that the Government should reduce its expenditure, and they also appreciated that some new taxes might have to be levied. I distributed several thousand sets of questionnaires to the tourism functional constituency which I represent on the Legislative Council and to the residents of the Bays Area whom I represent on the Southern District Council. The replies show that the respondents generally find an increase in alcohol duty and the introduction of a land departure tax more acceptable than other options, and, in general, they oppose any increase in salaries tax, rates and land rent. Besides, the replies from the tourism industry show that many of the respondents oppose the introduction of any sales tax.

Civil Servants

The tourism industry and the residents concerned are all of the view that the Government should cut down its expenditure on civil servants. The Budget proposes to scale down the civil service establishment by 10 000 posts over the next three years, but the Liberal Party thinks that the pace can be even faster. A reduction of 10 000 posts sounds very appealing, but in a Civil Service with an establishment of nearly 200 000 posts, the reduction is in fact very small, representing just about a mere 5%. We should not be satisfied with such a small reduction. The expenditure on civil service salaries amounts to as much as two thirds of the total government expenditure. If we look at Singapore, we will see that our population is just twice as big as its, but the establishment of our Civil Service is three times that of it. This shows that we should take proactive steps to review whether there is still any further room for reforming our Civil Service. Besides, for the 10 000 posts in question, how many of them will be deleted as a result of staff retirement or natural wastage? How many of them will be cut as part of the Enhanced Productivity Programme? And, how many of them have in fact already been vacant? I think the Government should really answer all these questions, so as to show its determination to reform the Civil Service.

In addition, the Government should also quicken the pace of introducing Mandatory Provident Fund (MPF) schemes for civil servants, with a view to tying in with the general direction of the wider community in implementing MPF schemes.

The Liberal Party supports and will continue to support the efforts of the Government to reform the Civil Service. That was why at the Establishment Subcommittee meeting held in January, when the Government submitted its proposal on lowering the entry pay levels of recruit civil servants to better reflect the pay trends in the labour market, the Liberal Party was the only political party which showed its concrete support by voting for the proposal. It was only after the repeated lobbying by the Government that the proposal was finally passed in the Finance Committee with the support of the Liberal Party and other Members. All this shows that it is no easy task to reform the Civil Service.

Environmental Protection

Finally, I hope that the Government can continue to work hard for the implementation of its various environmental protection measures, because a beautiful environment, fresh air and clean water are very important, both to the local people and foreign tourists. Although the real percentage growth in the expenditure on environmental protection and conservation is the second highest among all major items of expenditure, we must not forget that its base is in fact very small. I am sure that members of the community can all appreciate that the financial position next year will continue to be tight. However, I must still say that the expenditure on this area must be increased very drastically in the future before the aspirations of the people and the community at large can be fulfilled. That is why the Government must offer more explanation to this legislature, civil servants and members of the community.

With these remarks, I support the Second Reading of the Appropriation Bill 2000.

MR WONG YUNG-KAN (in Cantonese): Mr Deputy, the fifth Budget of Financial Secretary Donald TSANG, announced at the beginning of the 21st century, is entitled "Scaling New Heights". This Budget proposes neither any tax increase nor any new tax. It can meet the aspirations of the public, for it imposes no additional financial burden on them; people can thus have a relief and regain their strength at a time when the economy has just started to recover. In brief, this Budget can achieve the purpose of relieving the hardship of people. However, I must add that this Budget is still marked by inadequacies insofar as some particular policies are concerned.

Mr Deputy, I have stressed on many different occasions that as a primary industry in Hong Kong, the agriculture and fisheries industry is definitely not a sunset industry. Provided that the Government can give it more attention and invest more resources in it, there will definitely be further room for its sustainable development. In the case of the fisheries trade, for example, fishermen engaging in inshore operations can consider the idea of developing the leisure fishery trade, and those engaging in capture fishing in South Sea waters can also develop off-shore fishing.

In respect of developing off-shore fishing, the Government has taken a big step forward; the Conservation Branch of the Agriculture Fisheries and Conservation Department (AFCD) has commissioned a consultant to conduct a feasibility study on the development of off-shore fishing for Hong Kong. The study is expected to be completed at the end of this year, at which time a new opportunity will be brought to the fishery trade. Although the Fisheries Development Fund under the Conservation Branch of the AFCD already provides loans to fishermen for the purpose of assisting them in upgrading their capture fishery capability, we must still remember that off-shore fishing actually involves fishing operations in the territorial waters of other places. That being the case, the SAR Government must conduct discussions with the governments of these places, or else our fishermen may well be expelled or even plunged into dangers in the course of their operations. I hope that the consultancy report due to be completed can offer a solution to this problem, so that local fishermen can operate in distant waters without any worry.

On the leisure agriculture and fishery trades, I moved a motion on 16 February this year, urging the Government to formulate a set of policies on the sustainable development of the leisure agriculture and fishery trades. Specifically, I urged the Government to set up some "leisure agriculture zones" and "leisure fishery zones" in the traditional agricultural areas and coastal waters of Hong Kong for the appreciation and experience of both local and foreign tourists. On the one hand, this will help conserve our natural environment, and on the other, this can also foster the sustainable development of our agriculture and fisheries trade and tourism industry, thus contributing to the economic diversification of Hong Kong. The motion was supported unanimously by Members of this Council. However, the Environment and Food Bureau simply replied that the proposal required further studies as it involved many different issues.

I urge the Government to complete the relevant studies as soon as possible and implement the development of the leisure agriculture and fishery trades. That way, the quality of life of fishermen, farmers and even other members of the public can be improved, and new employment opportunities can also be created in the localities concerned, thus enabling us to enjoy the long-term benefits of the tourism industry. Besides, this can also conserve marine resources, achieving the aims of nurturing fish fries, increasing the varieties of fish, avoiding excessive capture and conserving the marine ecology.

The Government is still studying my proposal, but I notice that the Study on Revitalization of Tai O announced earlier by the Planning Department is based precisely on the same ideas underlying my proposal on developing the leisure fishery trade. The Department plans to revitalize the traditional fishing village of Tai O. Stilted structures will be retained, and a typhoon shelter with a capacity of 200 fishing boats will be constructed, so that fishing boats can be induced to anchor again at Tai O to increase the potentials of this fishing village in terms of leisure activities and tourism. I hope that the Government can consider the idea of turning Tai O into the first leisure fishery resort, where tourists can take boat rides on converted fishing boats, enjoy the scenery on the way, try their hands at fish capture and get a taste of what the life of a fisherman is really like.

Mr Deputy, the fishery holiday implemented by the Mainland last year in the South Seas did subsequently increase the catch of fishermen. However, during the same period, the operating costs of fishermen also went up as a result of soaring fuel prices. Some fishermen have pointed out to me that fuel prices virtually kept going up after the fishery holiday last year, to the extent that they now represent 70% of their operating costs. Worse still, fish prices have dropped by 30% to 40% over the same period, making it impossible for fishermen to make ends meet. I know that some 100 fishing boats have ceased operation since the Lunar New Year.

The fishery holiday last year was implemented by the Mainland very suddenly, and local fishermen were caught by surprise. Fortunately, the Government appreciated their hardship and offered loans to help them resume their operations. Most fishermen were thus able to set sail for fish capture again. People in the fishery trade understands that the loans offered by the Government last year were one-off in nature, because the Government wants fishermen to make early preparations for the fishery holiday this year. I must

stress that people in the fishery trade are not insatiable in their demand, but I must also add that as a result of the rising operating costs this year, fishermen have been incurring losses every time they set sail for fish capture, and they have thus been plunged into unexpected financial difficulties. If the Government does not give them a helping hand, I am afraid that many fishing boats will probably fail to set sail again on fish capture voyages after the fishery holiday this year.

I hope that the Government can appreciate the hardship of these fishermen and set up a fishery holiday fund for the affected fishermen. I also hope that the Government can organize activities that can assist the development of the fishery industry, increase the productivity of fishermen and enhance their knowledge and safety awareness. That way, the local fishery trade will be able to enjoy sustainable development.

Besides, the Government also plans to set up a dangerous goods anchorage at Tang Lung Chau to replace the existing one in Tsuen Wan. Together with the fishermen of Tsuen Wan and Ma Wan, I have approached the relevant government departments many times to oppose the establishment of a dangerous goods anchorage at Tang Lung Chau, because the chosen site is not only close to the fish farms in Ma Wan, but also situated on the busy Kap Shui Mun waterway with rapid currents. If any vessel carrying dangerous goods runs into any accident, the oil spill will certainly affect the fish farms and marine ecology at Ma Wan. Government officials should still remember the two cases of vessel collision due to foggy weather a couple of months ago. We must also bear in mind the geographical proximity of Tang Lung Chau to the future Disney theme park. A dangerous goods anchorage at Tang Lung Chau may well become an unsightly spot. So both the fishery industry and I hope that the Government can withdraw its plan and study the possibility of setting up a dangerous goods anchorage at other sites.

As for agriculture, the industry has repeatedly urged the Government to set up a priority agricultural zone somewhere between Hong Kong and Shenzhen, where multi-storeyed husbandry premises with support facilities such as transportation networks, irrigation systems, collective treatment facilities for livestock wastes and housing are provided. But the Government is still studying the proposal, in total disregard for the demand of the industry. I now urge the Government to complete its studies as soon as possible, so that the agriculture of Hong Kong can regain its past glamour.

In addition, since fishery and agricultural produces will directly affect people's health, the Government should really put in place a sound system of quality and hygiene control and step up the inspection of imported meat to protect public health. In this way, even when incidents occur, we can still identify their sources quickly, thus minimizing their negative impacts. I must stress that insofar as the handling of imported meat is concerned, the Government must not rely solely on the sanitation certificates issued by the places of origin. The reason is that many unscrupulous elements may simply mix uninspected meat among inspected meat, trying to muddle through. The Customs and Excise Department of Hong Kong has frequently detected illegally imported frozen chickens and meat among inspected meat. I hope that the Customs can continue to step up its actions against land and sea smuggling.

Mr Deputy, although Hong Kong ranks among the best in the world in many respects, its records of building safety are far from satisfactory. In August last year, a woman was killed by concrete fallen from heights in Mong Kok. Then, last week and just a couple of days ago, two cases of collapsing ledges occurred, and seven people were injured as a result. Moreover, early this month, fire broke out in a roof-top tenement in Tsuen Wan, killing two and injuring five.

The Government has proposed many types of improvement measures in the Budget this year, showing a greater determination than ever before to solve the problem. For the clearance of illegal structures alone, it has set for itself a higher target, drastically increasing the number of cases it deals with per year from 2 000 in the past to some 10 000. Besides, the Buildings Department (BD) also plans to drastically increase the number of prosecutions by as much as 10 times this year, from 200 cases last year to 2 000 cases. All these figures are indeed very encouraging! However, upon a careful analysis of these figures, we will notice that the efforts of the Government are still not adequate.

At present, nearly 800 000 illegal structures all over Hong Kong have yet to be cleared, and one quarter of them may be potentially dangerous. Three years later, after the Government has cleared the roof-top tenements causing grave fire hazards to the 1 200 buildings identified, there will still be many other roof-top tenements causing fire hazards to other 3 400 buildings. What is even more worrying is that the number of illegal structures in Hong Kong is estimated to grow at a rate of 10 000 per year. This means that even if the Government can quicken its pace of clearance, it will still take as long as 160 years before all illegal structures in Hong Kong can be cleared. Besides, the recent cases of collapsing ledges have also exposed the loopholes in the existing mechanism on monitoring the maintenance and plastering of external walls of buildings.

The DAB appreciates the initiative of the Government to set down annual work targets, but it also thinks that the Government still needs to make improvements in many areas. First and foremost, it must focus on stopping the "never-ending erection" of illegal structures; it must co-operate fully with owners and build up their confidence in it. So far, the BD and other government departments have worked without any co-ordination, with the result that even when an owner reports the existence of an illegal structure, the BD will very often refuse to issue a clearance order on the excuse that the illegal structure concerned does not pose any immediate danger. This situation must be eliminated as soon as possible. I understand that the BD is now conducting a review on this; the DAB hopes that the Government can make improvements in this respect.

The Government plans to introduce a preventive safety inspection scheme to replace the "mandatory inspection scheme" proposed in early 1997. It also intends to accept the demand of the DAB and other members of the public and assume the responsibility of conducting initial inspection of buildings. The DAB welcomes all this. Unfortunately, however, the Government has so far failed to draw up a concrete timetable. It is estimated that there are as many as 200 000 signboards which need to be regulated. The community as a whole has long since reached the consensus that a licensing system should be put in place for the purpose of regulation. However, it is very much disappointing that the Government has still failed to make a decision after many years of delay. The Government must review the operation and application procedures of the Building Safety Improvement Loan Scheme, so as to encourage more people to take part.

I so submit.

MISS CHRISTINE LOH: Mr Deputy, the Financial Secretary's Budget is an election year budget. He avoids any issue which may be contentious, as he does not want to quarrel with legislators. The Financial Secretary can sidestep issues only because he still has a few cents in his pocket. But the day will come soon when he has to consider and put hard proposal to us on tax reform. He is likely to make his charge next year and the year after next when the election is out of the way.

The Financial Secretary demonstrated exemplary skill in creating a bland budget. He did not even bother to revisit key initiatives from last year, like privatization. Perhaps now that the partial sale of the Mass Transit Railway Corporation has gone through, there is less pressure to think through a framework for future privatization.

He has also chosen not to respond to growing concern in the community over just how level the playing field is for various business sectors. His belief that Hong Kong does not need a comprehensive competition policy and regulatory structure is out of step with places which we want to compare ourselves with, such as New York and London.

Overall, Mr Deputy, I find the Budget not much to write home about.

The Financial Secretary did of course promise a tax review. This does not come a moment too soon. Furthermore, the Secretary for the Treasury is already heading a task force to review the Government's financial reporting policy. She could hardly do less when even the Director of Audit has called for the adoption of an accrual accounting system. Tax and accounting experts have called for these reforms for years. Why does it always take so long to deal with what is so obvious?

As regards the tax review, I have already asked the Financial Secretary privately to ensure that the review process has an open and public component. This would have at least three benefits. Firstly, the public would have a chance to understand better Hong Kong's extraordinary fiscal structure and what options there are for long-term fiscal sustainability. Secondly, views beyond those of officials and experts could be heard. And thirdly, the process itself could help to create the community consensus necessary for change.

An official undertaking from the Financial Secretary in his response next week on an open component for the review would be very useful.

Moreover, I hope that the review will include a study on how to raise revenue with the minimum distortion to the economy. For example, the current land supply and housing policies suffer from gross economic distortion with huge hidden subsidies. The tax review should also ensure that the fiscal system is used to encourage beneficial activities, such as employment, value-added, profits and savings, while discouraging things like pollution and waste.

In the area of civil service reform, the Budget is grossly deficient. The promise to cut 10 000 jobs over three years is unimpressive. Natural attrition and the current hiring freeze would take care of a large part of that commitment.

The Financial Secretary and the Government as a whole has no stomach to redress the imbalance between condition of employment in the public and private sectors. The best that they came up with is another year of freezing civil service pay when consumer prices dropped by an average of 4% in 1999. What is more, the Financial Secretary forecast a continuous drop of the Composite Consumer Price Index by an average of 1% this year.

Mr Deputy, you could not have forgotten the haste with which legislators' pay and office expenses were cut by 5% last fall. We did not complain because Hong Kong was in deflation. Thus, why are civil servants so privileged?

The Financial Secretary may argue that the Government has reduced new entry pay. Since the Government is not hiring for now, that does not amount to much in the near term, although it will have and in fact elsewhere, such as at the universities. I argued in my shadow budget on 22 February that a 5% pay cut across the board for the Civil Service would not be too much. I still hold this view today.

It may well be that the Financial Secretary took heart from this Council to do so little. It was shocking that members of the Establishment Subcommittee initially refused to approve the proposal to reduce new entry pay. Other political parties were also quick to say that they were against a pay cut for bureaucrats. Was that another election year response?

After all, there are 198 000 civil servants. Let us say that each has a close family member who is also a voter. That could well mean 400 000 potential votes lost. But that is not the end. The civil service pay scale affects another 140 000 people working for subvented organizations. If each of them also has one close family member who can vote in the September election, that could be another 280 000 votes down the drain.

I would have thought that an election year should be a good time to point out that Hong Kong has an overblown public service with pockets of serious inefficiencies. The fact is that some 50% of government spending goes towards public sector pay and related expenses. The system has become inflexible in terms of pay and structure. I cannot come up with a better example of how the system has gone off the rails than how much we pay for hawker control — a staggering \$770 million. If Hong Kong cannot trim the public sector, we will continue to have recurrent operating deficits.

It is often said that top civil servants still earn less than top executives in the private sector. Even if you accept this argument, it does not justify the other 90% of the Civil Service earning way above equivalent talent in the private sector. It was also put to me that people join the Civil Service because they want stability and are willing to forego opportunities in the private sector. This is surely another spurious argument. First of all, not everyone in the private sector earn fat packages, and indeed, many do not and have to face market realities. Secondly, surely, in return for stability, the jobs should go at a discount, not a fat premium.

Let me make one last point on this subject. The Government tells us that it is concerned about Hong Kong's cost competitiveness. With a total workforce of 3.5 million, and with some 500 000 employees of one sort or another who have pay pegged to civil service salaries in one way or another, reducing pay and benefits is important to lower overall costs. None of this is rocket science. The private sector pay trend survey is going to be out in a couple of months. How will the Government react to it if it shows lower figures? I call upon the Chief Executive to have the courage to cut civil service pay in his autumn policy address, and to devise a way to de-link civil service pay from the subvented and academic sectors in the future.

Mr Deputy, the Financial Secretary has no innovative environmental initiative. In a week when air pollution is abysmal, I would like to express my outrage at the lack of real and urgent action. The Financial Secretary should not be allowed to say that the environment is not his job, because it is. It is now accepted in many parts of the world, with which we like to compare ourselves, that fiscal policy is a powerful environmental tool. The sooner the Financial Secretary, Finance Bureau and the Treasury understand this, the faster Hong Kong can help the environment.

The Budget is willing to continue to give a concession on diesel duty to help the transport trade and electric vehicles owners, of which they are very few. Why not tax fuels according to their environmental impact? Why not give incentives for the testing of alternative fuels and technologies? Why not give a tax write-off for older, more polluting, vehicles? Why not give a budget to government departments to use ultra low sulphur diesel for their fleets? Why not propose a landfill charge which the Environmental Protection Department desperately wants? I can go on and on.

Perhaps I can ask the Financial Secretary to respond next week whether the tax review will also include a study on how to use taxation as a tool for promoting environmentalism. Members might think that I am asking for pie in the sky. This view is commonplace in many other parts of the world. Indeed, Hong Kong is distinctively backward on this.

I have already said that I think the Government has areas of serious inefficiencies. I noticed among the small print that the Transport Department is going to spend \$7 million on a study to examine the operational feasibility and financial viability of introducing a trolley bus system. But, I thought they had already done that. Indeed, I threatened to go to the Ombudsman to get the existing report. So, why do we need another study?

In another case, I noticed that the Director of Highways is going to spend \$87 million on the detailed study design of Route 7. Why is there a budget for this item when we have yet to see an evaluation for a more environmentally-friendly rail alternative?

Lastly, Mr Deputy, I remain extremely frustrated over the Government's complacency over finding ways to clean the environment, and the Financial Secretary's inability to make it a part of his job to use fiscal policies to provide the right incentives for real transformation. Perhaps in his next budget, he might do better.

MR CHEUNG MAN-KWONG (in Cantonese): Mr Deputy, in the Financial Secretary's first Budget in the new century, the most important central idea is a market-led economy, which means that the Government does not seek to direct or plan the course that our economy or markets should take. However, the Financial Secretary has at the same time paved the way for intervention in the free market, indicating that the Government will intervene in the market when the market fails to work and when the overall economic benefits of Hong Kong are apparently in jeopardy.

After the reunification, the economic policy of the Government of the Hong Kong Special Administrative Region (SAR) was contradictory, wavering between the market-led principle and intervention. In the run-up to the 21st century, the globalization of the world economy had an impact on all territories and countries, particularly the weak economies. In the course of globalization, Hong Kong was able to make progress but also faced with crisis at the same time. While the rapid flow of international capital brought economic prosperity to Hong Kong, it also brought about a financial turmoil. In order to defend itself, the Hong Kong Government consistently chose to adopt "compromising capitalism" as a means to survival, employing government forces to tamper with the market in order to maintain stability under the umbrella of intervention. This is the most controversial economic policy since the Financial Secretary took office.

Excessive government intervention indeed gives cause for concern. In view of the financial turmoil, the Government bought a host of shares to stabilize the stock market. When it comes to the Disney, the Government granted land at a low price and took part in the investment so as to facilitate the development of tourism. On the Cyberport, land was granted to a private company without putting the project to open tender for the sake of the development of information technology. In the case for "tom.com", the Government agreed on the many exemptions from the listing rules as accepted by the Securities and Futures Commission in order to make room for a prominent consortium. The

Government argued plausibly on every occasion of intervention, but successive government intervention will make people question whether we have a market economy or planned economy in Hong Kong? How much more government intervention will there be? What is the principle and bottomline of intervention? Is a market that features constant government intervention and correction still a free market?

Under constant government intervention, the Hong Kong economy has started to change in nature. Now, the public is most concerned about three questions: Is there a new prerogative economy in Hong Kong? Do we have a new monopolistic economy? Do we have a new bubble economy?

Before the reunification, Hong Kong was a British colony where British consortia were given privileges in all sectors of the economy. After the reunification, the public is concerned about whether a new prerogative economy has started to take shape and whether the prerogatives are exclusively for individual families? Take the LI family as an example. In March last year, they were awarded the Cyberport franchise. In May last year, someone vowed to withdraw his investment in the fixed network market and the Government subsequently decided to hold up the liberalization of the fixed network market. In November last year, the Government deferred the interconnection of the two electricity companies to enable the Hongkong Electric Company Limited to continue expanding its plants. In February this year, "tom.com" was granted many exemptions in respect of its listing in the Growth Enterprise Market. Things like these happened one after another and the LI family's legend began to spread across the market. The public began to question whether the sort of capitalism that favours cronyism in Southeast Asia has actually landed in Hong Kong. Has the free economy of Hong Kong turned into a new prerogative economy? Will a prerogative economy do any good to Hong Kong?

Prerogatives are followed by monopoly. If a family can control one quarter of our stock market in terms of the market value, 60% of the mobile telephone market and 95% of the fixed network market, and has businesses covering real estate, electricity, telecommunications, container terminals and supermarkets, exercising pervasive influence in all aspects ranging from basic necessities for subsistence, the economy to people's livelihood, is such a diversified monopoly a healthy phenomenon? Is it fair and reasonable? Of course, there is not just one family enjoying monopoly for there are many consortia monopolizing different economic domains in Hong Kong, and this

amounted to a new monopolistic economy after the reunification. If the Hong Kong Government is genuinely committed to upholding the free market principle as the mainstay of economic development, it must address squarely the problem of monopolies in our economy and enact anti-trust legislation as soon as possible to maintain a level playing field so that the people of Hong Kong will truly benefit from the market.

The financial turmoil burst the property bubble, but the prevalence of Internet has created new bubbles for Hong Kong. From the Pacific Century of the Cyberport to the listing of "tom.com", Internet stocks have increasingly gained popularity in Hong Kong. While this fever, which was originated in Europe and the United States, offers promising prospects, the listing of Internet stocks, particularly the listing of "tom.com", has prompted long queues for subscription which is most representative of the new bubble economy. The mentality of "better spend a day queuing up than working for a year" is more of a concoction of bubbles driven by speculation than the wisdom of the average man in the street. Now that the people of Hong Kong have long shut their eyes to the ordeal of a downturn in real estate. Even after the financial turmoil, the people of Hong Kong are still reluctant to develop industries. Instead, many people cling to gambling and speculation in pursuit of their so-called economic development. The bubbles will burst one day. Will the Government sit by idly or prepare for a rainy day? Will it consistently improve the financial legislation in order to protect the small investors as far as possible, or just sit by watching the money that they earned by hard toil eventually go up in bubbles? This is a choice that the Hong Kong Government must make.

Mr Deputy, in order to maintain Hong Kong's vitality in the globalization, we must continue to preserve the backbone of our past success, namely, a free economy, a clean society, the rule of law, a low tax regime, a highly effective government and a quality financial system. With these advantages, we have attracted over 800 multinational enterprises to set up their regional headquarters in Hong Kong and this has facilitated the development of Hong Kong into an international metropolis. In the new century, we must face the world but not seeking to groom individual consortium. We must learn from the lesson of the onslaught of the financial turmoil in Southeast Asian countries. We must put an end to the prerogative economy. We must also curb the monopolistic economy and cool down the bubble economy to allow free competition between international capital and local consortia, thereby facilitating economic development and creating more wealth and job opportunities.

Investment in education is pivotal to economic development. We will have a knowledge-intensive economy in the new century so we need knowledge-intensive talents. In the colonial era, education served to cultivate elites. So, the approach adopted back then aimed at quick success and instant results, which means sacrificing basic education to make way for the expansion of tertiary education. Under this erroneous education policy, the investment in education and its distribution have remained unbalanced for a long time. Although the SAR Government has learned a lesson from painful experiences, knowing that we must start with basic education in order to build a good foundation for tertiary education, the fact remains that basic education is still being neglected. At present, the allocation of funds for education is grossly disproportionate with a mere 1.6% for 160 000 kindergarten students, 22% for 500 000 primary students, 33% for 430 000 secondary students, and 33% for 70 000 university students. Apparently, the Government's investment for the 660 000 kindergarten and primary students has long been insufficient and is close to an instance of discrimination. This is the gravest mistake made by the SAR Government in its education policy and immediate rectification is warranted.

Similarly, the infrastructures for basic education are not only pathetic but also shameful. Recently, the Government has terminated the school improvement programme in 109 primary and secondary schools. The improvements requested by the schools are no more than libraries, language laboratories, computer rooms, conference rooms, teachers' rooms, counselling rooms, and rooms used for interviews with parents or as social workers' office, which are the basic facilities of a modernized school. Moreover, the improvements at the 109 schools cost only \$3.9 billion and yet, the Government declined these lowly and pitiful requests of schools and parents on the ground that resources should be rationalized. But in the meantime, the Government has spent \$3.2 billion just to build a police headquarter. Why is the Government being so mean to the students but so generous to the police? Insofar as education in Hong Kong is concerned, why is it so difficult even to build a school which is up to standard? The Government must respond to this point.

While dangerous housing blocks resulted from substandard piling at public housing estates must be pulled down for redevelopment, has the Government ever addressed squarely the long-standing problem of "substandard piling" in basic education which cannot but stew in its own juice even though "dangerous housing blocks" are resulted? Under our education system, every year 23 000 secondary school leavers are known as the "zero mark students" for failing in all

subjects in the Hong Kong Certificate of Education Examination (HKCEE). Can this be considered "substandard piling" in the context of education? Even for the rest of the students who passed the HKCEE or those who managed to get into a university, can their performance meet public expectation? Our society is now swallowing the bitter fruits of the neglect of basic education. If we fail to awaken to our mistakes and make fundamental changes, the situation will be aggravated to such extent that no rectification can possibly be made. I hope that this year's Budget and the ones in future will attach more importance to basic education for basic education is precisely the bedrock of tertiary education. It is also the pillar of education. It allows no "substandard piling" and definitely cannot be demolished for redevelopment.

Mr Deputy, economic development does require a stable government. The civil servants know better than anyone else the bitter and sweet that they have gone through before and after the reunification. In the past two years, the civil servants were faced with reforms that swept across them like gusty winds and rainstorms. I have made some calculations and noticed that at one point in time, the civil servants had to face 10 major reforms: reduction of allowances, lowering of the entry pay, revision of fringe benefits, extension of probationary period, recruitment of outsiders to fill senior positions, replacement of pension by provident fund, disciplinary mechanism, voluntary retirement scheme, mandatory retirement scheme, and pegging salary increments with performance. These 10 reforms were introduced one after another, and in addition to the civil service reform, there are the Enhanced Productivity Programme of the Treasury and the Financial Secretary's privatization proposals. Faced with three-dimensional attacks, the Civil Service is on the verge of collapse. What exactly do the civil servants have to face? Reforms or a revolution? If the Government intends to carry out sweeping reforms in the Civil Service, has it ever considered that the reforms are far too drastic and that haste will only make waste? This is similar to WANG An-shi's reforms. Despite their desirability, the reforms were nevertheless carried out too hastily and drastically, thus producing interactive and mutual effects that finally led to a debacle. History is like a mirror through which we can learn lessons from past experiences. Who would wish to be the contemporary WANG An-shi?

The Financial Secretary has stressed the role of the market. The market must be allowed to adjust freely so as to strike a balance naturally in the course of adjustment. However, a government which puts too much emphasis on quick success and instant benefits and which seeks to achieve too much will

certainly detest the market mechanism and favour intervention in order to feel the ecstasy of power through intervention. In the past two years after the reunification, the SAR Government was eager to achieve quick and big successes. It is the enemy of the market and the enemy of stability. It must put an end to this attitude and rest in peace with the public.

Mr Deputy, I so submit.

MRS MIRIAM LAU (in Cantonese): Mr Deputy, as the Financial Secretary has said, this year's Budget contained fewer revenue proposals than any of the previous ones. So, it will undoubtedly be well-received by the public. Every year, the transportation industry will not be left out of the Financial Secretary's Budget, and this year is no exception. While the Financial Secretary has brought good news to the transportation industry by extending the concession on diesel duty, he has also brought bad news to the industry that the diesel duty rate will revert to \$2.89 from the present \$2 per litre starting from 1 January next year, representing a 44.5% hike. This will also cause the price of diesel to go up by 14% per litre instantly.

The Financial Secretary's proposal to maintain the reduced diesel duty rate for another nine months showed that the Financial Secretary is fully aware that the transportation industry is still trapped in severe operating difficulties, so the industry should be grateful to the Financial Secretary for his sympathy. If we call on the Financial Secretary to further extend the concession, it may give an impression that the drivers of diesel vehicles are covetous. But I must emphasize that if the transportation industry has also turned the corner along with a pick-up of the economy, the Financial Secretary would not bother to extend the concession. On the contrary, if the business of the transportation industry remained slack after 1 January next year, the Financial Secretary should further extend the concession.

The Financial Secretary decided to maintain the reduced diesel duty rate until the end of the year for he expected the Hong Kong economy to have much improved by 1 January next year. However, I must point out that we cannot draw an equal sign between the Hong Kong economy and the business conditions of the transportation industry.

We may have the feeling that this year the economy is doing better than last year as we can see huge crowds of people thronging the streets and going on a shopping spree, which are proof of an economic recovery. To the taxi trade, the Chinese New Year is a golden time for doing business. But during this year's golden period, taxi drivers earned even less than last year. While we can see full houses again in restaurants and queues of diners, we still see long queues of taxis-to-hire, only that the queues are slightly shorter than those during the financial turmoil. As taxi fares are still pitched at the level before the financial turmoil, taxi drivers certainly earned less with fewer passengers.

The rosy picture of an upturn in the economy is merely a false impression not only to the taxi trade, but also to the entire freight forwarding industry. The freight forwarding industry cannot increase their charges and worse still, their current charges are an old-time rate. At present, the fees charged by the land transportation industry are 25% to 40% less than the rate before the financial turmoil, and only equivalent to 50% of the charges in 1995. The fees charged by the sea transportation industry also remain on the level of a number of years or even a decade ago.

Thanks to the Financial Secretary, a lower rate of diesel duty did give the transportation industry a lift in the past year or so, or at least served to encourage the industry to persist with their struggle for survival. However, I can foresee that the transportation industry still has to struggle hard in the next year or two to keep its head above water mainly for two reasons.

The first reason is an increase in operating cost in terms of fuel. The Government is aware that an increase in fuel prices will have an impact on public transport and the citizens, so it has openly appealed to the oil companies not to increase the price of fuel. Yet, the companies did not listen to the Government and have effected an increase twice recently, bringing the price up by \$0.7 per litre. Government officials expressed disappointment at the oil companies. I am disappointed with the oil companies too, but I am all the more disappointed with the Government. At present, diesel has already risen to \$6.29 per litre and will be further increased by \$0.89 on 1 January next year, escalating the diesel price to \$7.18. However, no one can guarantee that the price of diesel will be capped at \$7.18 by then given an upward trend in the price of crude oil internationally. So, the price of diesel will very likely go up in Hong Kong. In that case, how can the transportation industry cope with this rate of increase? The transportation industry is indeed very concerned about this.

The second reason is that even faced with a higher operating cost, the passenger transport industry and the freight forwarding industry cannot increase their fees accordingly. Given the present economic conditions, it is the hope of the general public that the fares of public transport can be frozen for the time being. Government officials have strongly advised against any fare increase in the public transport sector. Small businessmen also do not wish to see any increase in the fees or charges of the transportation industry in order not to undermine their competitiveness. A freeze in the fares and charges of the transportation industry will mean that the increases in the price of fuel and in diesel duty will be borne by the industry alone.

The Financial Secretary expected that the transportation industry should find it much easier to reduce its dependence on diesel by January next year because diesel taxis will be switched to LPG-fuelled vehicles. I wish to remind the Financial Secretary that the industry does not only comprise owners of 18 000 diesel taxis, but also owners of over 130 000 diesel vehicles other than taxis and only a small number of them can switch to LPG. Furthermore, not all the 18 000 taxis will be readily fuelled by LPG on 1 January next year. It takes time for them to convert to LPG and the speed of conversion is subject to the objective circumstances, for instance, the adequacy of matching facilities or to be exact, the adequacy of LPG filling stations and maintenance workshops. According to the Government, a total of 14 filling stations will be available by the end of the year to cater for about 6 000 LPG vehicles. This has fallen short of the 24 filling stations pledged by the Government earlier on. But even with 14 LPG filling stations in place, the number is far less than the present 180 gas filling stations for use by taxis. Now, there are four LPG filling stations catering for some 300 LPG taxis, but problems such as gas interruptions and gas rationing (that is, only \$100-worth of LPG is allowed for each vehicle) often crop up. The LPG taxi scheme will be implemented to the full by the end of the year but only 10 additional LPG filling stations will be available by then. This will certainly deter many interested owners from switching over to LPG for they are worried that they may not be able to fill up their tanks. On the other hand, even with sufficient matching facilities, quite a number of diesel taxis still cannot afford switching over to LPG because many taxis have become negative assets and some finance companies have already indicated that they will not lend money to those owners to switch to LPG. I have asked the Financial Secretary on other occasions to consider providing interest-free loans to taxi owners as an incentive and support for them to convert to LPG. Here, I strongly urge the Financial Secretary again to find ways to assist these owners with genuine needs. I also

hope that the Government will announce as soon as possible the scheme to provide subsidies for owners to switch to LPG because without the details of the subsidy scheme, it is impossible to promote the conversion of diesel taxis to LPG.

Of course, the proposed increase in diesel duty next year may have an ulterior purpose to force owners of diesel taxis to switch to LPG as early as possible. But as I said just now, the speed of conversion depends on the adequacy of matching facilities and the affordability of owners. The price level of diesel is just a secondary consideration. In fact, if the price of LPG is comparable to that set by the five newly-approved LPG filling stations, which is about \$2.1 to \$2.4 per litre, the price differentials *vis-a-vis* the present diesel rate at \$6.29 per litre are already very attractive. An increase in diesel duty will only penalize those owners who cannot afford to replace their vehicles, or those who are unable to replace their vehicles, or those who are not in a position to switch to LPG-fuelled vehicles.

Mr Deputy, in fact, diesel is closely related to people's livelihood. The level of fares of public transport or charges for freight forwarding services will have a bearing on each and every citizen. In the long term, the Government should review the need to maintain its high diesel duty policy. From the angle of tax revenue, it will only be counterproductive for the Government to impose heavy taxes. In the past five years, while the number of diesel vehicles maintained at 150 000 on average, the consumption of duty-paid diesel has constantly declined whereas the quantity of duty-not-paid diesel seized has kept on increasing.

To make contraband cigarettes less attractive, the Government resorted to freeze tobacco duty in the hope that smokers will confine themselves to duty-paid cigarettes. On the contrary, an increase in the rate of diesel duty will only prompt drivers to take the risk of using duty-not-paid diesel instead of duty-paid diesel. I really do not understand the rationale of the Government. While smoking is hazardous to health, the Government did not increase the rate of tobacco duty, and most of the smokers will surely appreciate the generosity of the Government. On the contrary, while diesel is a necessity to drivers and is closely related to people's livelihood, the Government has sought to impose a heavy duty on it. This shows that the Government is absolutely merciless towards the drivers.

Back to diesel duty, I earnestly hope that the Financial Secretary can further extend the concession on diesel duty beyond 1 January next year. If the Financial Secretary still has misgivings about it, I hope he will fully examine the operation of the transportation industry before 1 January next year and obtain an in-depth understanding of the practical circumstances for implementing the LPG taxi scheme before a decision is taken as to whether the scheme will be implemented as scheduled.

Mr Deputy, we learn from the LPG conversion process that environmental protection requires resources and, most of all, a pragmatic approach. Environmental protection is not a slogan, and I do not remember for how many times I have said so. Now, I must add that environmental protection does not mean "shirking responsibilities" by any standard.

The Environmental Protection Department (EPD) is supposed to take the lead in environmental protection. I remember that the EPD has considered its Diesel to Petrol Scheme in 1995 the greatest contribution to the improvement of air quality. But everyone knows that petrol is not an environmentally friendly fuel. I cannot but ask who was the first to propose LPG which is widely recognized as most environmentally friendly? Who contributed both the money and efforts for a research study of the reduction of vehicular emission by particulate filters? It was not the Government, but the transportation industry. Although the transportation industry has foresight in this regard, it understood that a great deal of work was involved so the industry worked conscientiously and co-operated with the Government in promoting LPG vehicles and other measures to reduce vehicular emission. However, the industry feels aggrieved that the EPD, which did not realize the situation until it was too late, went so far as to shift its responsibilities onto the transportation industry. Now that the EPD even seeks to shift its responsibilities onto Honourable Members.

There are many examples showing that the EPD had failed to realize the situation until it was too late. From the record of proceedings of this Council's meetings in the past five years, Members may note that I already suggested the LPG taxi scheme much earlier, and that I also proposed a research study of catalytic converter and particulate filter, and of alternative environmentally friendly fuels much earlier. The EPD will do all these in this financial year, but had it responded to Members' requests a few years earlier, or had it been able to initiate these measures a few years earlier, we do not have to wait until now.

Judging from the above, the EPD has not done its best to discharge its duties. What is more, it even attempted to mislead the public in order to conceal its failure to do its job properly to improve the overall air quality. Even if all taxis have switched to LPG, the total emission of respirable suspended particulates (RSP) emitted from vehicles can be reduced by 30% only. But vehicles are not the only source of RSP. Other sources include incinerators, power plants, cement plants, and so on, and the RSP generated from vehicles only account for 50% of the total emission. In other words, if the EPD only targets at taxis, the overall air pollution index can be reduced by 10% to 20% at most, but the pollution index will remain high. Obviously, the EPD must do more instead of just targeting at vehicles. The Government should plough in more resources for implementing a comprehensive range of measures in order to completely resolve the problem of air pollution.

Mr Deputy, now I wish to turn to another subject. In order to vigorously attract inward investment, the Government decided to set up a new dedicated agency under the Trade and Industry Bureau with the sole responsibility of attracting investment into Hong Kong. I very much support this decision of the Government and I wish to share with Members some of my experience. I am a member of the Port and Maritime Board, a major task of which is to promote the merits of our ports and ship registration in Hong Kong. In September last year, I joined a deputation of the Board to visit four leading ports and shipping centres in Europe and the United States. In February this year, another deputation visited the United States to promote the port facilities in Hong Kong. We found that many overseas businessmen do not have much knowledge of the realistic situation in Hong Kong. Therefore, we need to make greater efforts to promote our proven systems and facilities among foreign businessmen. Meanwhile, if we can also conduct practical activities aimed at soliciting business during these visits, we should be able to make greater achievements in attracting inward investment. Therefore, I hope that in future, this new agency will not only engage in public relations work to sing praises for Hong Kong, but will also mobilize representatives of the relevant trades and industries to join overseas visits to explore more business opportunities.

Mr Deputy, I am fully convinced of the Government's determination to develop Hong Kong into an international shipping centre. While the Port and Maritime Board has been set up for less than two years, it has actively contributed to the interest of the shipping sector, and its achievements are there for all to see. The tonnage of vessels registered in Hong Kong has sharply

increased from six million a year ago to the present 8.9 million. However, the Port and Maritime Board has neither the authoritative power nor the resources to do much work that it wants to do and should do, for instance, research and development work. Research and development efforts for the promotion of the shipping industry are carried out in many countries like the Netherlands, New York, Singapore and Japan. In some countries, dedicated and independent agencies are set up under the auspices of the Government to undertake these efforts. In Hong Kong, however, the Government does not only make light of this area of work, but even seeks to shift its responsibilities onto the industry. This has cast doubts on the determination of the Government. Research and development endeavours are essential for Hong Kong to give full play to its potentials to become a shipping centre. The Government must channel more resources for this cause.

Lastly, I wish to turn to productivity enhancement. In the Budget, the Financial Secretary has discussed at some length the Enhanced Productivity Programme (EPP) in government departments. To facilitate enhancement in the transportation industry, Hong Kong can capitalize its strengths in respect of sea, land and air transportation in the direction of developing multimodal transportation services that involve various modes of transportation, providing one-stop value-added services to link up factories in the Pearl River Delta Region with other places of the world, and in the meantime, developing logistics management services on the basis of multimodal transportation services. Nevertheless, logistics management requires back-up and co-ordination in many aspects among which information technology, in particular e-commerce, has an important role to play. In this regard, we have to rely on the Government's efforts for further development by, for instance, expanding the related manpower training in tertiary institutions. Furthermore, the Government must also play the role of a co-ordinator in the industry and lead the industry on the road of enhancement.

Mr Deputy, in concluding his Budget speech, the Financial Secretary said that he will lay a gentle hand on the tiller and need to have a clearer idea of our future revenue position. I hope that the Financial Secretary will also lay a gentle hand on the transportation industry, and act in sympathy with and supportive of the transportation industry.

Mr Deputy, I so submit.

DR TANG SIU-TONG (in Cantonese): Mr Deputy, I recall last year when we were experiencing an economic downturn and when the unemployment figures stood high, the Financial Secretary did not care about the short-term deficits we would get and boldly came up with a Budget which was entitled "Onward with New Strengths". This year the Financial Secretary comes up with a Budget which has not proposed any tax increases and new taxes. It is based on trimming expenses, enhancing productivity and strengthening our basics. It is also based on spurring the recovery of our economy and to give a strong impetus to its growth. It is certainly an encouraging Budget which seeks to take care of our short-term and long-term needs. It deserves our support and approval.

However, as the Financial Secretary says in the concluding remarks on the Budget, "The storm has now passed and our economy is back on a growth track, although government finances are still in the red." Deficits for the year turn unexpectedly from an estimated \$36.5 billion to \$1.6 billion, made possible by some additional non-recurrent income. It is an unexpected fortune, not the fruit of solid economic growth. When this financial year is safely behind us, the Government will still have to face deficits for the coming three years.

Mr Deputy, to improve government finances, the long-term approach is to promote the growth of our economy, enhance the ability of the public and the business sector in creating wealth and to undertake a serious review of the financial situation and the tax regime. But all these entail a lengthy process and cannot be done overnight. So in the short run, the Government must make good use of short-term measures available and pay special attention to the ever-increasing public expenditure. In this year's Budget, the Government can only reduce public spending and cannot make any drastic cuts in areas especially like social welfare, education and medicine. That is worrying and disappointing.

Notwithstanding the fact that the growth in recurrent expenditure in these areas has reduced compared to that of last year, and that the Enhanced Productivity Programme (EPP) has also made some savings, that do not mean that the resources have been used in the optimal ways. In health care, for example, there are great structural problems in the medical system and in the deployment of resources. These are what the Harvard experts have listed as the compartmentalization of the system and a negligence of primary health care as a result of the over-emphasis on hospitals. All these will not only affect the health of the patients, but will also lead to a huge wastage of resources. This kind of "structural wastage" will lead to greater spending and will offset the savings of the EPP and upward revisions of fees and charges.

The over-packed casualty wards are a result of this "structural wastage". For a long time the Government has overlooked primary medical care and it has put in too much resources into the hospitals and the specialties, the result is a great gap in the demand and supply of clinical services in the public sector, both in terms of quality and quantity. Moreover, there also lacks a sound system of primary health care and family physicians. All these make those patients who do not have emergency conditions and are unable to get suitable, adequate and sound primary health care flock to the casualty wards and hence cause an unnecessary increase in medical spending.

To effect a long-term solution to the problem of ever-increasing medical spending, it is important that this "structural wastage" be tackled at its roots. I recall in paragraph 110 of the Budget speech, the Financial Secretary says that "The public sector must exercise greater prudence in its spending before dipping into taxpayers' pockets." I hope that two months later when the Secretary for Health and Welfare announces the proposal for public health care reforms, the Bureau can make good use of the undertaking made by the Financial Secretary and propose some innovative approaches to reform. I hope they will not stick to the old approach of "user pays" and transfer the rising costs onto the public.

Talking about reforms, I cannot help but mention the two new departments formed after the Government's taking over of the municipal services, that is, the Food and Environmental Hygiene Department and the Leisure and Cultural Services Department. Last year, the Secretary for Constitutional Affairs said in this Chamber that after the abolition of the Municipal Councils, there would be greater cost-effectiveness and accountability in the utilization of resources when the municipal services were delivered by the Administration. I oppose the scrapping of the Municipal Councils, but since the new framework has already been set up, I can only accept it with reluctance. I also hope that the new departments can honour these pledges.

Unfortunately, I cannot obtain any information on the services previously provided by the two Municipal Councils even though I have looked at the budgets of the two new departments and made written inquiries. I have no idea as to the objectives set by the new departments, nor do I know of the principles, criteria and data upon which these objectives are based. In the absence of data and information, Members of the Council will have no basis to determine

whether the items of expenditure in these new departments are reasonable or not, and whether the undertakings made last year have materialized. This kind of close-to-black-box operation regarding expenditure shows that the Government does not have the confidence and boldness to honour the pledges it made in scrapping the Municipal Councils, that is, the new departments would necessarily perform better than the Municipal Councils. There is also a lack of sincerity in making the departments more accountable to the representative assemblies. To me, this is the greatest disappointment. I hope in the coming year, the efficiency of the new departments will not just be the use of \$192,000 to control an unlicensed hawker.

Finally, I would like to talk about the problem of building safety. In the response I made to the policy address last year, I called for a speedy removal of all illegal structures and to create a safe home for the public. I therefore welcome the undertaking made by the Financial Secretary in paragraph 153 of the Budget to provide \$90 million over the next three years to the Buildings Department to launch a large-scale operation to clear unauthorized rooftop structures and building works on external walls of buildings.

The problem of illegal structures is a grave one in the territory. The total number of illegal structures is more than 800 000. The number has been increasing by 10 000 annually and a great number of accidents causing danger to the public have resulted. In this month alone, there were two serious accidents associated with illegal structures. While expressing our concern and sympathy for these victims, a more important thing is that the Government must draw up a comprehensive strategy to tackle the problem of illegal structures. Although the Buildings Department announced at the end of last year to enhance its clearing efforts and that a target of removing 15 000 such structures over the next three years was set, its success was doubtful. If we deduct the number of newly erected illegal structures which grows at 10 000 per year, the effect of the clearance works will only be 5 000 or less such structures cleared per year. Therefore, the Government must adopt a two-pronged approach to combat the erecting of such illegal structures and check their growth, while on the other hand, speed up the clearing of these structures. That will remove the threat of this time bomb in the urban areas.

On the other hand, the Government must make a serious review of the loopholes in the existing legislation. As many people in the industry have pointed out, although there is a requirement to submit a plan to the Buildings Department before anyone wishes to demolish a large scale structure, there are many grey areas in the Buildings Ordinance. First, there is no clear definition of large scale demolition works or any of these structures which can be exempted from the requirement. Second, there is no minimum safety standards concerning the demolition works of those structures that do not require the submission of plans. This results in a lack of supervision in the safety of the works. I think the Government needs to make a speedy review of the Buildings Ordinance and amend it. This will hopefully reduce unnecessary accidents and safeguard the lives and properties of the public.

Apart from illegal structures, there are also these so-called "bean curd" buildings erected on substandard piles threatening the lives and properties of the public. Over the past six months, a spate of scandals occurred in the sites of the Housing Department. In the end, close to \$300 million of public money has to be used to demolish two blocks with serious substandard piling. The result of this incident is not only a serious waste of public money, but also bringing the territory into disrepute. Public confidence in the quality of public housing falls to an all-time low.

The problem of substandard piling works may be related to illegal acts committed by contractors and professionals, but a scandal of such a great scale happening concurrently at different sites in different districts is certainly no isolated incident. It is a matter of housing policy and structural defects in the system itself. Therefore, the Housing Authority and the Housing Department must bear the greatest responsibility in this scandal since they are in control of all the resources in public housing, enforcing public housing policy and overseeing the quality of public housing. The Housing Bureau which is charged with the responsibility of formulating housing policy cannot hope to wash its hands of it. The authorities should make a review of the functions of the three bodies and delineate their duties and responsibilities, abandon the practice of paying attention only to the construction costs and timeframe, enhance the functions of quality monitoring, impose heavy penalties on institutions and persons guilty of dereliction of duty, and plug all loopholes in the system and legislation which may affect building quality. Only by doing so can our precious housing resources not be wasted as a result of these loopholes.

If the departments concerned are not fully committed to discharging their duties, the resources will be wasted without their knowledge of it, and any talk about looking for new sources of income and reducing spending will only be empty and futile.

With these remarks, Mr Deputy, I support the Budget.

MR MICHAEL HO (in Cantonese): Mr Deputy, this year's Budget is a rather well-received Budget. A point worth mentioning is that the Financial Secretary had successfully created an impression of financial constraints and put forth a more lenient Budget against this backdrop, making the public worry first and feel relieved subsequently. This has also inculcated in the public the Financial Secretary's mentality of feeling worried before anyone else in the world. I think the Financial Secretary is in full grasp of the psychology of the public in that he had employed scaremongering tactics and subsequently presented a not-so-bad proposal, hence making his proposal more readily acceptable to the people. In his Budget speech this year, the Financial Secretary revealed that the Government is making arrangements for an alternative medical funding basis with reference to the population as opposed to the current bed-based formula. This is indeed a reform that should be supported because nowadays, medical services are no longer provided merely through hospital beds, but also in many other forms, such as out-patient clinics, day surgery, and so on. I wish to congratulate the Hospital Authority (HA) for coming up with such a good proposal. I also wish to congratulate the Financial Secretary and his colleagues for responding so swiftly. From this, we can see that the Government can react promptly so long as there are good officials.

On medical care services, we note that the Financial Secretary has mentioned the forthcoming green paper, and the Government has repeatedly hinted at proposals to out-source the provision of out-patient services and the introduction of a medisave scheme based on the Singaporean model. I hereby call on the Financial Secretary and the Secretary for Health and Welfare to pay extra attention to the regulation and charges of out-patient services if the outsourcing proposal is to be implemented. I also hope that they will have regard particularly for the burden on the low income group. As regards the Singaporean model or their medisave system, I wish to stress the importance of the principle of "risk sharing". Medical care costs are exorbitant and unaffordable to ordinary citizens. If medical care is not provided on the

principle of risk sharing, I do not believe that members of the public can possibly rely on personal savings to meet the medical expenses. If we make medical insurance mandatory, I am sure that it will only save the Government to the detriments of the people. For example, a person with a monthly income of \$10,000 who contributes 5% of his income, being \$500, monthly can only save up \$6,000 a year, which is just enough to pay for a surgery to remove half of the appendix at a private hospital. To the general public, a savings-based system is not in the least helpful. The Government should think twice when drawing up such a proposal.

We learn from the news today that the Queen Elizabeth Hospital is at a loss as to how the 5 000 days of outstanding leave due to its nurses in compensation for overtime work can be settled. I think there should not be as many as 5 000 days, and I learn from the estimates of expenditure that the HA has reduced the number of nurses by 505 this year and will further reduce it by 360 next year. I understand that while it is basically the duty of the Hospital Authority Board to monitor the work of the HA — Mr Deputy, I must declare that I am a member of the Hospital Authority Board — I hope that the Secretary for Health and Welfare, being the controlling officer, can tell us how to step up the monitoring efforts and give us a further explanation in his response to Members. Moreover, on the waiting time for medical services, this year the HA has replaced the "mean" waiting time by the "medi" waiting time. We all know that a different calculation method will arrive at a different figure. This year, the waiting time is five weeks in terms of the "medi" waiting time *vis-a-vis* the mean waiting time of nine weeks previously. That is to say, the "medi" waiting time of five weeks actually equals to the mean waiting time of nine weeks. While it appears that the waiting time has been shortened, we must bear in mind that this is actually due to the use of a different approach for the calculation of the waiting time. I hope Members can see this point clearly.

Lastly, I wish to congratulate the Health and Welfare Bureau on its successful arrangement for its replies on the estimates of expenditure to be recorded by electronic means. The replies to the 250 questions are recorded in this floppy disc. The replies were sent to me by an e-mail from which I downloaded the information onto this floppy disc. I hope that the Government will actively consider whether arrangements can be made for other Policy Bureaux to follow suit. I have discussed this with the staff of the Legislative Council and I found that we have actually been discussing it with the Information Technology Services Department for some time, but nothing has been achieved

so far. This electronic file is attributed to the efforts of the staff in the Health and Welfare Bureau. I hope that the Government can genuinely lend a helping hand for this cause so that we will not have to print heaps of paper next year, and I also hope that in this way, we can do even better in terms of environmental protection.

Mr Deputy, I so submit.

MR MA FUNG-KWOK (in Cantonese): Mr Deputy, in the past few months, the community was filled with predictions that Hong Kong would face a huge budget deficit and the pressure of tax increases, which had almost overwhelmed all members of the public. Nevertheless, in the Budget the Financial Secretary did not propose new taxes given the latest revelation of statistics reflecting a robust economic recovery. The tension and anxiety of close to 7 million citizens were relieved all at once, as if having drunk a mouthful of refreshing herbal tea.

After the Budget was announced, there were comments in the community that this was yet again another instance of "crying wolf". Let us not bother whether the Financial Secretary had deliberately played up the effects through public relations efforts and the media beforehand. But this is considered useful and constructive for this could lead to discussions on the tax revenue and the tax system. The views expressed by many professional bodies and academics are well worth consideration.

Friends from the New Century Forum consider that it is still difficult to decide whether the current deficit is cyclical or structural. The Government forecast only a \$1.6 billion deficit for this financial year and a \$6 billion-odd deficit for the next financial year. This has instantly alleviated the pressure of tax increases to a large extent. Furthermore, as this year happens to be the election year, any proposal to increase taxes or to introduce new taxes will inevitably meet strong opposition from votes-driven political parties. Under these circumstances, the decision of the Government to adopt a wait-and-see strategy, without proposing changes to the existing tax system and tax types, and set up a committee to study whether to introduce measures to broaden the tax base should be welcome and supported.

Yet, it should be noted that at present, less than 40% of the working population is required to pay salaries tax, and 80% of the tax revenue is contributed by less than 20% of the taxpayers. On profits tax, 80% of the revenue is borne by some 15% of the companies. We forecast that the revenue from land sales will remain stable and will no longer produce the kind of windfalls as in the past. The handsome profits made by the Government this year from the stocks it purchased in 1998, and the proceeds to be yielded from the forthcoming listing of the Mass Transit Railway Corporation are non-recurrent revenue. In view of global competition, the stamp duty on stock transaction which accounts for a large proportion of our revenue must be gradually lowered and even abolished. All these point to the need for an overall review of the tax regime, and only in this way can we avoid financial complications in times of economic adjustments in future.

I hope that in this review of the tax system, the Government can conduct an in-depth study of the objectives, fairness and effectiveness of the tax system. I hope that before the commencement of the review, the Government can define the terms of reference and objectives of the committee and the Task Force, draw up a timetable for the review and report the progress to the Legislative Council and the public on a regular basis.

Moreover, in the review of the tax system, the Government must, apart from taking account of the fiscal principle of living within our means, seriously consider ways to implement small government, suppress expenditure and increase effectiveness. In the meantime, consideration should be given to the following: Firstly, in order to avoid successive budget deficits, the Government should study the feasibility and fairness of increasing the tax rate, introducing new taxes or reinstating previous taxes, as well as their impact on society. Secondly, it must look into the taxation problems arising from the development of e-commerce. Thirdly, it should consider ways to promote economic development and attract inward investment through taxation policies.

Doubtless the Government has provided some forms of tax incentives in recent years. For instance, the manufacturing industry is given a tax concession in the form of a 100% write-off for new expenditure for procuring certain equipment. However, these initiatives still cannot break away from the previous taxation principles and lack farsighted policies on tax concession. As a matter of fact, in addition to its strict adherence to the doctrine of living within our means, the Government should also learn to build up an environment

conducive to investment through its taxation policies and public spending portfolio in an effort to create job opportunities.

Mr Deputy, the Commission on Strategic Development has pointed out that the Government must direct its efforts to major industries and areas. We agree with the Commission's report which identified that financial and business services, tourism, regional headquarters of multinational corporations, information services and telecommunications, trade, transportation and logistics services are key to the long-term development of Hong Kong.

I wish to point out in particular that in order to facilitate the development of a knowledge-based economy in Hong Kong, we must, apart from providing the various kinds of advanced infrastructural facilities, develop a culture of innovation and technology and create a business-friendly environment to support key industries which are committed to the application and upgrading of technology and innovation, thereby enabling Hong Kong to be well-equipped for the development as a regional innovation and technology centre. A direct way to support these industries is to adopt more flexible land and taxation policies on them. For instance, certain foundation industries with strategic importance, high value-added industries or environmental industries can be allowed to defer their payment of tax and be provided with other taxation arrangements.

The provision of special taxation arrangements for certain key industries may immediately draw criticisms that providing taxation arrangements exclusively for a single project or industry constitutes a violation of the principle of fair competition. The Administration may be concerned that this will become a precedent for other industries to make similar requests, thus affecting public revenue. We would like to emphasize that the provision of special arrangements or concessions for a single industry or project without good planning certainly does not merit our support. But sticking to conventions blindly will only deter overseas investors who will then turn to places other than Hong Kong for investment or development.

The Government should interpret the free market principle from a broader perspective. In fact, in countries such as the United States which represents a model of free economy practising capitalism, some state governments have also offered tax concessions to high-tech industries. In South Korea and Taiwan, the semi-conductor industry is provided with a great many loans and other tax incentives. While concessions are provided in various forms in these places to

attract foreign investment, this has not given rise to criticisms that the freedom of the market has been compromised eventually.

Hong Kong is not the only place interested in developing high value-added industries. The United States, Taiwan and even South Korea have already come a long way in this regard. Faced with rapid developments on the economic front, the Government can no longer rest on its laurels or just take a wait-and-see attitude, watching all the other places pressing ahead so as to find out what experiences of theirs we can learn or borrow from. Instead, the Government should seize this opportunity of a tax review to examine the fiscal policies of the Hong Kong Government to ensure that they keep pace with the times.

There may be views that our proposals are radical. But the taxation problems associated with e-trading is a good example which clearly explains the potential impact of a new economic environment on conventional taxation principles and structure. The Government should look into this issue as early as possible. We are glad that the Financial Secretary is also aware of this point.

With the rapid restructuring of the economy towards globalization, any territory which seeks to sustain its development must enhance its competitiveness and create a business-friendly environment to attract inward investment. Failure to keep pace with the times, albeit marginally, may let go business opportunities in which case one will lag farther and farther behind one's competitors.

Therefore, on behalf of the New Century Forum, I have proposed for discussion in the Legislative Council the importance of attracting investment and proposed the setting up of a dedicated agency for the promotion of investment. At that time, some colleagues regarded the proposal impracticable for it did not understand the mentality of investors in Hong Kong.

We are glad that the Financial Secretary has taken on board our views and announced the establishment of a dedicated agency to attract inward investment. However, under the Financial Secretary's proposal, the agency is only a department within the institutional framework of the Government. This is why we consider the proposal somewhat flawed.

The Government holds that the promotion of investment often requires co-ordination among various Policy Bureaux or government departments and constant liaison with senior government officials. So, it is more appropriate to make the agency a government body. I beg to differ. Given that the investment promotion agency will target at individual enterprises or investment projects, a non-governmental investment promotion agency tasked with studying and selecting investment projects can avoid criticisms of intervention in disguise. This can also avoid undue influence from individual government officials in the selection process. When compared with the above factors, administrative convenience becomes a secondary consideration.

In fact, we trust that the recruitment of suitable candidates outside the Civil Service can have a positive impact on the Civil Service in that a more proactive and vigorous approach can be adopted for more optimal results in the promotion of investment. Greater flexibility can also be provided to facilitate recruitment of talents of the right calibre.

Under the current proposal, the new agency for the promotion of investment will work closely with the Economic and Trade Offices and the overseas offices of the Hong Kong Trade Development Council, and they will implement a unified strategy to attract inward investment. We hope that the proposal must ensure that no duplication of duties and waste of resources will arise. In this connection, we hope that the Government will study the staffing and working guidelines of the agency in detail to achieve optimum cost-effectiveness.

Mr Deputy, the rapid development of technologies has aroused concerns among the general public who finds it difficult to get to grips with the technological advancement and the future development and to analyse the consequences. In the face of this "technology fever" spreading to us from countries such as the United States and Japan, the Government and society are faced with the question of how we are going to adapt ourselves to the new economic environment. In view of these changes in the general outlook, we must adopt a more proactive fiscal strategy. I think the Financial Secretary is going in the right direction in proposing new institutional arrangements and revamps for Policy Bureaux responsible for economic affairs, commerce and industry, information technology and broadcasting, together with the related departments in order to enhance policy co-ordination and to provide greater support to our industries as well as the commercial sector.

Mr Deputy, from the report of the Commission on Innovation and Technology, the report of the Commission on Strategic Development and this Budget, I believe that officials of the Government of the Special Administrative Region have initially identified the correlation between an proactive approach and the promotion of economic development. As to how we can facilitate Hong Kong to cope with the new economic environment successfully, ongoing efforts are required to grope for the way forward. Meanwhile, we must develop a new mentality to pull down the old and establish the new, and we must also broaden our vision before we can draw up a set of omni-directional and strategic fiscal policies that suits Hong Kong.

With these remarks, I support the passage of the Budget.

MISS CHOY SO-YUK (in Cantonese): Mr Deputy, recently I went on a business trip to the United States and Canada to meet four clients. Three of them worked at their homes. I cannot help but think that with the popularization of information technology and with the ever-shrinking global village, there is little difference whether we are in Hong Kong, the United States, Vietnam, or in Central or Dongguan, for communication can be effected through optical fibres. On the other hand, if a place has a high quality of living, that is, if the living environment is safe and pollution-free, the education system is conducive to the development of children, the cultural and leisure activities are rich and varied, the rule of law is well-established, the tax regime is simple and so on, then these will become key factors in attracting talents and facilitating the development of the local economy. Therefore, I think if we are to turn Hong Kong into a world-class city as proposed by the Chief Executive, the key to its success lies in whether we can attract talents to come here, and their decision will hinge on whether we can provide them with an excellent quality of living.

From the perspective of improving the quality of life, this year's Budget is to be welcomed because it does not propose any tax increases, nor does it seek to levy new taxes, while increasing spending on environmental protection and natural conservation. The Leisure and Cultural Services Department vows to rid the territory of the image of a cultural desert and the Government is determined to bid to host the Asian Games. My speech will focus on issues in environmental protection and the living environment. My colleagues from the Hong Kong Progressive Alliance will speak on other areas.

Mr Deputy, the achievements of environmental protection efforts will have a direct bearing on our quality of living. Spending on environmental protection and natural conservation for the new financial year will increase by 7.6% compared to the revised Estimates last year. Despite this, not much is said on environmental protection efforts in the Budget. No review is made on the cost-effectiveness of the financial initiatives concerning environmental protection. This means, for example, that the Government still refuses to adopt a more effective waste disposal scheme and it still insists on the approach of collecting charges for the landfills. I cannot help but query the Government's understanding of environmental protection. Does environmental protection mean a scenario where the entire waste recycling industry will disappear and the marginalized group of workers in that industry applying for CSSA? The Government still refuses to review the trade effluent surcharge scheme for the business and industries. As a result of this scheme, the catering industry has found it harder to survive and felt discouraged. Would you call that environmental protection? We need to make our environmental protection policies more effective and avoid the mentality of tackling the problems in a piecemeal manner. Government officials should discard their outdated technology which belongs to the 1970s and 1980s and make good use of advanced technology to tackle the issue of environmental protection.

Another issue that has to do with the quality of life and outlook of the city is the perennial problem of rooftop tenements and illegal structures. Mr Deputy, I would like to put forward my views on this in detail. The recent spate of accidents caused by rooftop tenements and illegal structures has led to the death and injuries of many tenants and pedestrians. This causes grave concern about public safety and is damaging to our image as a cosmopolitan city. The problem warrants due attention by the Government.

The Budget proposes to provide \$90 million over the next three years to the Buildings Department to hire a total of 158 staff on contract terms with the special duty of clearing illegal structures and rooftop tenements. The proposal is long overdue, but it is better than the Government making a response only when there are more loss of life and injuries caused by these illegal structures and rooftop tenements. However, if there are no matching policies from the Government, I am afraid further appropriations of \$90 million will not help solve the problem.

Take the rooftop tenements as an example, even as the Government has made more appropriations for their clearance and shortened the time needed to clear them, the problem of rooftop structures cannot be solved completely. It is because some of the residents are hoping to be rehoused in public housing estates by moving into these rooftop structures first. Hence the owners of rooftop structures can often fetch high prices when they sell these rooftop structures. So we see an absurd phenomenon of the Government working hard at clearing the rooftop structures while more of these are being built for profit-making as there is a strong demand for them.

In order to solve the problem of rooftop structures, I think a feasible way is to freeze the rooftop population and make a new registration of the tenants. There should be a requirement for rooftop structures built before a certain date for which tenants are eligible for recognition and rehousing in interim housing. This practice will enable the Government to make more effective arrangements and distribution of resources, set up a priority of clearance and rehouse the tenants according to the impending danger of the rooftop structures. In this way, both the owners and tenants can have an idea about the time for clearance and removal. Hence they will be less resistant to clearance and removal. It will also check the trend of people buying and renting rooftop structures. Ultimately, the number of tenants will be contained.

To curb the growth of illegal structures, the Government should not rely on its efforts alone, it should give some incentives to the owners to make them clear the rooftop structures at their own initiative. Many owners in fact do not like living in buildings with illegal structures, for all owners will need to bear the damage caused by the illegal structures and to make compensation for it. However, as the owners may have difficulties in forming owners' corporations, or that they may not get enough owners to share the cost of clearing the illegal structures, hence they cannot do anything about it at all. In order to encourage owners to form corporations, the Panel on Home Affairs has repeatedly suggested to lower the existing requirement for resolutions made by owners' corporations to be passed by owners owning no less than 50% of the shares in title, and to relax the current requirement that any amendment made to the terms of the deed of mutual covenant shall require the approval of all owners of the building concerned. I hope the Government can adopt this proposal.

Moreover, in order to make the inspection of buildings more efficient, reduce the inconvenience caused to the residents and gain the support of the owners, the Government should take the initiative to launch a selective mandatory buildings inspection scheme. The Government should undertake the initial inspection and identify those buildings with a greater risk or those which have dangerous illegal structures. Then the owners should be required to carry out mandatory inspections of their buildings. If buildings poses a high risk, a repairs order should be issued to compel the owners to undertake an inspection of their buildings. This order should be served on the ground of safeguarding public safety. As for the expenses incurred, if the owners are unwilling or unable to pay the expenses, the Government should pay them on their behalf and the owners should then be allowed to make repayments over a certain period. Should the owners default on payment, they should be subject to legal sanctions.

To eliminate the dangers caused by illegal structures, the Government must make greater efforts by devising matching policies and enacting relevant legislation. In particular, it should improve the co-ordination between various departments to eliminate some of the unreasonable phenomena such as cases where some buildings, having been classified by the Fire Services Department as dangerous, are not targeted by the Buildings Department for clearance. Moreover, there are cases in which the Buildings Department classifies some buildings as being dangerous at its will, thus leading to a ridiculous situation where certain buildings which are not dangerous are being cleared. On the other hand, the Home Affairs Department has been late in making any matching actions to encourage the owners to form owners' corporations to put in greater efforts in this aspect. What the Government must do now is to show more determination and to use both the carrot and the stick, so that the resources put in the clearance of rooftop structures and illegal structures will not be wasted.

Another vital move of the Budget which affects the livelihood of the people is its decision not to define the current deficits as structural and hence there is no rash attempt to make any changes to the tax regime. This is a prudent approach taken by the Government and it should be welcomed. The Government has decided to set up a committee specially tasked to study into the issue of whether the deficits have given rise to any structural problems. An independent committee will also look into the feasibility of widening the tax base. I think if these studies would help improve the tax regime and make it more equitable and reasonable, they should be supported.

I am glad to see the Government place the focus of its attempt to alleviate the problem of spending in excess of its revenue on reducing the operation costs of public sector organizations. As a matter of fact, the Government still has much room for cutting its expenditure. An obvious example is that when it is to set the overall target of the Enhanced Productivity Programme, it can set targets like an increase in productivity of 5% to 10% over five years and avoid setting an across-the-board target of say, 5%. This will enable various departments to make serious attempts at cost control and improve their efficiency. Another example of a possible money-saving approach is to streamline the subvented organizations. It has not been mentioned in the Budget. The annual expenditure on the salary of the staff of these subvented organizations is as much as more than \$50 billion, which is more than one quarter of the total recurrent expenditure of the Government. The Government should urge these organizations to streamline their organizational framework and mode of operation. They should also contract out or privatize part of their services which do not have a high efficiency in operation but have some sort of market value, for so doing will achieve the goals of a market-led operation and minimal market intervention by the Government.

Mr Deputy, I so submit.

THE PRESIDENT resumed the Chair.

MR FRED LI (in Cantonese): Madam President, I wish to say a few words on social welfare issues first. There will be a 9.6% increase in social welfare expenditure next year, so some people say that the Social Welfare Department is the "biggest winner" among all government departments. However, I must point out that despite an increase in total government expenditure on social welfare, there is actually going to be less, instead of more, assistance for those in need. For example, despite an increase of \$1.8 billion for the provision of CSSA, the amount of CSSA received by each single-parent family and unemployed person will be reduced. In this society of ours, where there is already a huge disparity between the rich and the poor, an ageing population, a high unemployment rate and declining wages earned by the grassroots, an increasing number of people have been driven into a life of poverty, but there has not been any increase in the assistance for them. We must realize that stinginess in the provision of assistance to them may well cause more social problems. That is why I think that what is really going to produce negative impacts on our economy as a whole is nothing but the persistence of this situation.

As reported by the media, "the Secretary for the Treasury has stressed that thoughts must be given to controlling the growth rate of our welfare spending, because this has been increasing at a rate much higher than the overall growth rate of all Government expenditure and those of all other major policy areas. It is hoped that the various sectors of the community can join hands to work out a way to restore the growth of welfare spending to an acceptable and reasonable level." The high rate of increase for welfare spending can in fact be explained by the Government's long-standing neglect of the problems faced by the poor. The economy of Hong Kong has prospered over the past few decades, but despite their hard work and contributions to Hong Kong during their prime, many old people have found themselves having to live on "old age allowance" and CSSA, because their savings over the years have been reduced to virtually nothing by high inflation. One of the proposals of the Budget this year is to review the various social security schemes for the elderly, in particular the old age allowance under the public assistance programme. I hope that this does not mean that the Government is going to reduce the old age allowance, commonly called the "fruits allowance". The findings of a survey conducted in 1996 showed that 80% of the old people who were non-CSSA recipients were living in a state of abject poverty, with their food expenses being even less than those spent by single elderly CSSA recipients. However, because of the various requirements of the CSSA system, they were forced to live on the several hundred dollars of "fruits allowance". So, if we seek to tighten the eligibility to the "fruits allowance", we will only plunge these old people into yet greater hardship; this is definitely not a sensible way to reduce welfare spending. The Finance Bureau is understandably frustrated by the increase in welfare spending year after year, but it must realize that this is in fact the inevitable result of our ageing population. The best way to solve the problem should be the immediate establishment of a retirement protection scheme for all in Hong Kong, so that the contributions made by young working people can be used to support their senior fellow citizens. It is estimated that such a scheme can reduce our welfare spending by as much as 56%.

There are many other measures which can also reduce our welfare spending. One example is the decision of the Government to increase the number of nursery places and to lengthen their operating hours this year, for this can better enable single parents to take up employment, thus reducing the CSSA payments to them. Another example is the strengthening of outreaching youth services. In this regard, the monthly cost per case is just about \$588; in contrast, the monthly cost per inmate in a probation home is as much as \$72,174

on average. If outreaching youth services can be strengthened, more young people may be prevented from going astray, and the expenses on operating probation homes may then be indirectly reduced. Lastly, I wish to offer a piece of advice to the Finance Bureau and the Health and Welfare Bureau. Their stinginess over a small amount now may well cause them a fortune in the future. If they just want to save expenditure and refuse to do the work of prevention well enough now, the situation may deteriorate, and they may have to spend even more money on remedial measures.

Let me now turn to the issue of environmental hygiene. This is the first time the Government presents a budget for these policy areas since the establishment of the Environment and Food Bureau and the Food and Environmental Hygiene Department to take over part of the responsibilities of the defunct Municipal Councils. Since this is the first time, the budget naturally attracts very special attention.

At a special meeting of the Finance Committee, when it came to the discussions on the environmental hygiene estimates, Members were especially shocked by the fact that the Government has to spend as much as \$770 million on hawker control. This is an enormous sum of money. The hawker control force has a total establishment of nearly 4 000 officers, but it is responsible for controlling just about 4 000 hawkers. This means that our Government has to spend nearly \$200,000 on controlling one hawker every year, and one hawker control officer is responsible for controlling just one hawker. When replying to Members' questions, the Director tried hard to give a defence, saying that the relevant work should not be assessed solely in money terms, and that the results should also be considered. I am sure that members of the public and Members in attendance today will know only too well how the hawker control force has performed and how effectively it has dealt with unlicensed hawkers. Whether from the management perspective or from the angle of value for money, it simply does not pay to spend several hundred million of public money on a one-to-one controlling of unlicensed hawkers. When I sought to find out how the former Urban Council dealt with illegal hawkers, I noticed that the Management Services Unit of the then Urban Services Department once conducted a structural review on illegal hawkers at the end of 1997. It was pointed out in the review report to the effect that "given the extremely small number of arrests in each raid, it would not be cost effective to invest an excessive amount of resources into clearance and arrest efforts in respect of unlicensed hawkers." Regrettably, two years after this opinion was advanced, the Government is still trying to deal

with unlicensed hawkers with such a "capital-intensive" approach. Can this be called an improvement to the delivery of municipal services? It is indeed high time that the Environment and Food Bureau conducted a comprehensive review on the functions, establishment and resources allocation of the hawker control force, so as to identify new and more cost-effective ways to control unlicensed hawkers. If we stick to the old mechanism, after we have used \$700 million this year, we may have to use an additional \$700 million, \$800 million, \$900 million or even \$1 billion next year. The patience of the public will soon wear thin. The Bureau should really hasten to work out alternative ways of dealing with unlicensed hawkers before the community at large voices any strong discontent.

From the Budget, I notice many commitments made by the Environment and Food Bureau and the Food and Environmental Hygiene Department, one example being the pledge to enhance the efficiency of handling licence applications. Regarding this, the Democratic Party has over the years advocated the establishment of a central licensing authority to enhance the efficiency of issuing different types of licences. However, the Government has so far remained very lukewarm in response and has failed to conduct any detailed study on the pros and cons of such a central licensing authority. As a result, we have received many complaints from operators of food establishments and places of entertainment, who grumble that they have to submit many separate applications to individual government departments. Some of them even admit that they are forced to operate their businesses without any licences while the formal vetting procedure is still underway. Obviously, the existing licensing mechanism is not at all user-friendly. I hope that the Government can introduce some changes to simplify and speed up the licensing procedure as much as possible.

Lastly, I wish to say a few words on fair competition on behalf of the Democratic Party. The Financial Secretary mentions in paragraph 21 of the Budget speech that one of the most important tasks of the Government is to remove market restrictions and promote fair competition, and that this has been the focus of its endeavours in recent years. The Financial Secretary also says that the Government has made considerable strides in liberalizing the telecommunications, information technology and broadcasting markets.

I do not intend to question the criteria which the Financial Secretary has in mind when he talks about considerable strides. However, following the suspected collaboration of the six major mobile telephone service providers to increase charges on 1 January this year, and after the move of oil suppliers to stop offering gifts and a 5% discount all at the same time, people are all able to see whether the development of fair competition in Hong Kong has really made the considerable strides claimed by the Financial Secretary.

So far, the only thing that the Government has done, in very much a perfunctory manner, is the establishment of the Competition Policy Advisory Group, which is supposed to be purely advisory in role, and it has stopped short of giving any thoughts to the formulation of any comprehensive fair competition law. However, many advanced countries have already enacted their fair competition laws, and some developing countries and places like Thailand, South Korea and even Taiwan have also enacted similar laws. So, the Government should really ask itself, "What is so unique about Hong Kong that it should allow itself to differ from all these places in this respect?"

The Government's fragmented interpretation of fair competition is indeed open to question. To begin with, the inclusion of fair competition provisions in the regulatory laws applicable to a handful of individual industries can at best regulate the business operators of the relevant industries only. When it comes to the bulk of the industries in Hong Kong — industries requiring no licensing and not subject to any particular regulatory laws — there is a huge legal vacuum. What I mean is that most consumers are not protected by any particular laws. The supermarket trade is one example. At present, the two major supermarket chains alone already take up a very large portion of the market. People will certainly find the continued absence of any fair competition law for this trade very unhealthy.

For all these reasons, the Democratic Party is of the view that Hong Kong can no longer afford any further delay in the formulation of a comprehensive fair competition law. The Democratic Party also hopes that the Government can respond to and consider this matter very seriously.

Before closing, I wish to tell the Financial Secretary that I have organized eight evening residents' meetings in my constituency of Kowloon East to gauge people's views about the Budget. But I must say that the work has been extremely difficult, for not many people were willing to show up; people all

thought that there was not much to talk about the Budget, because it proposed no tax increase and new tax. Only 240 people showed up at the eight residents' meetings. I must say that the work was indeed very difficult, for I virtually had to drag them out to attend the meetings. All those who attended the meetings asked me to support the Budget. A greater number of them held very strong negative views about the introduction of a sales tax. For the departure tax, a greater number of the residents were opposed to it, and a small number of them supported it. The introduction of a sales tax was not supported by any resident. These were the rough findings I got from the 200 or so residents after asking them to answer my questions by a simple show of hands. Also, a resident asked me, "Suppose there are going to be surpluses for the 2000-01 financial year, instead of a deficit of \$6.2 billion as forecast by the Financial Secretary, what is he going to say anyway?" So, I hope that the Financial Secretary can give early thoughts to the possible uses of these surpluses, so that we can turn to members of the public to gauge their views; he should not wait until the last minute before he suddenly tells us that there are going to be surpluses. These are the views I have got from members of the public, and I am relaying them to Members now. I naturally hope that this time around, the Financial Secretary can once again turn the forecast deficit into a smaller one at the end of the day, in very much the same way as he eventually reduced the deficit for 1999-2000 from the forecast amount some \$30 billion to \$1.6 billion. Well, I must say that a Budget with a mere deficit of \$1.6 billion can already be regarded as a balanced Budget. I very much hope that with the efforts of the Government, the forecast deficit of \$6.2 billion for this financial year can also be reduced at the end of the day, making this Budget eventually a balanced one.

Madam President, I so submit. Thank you.

MR CHAN WING-CHAN (in Cantonese): Madam President, first of all, I would like to thank the Financial Secretary for sitting through the whole day in this Chamber, listening to the debate of Members.

In his Budget speech, the Financial Secretary has made particular reference to the substantial business opportunities brought by China's accession to the World Trade Organization (WTO) and the rapid developments in information technology in the territory. If we can make good use of these opportunities, our economy will certainly recover. As the economy revives, there will be greater demand for labour and the workers can no longer be

distressed by the possibilities of unemployment. He also points out that the market is not in a state of imbalance and so there is no need for the Government to step in. The market should be left to adjust by itself and recover. The Financial Secretary's remarks make me think of the story of the girl who sells matches. In this bleak and chilly winter of an economic downturn, can the failing light of matches and the illusion they make give us any warmth to pass the night?

Different people may have different views on the Budget. For me, it does not have the bitter taste of Chinese herbal tea, nor does it have the sweetness of chrysanthemum tea. It does not bring any comfort to the working class. As I have a sore throat, this is as tasteless as a bottle of mineral water.

Each and every one from the working class is worried about his daily living and job. Will the Budget bring any good news to the working class? How can they get rid of their worries about their jobs?

The two great opportunities mentioned by the Financial Secretary will indeed bring wealth-creating opportunities for the local capitalists and professionals. But for those low-skilled workers over the age of 40, they will find themselves under the threat of unemployment. There are three reasons for this. First, once China is admitted into the WTO, the present function of Hong Kong as a window of China's trade with the rest of the world will diminish and such a role will continue to shrink when foreign companies can invest directly in China and set up their headquarters. Those clerical staff and transportation workers who engage in China trade business will be the first to bear the brunt. Workers of other trades will also be affected in various degrees.

As for the development of information technology, although it will lead to a drastic increase in the demand for information technology personnel, this does not mean that those grass-roots workers will benefit. It is because they do not have the exposure to and the knowledge of computer technology. They will become the so-called information technology illiterates. Despite the advances in information technology in Hong Kong, they will not be the ones to benefit.

It is precisely because of this that in a knowledge-based society, they are becoming less and less competitive. As a result, they can only work in those low-skilled and semi-skilled trades and they are forced to accept wages and terms which are becoming less and less favourable. In the debate on a motion moved

by me in this Council on 1 March, I alluded to the decrease in the family income of the lowest income groups and on the increase in the family income of the higher income groups.

If the Government still pays no attention to this problem, the distribution of resources in society will certainly become more and more like an inverted pyramid, and the disparity between the rich and the poor will aggravate.

Of the the 3.5 million workforce in Hong Kong, about 750 000 are low-skilled workers above the age of 40 with an educational attainment of Secondary Three or lower. With the development towards a knowledge-based society, one fifth of our workforce will become a high-risk group for unemployment. The prospects of the grass-roots working class are thus bleak indeed.

Despite the Financial Secretary's awareness of the tough situation, he does not show much support for the workers at the grassroots. The only commendable thing is that the Government will make more commitment to youth belonging to the age group of 15 to 19. They will be offered training programmes as junior information technology technicians. The Youth Pre-employment Training Programme will be enhanced. An additional 1 500 training places in the Vocational Training Council for Secondary Three and Secondary Five school leavers will be provided. Other training programmes will also be offered.

Madam President, it has become an urgent task to provide more employment opportunities to workers at the grassroots. It is a widely-known fact that there is an imbalance in our economic growth. Our industries continue to shrink. Workers are finding it harder and harder to find jobs. The Federation of Trade Unions (FTU) suggests that the Government should promote the personal services sector and give assistance to the waste recovery and recycling industries, thus facilitating the creation of more employment opportunities by these labour-intensive local industries. It is unfortunate that the Government has not been enthusiastic about putting these proposals into a reality, reasoning that if the trades have room and potential for development, investment from the private sector will come of its own accord. Such an approach has again disappointed the working class. Miss CHAN Yuen-han of the FTU has spoken on behalf of these workers earlier and I would not repeat her points here.

Madam President, after talking about our primary views on the Budget, I would like to turn to some other views and I would like to speak on the story of the wolf as well.

This is the fifth Budget prepared by the Financial Secretary. I am fortunate in taking part in its discussion and deliberations. The Budgets of this year, last year and the year before are each very brilliant in their own rights.

We recall that in 1998 when Hong Kong was under the attack of the Asian financial turmoil, when the Budget was to be delivered that year, the Financial Secretary said to the public that he would not use the hard-earned bucks of the taxpayers in exchange for some momentary applause. And he also said that he was no Moses. While the public had given up expectations for the Budget, the Financial Secretary won public acclaim all of a sudden when he proposed measures to lower profits tax, government rates and freeze the fees and charges. At that time, I proposed to give the Financial Secretary a grand prize in packaging for his Budget. Maybe the President also recalls that.

In the Budget of 1999, the Financial Secretary also hinted that there was not much room for tax cuts before the Budget was delivered. This sank public expectations enormously. But then he made an unprecedented tax rebate of \$8.5 billion. In the Budget debate that year, I also expressed my support for what the Secretary had done and I said that he was able to "cook with a limited amount of rice". He was able to give some benefits to the middle class, but not the workers at the grassroots.

Madam President, the chairman of our party, Mr Jasper TSANG, has applauded the outstanding performance of the Financial Secretary. But what is brilliant is not the Budget *per se*, but the psychological tactics he used before the Budget was delivered.

Madam President, I think that in this year's Budget, the Financial Secretary has once again played an outstanding mind game that is even better than what he has done before.

Some people have pointed out that the Budget this year resembles more of a policy address than a budget. I do not want to comment on this point. But there is one point I wish to make and that is, before he read the Budget speech, he made a rare move of walking up to the public gallery and kissed his wife who was there to lend him support. After he finished with his speech, he wished the lady Members of the Council, including the President, that they would always

stay young and beautiful. His excellent job in public relations could be seen in the commotion, laughter and applause ensued.

The brilliant thing about it can be seen in the entire process. Before the Budget was delivered, we all thought that the Financial Secretary would propose many new tax items, make tax increases and fee hikes because he always said that the financial situation was tight and that there were serious deficits. And so huge crowds packed the Transport Department and queued up to renew their driving licences. But in the end, everyone was wrong and they missed the mark widely.

Afterwards, some people including some Honourable Members sitting here queried whether the Financial Secretary had cried wolf again. I think that is unfair to him. I am not saying that the Government should employ this tactic to introduce the Budget. I think we all know what the story of the wolf is and so I do not want to start a debate on that. But should we mind this kind of wolf cry as it is used in the Budget? There is no harm done if the Budget will bring benefits to the public like the Budgets we had over the past few years. Certainly we will welcome no tax increases and fee hikes after September this year and no increases in taxes and no new taxes in the coming year, and so on.

I wish to reiterate that if the Financial Secretary can really do what he says in not increasing the taxes and levying new ones, and that the outcome of the review on the tax regime will benefit the public by easing their financial hardship, we will applaud for him from the bottom of our heart and we will even give him a big hug.

I so submit. Thank you, Madam President.

MR KENNETH TING (in Cantonese): Madam President, the Liberal Party and the Federation of Hong Kong Industries very much support the Budget in the new financial year with its "gentle hand on the tiller" approach.

First, we are very glad that the Financial Secretary has not increased the profits tax rate. With the profits tax rate remaining unchanged, our trade and industry which are recovering will have more time to recuperate and seek business opportunities in the rapidly developing information age.

The development of the Hong Kong economy has picked up a quick pace again and it is rapidly restructuring. To tie in with this development, we must have matching policies to promote Hong Kong's development abroad in order to attract investments from overseas. Therefore, the Federation of Hong Kong Industries also supports the establishment of an investment promotion agency and the recruitment of professionals in order to implement the policy of inducing foreign investors to invest in Hong Kong.

The Financial Secretary has also announced the setting up of a Task Force to comprehensively review the tax regime and find out whether the fiscal deficit is a cyclical or structural problem. The business sector very much appreciates the fact that Secretary Donald TSANG will actively study the fundamental causes of the deficit and find solutions to it.

Madam President, the new Budget is undoubtedly appropriate to the economic situation of Hong Kong. There are no new taxes or tax increase in the Budget. Thus, there will be no negative impact on the economy which is slowly recovering. However, there are still a few deficiencies with the Budget.

This is because shortly after the release of the Budget, the Government announced that a number of government fees and charges neutral on people's livelihood would be increased. In our view, while the economy has only slightly recovered and interest rates are rising all the time, the Government should by no means raise any charges related to trade and industry.

We have to point out that the prime rate has risen to 9%, while the lending rate for trade and industry has increased to 11% to 12%, and is expected to rise by about another 0.5% over the next few months. Since banks are cautious and stringent about loans to trade and industry, it is still difficult for small and medium enterprises to borrow working capital from the banks. Therefore, I hope that the Financial Secretary would think twice before increasing the charges related to trade and industry in future, in order not to slow down the pace of economic recovery.

Since it is inappropriate to adopt the measures to open up new sources of revenue at this stage, the business sector is of the view that the Government of the Special Administrative Region (SAR) should put more effort into cutting expenditure.

Of course, we very much appreciate the Government's excellent work in implementing the Enhanced Productivity Programme, even achieving the three-year target within one year. However, it is mentioned in the Budget that the civil service establishment will be reduced by 10 000 posts over three years. This means that only some 3 000 posts will be cut each year, accounting for only 1.5% of the civil service establishment of 200 000, which is negligible indeed. This is more or less the same as the natural wastage in the Civil Service each year. In other words, this so-called downsizing is nothing but a freeze on the present civil service establishment. Moreover, the Financial Secretary has not offered any solution to the excessively high pay of serving civil servants. The Government should step up the review in this area.

The Budget is also silent on the cutting of staff of quasi-government organizations such as the Hong Kong Tourist Association, the Hong Kong Productivity Council, the Equal Opportunities Commission, and so on. These organizations use a huge amount of public funds and their expenditure on staff salaries alone amounts to over \$60 billion annually, accounting for about one third of the Government's recurrent expenditure. As a result, it is a must to cut government expenditure and these organizations must be privatized and their structure and operation streamlined. For instance, consideration can be made on privatizing the Hongkong Post, the Water Supplies Department, the Kowloon-Canton Railway Corporation and the airport, so that they can raise capital by means of public listing.

The business sector is also disappointed about another thing. Each year, the release of the new audit report by the Audit Commission brings to light many instances of maladministration and misuse of public funds by many government departments, for instance, the miscalculation of pension, charging the business sector and the public excessive water charges for years and spending about \$190,000 for the management of one illegal hawker each year. This shows that government departments have failed to effectively control public expenditure. In our view, the Government should give credit to the Audit Commission's efforts in correctly pinpointing the problems in the operation of government departments. It should also consider the various recommendations of the Audit Commission and rectify the misuse of public funds immediately.

Madam President, the business sector believes that the Government should first implement the above measures to cut expenditure. Only when the public funds thus saved fail to make up for the fiscal deficit will tax increase be acceptable to the business sector and the public.

With these remarks, I support the motion. Thank you, Madam President.

DR PHILIP WONG (in Cantonese): Madam President, before the release of this year's Budget, there were a lot of discussions in the community mainly because people were concerned that the Government might increase tax or levy a sales tax or departure tax. After the Budget was released, everyone heaved a sigh of relief. Their fears did not become reality. The Government has kept taxes low. Not only has it not increased tax, it will not levy new taxes, or change the present allowances and deductions.

On the whole, I believe the Budget has taken into account the difficulties of the business sector and the public as well as the long-term economic development of Hong Kong. I am very glad that the Budget has taken on board the recommendations of various sectors of the community, including the Chinese General Chamber of Commerce, such as reducing the Budget deficit, containing public expenditure, maintaining a simple tax regime, taking into careful consideration the impact of new taxes on political stability and economic recovery, and so on. The Budget proposes such measures as the civil service reform, implementing quality education, promoting the economic restructuring and enhancing the training of the workforce. These factors will create a favourable business environment, enhance Hong Kong's competitiveness and speed up the recovery of the various trades and industries.

While approving the Budget, I have three wishes to make.

First, I hope that the Government will adhere to the principle of fiscal prudence.

Actually, we have a budget deficit for the third consecutive year. Our recurrent expenditure far exceeds our recurrent revenue. This has rarely happened in Hong Kong over the past 50 years. Fortunately, this year's budget deficit is expected to be quite small and accounts only for a small percentage of the whole year's expenditure. I very much agree that the Secretary for the Treasury should head a Task Force to observe, study and assess carefully whether there is a structural deficit problem in Hong Kong. I hope that the

Government will continue to limit public expenditure fundamentally in order to build up our strength and make provisions against emergencies. This way, we could have a balanced Budget next year in accordance with the stipulation of the Basic Law on keeping expenditure within the limits of revenues, striving to achieve a fiscal balance and avoiding deficits.

Second, I hope we could streamline administration, cut spending and reduce our burden.

In my view, cutting expenditure and increasing revenue are equally important in the Government's fiscal philosophy. There may be room for review in terms of streamlining the Civil Service and the administrative structure and the implementation of privatization by the Government. As the Financial Secretary said, at present, the salary and benefits of the 190 000 civil servants and 140 000 employees of subvented organizations account for two thirds of the recurrent public expenditure. This is certainly a question that warrants in-depth consideration. I support the reorganization of the Trade and Industry Bureau and the departments under it. By reassigning some of the functions of the Trade and Industry Bureau, the Trade Department and the Industry Department, duplication of effort will be reduced and efficiency enhanced. I also support the Government's reduction of the recurrent public expenditure year by year by implementing the Enhanced Productivity Programme and other reform measures. Furthermore, I hope that certain government departments will consider suitably cutting the annual expenditure on employing overseas consultants.

In recent years, social welfare spending has become a heavy burden and aroused the concern of various sectors of the community. Actually, certain social welfare policies left behind by the British Hong Kong era should have been reviewed long ago. In my view, while caring for the needy, we should cut or avoid unnecessary expenditure, so as to adjust social welfare spending to a more reasonable and acceptable level. This would help a great deal in assuring the expenditure on other public services of the Government. Fortunately, this Council did not pass the motion proposed by some political parties to allow the influx of over 1 million new immigrants, which would put considerable strain on the supply of housing, education, medical and health services, cause unhealthy competition in Hong Kong's labour market and affect the income of the average employee. Hong Kong people would not welcome the impact it would have on the overall economy and social development.

Lastly, I wish to talk about the problem of pollution. In recent years, the air pollution problem has become increasingly serious in Hong Kong. Over the past two days, the Air Pollution Index in certain areas of Hong Kong has exceeded the 170 level. For the sake of people's health and the sustained development of the economy, I hope the Government will adopt effective measures to solve this problem expeditiously.

Madam President, I so submit.

MRS SOPHIE LEUNG (in Cantonese): Madam President, today, we have listened for a whole day to the speeches of colleagues in the Legislative Council on the Budget. I will not comment on some of the major issues. Instead, I merely wish to talk about some practical matters pragmatically.

In the Budget, the Financial Secretary has made a number of proposals to improve the business environment in Hong Kong. The Liberal Party supports them wholeheartedly.

With its tiny bit of land, Hong Kong has managed to become a world-famous metropolis and financial centre mainly because of the strong enterprising spirit of Hong Kong people — their entrepreneurial spirit.

Looking back at the history of Hong Kong's development, there were numerous examples of entrepreneurs who started from scratch. With a strong fighting spirit and hard work, many of them had built up large enterprises or even multinational companies from nothing. I am convinced that this strong entrepreneurial spirit will continue to drive Hong Kong's development. At present, small and medium enterprises (SMEs) account for over 90% of enterprises in Hong Kong. We need to provide a favourable environment to SMEs founded and based in Hong Kong so that they can have more scope for development.

In the Budget, the Financial Secretary mentioned the conduct of a study on the feasibility of establishing a central credit register. I believe no one has talked about this point today. The main reason for establishing this central credit register is to enable banks to better assess the creditworthiness and indebtedness of their customers (paragraph 71 of the Budget). I very much support this idea, as it is the first step towards strengthening the extension of

credit to SMEs. This system will also enable credit institutions, overseas investors and businessmen to have a better understanding of and enhanced confidence in the finances and management of local SMEs, and will facilitate their co-operation with Hong Kong businessmen in trade. In the United States, for instance, "factoring" (Madam President, I am sorry, this term does not seem to have a Chinese translation) which has contributed most to the development of SMEs is an alternative banking service based on credit information. I recall that when I started business in the '70s and tried to open up the United States market, I relied very much on this alternative banking service. Although our business was very small then, we were able to lend our goods to companies which needed them or sell to them on credit, thanks to the guarantee provided by this type of alternative banking. Why would they provide guarantee to me? Because apart from having the information from the central credit register, they would conduct further inquiries. In developing this kind of central credit register in Hong Kong and studying its feasibility, I hope that the Financial Secretary will place emphasis on the environment for the development of SMEs and adopt appropriate matching measures to the benefit of SMEs.

Careful consideration must also be given to the challenges and difficulties of varied degrees faced by SMEs in the process of implementation. For instance, are SMEs prepared to put resources into strengthening their finances, human resources, upgrading their record of means of production and management? At the same time, can the community make various adjustments? For instance, in such professional services as accountants and solicitors, are they prepared to adjust the fees of their services flexibly to accommodate them? These are questions that must be considered.

No matter how the economy develops and restructures, these local SMEs are still the mainstay of the Hong Kong economy. We should be proud of the vigorous development of SMEs. Foreign investors investing in Hong Kong are of course welcome since it is beneficial to the development of the Hong Kong economy. The capital they bring for investment represents new assets and new resources for Hong Kong. However, I wish to reiterate that we should not neglect the fact that these foreign investors come and go easily. Thus, while actively attracting inward investment, we should even more actively support the development of local SMEs, so that they will be proud of being based in Hong Kong. This way, they will strive to develop and enter the world market, generate more foreign exchange earnings and create new sources of income and more employment opportunities for Hong Kong.

Next, I wish to talk about the feasibility of the direct debit system. In the context of globalization, e-commerce will become a mainstream. At present, credit card is the most common payment method for on-line transactions. However, this method of payment has given rise to two problems. The first one is of course the protection of personal data which we are concerned about. Consumers may suffer losses if their credit card information is stolen due to inadequate protection. The other problem is a social one. We are practically encouraging "advance spending". Credit cards are now commonplace, and even young people may have more than 10 credit cards. In order to expand the market, credit card issuers induce cardholders to spend with various means and by giving various incentives. If cardholders fail to exercise self-restraint and spend in advance without the means to pay back, they will run heavily into debt. This is harmful to both consumers and businesses.

In view of these two problems, in Europe, such as Germany, payment by debit card has been introduced for on-line shopping. The debit card can also be used in shops and to store cash value. When shopping on-line, the cash value will be debited at once. If the cash value is insufficient, one can add value to it anytime. There are now add value machines which can be connected to the personal computer at home to add value to the card. Such debit cards will give consumers more confidence in shopping on-line and reduce advance spending. The introduction of the new payment method of debit card will also eradicate many social problems generated by the credit card system.

Next, I wish to talk about the problem of imbalance in job matching, which is also the unemployment problem that we might be facing.

In the United States, productivity has been increased through technological improvement. As a result, its economy is prospering. Many of us are observing this. If we yearn for a society based on such an economy, it is one example. However, as the United States Federal Reserve Board Chairman Alan GREENSPAN has pointed out repeatedly, especially in a speech at a Boston university early this month, the unbalanced structure of the labour market is more worrying than the potential threat of inflation. Employees feel uneasy because of their inability to adapt to the rapid development of the economy and technology and fear that their work skills might become obsolete. The imbalance in job matching resulting from the technology-driven changes in the economic structure is not peculiar to the United States. In today's knowledge-based society, the whole world is facing this problem.

Madam President, I believe it was at the beginning of last year that I said in this Council that in March or April two years ago, a report in the United States pointed out that young people of this generation had to experience on average four different working environments in their lifetime. At present, we are only facing one restructuring, albeit a drastic one. If Americans are afraid of such changes, we should be even more so. Many people in Hong Kong say that even if technology is so advanced in the United States, their unemployment rate is very low. However, we have to bear in mind that the United States is a huge economy. Even if the industries hit by technology are dying out, making some people jobless, the problem has not surfaced entirely. In comparison, Hong Kong is a small economy. As soon as there are some changes, the problem will rapidly come to the fore.

In the face of such changes, in the long term, the Government should tackle the problem starting with basic education, reforming the curricula to improve the ability of logical thinking of young people and enhance their analytical power, help them develop an international vision and broadmindedness, as well as teach them the importance of learning continuously to improve themselves. They should not expect that training would help them a lot. Instead, they should consciously improve themselves to keep up with the development of the knowledge-based society in order not to become obsolete.

Operators in traditional industries should continue to be given a chance of survival. Otherwise, if the industries die out and they close down, their employees will become unemployed and a heavy burden to society. Therefore, I hope the Government will adopt appropriate measures to allow these old industries to continue to operate, contribute to society and retain their employees, and to prevent them from dying out. Even if these industries sometimes need special arrangements, in order to prevent a rise in unemployment under the present social system, careful consideration should be given to making these special arrangements for them. Actually, the traditional industries in Hong Kong are still able to generate wealth. They can provide job opportunities to low-skilled workers and prevent the rapid rise of unemployment. It is in fact an all-win situation.

I would also like to talk about training. In recent years, Hong Kong has put a lot of resources into training. While I believe this is the correct direction, we have to ask whether the money is well spent and whether the desired result can be achieved. Does the content of the training courses meet the practical needs? More importantly, what is the attitude of the trainees? Do they urgently require training and are they really keen on and receptive to the subject of training? Besides, we must keep an eye on individual training organizations to see if they are trying to impress and confuse people with numbers, thus wasting the resources of the community. The training organizations must step up their assessment of results and achievements to show the community how the resources are being utilized.

With regard to workers who fail to adapt to the economic restructuring through retraining, the Government can consider discussing with welfare organizations whether subvented jobs can be offered to these affected low-skilled workers and single parents without working experience. This will prevent them from becoming unemployed and enable them to stay in the labour market, as well as giving them self-respect.

On the whole, the Liberal Party very much supports this Budget. Madam President, I so submit.

MR LAW CHI-KWONG (in Cantonese): Madam President, the recent hot topic of discussion of the social welfare sector is of course the lump-sum funding arrangement, popularly known as the one-off grant. That is to say, after a one-off grant by the Financial Secretary, no more funding will be given. In his Budget speech this year, the Financial Secretary announced that the lump sum funding arrangement would be implemented in this financial year. However, I wish to remind the Financial Secretary that the lump-sum funding arrangement was only proposed on 10 February this year, and the consultation period does not end until 9 April. The Government has to collect the views of the sector before amending the details. Then the proposal has to be approved. It will take a few months at the least. However, before the consultation period is over, the Government has announced the implementation of the plan. This gives people the impression that the Government is not sincere about consulting the social welfare sector. Thus, the consultation will be criticized as "pseudo-consultation".

The subvention system for social welfare lacks flexibility. Over the past decade or so, it has often been criticized and non-government organizations have always asked the Government to review it. With increasingly rapid social changes and the ever-changing social and individual problems, the social welfare system will not be able to cope if it is too rigid. Social welfare services must respond quickly in order to accommodate the ever-changing social needs. While the social welfare system must be reformed, such reforms must not be too hasty. History has taught us that refusal of reform would lead to a revolutionary change, while overly hasty reforms would meet with strong resistance and might fail in the end.

In order for the reforms to succeed, two conditions must be met: first, all those involved in the implementation of reform must have mutual trust in one another; second, there must be communication. In their speeches in relation to this year's Budget, both the Financial Secretary and the Secretary for the Treasury have emphasized the past growth in the expenditure on social welfare. This would strongly suggest that the Government is paving the way for cutting back on social welfare spending. Last year, the Government reduced the Comprehensive Social Security Assistance (CSSA) amounts and implemented the Enhanced Productivity Programme (EPP). The "one school social worker per school" plan was implemented without new resources and new service units are allowed to bid for contracts. Now, with the lump-sum funding arrangement, the social welfare sector is naturally jittery. How can the social welfare sector have much trust in the Government?

The qualifications and pay of employees of subvented organizations have always been subject to the approval of the Social Welfare Department (SWD). Very often, even the income and expenditure of each service unit have to be approved by the SWD. As a result, the management staff of subvented organizations lack real power or experience in financial and personnel management. Now, with the implementation of the lump-sum funding arrangement, these two important functions will be handed back to the subvented organizations. I am now conducting an opinion survey among colleagues in the social welfare sector. One of the questions asked is about their confidence in the organizations' financial and personnel management ability. The initial results show that more than half of them have little or no confidence. If the Government, the organizations and the employees have no trust in one another, how can the reforms be carried out effectively? The present rigidity of the social welfare system has been largely the Government's making. However,

when the Government finally wakes up and decides to implement reforms, some organizations are required to freeze or cut the salary and benefits of staff and employees are asked to sign new contracts, even before the consultation period is over. Under these circumstances, many colleagues in the sector cannot help but ask why they have to bear the negative consequences of reform if it is not their fault.

Since the present government proposal cannot ensure that organizations will have sufficient resources to fulfil their obligations in terms of the salary and benefits of serving staff as stipulated in their contracts, nor can it ensure that organizations will be able to employ appropriate staff, we cannot accept it. The Government must discuss with the social welfare sector how to amend the proposal to enable organizations to fulfil their contractual responsibilities in terms of the salary and benefits of present staff. The Government must also ensure that the organizations will be able to employ appropriate staff, before the proposal can be passed.

The Financial Secretary also mentioned the reform of social welfare. I wish to voice the views of the social welfare sector here. Over the past year, many changes have been made to the social welfare system, more than we could attend to and which we even find confusing. Many people in the social welfare sector would like to see the Government draw up a millennium social welfare development white paper. Such a process would induce more widespread discussion in the community and lead to the setting of clear goals, directions and strategies for the future development of social welfare.

Another thing that is disappointing about the Budget is that it totally ignores the problem of the growing disparity between the rich and the poor. If the Government does not formulate strategies to deal with this soon, including the goal of full employment, the future stability of the community will be threatened. All along, the Budgets seem to be suffused with the belief that as long as there is economic development, the poor will also benefit. I have talked about this many times and will not go into it again. I just wish to remind the Financial Secretary again that the boats do not necessarily rise with the swelling tide. Economic growth will also cause the cost of living to rise. The high tide might only eat up the grounded small boats.

Apart from social welfare, I also wish to talk about environmental protection. On behalf of the Democratic Party, I wish to mention one thing that we are disappointed about, raise two issues we are concerned about and point out three cases of evasion on the part of the Government. I will offer the Government support in four issues and make five proposals to increase income and cut spending.

The one thing that we are disappointed about is that the Government has come up short of giving support to the development of environmental protection industries. The Democratic Party urges the Government to consider building an estate for green industries, providing rent concessions and infrastructural facilities to lower the costs of such industries. The Democratic Party also calls on the Government to establish a systematic mechanism to recover valuable waste, setting up waste recovery and separation points at the different refuse depots to facilitate recovery by the recycling industry.

The Democratic Party is concerned about two issues. First, the Government has set aside \$100 million for the conduct of environmental protection education programmes to help the people understand more about this important issue. Unfortunately, environmental protection education has always lacked a strategy and direction. Its effectiveness is questionable. We are concerned that the \$100 million will be wasted due to the lack of direction and strategy. The Democratic Party urges the Government to allow more public participation in the discussion in order to formulate an approach for the relevant development. It should do its utmost to help and encourage the public, district organizations and non-government organizations to participate in the formulation, amendment and implementation of environmental protection policies. The second thing we are concerned about is that in the new financial year, \$1.4 billion will be earmarked in the spending on environmental protection for various incentives aimed at assisting the transportation industry to reduce exhaust emissions. At present, the feasibility of the various measures is still under study. We are concerned whether the schemes will be effective and whether there are facilities to support them. Since the implementation of each scheme has far-reaching impact, the Government has to obtain the support of the industry. The Democratic Party suggests that the Government should consult the whole industry from bottom up thoroughly before implementing the various measures.

The Democratic Party also wishes to point out that the Government evades responsibility in three issues. As I have said on various occasions, the Government should assume the responsibility of cleaning up the sea bottom. Unfortunately, no funds have been set aside to deal with this problem in this Budget. The Government has always evaded the responsibility of cleaning the sea bottom, which is neither the brief of the Marine Department nor that of the Urban Services Department. Second, the Government has failed to come up with a plan to reduce the noise of road traffic. The relevant study report has been postponed repeatedly, showing that the Government is too passive in its work and attitude in this respect. Third, the expenditure of the Government Supplies Department on the purchase of environmentally friendly products last year only accounted for 10% of its total expenditure. At the beginning of this Legislative Session of the Legislative Council, the Democratic Party saw through a motion urging the Government to formulate a policy to give priority to the purchase of environmentally friendly products, create a local green market and develop the local environmental protection industries. Unfortunately, the Government has not responded to this in a positive manner.

We also wish to give our support to the Government in four issues. First, the Financial Secretary announced that the first registration tax exemption for electric vehicles would be extended by a further three years. The Democratic Party certainly supports this. However, we also urge the Government to take appropriate matching measures to enhance people's confidence in order to promote the use and development of environmentally friendly vehicles. Second, the Government has reserved \$20 million for the Council on Smoking and Health to enhance public education and incidental services. The Democratic Party urges the Government to actively conduct a study in this area and consider implementing a policy prohibiting smoking in the workplace. Third, the Democratic Party supports the conduct of a study on the feasibility of establishing a labelling system for genetically-modified food by the Government. Since genetically-modified food directly affects the health of everyone, I hope the Government will set up a central database for genetically-modified food within this year and explain the Government's concrete policy to the public. Fourth, the Democratic Party supports the Government's intention to formulate a comprehensive policy on nature conservation. The Democratic Party hopes the Government will actively conduct a study and a comprehensive consultation, reviewing the present conservation policy with the aim of preserving the variety of species in Hong Kong.

Now, I wish to make five suggestions for increasing income and cutting expenditure. First, levying landfill charges on the industrial and commercial sector. We have talked about this matter for many years. The Government should encourage the reduction of waste and see to the effective channeling of waste to manufacturers of recycled goods, in order to promote the development of environmental protection industries. Second, the Government should actively consider levying an environmental protection tax on products which cause serious environmental pollution and for which there are substitutes on the market, so that their prices could truly reflect their environmental cost. Third, the Government should take the lead in purchasing recycled industrial diesel and car fuel in order to create a stable green market and foster the development of the local environmental protection industries. This way, we could save \$190 million annually in burning and processing cost. The Government should also actively study the feasibility of using biodiesel as renewable fuel. If the grease collected in grease taps of restaurants can be used as fuel after processing, it could save the Government \$13 million in processing cost annually and reduce the need for landfills. Fifth, in terms of quantity, composition and lifespan, the landfill gas in Hong Kong is most suitable for use as fuel for generating electricity. The Government should actively develop and explore the use of landfill gas. This could substantially reduce the cost of landfill restoration plans, each costing up to \$200 million.

With these remarks, I support the Appropriation Bill 2000.

SUSPENSION OF MEETING

PRESIDENT (in Cantonese): Honourable Members, a total of 35 Members have spoken today. I now suspend the meeting until 2.30 pm tomorrow.

Suspended accordingly at twenty-two minutes to Nine o'clock.