

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 30 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 CYD HO SAU-LAN

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

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE WING-TAT

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 LEUNG YIU-CHUNG

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 JASPER TSANG YOK-SING, J.P.

THE HONOURABLE HOWARD YOUNG, J.P.

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 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 MICHAEL HO MUN-KA

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE WONG YUNG-KAN

DR THE HONOURABLE YEUNG SUM

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

THE HONOURABLE LAW CHI-KWONG, J.P.

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

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

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

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 LAW KAM-SANG, J.P., DEPUTY SECRETARY GENERAL

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

PRESIDENT (in Cantonese): Council will now continue with the debate on the Second Reading of the Appropriation Bill 2000.

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

MR GARY CHENG (in Cantonese): Madam President, more than 30 Honourable Members have already spoken on the motion. Yesterday, Mr Jasper TSANG, our chairman of the Democratic Alliance for the Betterment of Hong Kong, has said something which the Financial Secretary would like to hear most; but then, afterwards he has also said something which should not be very pleasing to the Secretary's ears. Members have talked about the tale that "the wolves are coming" for many times, I am not going to repeat their words here. As such, I will finish my speech in a minute.

What I should like to speak on is related to money. Although nobody touched upon this topic yesterday, I am sure Members will all lend me their support in this connection. Perhaps people tend to remember old debts as they become poor. The question I should like to raise is: Should we ask the United Nations Organization (UNO) to repay the \$1.1 billion debt it owes Hong Kong? In addition to counting every cent and making every cent count, we still need to resort to increasing taxes or adopting other measures just to generate slightly more than \$1 billion of revenue to cover the recurrent expenditures. But I hold that we still need to recover that \$1.1 billion that the UNO owes us because of the Vietnamese boat people. According to a newspaper report, if the 1 400 odd Vietnamese boat people long staying in Hong Kong should apply for Comprehensive Social Security Assistance (CSSA), they will require a payment of \$50 million a year in CSSA. If we could recover those \$1.1 billion, we would be able to cover the additional CSSA payment for 20 years. Actually, this amount has not taken into account the rate of inflation; otherwise, the additional CSSA payments might amount to an even larger sum.

I do not wish to repeat the views already raised by my Honourable colleagues. However, it seems to me that this issue has never been raised by Members, and so I should like to raise it here.

I so submit.

MR SZETO WAH (in Cantonese): Madam President, when Mr Donald TSANG, the Financial Secretary, delivered his Budget speech, his use of the word "dramatic" brought laughter to the whole Chamber. While dramas cover comedies and tragedies, it must be a comedy in the present case. Though many people have spoken about "The Wolves Are Coming", it is a fable, of which the first half is a comedy, and the second a tragedy. Here I wish Mr Donald TSANG good luck.

I intend to talk about education issues today.

In the past several years, funding for education has kept increasing. There have been improvements in the teacher/student ratio and in class size. However, practice being the only standard with which the truth is to be examined, have our education standards been raised as a result? While I have retired from the education field for a number of years now, I still maintain extensive and close contact with teachers who are front-line educators. They have felt their ever-increasing workload unbearable, they complain a lot and are full of grievances. On top of that, they are also in a constant state of anxiety, worrying about what new duties might be coming their way that would drive them into exasperation. They are not happy, worrying if they would be even unhappier.

"Happy to learn" heads the motto "Happy to learn, good at communication, eager to accept responsibility, and bold in innovation"; it is important for students to feel happy to learn. But to make students happy in the learning process, our teachers must be made happy to teach. How can unhappy teachers make students happy to learn? Schools should be a paradise inside which both the teachers and the students should be happy. This is an important yardstick to measure the quality of education.

Resources have been increased, but why do we see no good results? I would put forward some views for the reference of the Education Commission and the Education and Manpower Bureau.

1. Do not negate everything. Here let us look at the ancient sayings, "There is never a perfect human being; nor is there 100%-pure gold", "Fish do not live in crystal-clear waters; and when a man becomes exacting in the extreme, he will have no followers". There is also a Cantonese saying that "cutting a piece of timber to too perfect a shape would result in no wood at all". There is never any perfect thing in the real world. A society will cease to advance when it thinks itself flawless. The education system of Hong Kong in yesteryears, with all its faults, was not without merits. In any event, talented people were nurtured over the years for the development, prosperity and stability of Hong Kong. All its flaws had their own historical background and stemmed from objective factors. I have been one of the most radical critics of Hong Kong education, but I never negated everything.

2. Do not attack on all fronts. Because everything is negated, everything appears to be out of place, so everything must be changed. Then comes the attack on all fronts. Attacking on all fronts can easily be turned into being attacked from all fronts, being encircled by hostile forces. "It takes ten years to grow a tree, a hundred years to nurture talent". If it is not for building a personal reputation, why all the hurry? "Gathering medicinal mugwort takes seven years, curing the disease takes three". It takes longer to gather the necessary medicine than to cure the disease. There must be a priority in all reforms. Any attack must be executed by a concentrated elite force; never engage in a battle you are not sure of winning.

3. Do not give a hasty order to cross the river. You need bridges or boats to cross the river. If the issue of bridges and boats is not resolved, any reckless order to cross the river will only drive the crowd into the rapids, resulting in the drowning of many people, or even the whole crowd, without anybody successfully reaching the other side. Why not think first about building bridges and boats? Or dispatch scouts up and down the river to see if there are existing bridges or piers with ferry service? The present situation is not that we are driven into a tight place in front of the river, why the hasty order to cross?

4. Do not incite people against people. The false figure of 1.67 million new immigrants led to the interpretation of the Basic Law by the National People's Congress, to the silencing of any voices calling for the amendment of the Basic Law. In that incident, the authorities deftly used the approach of turning people against people, and succeeded. But the undesirable roots of future social contradiction were thus planted. The characteristics of the mentality of the masses are that it is shortsighted, partial, focusing only on personal and immediate specific advantages, ignoring long-term and overall benefits. When incited, the masses often become blindly impetuous; and it will not be easy to guide them back onto the proper track. A similar situation is seen in the education reform: the inclination to negate everything, the stirring up of discontent of the community and parents with education, directing the spearhead against schools, headmasters and teachers. This will make it impossible for the education reform to proceed step by step in an orderly way, and will easily put it on the defensive.

5. Do not apply economic laws blindly and mechanically to the education enterprise. Economy and education are two diametrically different things, each with its own special features. Certain economically effective measures may become ineffective once blindly and mechanically transplanted to education; worse, they could even become destructive. How can measures such as those relating to pay by individual pieces of job, cost effectiveness, value for money, or free market be introduced into schools and classrooms without any modification? How can schools treat parents and students as mere customers? I have the feeling that some people have subconsciously taken education as a form of business, and have failed to understand the features and laws of education.

All the five "Do not's" address biased directions. I am not going to suggest positive approaches. Good suggestions are there to be had if one thinks from the opposite direction along the line of the "do not's". I think that my views could perhaps also serve as reference for other government departments.

Madam President, these are my remarks.

MR NG LEUNG-SING (in Cantonese): Madam President, after more than two years of economic predicament, the Budget for the year 2000-01 is, whichever way you look at it, still a commendable one, one welcomed by the citizens. It is worth the support of this Council in principle as well. However, I would still put forth several points for the reference of the Government.

First, the Government of the Special Administrative Region (SAR) should have an awareness of crisis. This Budget is published when our economy is on the track to revival, after the severe blows it suffered during the financial turmoil. At this juncture, the SAR Government faces a rather delicate economic situation. The recession has already put a big dent on government revenue, to relieve the people's hardships, the Government gave taxpayers tax rebates, froze the fees and charges, while keeping the promise of maintaining the expenditure on government services. All these made people anticipate an unavoidable and huge deficit. However, after the Exchange Fund's incursion into the stock market to fight manipulation, a substantial windfall was brought to government's fiscal reserves. This, coupled with better-than-expected proceeds from land sale and stamp duty from stock transactions, the \$36.5 billion forecasted for the past year has dramatically come down to \$1.6 billion.

In such delicate situation, the huge pressure on normal public finances brought about by the severe economic setback was relieved by this so called unexpected fortune. The Government wishing to make any changes to our tax regime will naturally lose a strong circumstantial element. A fuller-than-expected Treasury is of course a source of joy for all Hong Kong citizens. However, as the ancient saying goes, "Poverty leads to changes; and changes open up new avenues", poverty is a motivating force behind changes. If the crisis awareness of the SAR Government and the citizens is not led astray by this windfall, and the two will work together in search of ways for changes in respect of the long-term stability of our public finances, this windfall will become even more valuable. On the contrary, if the community of Hong Kong is fooled by this unexpected sum, and indulges itself in the present comfort without thinking about long-term plans, it will not bode well, I am afraid, for Hong Kong people. This is because if we do not examine whether there are any structural problems with the public finances of Hong Kong, one unexpected fortune alone can definitely not see us through all eventualities.

Secondly, I wish to suggest that our revenue should be put through a structural review. It is fortunate that when drafting this Budget, the Financial Secretary could, in the present delicate situation, meet all changes with no change on the one hand, so that any move would only be made after detailed planning, resulting in the least number of revenue proposals he has made so far in his office; and could, on the other, propose a strategy for a review to find out if the problems now facing our public finances are short-term ones or cyclical ones, or if there have been fundamental changes to our tax base that require structural reforms. I think that this is a responsible way to positively address the difficulties now facing our public finances.

Indeed, the Financial Secretary in his Budget speech also mentioned the possible difficulties that will affect government revenue in the new economy of the new century. For example, the base of our main taxes such as profits tax and salaries tax is already rather narrow; added to this will be the potential impact of globalization and the development of information technology and electronic business on government revenue. Even if we cannot decide now in any definite way the long-term effects of such problems on our public finances, we must take such problems seriously, must analyse and study them in depth.

This review of our public finances, if its conclusion is to gain unanimous support of the whole community, must not merely be an exercise of statistics or economics; a lot of political issues will also be involved, entailing the consideration of the various interests groups at all levels of society. The difficulty to formulate specific policies on the base of such a conclusion will be even greater, particularly if our tax regime reform infringes to a certain degree upon revenue. The Government not only will have to face continuous challenges to its arguments, but will also be hard to obtain a consensus from all social strata regarding the timing of the reform.

This we witnessed quite frequently in the past. For instance, when we were in a recession, we should not add to the burden of the citizens; when the economy prospered with the Government collecting ample revenue, there was then no need to revamp our tax regime. Therefore, while the present Budget is unanimously applauded for its approach of inaction, the difficult or more unpleasant work is being pushed into the future. I expect the Government to have resolution when launching this review on public finances, and will display the vision and commitment of a manager of public finances by coming up with adequate rationale as well as effective proposals that will convince the public.

The third issue is the need for actual control of the vast public expenditure. Madam President, the issue of public finances review will naturally encompass two facets. What I just talked about concerns government revenue. The review on the expenditure of the public sector should also be an integral part of the issue.

The Financial Secretary agreed in his Budget speech that the public sector must first exercise greater prudence in its spending before developing new sources of revenue. Only thus can it be easy for the whole community to reach a consensus about the reform. As seen from the expenditure portion of the Budget, though the Government has made encouraging progress in its Enhanced Productivity Programme (EPP), significant changes to the basic structure of public expenditure can hardly be expected in a considerable period of time in the future. As to public expenditure, the revised estimate for the last year shows a growth of 2.9% in real terms. Though lower than the rate of economic growth, thus narrowing the gap created by expenditure increasing faster than the economy during the past two years, it still amounts to the high level of 21.9% of our GDP. I think that over the issue of the structure of our public spending, the Government should similarly conduct an in-depth and detailed review.

We can look at other economies having a size and level of development similar to Hong Kong, such as Singapore, to find out, ignoring the portion on national defence spending, the difference between their various items of expenditure and our corresponding ones, particularly in the areas of education, health care and social welfare, to see if we need to adopt more efficient and cost effective ways of allocation. In fact, public expenditure has been substantially increasing over the past years, quite out of step with the actual growth of our economy. This has made the financing of public services in many areas no longer an issue of whether reform is needed, but rather an issue of how the reform should be carried out.

Fourthly, I think that the reform of health care financing must be carried out immediately. Everybody knows that there exists a natural contradiction between resources, which are limited, and demands, which are boundless. Take health care financing as an example. The way is still the old one over the years of disregarding the means of the users, with the Government paying a uniform subsidy. This has made the burden of the Government heavier and heavier, and has not helped to instil into the citizens the correct awareness and practice of investing in their own health. On the other hand, public health care offers few choices, with quality enhancement constrained by funding, resources, systems and other factors.

I think that the major direction of the health care reform should be a change in the uniform government subsidy approach, while ensuring that no citizens will be deprived of health care service for economic reasons. Different modes of health care services should be promoted to offer more choices, savings plans for and investment in health care as well as market competition should be encouraged so that there could be sustainable development in both the private and the public health care sectors. Further, as a result of the Harvard Report on Hong Kong's health care system, the Government is about to publish its health care reform consultation document. I hope the departments concerned would do well in this review with a view to proposing a feasible scheme for the future development of our health care service, laying an important cornerstone for the long-term stability of our public finances.

Fifthly, I opine that the civil service reform should focus on quality rather than quantity. When discussing the review on the expenditure structure in our public finances, we must mention the civil service system. Up till now, with the EPP in place, the Government has ceased recruiting into the pensionable Civil Service and has reviewed the new entry pay and appointment terms. On the road to civil service reform, the difficult and yet positive first step has been made. Furthermore, good progress is expected to be achieved in streamlining the disciplinary mechanism. The Government should be commended for its efforts in overcoming the difficulties in pushing forward the civil service reform.

However, the public also acknowledges the unprecedented resistance this reform is facing, particularly certain relevant issues involving the core of the Civil Service, such as a review of the pay system of serving civil servants. In this respect, if the Hong Kong community, especially representatives of public opinion, fails to reach a consensus and understanding, and cannot balance the interests, then the Government making the reform will be at a loss. In that case, there will be compromise after compromise, and I believe the resultant reform will look completely different, the efficacy of the system will get worse, and more resources will be consumed.

For the SAR, I think that even the diverse views that will unavoidably exist, including those at the political level, should not be used as excuses for evading the issues and the difficulties. If we appreciate that vigorous reform is the will of the people, is the right direction toward sound finances, we should from now on proceed ahead with determination. This is the direction that a bold and committed government should take.

Madam President, the 2000-01 Budget we discuss today is one with the least number of revenue proposals among the several prepared by the Financial Secretary in his past years in office, enabling many citizens to suddenly heave a sigh of relief, thereby earning their praise. However, at this junction of the nascent economic revival, if the Hong Kong community forgets its bitter experience and hard lesson learnt at the dire bottom of the recession, and think that all now belonged to the past, thus tossing the plans and schemes against disasters to the wind, Hong Kong may yet have to face even more severe pains in the future, and may even lose the opportunity to rebuild our prosperity. Therefore, over the issue of how public finances should be managed well, each member of the entire community has the duty to, from an overall and comprehensive angle, encourage and support the Government in the long term to find new resources and exercise due prudence in spending.

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

MRS SELINA CHOW (in Cantonese): Madam President, the millennium year does bring new hopes to Hong Kong. Though the pace of the economic revival varies from trade to trade, the industries and businesses in the information technology field that prosper by leaps and bounds, and the huge growth in the freight carrying industry, particularly in air cargo, out-perform the slightly-improved retail and catering industries, and even the real estate sector. Generally, there has been a turnaround in all sectors in the first quarter. Good news comes one after another. With better business, and with the Financial Secretary deciding not to increase taxes, the Budget is naturally easy to "swallow".

In his forecast in the section Creating Wealth By Adding Value, the Financial Secretary expects that our GDP will grow by 5% in real terms, and the trend GDP growth in real terms from this year to 2003 will be 4%. At the same time, as a result of the constraining effect of the wage squeeze, it is expected that consumer spending will only grow 2.5% in real terms.

It is perhaps not unreasonable for the Government to be prudent. Though statistics show that consumer confidence is on the rise, consumer price index to-date still actually shows a year-on-year drop of 5.1%, and the revenue from our tourism industry has dropped to \$53 billion last year from the high of \$82.4 billion in 1996, with spending by each tourist down from \$7,000 to \$4,700 last year. These are bad news. The only silver lining of this dark cloud (and I hope Miss Emily LAU likes my using "every cloud has a silver lining",) is that the downward adjustment of prices in Hong Kong might raise our external competitiveness.

The Hong Kong economy transformed from a manufacturing-led to a service-based one 10-odd years ago. With the onset of the new millennium, there comes another transformation, to one led by information technology. This repeated metamorphosis always brings tremendous havoc to the employment market of Hong Kong. On the one hand, our rate of unemployment stubbornly hangs around 5.7%; on the other, we suffer severe shortage of staff in the computer-related sector. The truth as it comes out is that this is a cruel reality: workers with low education level, or those who cannot adapt to the new industries, have great difficulties in getting new jobs. Their education background and working experience limit their desire and opportunities for retraining. The downward adjustment of wages in the recent years has also dampened their desire to find work. It is a challenge to find ways to make our labour market absorb this group of underprivileged people. I believe that retraining alone is not the most effective way. The Government could consider giving some incentive and support and in the area of service management to help some innovative and bold small entrepreneurs start their own business to provide specialized low-technology services the community needs, such as domestic, courier, moving services and so on. This will surely help to a certain extent the creation of employment opportunities for grass-roots workers.

One new task in the Budget is to set up a Task Force, to be headed by the Secretary for the Treasury, as well as an independent committee, to examine our tax regime. However, many citizens think that these two setups are not to conduct any genuine and objective review, but rather to search for arguments to support the Government's decision to increase taxes. I hope that they are only unduly worried. I also have no reason to doubt the pledges the Financial Secretary made to us when he answered queries from the Legislative Council about the Budget, that the Government would conduct this review with an objective attitude and open mind, and would certainly first prove that Hong Kong really had the danger of having structural deficits before any new taxes were introduced. In other words, only when all prudent spending measures failed to

achieve balanced budgets would new taxes be considered. I have also written to the Secretary for the Treasury to ask her to ensure the participation of the retail industry when she sets up her Task Force, so as to guarantee the review is based on adequate understanding of the industry.

The Government, experts and academics have frequently advocated broadening our tax base to stabilize government revenue. On the surface of it, there seems to be some justifications. But thinking a bit deeper, one will realize that the various existing indirect taxes, such as fuel tax, rates, tobacco and liquor duties, licence fees and the many fees for services, actually form one big and invisible tax net. So it is not entirely true to insist that our tax base is too narrow.

Since January when it was said that the Financial Secretary was seriously considering the introduction of sales tax, there were a continuous stream of objections against the idea. So when this tax is not proposed in the Budget, there has been general approval from the public. I opposed sales tax in this Chamber in the past, starting not this year, or last year. I repeatedly and strongly explained the merits and disadvantages of having such a tax. The first and second time I did so were during the Budget debates in 1988 and 1991, that is, well before I became the representative of the retail and wholesale sector. If Honourable Members check past official record of proceedings, you will see that my stance at that time was exactly the same as my present one. I shall not waste your time re-iterating my views over this tax. But I must stress one more time, on behalf of my constituency, that sales tax will bring calamitous consequences to the economy of Hong Kong. This is also exactly my personal view. Therefore, once again, I firmly oppose the introduction of the sales tax.

Now I would also be fair. While nobody welcomes any tax increase, many in the business sector have indicated to me that if it is proved that the Government needs to have more revenue, there could be some increase in profits tax rate because businessmen in general are willing to return generously a small portion of their gains to society.

Mr James TIEN yesterday stated the views of the Liberal Party on the civil service reform. We will certainly maintain our support for the Government to trim down, to contract out and to privatize. We will never "draw a circle with one hand and a square with the other". Therefore, the Financial Secretary does not have to worry about us. What we are worrying about is that while we are fully supporting the reform, the Government might end up "backing out" under the pressure of a weird thing that is neither a circle nor a square.

The Liberal Party has always agreed with the principle of "user pays". Therefore we should support the Government in recovering the cost of government services from the users. Unfortunately we do not fully approve of the way in which the Government is handling this matter. The reason is that the Government eyes different target user groups differently, that is, in respect of those so-called people's livelihood fees, it often exercises restraint (to this there is little objection), while taking all increases to fees affecting the businesses "for granted". As a matter of fact, all added business costs have a bearing on people's livelihood, and will undermine Hong Kong's business environment as well as our external competitiveness. It is unwise to take such increases lightly.

It cannot be denied that setting up the Business and Services Promotion Unit will bring definite results; but there might not be significant effects in changing the thinking and practices of the various government bureaux and departments that are harmful to our business environment.

Take the licensing system, for instance. Before a supermarket can open its doors to business, it needs a business licence, a fresh food licence to sell fish and meat, another licence to sell frozen seafood and meat, a Category 2 poison licence to sell non-prescription drugs, an insecticide licence, a permit for cut fruit, a sushi licence, a cooked/roasted meat licence, a bakery licence and a food manufacturing licence. Among all these, the bakery licence and food manufacturing licence cause the most troubles because approval is required from the Fire Services Department, the Environmental Protection Department, the Buildings Department and the Food and Environmental Hygiene Department. Generally speaking, it takes four to six months, the longest time being 15 months, to have available all these licences. Just how many consortia could bear such wasted investment cost for such long periods of time?

Another horror story is the game centre. For the principal licence, you have to submit application to the Television and Entertainment Licensing Authority, this takes three to six months. Operating a game centre without a licence is a criminal offence, with probable imprisonment on conviction. However, apart from the principal licence, each game machine needs a separate licence, two for each dual-player machine; and all these licences are to be renewed every year, the annual licence fee is \$1,000 each. And that is not all. If the game machine is power-driven, it needs three licences; one classified as a

roller coaster needs licences from the former Urban/Regional Services Department, the Electrical and Mechanical Services Department and the Labour Department. Prior application with a site plan is required if the location of a machine is to be changed. The change may only be made after approval is given. No change of location is allowed without approval.

The story of food premises licences is even more puzzling. For years, the trade and the public have been greatly dissatisfied with the delays in the procedure. A new arrangement was invented after much efforts made by consultants, committees and inter-departmental meetings, and that is the issuing of a provisional licence as proof of provisional permission to begin operation. A licence for a general restaurant can only be had 188 working days after an application for a provisional licence is submitted. Counting holidays and weekends, an applicant has to wait close to nine months before he can get a provisional licence. The formal licence requires 315 working days, that is the equivalent of one year and two and a half months of calendar days. Snack licences are better, because the variety of food to be sold is restricted to those listed on the schedule of the relevant regulation. If the snack shops wish to sell something outside the list, such as fries, they have to apply for a general restaurant licence. If a certain food is not on the list, such as tacos, you need to apply for a general restaurant licence to sell it.

Madam President, such fossilized policies are one of the reasons leading to our "killing the Municipal Councils". The Liberal Party will definitely not let the Food and Environmental Hygiene Department go if it does not completely revamp the system. The big obstruction in the multiple-licensing procedure is the Buildings Department. Apart from the concept of time on the part of its officials who know nothing about the fact that time is money, the main reason is that building plans have not been computerized. Our technologically advanced society should not allow a service with an efficiency that is completely unable to meet demands. I beseech the Financial Secretary to have a clear grasp of this issue, to cut this knot immediately by digitalizing the nearly 20 million building plans. This project will not only be appreciated by the architects represented by the Honourable Edward HO, but the licence applicants from the multitude of trades and businesses, including the restaurant sector, the real estate sector and the real estate agencies, who need the approval of the Buildings Department, will also be grateful.

The Government has in recent years introduced something called regulations assessment report, the aim of which is to assess the impact on and the burden to the economy of a piece of legislation before a decision on its introduction is made. But is this a mandatory step? I think not. No such assessment was made in respect of the recent very controversial Karaoke Establishments Bill.

I think that one basic and necessary review is to examine these questions: Do we really need so many licences? Why can we not do away with the lengthy licensing procedure as far as possible and thus save the expensive staff cost? Would it not be more economical, more efficient, to codify by legislation all the safety or health standards the various trades and businesses have to observe, and then to limit the role of the Government to inspecting and enforcing the law?

Madam President, I very much agree with the various structural arrangements the Financial Secretary has proposed for actively attracting foreign investment and for providing better service to business. However, I wish to echo Mr Edward HO's proposal yesterday about the promotion of professional services. Indeed there are quite a number of professions in Hong Kong that have achieved excellence in the international market solely as a result of their own efforts. Though the Financial Secretary stressed that promoting services is the responsibility of the Trade Development Council, such arrangements have not been satisfactory for a number of reasons. I urge the Financial Secretary to consult these professions to get the full picture. It seems that he should be concerned and do more about this; he must never take it lightly.

MISS EMILY LAU (in Cantonese): Madam President, just like many Honourable Members who said this when they delivered their speeches over the past two days, I also welcome very much the absence of tax increases in the Financial Secretary's Budget this year. Perhaps because this is an election year, so the Financial Secretary might have chosen to stay out of trouble. However, many Members have thus been disappointed, because they had plans to "give him a hell of a time" opposing any and all tax raises. But he did not offer them the chance.

Madam President, in fact, why are taxes collected? That is because we have expenditure, but with an insufficiency of money to pay for it, taxes have to be collected. If there is no such a need, there is then no need to increase taxes.

I wish to state clearly that I support "a small government". I think the Government should not try to do everything, many things should be left to the private sector. Apart from certain basic infrastructure, as well as education and welfare services, I support letting the private sector take over other services.

Though the Financial Secretary has not raised taxes, he on the other hand wishes to examine if we have structural deficits, if we need to introduce new taxes. He has asked the Secretary for the Treasury to conduct a study. Madam President, I have recently received opinions from some citizens. They did not think the deficit is structural, but rather it is policy-induced. Madam President, I believe you know what I have wanted to talk about. It is back to harping on that old story again — the linked exchange rate. Madam President, you might say, "Oh, Emily LAU, do not waste your breath; many people have indeed ceased talking about this topic." You would not say that? Perhaps I have already spoken the words in the bottom of your heart. I believe I have also done so for many citizens.

Many people might query if this linked exchange rate policy does not need any review. In fact, the Liberal Party should say something on this issue. This is because in these few years, many in the business sector have been groaning under the linked exchange rate, particularly after the Asian financial turmoil forced many of our neighbouring countries to devalue their currencies and thus made them more competitive. We say we must defend the linked exchange rate. But as we must also stay competitive, so we have to adjust downward the prices of other things, property, assets, merchandise, salaries (except those of civil servants which can only be frozen), resulting in a slower economic revival. When the Financial Secretary makes his reply next week, I hope he would say something in response, give us some explanation about this situation. I recall, I am not sure if correctly, the Financial Secretary and the Chief Executive once said that Hong Kong would be the first to recover. As things now stand, the first is surely not Hong Kong; nor is the second, the third or even the fourth. We might not be the last, but our recovery is definitely slower. If the Financial Secretary likes, I could sit down right in this moment and let he discourse on this issue. Our recovery has really been slower coming.

For this reason, some people would ask why we have to increase taxes. The answer is that it is because government revenue has dropped. But why has it dropped? Well, if the prices of things come down, the revenue will decrease. Besides, certain expenditure cannot be reduced, and that includes the salaries and

allowances of the civil servants. A main portion of the expenditure of the Government, that is, over 60% to 70%, goes towards paying the salaries and benefits of the civil servants. But for various reasons, such expenses cannot be slashed, but can only be frozen. Some citizens might ask, "What is the purpose of asking the Secretary for the Treasury to conduct the study under these circumstances? Other people can tell us the findings."

Therefore, should we not look at certain more basic problems, that is, going beyond examining the reasons for the decrease of our recurrent income, its correlation with the economy, to see if the linked exchange rate has some bearing on it? Madam President, I have no intention to state that it is solely because of the linked exchange rate. So you do not have to say immediately, "Emily LAU, your way of looking at things is over-simplified." I have no intention of saying that it is merely because of the linked exchange rate. But should we at least look at this issue? The Secretary for the Treasury has said that the sales tax is not something of a big flood or a monster. I would also like to say to her that studying "unpegging" is also not a flood or a monster either, especially now that so many people are groaning and complaining loudly.

Madam President, I shall now turn to an issue I frequently talked about. That I still have to dwell on something I often talked about on such an important occasion is not something that can be helped, and that issue is about our fiscal reserves. Our fiscal reserves exceed \$400 billion, and such high was never attained a few years back. Madam President, you may perhaps remember that before the sovereignty handover, the Chinese Government required the Hong Kong Government to leave behind a few ten billion dollars, unexpectedly the reserves soared to that many hundred billion dollars. This is Hong Kong people's money, of course I do not support squandering it totally.

In February 1998 during the days of the Provisional Legislative Council, the Financial Secretary put forward a set of guidelines, stating what level of fiscal reserves we should have. He announced the adoption of the total of 12 months' government expenditure plus money supply in Hong Kong dollars under the M1 definition as the benchmark for the appropriate level of fiscal reserves, allowing a range of plus or minus 25%. However, he did not explain in detail the background of the guidelines. Why were such guidelines made? I feel that the Financial Secretary has a duty to tell the citizens how the guidelines were worked out. The guidelines were new, neither Mr MACLEOD nor Mr JACOBS, our former Financial Secretaries, referred to them. In any case,

however, there was not that huge amount of fiscal reserves at their time. I think that citizens have reasons to want to know why, with \$400 odd billion of fiscal reserves in the Treasury, our government is saying it does not have sufficient money. It is because it does not seem right.

Further, in his Budget speech this year, the Financial Secretary pointed out that the level of our fiscal reserves was towards the lower end of the guidelines. Madam President, if we look at the chart in paragraph 159, the so-called "towards" refers to towards the \$100 billion mark. \$100 billion is a huge sum of money, I do not want to give people an impression that we are close to the lower end. Therefore, I think the Financial Secretary should give us a detailed explanation of this matter. The citizens should also have discussions on this matter, to examine how this definition came about, when these fiscal reserves are to be used. I think this should be reviewed in detail.

I think that if these two issues regarding the linked exchange rate and the fiscal reserves are not sorted out clearly by discussions, it is not quite fair to ask the Secretary for the Treasury to study, under a narrow scope, the correlation between recurrent income and economic growth, whether new taxes should be introduced; or to gather a bunch of professionals to discuss if new taxes, sales tax in particular, need to be introduced.

Indeed, I support a review of our tax regime. But I think that it should be done more comprehensively, and it should also find out if our existing taxes are fair. The Financial Secretary had said with great anxiety, "Could you be actually wishing to redistribute wealth?" I feel that it is not a bad idea to share a little with the poor. Nevertheless, we accept the principle that our tax base must be simple. I believe it is the consensus of Hong Kong people that our tax regime must be simple and our taxes must be low. On this principle, it is actually not that cataclysmic if capital gain tax or other taxes are put on the table. I hope that the Financial Secretary would discuss them with an open mind.

Madam President, I also note that in his Budget speech, the Financial Secretary talked about a Task Force to be headed by the Secretary for the Treasury, and another independent committee (I do not know if this committee is also headed by the Secretary for the Treasury). The committee will publish its report, but there was no mention that the Task Force would do the same. I naturally hope that both reports will be published, because I think that is most important.

I would now turn to the issue of the Civil Service, because I think that cutting expenditure is very important. Mrs Selina CHOW just said that Members could check old records to see what she said in the past. I believe you are definitely interested in doing so. I also believe that you have already taken notes and will read them out when necessary to show who has "changed course" and when. This is not a bad thing. Reporters should do the same. Each of us should list out what we said in the past 10 years. "Changing course" is not good, it could cost you your creditability. I have always talked about the issue of the Civil Service. You can check the records of my previous speeches, and I believe you are all very clear about my stance on the issue. I shall repeat it here today.

Many civil servants are right now present in this Chamber. I think that the Civil Service should be streamlined, so that civil servants will enjoy public support. Just the other day, I listened to a phone-in programme with Secretary LAM Woon-kwong as the guest. One civil servant called to say that they were now like rats, blamed by friends and relatives who accused them of doing nothing. The Director of Audit sometimes also uncovers things, and we are having a hearing next week. Madam President, I hope that the Civil Service will reform under the leadership of the Chief Secretary for Administration, and most importantly, in a fair manner. Though there might be some pains, but these pains must be endured. We in the community have suffered a lot of pains, so some civil servants might also have to do likewise. I have received letters from some civil servants saying that though they were worried, everybody had to face this change. I fully support the Government in the reform. But it must be carried out even-handedly; there must be, in particular, a guideline regarding laying off civil servants. How is "mediocre" defined? I believe the Chief Secretary for Administration should tell us what criteria will be employed in ordering senior officers to quit.

Madam President, I also wish to talk about an issue that is the concern of us all, and that is air pollution. Many Members spoke a lot about the issue these two days. What they raised I shall not repeat. I raised a question in this Council. Why did I raise the question? In fact, that had something to do with the Financial Secretary. When I listened to what he said on the English channel of Radio Hong Kong on 9 March, that is, the day after the Budget was published, I was immediately induced to write down my question. He said that his colleagues were working on the problem, and the introduction of LPG taxis, among others, would improve our air quality. I raised the question with

Secretary Lily YAM, and an official of the Environmental Protection Department, replying on behalf of the Secretary, said that the LPG taxi scheme would be launched this year, and "given luck", a complete conversion would be achieved in 2006, by which time the pollutants in our air would be 25% less. At the Special Finance Committee Meeting I specifically asked Secretary YAM, "What about the remaining 75%?" And not to mention the pollution across the border in China. That needs to be taken care of, by the cross-border group. But we must first do our part. That official said that "with luck", there would be a 25% reduction by 2006, but when can we eliminate the remaining 75%? Secretary YAM was unable to answer me at the time. I further asked her, "Do we have to wait 20 or 30 years?" In fact it might not be fair for me to query her this way, because she took over only a short while ago. But I think that the Government is helpless at present.

In replying my question, the Government said that \$1.4 billion was earmarked for the LPG taxi scheme. But what is the timeframe for the implementation? Will there be adequate supporting facilities? We are all breathing such air, and the Central might become an extremely high-risk zone. Madam President, as you also know, the quality of our air is so bad day after day. We look at the expenditure on environmental protection and find out that the Environmental Protection Department with the responsibility for air pollution matters has a budget of \$213 million, and this year's growth is 0.7%. Pardon me, the \$213 million I just quoted is the expenditure on air pollution matters, and the total expenditure of the Department should be \$2.2 billion. The expenditure for Agriculture, Fisheries and Conservation Department is \$700 million. Madam President, I believe you may also know that the Government spends \$1.1 billion on hawker control, \$770 million for the 4 000-odd unlicensed hawkers, and \$330 million for the 9 000-odd licensed ones. The Government spends \$1.1 billion on hawker control, but only \$200 million odd to address air pollution. Do we see a problem with such priority? Of course, you could say that this is the aftermath of "killing the Municipal Councils". However, the purpose of our debating the Budget is to see how resources are allocated. We shall see why we have to allocate them in such a way. Frankly speaking, I fail to see any improvement even the Government spends \$1.1 billion on hawker control. It is disappointing if only \$200 million will be spent on improving air pollution.

Madam President, Secretary Lily YAM's Environment and Food Bureau has a budget of \$8.64 billion for food and environment, representing 0.66% of the recurrent expenditure, while the total expenditure of the Bureau, at \$12

billion, represents 4% of the entire expenditure of the Government. Our spending on the environment and food is thus less than 1% of our GDP. If we only put in such resources, does it make anybody wonder why our environment is in such a dire shape?

I believe all we Members, all government officials and all Hong Kong citizens are very much concerned about the environment of Hong Kong. The Chief Executive has even talked about sustainable development. But what can we do when our air is so very much polluted? Mrs Selina CHOW has taken up the chairmanship of the Hong Kong Tourist Association; and she has to stand up in defence of our city, to explain to tourists that Hong Kong is not in that poor shape everywhere, some places are still acceptable. Indeed, what actually must we do?

Madam President, I hope that when the government officials reply, they will tell us by what year, what month and what day the environment of Hong Kong can be completely cleaned up; how much resources we must invest in the task. Secretary Lily YAM last time told us that she did not know. This time round that kind of answer will not do, we Hong Kong people do not accept such a statement. I am not "venting on" her; the Financial Secretary is here, so is the Chief Secretary for Administration. I must tell them that all Hong Kong citizens think that environmental pollution has reached an intolerable stage. However, the Government is still shifting the blame on us for that; and just yesterday the Director of Environmental Protection was castigating us on the radio. In fact this Council strongly supports government actions. Therefore, I hope that the several Bureau Secretaries would give us a timetable next week, and give us some hope.

These are my remarks.

PROF NG CHING-FAI (in Cantonese): Madam President, before the publication of the Budget, citizens influenced by hints from the Government expected tax increases. The Budget as it turned out proposed no new taxes, and no tax increases. Everybody thus turned from worry to joy; what a pleasant surprise. But they are also made to feel hoodwinked; they even think that this is another version of "The Wolves Are Coming". It seems that when the Financial Secretary publishes his Budget next year, he could consider being less dramatic.

All these notwithstanding, citizens are rather satisfied with this Budget, because at least the Government has not proposed tax increases. At the same time they are witnessing economic recovery for Hong Kong, and are having more confidence in the future.

However, when we examine the Budget, we should still focus on the major principles, should take a long-term view, and require the Government to do even better in the year ahead. I wish to take this opportunity to share with you my opinions relating to the income and expenditure in our public finances.

On revenue policies:

Low tax rates and a simple and predictable tax regime give Hong Kong a good tax environment, and they are also one of the factors underlying Hong Kong's economic success. We should maintain this simple and predictable tax regime. But this does not mean we thus have no need to review and improve the existing tax regime. A review of the tax regime should not merely focus on keeping public finances balanced, reducing deficits or building up fiscal reserves, it should, I think, also examine if the Government has done enough in using tax policies in promoting economic development.

In my view, the Government has not done enough. In the last Budget, the Financial Secretary accepted that high value-added and competitive industries were an indispensable part of a sound economic system, and promised that the Government would promote, assist and support the development of the manufacturing and services industries. He further mentioned the need to introduce specific new measures to realize the objective of developing Hong Kong into the technological innovation hub of Southern China and even the whole region. One year later, today we can see that the Government has not tried to use tax policies to fulfil these promises. It is well known that many countries and regions believing in free economy also use tax concessions to spur economic development, they include Japan, Singapore, South Korea and Taiwan, to name just a few. The United States has the most mature free economy, and some of its states also resorted to tax concessions to support their high-technology industries. Therefore, if the Government uses "not interfering with the market" as the excuse for refusing to give tax preferences or other specific support to the technology and innovation industries that can only grow with government assistance, it is simply embracing mechanically a dogma, and this must be reviewed.

Therefore, I agree with the argument of Mr MA Fung-kwok that the Government should use flexible tax policies to drive economic development. The tax concepts of the Government in the past lacked flexibility, that is, lacked clear policies for tax preferences to drive economic development.

Secondly, I agree with certain Members' proposal for a comprehensive review of Hong Kong's tax regime. Issues to be reviewed should include the need to enlarge our tax base and to introduce new taxes, and the need to expand the tax net to cover those not at present paying taxes. These two issues have been under discussion for a couple of years. Now that we are facing several billion dollars of fiscal deficit, relatively small because it has in fact been greatly reduced to its present size by an unexpected one-off income, we must conduct an in-depth and comprehensive review of the issues.

We should know that the Government was over-dependent on the income from land sales in the past. Source of income of this kind is definitely not sustainable. Indeed the Government should clearly point out that the so-called high land price is in fact a form of property purchase tax in disguise. The high land price policy has exacted a steep price from the numerous citizens of the middle- and low-income groups who pinched and scraped to buy their homes, and is therefore mightily unfair to such honest and diligent home buyers. Therefore, while expanding the tax base has become a practical need now for Hong Kong, the problem is what new taxes to introduce. The sales tax is one worth looking into. At present, the turnover of the retail sector amounts to over \$700 billion, a 3% sales tax will bring more than \$20 billion to the Treasury each year. So, in trying to expand the tax base, the sales tax is a new tax to be considered. The net of the sales tax is at the same time very broad, wider than that of the salaries tax. Sales tax will also make more people aware of the duty to pay tax, thus conducive to nurturing a civic sense.

The second new tax that can help enlarge the tax base is the "guest worker's tax". Similar taxes exist in other countries. This tax is also based on the "user pays" principle. Hong Kong manufacturers operating in Mainland cities have to pay additional accommodation fees to the city when they employ Chinese workers from outside the city or province. Hong Kong admits several hundred thousand overseas workers, among them over 190 000 are domestic helpers and over 10 000 professionals and managers. They enjoy as citizens do all our public facilities and services, but they do not need to pay the relevant taxes. In a way, this means that Hong Kong taxpayers are subsidizing the

200 000-odd foreign workers. This is unfair. The New Century Forum advocates requiring the employers to pay a fixed monthly "guest worker's tax" for each such guest worker who does not have to pay salaries tax. This will bring some income to the Treasury. At the same time, in order not to increase the burden of the employers, suitable adjustment to the minimum wage of overseas domestic helpers could be considered.

The second part, on cutting expenses and enriching the people:

Madam President, I like very much the Chinese title of the Financial Secretary's Budgets. This year's themes of "Add Value, Create Wealth; Cut Expenses, Enrich the People", are expertly composed and highly readable. In the first part of my speech, I have talked about the first half of the title, now I shall talk about the second half, that is, cutting expenses.

Cutting expenses can reduce our fiscal deficit. Streamlining government organizations and containing the Civil Service are important expenses-cutting measures. In respect of this issue, I think that "the doctrine of small government" has become the main direction, because free economy at its present stage of development does not need a big government. At the same time, development in information technology has enabled both businesses and government organizations to develop horizontally, a change from their former pyramidal structure. This very naturally will result in a reduction of government posts; in a sense, this is an unavoidable and painful process.

Whether a government is a small one can be judged with two figures, one is the ratio between the number of civil servants and the population, the other is the financing as a proportion of the GDP. In Hong Kong, while we have no national defence and diplomatic services expenses, these two figures are higher than those of South Korea, Japan, Singapore, Australia and even the United States. We have close to 200 000 civil servants, another 140 000 employees in the subvented sector. The salary cost of our Civil Service amounts to over \$120 billion annually, accounting for one third of the Government's public expenditure. Therefore, Hong Kong has a big government. It must cut on its weight to become a small one. This is the only route to cutting expenses and enriching the people.

Reduction of expenditures can be achieved through two "cuts": cutting civil service salaries and cutting government department establishment.

Cutting salaries is not an easy way to take. Though certain ranks of Hong Kong's civil servants are obviously over-paid, in view of the provisions in Article 100 of the Basic Law, and that the Civil Service is itself one huge vested interest, and in addition, we lack the civil service culture of sharing the gains and pains as in South Korea, it is unlikely that a general salaries reduction similar to that in South Korea and Singapore could be introduced.

If the Government does not wish to slash salaries, it could consider freezing them, by announcing in clear terms that all civil service salaries will remain frozen and not to be defrosted until after the economy turns around when the salaries in the private sector have risen 6% above the 1998 level.

Further, I think that the Government should reform the salary increase mechanism, and the ranks of the civil servants should be more finely defined so as to avoid civil servants getting twice the pay as private sector employees for similar work.

Another possibility is to streamline the organizations, to cut surplus staff. The Government has promised in the Budget that 10 000 posts would be cut in the next three years. This we should welcome. However, as many commentators pointed out, the target of the Government's Enhanced Productivity Programme has been set too low, it will only cut \$5 billion of expenses by 2003.

Madam President, I think that the Government of Hong Kong must turn itself into a small government. In streamlining bloated government organizations, apart from cutting staff, there should also be innovative supporting measures. Many proposals urge the Government to speed up the privatization of qualified departments, to consider contracting-out more of the jobs of the departments. In addition, I would stress that after spending huge amounts of resources on advanced computer systems, and in the process of computerization or digitalizing the Government, there ought to be a continuous and big reduction of manpower. But there does not seem to be any assessment of the resources saved as a result of the Government's computerization programme. Therefore, I think that in our pursuit of a digitalized small government, this issue is worth some thinking.

With these remarks, I support the 2000-01 Budget.

MR TAM YIU-CHUNG (in Cantonese): Madam President, to have the colour of the azure sky for its covers gives the printed copy of the Budget a very pleasing and refreshing look. But after the people have read the Budget, they might worry that the air pollution index would, like it has in the past few days, soar, bringing in dirty mists to obscure the azure sky.

Before the Budget, the Financial Secretary openly indicated his worries about the Government's deficits. In the present Budget, the Government has also given hints that new taxes will be introduced in future. However, with more than \$400 billion in fiscal reserves and with the Exchange Fund shooting over the \$1,000 billion mark, how is the Government going to convince the public and make them understand if taxes are to be introduced that will have a direct impact on people's livelihood?

Does Hong Kong have structural deficits? It is definitely premature to talk about tax increases before conclusions are found through strict analyses. If some tax measures, such as expanding the net for salaries tax, are hastily introduced, the result will only be the widened disparity between the rich and the poor, thereby aggravating structural social problems.

The Hong Kong economy is going the direction of high technology and high value-added development. But this pattern of development will bring greater pressure on the livelihood of the low-income groups of society. Despite the deflation in these two years when citizens have stopped worrying about the rise in basic daily expenses, people are feeling very insecure amidst the waves of layoffs and wage cuts. The differences between the wages in traditional trades and emerging industries are growing, further exacerbating the polarization of incomes. Though we know very well that disparities in prosperity are a common trend in the process of economic development all over the world, we must not neglect that forward-looking policies could cushion the undesirable consequences of such a trend. It is a pity that the present Budget has inadequate discourse in this respect.

The Budget anticipates that with the picking up of our economy, the employment situation will see greater improvement. We do not think that this is a sure thing. Between 1986 and 1992, our annual domestic product saw a high average growth of 6.23%, but the employment rate grew by only 0.63%; on the contrary, between 1992 and 1998, employment increased by 2.63% despite a lower economic growth of 3.27%.

This phenomenon obviously goes the opposite direction of the argument that "fast economic growth means high employment and low unemployment". The Financial Secretary thinks that the experience in the United States can serve as an indication for economic prosperity filtering down to benefit low-skilled workers. However, if we compare the industries between the United States and Hong Kong, we can very easily discover that in America, the agricultural and mining sectors, as well as community and personal services sectors, provide great employment opportunities; the community and personal services sectors have a combined proportion of 35.5%, almost twice that of Hong Kong. In Hong Kong, however, the Government still has no measures to assist the development of personal and community services.

As our industrial framework cannot catch up with economic changes, the faster such changes go, the more serious is the mismatch of our human resources. In the past year for instance, though the Hong Kong economy showed evident improvement, as many real estate developers withdrew from their old trade and turned to the Internet, the number of new construction sites has not increased from that of 1998; on the contrary, it dropped by around 20% as compared with 1997. The number of jobs provided by private construction sites dropped by over 10 000 as compared with 1997, a reduction of one quarter.

So, is it too much of a wishful thinking for the Government to simply pin its hope on high economic growth to improve employment? On the other hand, the series of measures proposed in the Budget to help our labour force to raise its skills are mainly focused on young people; there is no supporting assistance for the 750 000 low-skilled workers aged 40 and above. It is very worrying that the grass-roots people will for a long time be unable to improve their livelihood. This would result in more unemployed people having to depend on Comprehensive Social Security Assistance (CSSA), directly adding to the burden of public finances.

I hope that when the Government develops high-technology, high value-added industries in the future, it could at the same time keep in mind the objective of giving priority to employment and create more job opportunities for low-skilled citizens with a low education level. What has to be done in this respect includes assistance for the development of personal and community services, promotion of environment protection industries, strengthening the tourism industry and support schemes for small and medium enterprises, as well as strict monitoring of foreign domestic helpers.

The Financial Secretary specifically mentioned in the Budget that additional allocation would be made to provide an extra 870 residential places for the elderly. In this fiscal year, the Government will increase the expenditure on elderly services by 10.6%. This we welcome very much. However, in the face of an ageing population, and the general poverty among the elderly, we would like to know what specific ideas and measures the Government has in public finances to address the problems.

In the past three years, the proportion of old people applying for CSSA has been creeping up, at an average annual rate of 10.7%. Up till January this year, the number of old people on CSSA reached 133 540. Besides, government allocation this year for residential care for the elderly will reach \$1.8 billion, an increase of 72% over that in the year 1997-98. These figures show that more and more people are relying on public welfare for their livelihood at old age. Given the limited public revenue, we are worried that the expenditure on elderly services will one day fail to meet demands by a very wide margin.

Now, there is no time to lose for us to look for various long-term financial resources for elderly services, and to improve the financial position of the elderly.

Tax measures are not the only means to resolve the problems our public finances now face; equally important is to realize the effectiveness of the various policies. We hope that the polluted air will become clean again very soon, so that Hong Kong is always under an azure sky.

Madam President, these are my remarks.

MR ANDREW CHENG (in Cantonese): Madam President, I shall speak on cultural and recreational matters and the issue of employment.

In respect of government allocations for cultural and recreational services, I believe the greatest concern of the cultural sector is the role of the newly established Culture and Heritage Commission. Secretary David LAN once indicated that the reason for not hastily appointing the Culture and Heritage Commission was the importance the Government attached to its functions, and so the delay. However, reality tells us that what the Government stresses is probably not how the Commission can contribute to culture and art, rather what

sort of control the body can have over culture and art. The Government has earmarked \$2 million of administrative expenditure for this high-level body; as resources are not a problem, the reason for delay in its establishment is obvious, and that is, whether the candidates can meet the expectations of the Chief Executive. Naturally, from where Mr TUNG Chee-hwa stands, the candidates to be appointed must fit the cultural environment he has hoped to build as indicated in his policy addresses of the past few years. However, this is exactly what the Democratic Party is most worried about. We think that the role of the Culture and Heritage Commission should be limited to assisting or financing the growth of the various local art groups without auditing the contents of expression of such groups; nor should performance be judged by patronage. The Culture and Heritage Commission must not evolve into a machine that assists the Government in formulating central cultural policies, in manufacturing mainstream social values, in controlling ideology in society, and, with all these, suffocating the freedom of creation and performance long enjoyed by local art groups.

Madam President, though there are still people saying Hong Kong is a cultural desert, I agree with only half of that statement, because everybody can see that Hong Kong has already become an oasis of the pornographic culture. Publishers of comic books can attach masturbating devices free to such books; newspaper can print feature articles teaching people how to rape women. Such comic books and newspapers reach every corner in Hong Kong, and are easily available to our youngsters. From the point of protecting the young, the current Control of Obscene and Indecent Articles Ordinance is both out-dated and feeble. The Government has every now and then said that the consultation document for amending the law would soon be published. But the issue has dragged on for close to one year. Therefore, I hope that the Government would release the consultation document as soon as possible, and after listening to the views of various quarters of the community, submit a bill to this Council for scrutiny, so that our next generation can be sheltered as far as possible from the bombardment of the pornographic culture. Besides, in the area of law enforcement, I am glad to note that the Television and Entertainment Licensing Authority (TELA) has deployed seven additional officers, making a total of 28, to inspect all the news-stands, video rental shops and computer stores. But as the job is pretty labour intensive, the 28 officers are hard pressed because they not only have to inspect all retail outlets throughout the whole territory, but also have to examine the publications and articles that may have obscene and indecent contents back in their offices, and then write the necessary reports. Therefore,

each additional officer assigned to such duties enhances the effort of monitoring and regulation. I urge the Government to consider increasing the resources in this respect so that the case of having laws but having nobody to enforce them will not arise.

It is said recently that the Executive Council rejected the consultation document on the Control of Obscene and Indecent Articles Ordinance, and instructed the Information Technology and Broadcasting Bureau to redraft it. We firmly believe that it is because the original consultation document contains the quite sensitive and controversial recommendation for a screening committee appointed by the Government to do the preliminary screening to determine the categories of the articles. This recommendation is in fact a reincarnation of the earlier proposal made by the Law Reform Commission. The Government seems not to know really well how to control obscene articles. What it wishes to do is to monitor and regulate ideology through centralized power. The pornographic culture does have a major and long-term impact on society, and the Government must do something about it. However, we should bring public pressure to bear on the industry and should start by remedying the present shortcomings of the TELA, rather than interfering with the freedom of speech with centralized executive powers. The Democratic Party proposes that shops selling adult articles should be licensed according to a three-category system, and that the Judiciary should retain the obscene and indecent articles tribunal in its framework, and to judge such articles with juries; the duty should not be transferred to a government-appointed committee.

Madam President, in the area of recreation and sports services, the Democratic Party is most concerned about our application to host the Asian Games. We have always thought that the Government should first upgrade local sports facilities before we host international sporting events, or compete with other applicants for the Asian Games. Obviously, if we survey our exciting sports facilities, we will find that very few are up to scratch. However, it is strange that the Australian consultants commissioned by the Government recommended to use the Shing Mun River as the venue for the rowing events, the Tai Hang Tung Playground for archery competition after some minor alterations, the Mong Kok Playground as the venue for international football matches. I think that rather than confirming we are adequately qualified to host the Asia Games, the consultancy report has given rise to many doubts. Unless the Government is willing to invest the necessary resources to improve the water quality, to re-turf the playgrounds, to add spectator stands, or even to rebuild

certain facilities, even if we do successfully bring the Asia Games to Hong Kong, the athletes may have to compete on polluted water, or kick the ball out into the street. I think that the Government of the Special Administrative Region would not like such absurdities, which could become a fact any time.

Madam President, I would now like to speak on employment and people's livelihood. The Financial Secretary said in his Budget speech that Hong Kong has survived the grave economic blow, and our economy is bouncing back, our GDP is rapidly growing again, and that economic prospects for the coming year are bright. However, I wonder how many citizens can share his optimism. Though the unemployment rate has dropped a little bit now, it is still at a high level; over 200 000 are jobless.

In his Budget speech, the Financial Secretary gives a strong message that we must improve our economy, give the business sector an environment conducive to business, and let the Hong Kong economy take off again so as to benefit the whole society. I believe this is what the Financial Secretary wants, we do not doubt it. But it is hoped that the Secretary would consider whether, in Hong Kong, employees are sure to benefit when the bosses make money; if the consortia will share their profits with the working people. You may have noted that a certain consortium with over \$100 million of profits has reduced salaries and has been laying off staff on the pretext of cutting expenses; some consortia are also beginning to slash the better benefits and salaries enjoyed by their staff in order to reduce their future commitments following the introduction of the Mandatory Provident Fund.

Madam President, in his Budget speech the Financial Secretary still leaves hints about the departure tax and the sales tax, indicating that a Task Force will be set up under the Secretary for the Treasury to continue to examine the feasibility of these two taxes that will directly affect people's livelihood. The Democratic Party wishes to reiterate that we oppose the introduction of the sales tax and land departure tax in principle because they add to the burden of the citizens, and aggravate the disparities of wealth in society.

The Financial Secretary has earmarked \$300 million for a package of training, retraining and employment-related initiatives this year. But very limited number of people can benefit from this package. The seven new initiatives to be underwritten with the \$300 million mainly focus on relatively younger people with an education standard of below Secondary Three. But

what about the 750 000 low-skilled workers aged 40 or above, with average academic qualifications of Secondary Three or below whom the Financial Secretary also mentioned? What about the continuous stream of newcomers from the Mainland every year who come to settle down and look for jobs in Hong Kong? \$300 million is not a small sum, but it could still be minimal in our attempt to address the unemployment problem.

Among the seven new initiatives proposed by the Financial Secretary in the Budget, I have reservations about some of them. One is the Youth Pre-employment Training Programme. While the effectiveness of the programme is still to be seen, whether it can really help youths land jobs is still to be reviewed, is there really any practical need for the authorities to decide to use over \$100 million to expand this programme to cover youths aged 15 to 19?

The Democratic Party thinks that the Government should introduce a system of "technology training vouchers" to encourage youths who have not finished secondary school and Secondary Five and Secondary Seven school leavers who have not been admitted into tertiary institutions to further their education. The training voucher is different from course subsidy: the voucher is consumer-based, for the consumer can choose training programmes suitable to themselves, so that the demand of the individuals and the market can be met more flexibly. Besides, the Government should increase the tax concessions for people receiving training, and to create an interest-free loan scheme for Secondary Five and Secondary Seven school leavers as an incentive for employees and young school leavers to take professional education programmes.

To address the impact on economic restructuring on grass-roots workers, the Democratic Party is of the opinion that the Employees Retraining Board (ERB) should continue to increase retraining places to admit more eligible unemployed people. The ERB could also consider focusing on certain new retraining courses on top of the existing ones to help the unemployed enter trades and sectors with staff shortages. For instance, the ERB could offer courses relating to environmental protection, so that grass-roots workers can participate in the development of environmental protection industries like recycling. Further, the ERB should offer basic training courses on information technology, so that the participants can grasp the operation of the Internet besides word-processing. Naturally, all such new courses required new resources. Just the other day, the ERB stated that in order to find additional resources and cut costs, it planned to double the fees for evening or half-day courses. This is high time

that the Government reviewed whether the resources for retraining at the grass-roots level are adequate.

On the other hand, unemployment in the construction sector has persistently remained high, with vacancies for site workers dropping. With the implementation of the Disney theme park project, the Construction Industry Training Authority should set up a special group to organize training programmes for certain types of work for which shortage of workers is expected.

Madam President, the scheme to admit talented people only formally began last December, and the Immigration Department has indicated that \$4.40 million would be allocated for the creation of 10 posts for processing the expected applications. Naturally, the screening is very important because only through such process can we ensure that those admitted are the talented people Hong Kong needs badly. However, the Democratic Party is concerned about whether those admitted would violate the admission and residence terms and conditions. Would they take up part-time jobs on the side, or accept lower salaries? Therefore it is equally important that the scheme should be properly monitored to prevent any abuse. For this the Government must provide adequate resources and manpower.

Lastly, I shall talk about the issue of occupational safety and health. Allocations by the Government for occupational safety and health efforts have come down as compared with last year. The Education Commission has an estimated expenditure of \$6.32 million for raising the standards of occupational safety and health in the new fiscal year, less than the \$6.35 for 1999-2000. In the Labour Department, the allocations under the workplace safety and health programmes also dropped by 2.2%. In response to my question, the Education Commission explained that in the past two years, the authorities had, under two subheads, provided many occupational safety facilities and staff training to government departments and subvented organization, and that the expenditure could be cut by way of stricter vetting of applications for funds and prioritizing the various programmes. And the Labour Department indicated that the reduced estimate was the result of enhanced productivity and the conclusion of the non-recurrent tasks of printing the practical guides for occupational safety and health and other publicity materials.

I think that the explanations of both the Education Commission and the Labour Department are not acceptable. For instance, in the Education Commission's effort to raise standards, irrespective of what was done in the past, once new legislation regarding occupational safety and health is enacted, the Government will have to spend money to meet the new requirements. And after the enactment of the new legislation, the Labour Department might need to print new publicity materials. Indeed, the number of non-industrial accidents was on the rise last year, and so was that involving non-industrial employees, as compared with 1998. The Administration should not slow down because it proposed several pieces of occupational safety and health legislation last year. As there are still quite a number of legislation on occupational safety and health to be submitted to this Council in the coming year, and there is much room for improvement in this area, the Democratic Party hopes that the progress in improving occupational safety and health in Hong Kong would not be unduly affected by the reduction in resources.

Madam President, the various proposals put forth by the Democratic Party above show that there still is room for improvement in the various areas such as unemployment and labour problems. When the Government introduces new initiatives or plans for new allocations, it should not merely focus on developing business opportunities, and forget the "rice-bowl" interests of the grass-roots workers.

Madam President, these are my remarks.

MR HO SAI-CHU (in Cantonese): Madam President, the Budget of the Special Administration Region (SAR) for 2000-01 is one that pleases all. In the Budget, the Government made it clear that the economy of Hong Kong is bouncing back, and there are data showing that the recovery is relatively fast. I think this is great news. The Government treasures this recovery very much, therefore it manages to go along with the development and has not done anything to undermine the pace of recovery. For this reason, the Budget is welcomed in every quarter of society. We know that when our economy recovers smoothly, tax revenue will increase, and will be sufficient to pay for the expenditure and make up for the deficit.

In his latest Budget speech, Secretary Donald TSANG said that the fiscal deficit for the current year dropped dramatically from the forecast \$36.5 billion to \$1.6 billion. No doubt this is a dramatic change, and it is a comedy, no less, the director of which is the SAR Government. In 1998 when the financial crisis was ravaging Hong Kong, major international financial predators were snatching up the assets of the citizens of Hong Kong, the Government determinedly took out over \$100 billion to stabilize the stock market, defeating those avaricious predators who treated Hong Kong their tills from which they could remove as much money as they liked, and safeguarding Hong Kong people's hard-earned assets. The Liberal Party supported the incursion wholeheartedly. However, after such determined action of the Government, some academics, experts, and certain Members of this Council voiced their strong objection, accusing the Government of contravening the "non-intervention policy" long practised in Hong Kong, creating a bad precedent for the Government to participate in speculative activities. One Member even asked: "Why not use this \$100 billion to give relief to the poor people instead of buying stocks?" The outcome proves that the Government's action was completely correct. Without this incursion there would not be the subsequent stability of our financial markets. From this incident we can see the very poor economic knowledge of some representatives of public opinion.

The \$1.6 billion of deficit for the year 1999-2000 is insignificant compared to the \$230 billion-odd expenditure in our public finances. When the Government balances its books in the coming May or June, what finally appears might be a surplus instead of a deficit.

For the fiscal year of 2000-01, the Government has tabled a Budget with a deficit of over \$6.2 billion. Barring unforeseen circumstances, this deficit of \$6.2 billion might also eventually turn out to be a surplus, because past experience tells us that the Government is normally relatively conservative in drawing up budgets. Whenever a deficit budget was drawn up, either the deficit was greatly reduced, or it simply turned into a surplus. Of course, in the coming one year, there are two elements that would affect the Budget: One is the speed with which the Hong Kong economy recovers; the other is the progress in the reunification of both sides of the Strait.

As mentioned, our budget will tend to get balanced. However, upon careful study, I feel that our tax base is really relatively narrow, with fewer people paying taxes. From a long-term point of view, this does not help assure stable income. It is an issue that needs to be studied. The Government has decided to set up a Task Force to examine the issue. This I support.

I shall talk about the economic aspects, in particular I wish to put forward some suggestions in respect of "Strengthening Support for Innovation and Technology" and "Promoting Hong Kong's Professional Services".

As the Financial Secretary has stated clearly in the Budget speech: "In order to enhance Hong Kong's competitiveness in an increasing technology-driven world economy, we must harness the power of innovation and technology.", the Government will restructure the institutional framework and appoint a new Council of Advisors on Innovation and Technology to strengthen the support for innovation and technology within this year.

I fully agree with the direction. At the same time, I wish to point out that the development of innovation and technology is not only for achieving a high level of application of technologies in Hong Kong, but also for raising the level of application of technologies by our existing industrial and business sectors, so as to enhance their competitiveness. We must understand that 98% of our enterprises are small and medium in size and they can hardly spare the resources to engage in research, development and application of technology. If the Government hopes our industrial and business sectors can enhance their level of such application with the onset of knowledge economy, it has to invest more resources to support them.

Apart from supporting the industrial, business and other sectors, I think that if Hong Kong is to successfully drive the development of innovation and technology, the Government itself must set an example by taking the lead. At present, the progress in government departments in the area of enhancing technology application is not satisfactory. The progress in information technology, for instance, varies in different departments, and is way behind our neighbouring competitors. I would cite the example of Singapore. The National Park of Singapore employs advanced information technology to create a file each for all trees inside the park, particularly those lining the roads, recording in detail the species of the trees, their age, the history of their diseases and treatments. The Park management can use such information to

scientifically take care of and nurture the trees. Singapore employs technology even in running parks and taking care of trees lining the road, we can well imagine to what extent the country is applying technology to other social matters.

For this reason, I hope that in promoting and applying innovation and technology, the Government could take the lead to set an example. Besides, a market should be created to support the establishment of local technology industries and the nurturing of local talent.

The second economic issue I wish to talk about is the promotion of our professional services, as some other Members have already mentioned. The Financial Secretary said in his speech that with the globalization of world economy, Hong Kong must seize the opportunity to enhance our competitiveness as an international financial centre. For this purpose, the Government will restructure its framework to bolster overseas promotion efforts to attract more inward investment. I fully agree with this approach. However, I would also point out that the promotion efforts of the Government should not focus merely on attracting foreign capital, they should also aim at selling our excellent industrial products and professional services, like engineering, construction, accounting and legal services, to foreign countries.

I hope that the Government would appreciate that our professional services are world-class, are valuable assets of the Hong Kong community, which the Government should promote and those offering them should put them to the best use. Take the professional services in the construction field as an example. As the Government has plans to make huge investments in infrastructure projects, it should fully utilize local engineering and construction services to facilitate technology transfer so as to spur the development of the industries and further raise their professional standards.

On the expenditure side, given that the Government does not have too big a deficit and there is a serious problem of unemployment in the construction sector, it is essential to increase the expenditure on infrastructure. In the Budget for the coming year, the Government has proposed spending \$26,365 billion on infrastructure projects, with an increase of 7.4%. Increases in investments in infrastructure will improve employment and speed up economic recovery. It is forward-looking for the Government to plan ahead.

Insofar as daily government affairs are concerned, participation of the industries concerned should also be strengthened. Let me use an example to illustrate my point. The other day in To Kwa Wan, an accident of canopy collapse occurred, which reminded once again the community of the danger of illegal structures. The Buildings Department which is responsible for inspecting and clearing illegal structures has complained that it does not have the adequate manpower to speed up the job. The Financial Secretary has indicated in his Budget speech that the Buildings Department will receive \$90 million in the next three years to increase the pace of clearance. This is doubtless good news. But could the Government further consider contracting out the inspection and clearance jobs to private firms so as to drastically speed up the progress of clearing the illegal structures? I hope that the public and the private sectors could increase co-operation.

In the area of health and welfare, the Government has been promoting self-reliance among recipients of Comprehensive Social Security Assistance (CSSA), encouraging them to find work. This will on the one hand invigorate the positive attitude of the recipients, and will on the other reduce the number of CSSA recipients, and so CSSA payments. Re-integration of large numbers of recipients into the labour force is a manifestation of the self-reliance spirit, and will display the virtue of earning one's own living on the part of Hong Kong people.

However, we need to discuss if support for the elderly is adequate. The Secretary for Health and Welfare proposed, "In the coming year, we will spend \$1.8 billion to provide residential care for the elderly. We will increase 2 510 residential places." Are these 2 000-odd places sufficient? Let us look at the actual situation before making a judgment.

According to international standards, a society is ageing when people over 60 constitute 10% of the population, those over 65 years old 7%. In that case, Hong Kong already entered the ageing stage at least 14 years ago, that is, in 1986. In that year, our old people aged 65 and over made up 7.6% of our population. Nevertheless, in these 10-odd years, the problems involving the elderly have remained unresolved. Following the raised living standards and the increasingly longer life expectancy, the problems of ageing population will become more and more serious. Hong Kong is no exception. The Government should be forward-looking and should take precautionary measures to nip the elderly problems in the bud. If the problems are not addressed

seriously, and if they are let to grow because of our inaction, there will be very dire consequences when they eventually develop out of control. Right now, several ten thousand people are applying for places in elderly homes, and it is very common for them to wait for three to five years. The proposed extra 2 000-odd places are too few to be of significant help. The total number of residential places is but 20 000-odd, so just how long the old folks have to wait? Because the elderly are not properly taken care of, several thousand such applicants died every year before they got the residential places they applied for. Do we want to see this happen?

Good elderly policies or bad ones serve to demonstrate if our community is a "caring one" or a "cold and unsympathetic one". It is easy job for well-off families to resolve their elderly problems, but to the vast number of wage earners, particularly those low-income ones, there are difficulties for them every step of the way. Do we, who plan and make elderly welfare policies, feel the vicarious pains about such situation? Do we have the sense of pressure and responsibility in searching for ways to address the issue of residential places for the elderly?

I wholeheartedly wish that the Government would allocate more resources to honestly and quickly increase the number of residential places for the elderly so that they will not end up like "dead fish in the market". With these remarks, I support the motion.

MISS MARGARET NG: Madam President, the Financial Secretary said, in the conclusion of his speech, that he has proposed fewer revenue measures this year than in any of his previous budgets.

I do not support action for action's sake. But in one area, more determined action is necessary, and that is the pay cut and downsizing of the Civil Service. The whole community suffers for an over-sized and expensive Civil Service. I do not see how the Financial Secretary can ask us to swallow a "user pays" policy if the cost of services is kept high because of low productivity.

The Secretary for the Civil Service has started to take action by adjusting the Master Pay Scale for new recruits. The Finance Committee of this Council has given him support. But that is not enough. Adjustment must include the top. The superfluous numbers receiving unjustifiably high salaries now at

senior levels must not be sheltered any longer. Protecting them while picking on the rank and file would only cause bitterness. It would also render the exercise with all the pain to little effect. The Financial Secretary says that he hopes to cut 10 000 posts over the next three years. Like the Honourable Miss Christine LOH, I am also unimpressed. If this is the degree of determination in the Government, the exercise will not get us anywhere.

Further, I am not optimistic that a smaller government will emerge at the end of the day, given the tendency of Mr TUNG's administration to intervene and grab control for the Government at every turn. In my view, the Government should leave people alone if it can, and swap increase in establishment for contracting or briefing out. Otherwise, Hong Kong will lose its flexibility and competitiveness. I would much rather spend money to give help to the vulnerable and needy, than to pay a crippling civil service bill.

Madam President, I was not going to refer to the Financial Secretary's intervention in the stock market in 1998 again, because the Financial Secretary took care not to sound smug about it, but the Honourable HO Sai-chu just now seemed to suggest that the windfall from the stocks that we bought was a source of self-congratulation. If so, I must warn that this is no reason to make a habit of this very extraordinary breach of the non-intervention principle that the Hong Kong Government has always followed. We have been undeservingly lucky. It would be ill-judged to use the result to justify the means.

Madam President, I will confine the rest of my remarks to the expenditure and estimates on the departments most directly relevant to the administration of justice and the rule of law. These are among our top priorities. But even here, the same disciplined approach must be followed.

In this regard, I am concerned about the staff increase in the Department of Justice. On the figures produced by the Department in answer to my questions, there was a net increase of 30 posts in 1999-2000, which is after a net increase of 43 posts the year before. And 23 posts of the increase are in the Prosecutions Division.

At the same time, one sees a sharp decrease in briefing out. In the magistrates' courts, this has dropped from 937 court days in 1998 to 73 in 1999, and 75 in 2000. This is a fundamental change of policy in briefing out. It makes that prosecutions in magistrates' courts almost entirely conducted by the

120 lay prosecutors who are not qualified lawyers. At a total of 15 250 court days per year attended, this is 127 days for each prosecutor. I am told that the total cost is \$66.6 million. This does not, of course, take into consideration the cost of the senior government counsel supervising them. This is certainly not cheap. This is also not flexible. Last year, there was a drastic decrease of number of court cases, but that the number of lay prosecutors cannot be reduced because they are permanently employed. Moreover, while the fees of qualified lawyers in private practice have come down as a result of deflation and the economic downturn, government salaries are going only upward. The Director of Public Prosecutions must ask himself again whether he is really getting the right balance between thrift and the desired qualification.

In a world of high costs of litigation, legal aid is necessary to make access to the Court a reality for most people. The Administration is right to maintain a policy of not setting an upper limit to the budget for legal costs. But this is far from being extravagant, because when a party under legal aid wins a case, the legal costs he has incurred is paid by the other side. Figures produced by the Legal Aid Services Council show that there has been an increase in the proportion of fees recovered: In 1996, it was 32%, in 1997, 36%, and in 1998, 48%. As an increase by 13% is estimated inclusive of staff increase, I would expect the Director of Legal Aid to do his utmost to achieve an even higher rate of recovery this year.

However, the same warning must be given on staff increase in the Legal Aid Department. There has been a steady increase in the last three years. 2000 is the first year of a marginal decrease in establishment. Where briefing out is viable, it must be preferred to an increase of in-house staff.

Different priorities apply for the Judiciary. Cost-effectiveness must not be achieved at the cost of justice. There should be enough judges appointed at the right level. The aim must not be how best to cut out empty court hours or minutes, but how best to ensure that justice is done and done without excessive delay.

At the moment, this Council is examining the District Court (Amendment) Bill. The jurisdiction of the District Court will be greatly increased, in fact, by five-fold to \$600,000. It will hear personal injuries cases for the first time. 92% of all domestic premises will come within the District Court jurisdiction. The caseload of the District Court is expected to increase by over 50%. The

Bill, if enacted before the end of June, is expected to come into effect by about September this year. Yet the manpower provision for this change is extremely modest. I urge the Chief Secretary for Administration to take a special interest in the matter, and make sure that sufficient support is given should demand exceed expectation. Hong Kong cannot afford chaos in its courts.

Finally, I would like to remark on public funding for the Postgraduate Certificate in Law (PCLL) course. Last year, I had the occasion to thank the Chief Secretary for Administration and the Secretary for Justice for their support for funding for a comprehensive review of legal education conducted by the legal profession. The aim is to make recommendation for changes to enhance the quality of legal professional training. Recently, it was suggested that the University Grants Committee might withdraw funding from this course. This one-year professional training course is an integral part of the training and qualification required by law for professional practice. It is already the minimum training necessary, and compares unfavourably with some major common law jurisdictions. Hong Kong cannot afford to cut back on manpower investment of this nature. I urge the Secretary for Education and Manpower to assure this Council that the training of lawyers will not be sacrificed because money cannot be saved from trimming down the Education Department.

Madam President, we should certainly take a hard look at reality and make the hard decisions to cut costs. But we must also do it in such a way as to preserve our strength and enhance our competitiveness. Where the vital interest of the rule of law is concerned, we have to be particularly careful.

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

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, just last Friday the press reported a family tragedy that an unemployed man in Choi Fai Estate, Ngau Chi Wan killed his wife and children. At the same time, there were also prominent reports that Mr LI Ka-shing announced that his Hutchison Whampoa recorded a profit of \$117.3 billion last year. These two pieces of news serve to underscore a big irony in the social development of Hong Kong, and they also reveal the very reality of the present Hong Kong. The gap between the rich and the poor is so serious in Hong Kong that it exceeds that in developing countries. And the Gini coefficient that reflects wealth disparity was 0.52 for Hong Kong in 1996. With the deterioration of the situation in the past few years, the figure

would have climbed another 0.2 to around 0.3. The disparity will keep on getting worse. However, some people deem it a natural phenomenon, because it is true that in the process of natural selection in a capitalist society, the fittest survives. But the so-called truth does not take into account of two things: first, it does not respect the principle that everybody was born equal; second, it does not respect and consider the social obligation of caring for the weak. When we look back at the policies of the Government, we can easily discover that the Hong Kong Government not only has no policies to narrow the gap, rather it played a catalytic part in its widening. This year's Budget simply ignores the persistently high unemployment rate of around 6%, the 700 000-odd workers in high-risk groups who are liable to lose their jobs, the 600 000-odd citizens who live below the poverty line. On the other hand, the Budget restrains public expenditure, further reducing assistance for such people. By doing this, the Government neither respects their rights, nor discharges its social obligation. At the same time, it is doing a lot to nurture the economic bubble that is re-emerging, with a view to getting quick economic results, at the risk of generating other long-term social problems.

Is the Government indeed helpless about the problems of unemployment and poverty? Does it, as some people have said, have the will, but not the power? The reply is of course no. However, in order to convince the citizens that was a fact, the Government went so far this year as to exaggerate its financial difficulties, eliminating any public expectations of the Budget, so minimizing public dissatisfaction with the Government for its refusal to relieve public hardship. When the Government sinks as low as that, we cannot but sigh sadly. In fact, with fiscal reserves of over \$400 billion, and Mr Joseph YAM announcing triumphantly the other day that the Exchange Fund had an investment income of over \$103 billion last year, we would just ask, how could you claim to have financial difficulties with such enormous reserves, and refuse to do something for the citizens who are still leading a hard life? Indeed, the Government also magnified the financial difficulties last year, but the forecast deficit of \$36.5 billion has come down to \$1.6 billion. With such a deficit, many people feel that there is actually a balance of revenue and expenditure. Now it is forecast that we shall have a deficit of \$6.2 billion in the coming year, and therefore we have to cut expenses. In fact, nobody believes that there will be a deficit the next fiscal year, and all think that we are likely to have a surplus instead. Therefore, if the Government stresses that our GDP will grow by 3.5%, while our expenditure will only increase by 2.5% in real terms, how can it convince people and make people accept its words? Despite being in such good

financial shape, the Government insists on curbing the growth of expenditure, reducing rather than increasing the assistance to the unemployed and the abject poor, altogether ignoring the problems they are facing; this, I am afraid, will exact a heavy price on society in the long term.

Madam President, this is the fifth Budget of the Financial Secretary. I recall that when he published his first Budget, it was the first time I read the Budget as a Member of the Legislative Council. At that time, the issue the community was generally concerned about was exactly the same as the present one, that is, how to resolve the unemployment problem. But the rate of unemployment at that time was only 3.5%, it has since soared to the current 6%. At that time, the Secretary announced that another \$300 million would be injected into the Employees Retraining Board (ERB), hoping to fill vacancies in the private sector through raising the level of skills of the employees, so as to reduce unemployment. As compared with 1996, the rate of unemployment has now doubled, and at least 750 000 unskilled workers over the age of 40 with academic qualifications below Secondary Three are in danger of losing their jobs. But the Budget unexpectedly lacks any measures to help them. The \$300 million the Secretary so stressed was only meant for promoting employment and encouraging continuing education, the emphasis is more on youth education than on helping the unemployed rejoin the labour market. While the ERB will have only \$160 million-odd in balance next year, the Government has made no promises to inject funds into the ERB to resolve the difficulties. On the contrary, it will, through the ERB, increase the fees for the subsidized courses, with the intention also to cut the allowance for unemployed course participants. Not only does the Government not lend a helping hand to the unskilled and the unemployed, but it also rubs salt into their wound. I do not think this is what a government should do. Indeed, the Budgets for the past few years carried certain measures to create job opportunities and solve the unemployment problem. For example, many infrastructure projects were launched in 1998, and a provision of \$80 million was made to the Construction Industry Training Authority. Last year, there was a promise to create 122 000 jobs in the next two years. But there is no mention in this year's Budget of the progress of such schemes, nor is there any measure to help the unemployed. How can this Budget not make people disappointed?

The Budget seems to hint that the Government has given up the present and potentially unemployed middle-aged people, and so turns its attention and resources to vocational training for the youths, allocating \$300 million to

continue and enhance the Youth Pre-employment Training Programme and to launch the brand-new Project Springboard. But can these measures help mitigate the present youth unemployment rate that has reached 29%? Indeed the best the Youth Pre-employment Training Programme can hope to do is to prevent the current unemployment problem from worsening. How can we say that the problems will really be resolved? I think that the Secretary has not prescribed the right medicine for the illness.

In an effort to soothe the many people who worry that the development of high technology might create a crisis of mass unemployment, the Financial Secretary has optimistically referred to the similar technological reform in the United States in the 1990s when the unemployment in the country actually went down instead of going up because the technological reform spawned economic development and with it, creation of job opportunities. However, was that a fact? Has the livelihood of the the American citizens improved? Many studies have pointed out that the jobs created in the 1990s in the United States in the wake of the technological reform were not as many as reported. The jobs so created were mainly low-pay and part-time ones in places such as fast-food shops. So even the workers managed to land a job, their livelihood did not see much improvement. Further, it is reckoned that one fifth of the employees in the United States are still working under obnoxious environment. Now coming back to Hong Kong, the technology bubble may only bring such job opportunities. Without the protection of minimum wage, employees might have to put up with the inhuman wage of \$11 an hour; how can their life be improved? The citizens will likely ask, despite the economic growth of 3.5% and a rise of 7 000 points in the stock market, why the unemployment rate is still that high. The answer is that, Hong Kong, like other advanced countries, is experiencing economic growth that does not create new jobs. One of the reasons leading to such a state of affairs is the shortsightedness and bias of the Government which rather subsidizes a consortium in the Cyberport project, reduces the stamp duty on stock transactions to encourage the citizens to join the crazed speculation in the technology bubble, than spending some money to help the unemployed. The Government simply chose not to support the environmental protection-related recycling industry that can create jobs; on the contrary it intends to spend \$9.8 billion to build incinerators. What it should do, it does not, but throw in enormous investment into what it should not do. This gives people the feeling that the Government is prescribing medicine indiscriminately.

Madam President, the fifth Budget of the Financial Secretary is one more in a series of budgets that have persistently suppressed public expenditure, and serves to show the shortsightedness and narrow-mindedness of the Government in its policies. The Government has completely ignored the social problems that have come with expenditure constraint. In the first place, the Government has in these couple of years actively pursued privatization and civil service reform, the euphemism being to enhance efficiency, but in effect it is to curb the growth of public expenditure. The way the Government treats civil servants is exactly the same employers in Hong Kong in general treat their employees, that is, the focus is merely on short-term benefit, to the neglect of the negative effects of the continuous exploitation of employees on productivity and on society as a whole, and the importance of the Civil Service to social stability. We can imagine that when the Civil Service is made to worry because of the reform the Government forces upon them, the social cost to be borne by the citizens of Hong Kong will certainly exceed the public expenditure thus saved. Our Government has never studied to understand the pains other countries had when they reformed their own civil service; all it wants is to win the race of cutting expenditure.

In fact, countries around the world have brought fundamental damages to their societies in the race to cut public expenditure. The Government of Hong Kong has not learnt a lesson, instead, it actively supports such cuts, and the most obvious example is the expenditure on welfare. The Government has again reduced the growth in this area to a single digit, exactly one half of the welfare expenditure growth budgeted in the first Budget of the Financial Secretary. The figure is now 8.2%, and it was over 16% in the past. The growth in expenditure on Comprehensive Social Security Assistance drops to the present 10.7% from 37.9% in 1996-97. The suppressed growth in welfare expenditure does not signify improvement in the life of the citizens, which results in less need for the expenditure; it merely makes the poor poorer. In countries where welfare expenditure is cut, like the United States, social problems are worsening, juvenile delinquency for example grows more rampant by the day. Let us look at Hong Kong, the situation here is similar, for our juvenile delinquency problem is also deteriorating. Three kinds of youth crimes are very serious now, including shop theft, miscellaneous theft and assault causing injury; the respective figures for 1999 were 3%, 9% and 26% higher than those of 1998. This shows that the cut in welfare expenditure has deprived the youngsters proper counselling, they thus went astray.

Madam President, the Financial Secretary might have made us think this Budget is not a bad one, through some threatening tactics. But we think that this Budget has in effect done nothing to resolve the problem of unemployment; worse still, to the ordinary citizens, burden is added. Though no specific taxes have been added, but the increase in the 3 000 fees and charges is coming. So we are doubtful if this Budget can improve the livelihood of the citizens of Hong Kong. I recall that when the Financial Secretary published his first Budget, he said, "The Budget summarizes the work of the Government in managing the Hong Kong economy and social affairs; addresses and responds to issues of public concern; fulfils the obligation of the Government to lead, and clearly outlines the future direction of our development." The Budget this year does not solve the unemployment problem that is of public concern, nor has it envisaged the social problems that will come after the Government cuts expenditure. I hope that the Financial Secretary will ask himself, can this Budget really benefit the people?

Madam President, I so submit.

MR LAU KONG-WAH (in Cantonese): Madam President, in the past Budgets, the Government always made some moves, whether it was for relieving the people's hardship, or for revitalizing the economy; fiscal means was used to achieve the objectives. This present Budget, however, adopts a tactic of "inaction rather than action". Some people have said that this strategy will give Hong Kong a rest, so as to recuperate. But I think that "to rest" is not the same as "to stay still", "to rest" is also not "to stop". On the contrary, now that there are no major controversies, the Government and all the citizens should take this opportunity to contemplate the driving force of our future economic development.

As of late, citizens have been enthusiastic about the public listings of emerging enterprises: queuing up, ballot drawing, winning the draw, "getting the money"; this formula is exactly the same as that in the heyday of the real estate prosperity. Whatever the companies, if their names begin with an "e" or an "I", there will be suitors. Some people think that this is a good opportunity for switching their investments, others think that it good for "making quick money". But few have any clear idea about the development of the so-called "innovative technology" or "information enterprises". They wonder if new opportunities will be down the road; if the economic restructuring would deal a blow to the old economy; or if their own job security would eventually be put on the line.

Worrying about their "rice bowls" is no longer a problem exclusive to the grassroots; this is also a worry of the middle class and the professionals. To those already unemployed, or likely to lose job security, "unemployment" is more than losing their jobs, it means they might not have the chance or ability to land new ones. Indeed, this generation of people cannot hold jobs in the same company for their entire working life. Even iron rice bowls might get rusted. When there is new development in society, new industries and trades will emerge. So, all "wage earners", apart from hoping their employers would not fire them, should work hard to equip themselves in preparation for the challenge of their next jobs. This is the spirit of continuing education, the so-called "lifelong learning", learning to prepare for the next job. Our unionist friends should urge the Government to do more, and should at the same time disseminate this message to the "wage earners": lifelong employment has become extinct, what truth there is should be lifelong learning. Hong Kong still needs the spirit of "self-reliance". This Council has often heard representatives of the labour castigating employers for being unscrupulous, and the capital accusing the labour of making unreasonable and excessive demands. All these are just platitudes, are they relevant in this new world? At the very least, such platitudes are not likely to provide new impetus to economic development. In fact, all organizations and enterprises should also be educational institutions, and the Government must take the lead in promoting voluntary resignation schemes. This should receive constant attention. The Government should not encourage continuing education and training only in time of economic difficulties. When the economy turns around, emerging industries will develop at an even faster pace. Therefore, continuing education should be a continuous investment, the third area outside basic education and tertiary education that merits heavy investment.

Madam President, there is now in Hong Kong one phenomenon: employers in the industrial and business sectors often complain that the fresh graduates and school leavers do not possess the minimum standards as demanded by the job market; on the other hand, teachers in schools are scared that one in every four students they spent a lifetime teaching is unemployed. What the schools teach and what the enterprises need are often mismatched. While people are blaming each other, we must admit that the world has changed. When teachers are still using their age-old teaching notes or passing on limited knowledge, the students have already had access to the multifarious and colourful information through the Internet. In this age of knowledge explosion and this era when knowledge is no longer to be learned by rote, if teachers still limit themselves to the role of just passing knowledge, or remain out of touch with the emerging industries, such mismatch will always be with us. I quite

appreciate the workload of the teachers, and the alarming exploitative demand on their mental and physical efforts. Just think of a room of 100-odd sq ft with over a dozen teachers surrounded by heaps of documents; of teachers marking exercise books into the small hours; of the many cases where one person is fully responsible for all the daily administrative and clerical duties. On top of all this, they are always under the pressure of "reform, further reform and reform again".

Indeed, one of the most important functions of education is to enable the younger generation to integrate rapidly into society as the most productive and competitive social group. Therefore the urgent task in education reform is to rectify the mismatch between enterprises and schools. I think that the education reform must start with a curriculum reform. The curriculum of schools must be continuously adjusted to support our social changes and the restructuring of our economy, so that when students leave schools they can meet the demand of society in the shortest possible time.

It is a pity that the education reform under consideration by the Government is aimed only at giving more freedom to the students. The crux in fact lies in the teachers. Therefore, teachers also need to be unfastened. More teachers, more space, more resources, more incentives for retraining in support of the curriculum reform, these are the factors deciding the success or otherwise of the education reform. I do not think that changing the examination system will put right the mismatch between enterprises and schools. The key is "people", and that means teachers are the intermediaries between the students and their eventual employment. In order to succeed in economic restructuring, we must start with education. In order to find a new way for education, we must begin with teachers. Whether it is in respect of concepts or of work, please unfasten the teachers; failing this, any education reform will not succeed, no matter how close to success it might get.

Naturally, there is the matter of resources. In this respect, those in the industrial, business and entrepreneurial sectors who often complain about lowered student quality can contribute more. When we see certain enterprises making donations to educational institutions in the United States or to set up schools in mainland China, we fervently hope that they could spare some of their generosity for Hong Kong. When we see that certain enterprises grow to their present gigantic scale on the back of Hong Kong's favourable environment, we expect them to pay back the Hong Kong society by investing in education. Government investments in education in Hong Kong, as compared with our neighbouring countries, are at a low level. It will be of no significant help if we

merely rely on the Government to create this or that fund; more importantly, participation by the Government might not necessarily meet market demands. Therefore, the Government should seriously study encouraging enterprises to invest in education, be it continuing training, research collaboration between institutes of higher education and industries, experimentation programmes involving teachers and students, awards for quality teaching, paid practical work scheme, or setting up of private schools. All these offer opportunities for good match between enterprises and schools. Only thus can we catch up with market changes and the economic restructuring. Investment in education by entrepreneurs will enable enterprises to benefit from education.

When the industrial and business sectors study B2B (Business to Business), when entrepreneurs are indulged in designing B2C (Business to Customer), I think that they should also appreciate the importance of B2E (Business to Education). The Government, apart from keeping on providing the favourable business environment, should also create an environment and a tax regime for enterprises to invest in education. When society gets new investment in education, government resources will be more effectively used. Fees for continuing education should be totally exempted from tax, the fees for retraining courses should not be doubled, and the principle of "user pays" should not be applied to basic education, so as not to add to the burden of the parents. Education must not stagnate if Hong Kong is to go farther. To meet the future successfully, we have to prepare our next generation.

Madam President, in his Budget speech, the Financial Secretary announced a series of internal reorganization of the Government: the Financial Secretary himself will lead the efforts in attracting inward investment, in promoting industry and business, implementing efforts that facilitate the development of innovation and technology, and also in the co-ordination between information technology and the industrial and business sectors. Placed in the structure of the central government, the Financial Secretary has in his one person the roles of the Financial Minister, the Minister of Foreign Economic Relations and Trade and the Minister of Technology and Information. Globalization, I think, will help enhance Hong Kong's competitiveness. In fact, the two hard nuts for Hong Kong to crack are: The challenge posted by neighbouring low-wage areas, and the high technology in neighbouring areas that surpasses ours. I do not believe Hong Kong can go the road of the most advanced technology. Therefore, Hong Kong should engage in development and production, basing on the achievements of upstream research in the West as well as the Mainland. At the same time, I also do not think Hong Kong should retrace its steps, going back to the old enterprises that relied on cheap labour. The new economy will bring

regeneration of the old enterprises, and new industries will drive the development of the old ones. For instance, the future e-commerce will need the support of vast numbers of couriers who must also have some basic knowledge of the information technology system. These changes must be supported with basic education and continuing education. Therefore, while stressing on economic development, the Financial Secretary should not overlook the corresponding education reform. I believe that the education reform is not a matter of how many hundred million dollars is invested, what is more important is whether we have a new mindset and new opportunities to go with the development of the new economy. Money must be spent in the right places and in the right manner, and resources do not necessarily have to come from the Government alone. I agree with the Financial Secretary that in the area of economy, it must be business leads and Government supports. But in the area of education, when the Government leads, business must support. This dual-horse carriage will certainly be the force driving Hong Kong forward!

Madam President, many people have given different scores on the administration of Mr TUNG Chee-hwa. However, it is still premature to judge his performance after a little more than two years. It would be more appropriate and fairer to assess his overall performance when his term ends. In passing a judgment on his performance, I think that three criteria should be used: First, will he lead Hong Kong to a successful economic restructuring? Second, will he reform education in a way that can support the development of the new economy? Third, will he consolidate the social forces, including various political forces, to support the first two objectives? This Budget of the Financial Secretary's, we can say, has put some of the ideas of the Chief Executive into the organizational framework of government staff and public finances; the ideas of Mr TUNG Chee-hwa and the matching actions of Mr Donald TSANG are now tied together as one entity towards success or failure, glory or disgrace. I earnestly hope that during this time when our community is resting and recuperating, our positive enterprising mentality will once again be the force driving Hong Kong ahead. I further hope that the matching actions of the Financial Secretary are solid support to the administration of the Chief Executive.

However, while I was drafting this speech, there were media reports that one tip-top official who drafted the "heavenly document" for five years was likely to join a public utility company; the media reports today even claim plainly that "Mr Donald TSANG hops job". I hope such news is false. Otherwise, I would be very much disappointed. In any case, the Financial Secretary should clarify as soon as possible, so as not to shake civil service morale.

With these remarks, I support the Budget. I also wish to affirm the decision of the Financial Secretary to make the incursion into the stock and futures markets the other year. Obviously, that was a model of such actions, strictly based on facts and not hampered by dogma. Thank you, Madam President.

MR SIN CHUNG-KAI (in Cantonese): Madam President, the 2000-01 Budget is a no-nonsense one. Though there are no pleasant surprises for the citizens, there is no added burden for them either. At least, the citizens are given a chance to recuperate. This I welcome.

The Democratic Party supports the proposals for financial reforms made by the Financial Secretary in his Budget speech. The consolidation of the trade, industry and the investment promotion functions under the Financial Secretary will make the Government more enterprising while observing the principle of not directly interfering with the market. I hope that such changes can enhance our appeal to foreign investors. In fact, our neighbouring countries in Asia have always been very aggressive in this respect.

To transfer the Information Technology and Broadcasting Bureau to the portfolio of the Financial Secretary is also an appropriate step. The business of information technology and broadcasting is closely related to economic affairs. The new investments in the communications industry and information technology have helped our economy recover. In the field of communications, the liberalization of the telecommunications market in the past two years has, apart from creating many job opportunities, enhanced our competitiveness. However, Mr Financial Secretary, I would like to say a word of caution here. Please do not feel complacent, because competition coming from Singapore will have an impact on Hong Kong. Singapore has lately issued quite a number of telecommunications licences, both internal and outward ones. The degree of openness there is equal to or even exceeds that in Hong Kong. I would quote one example that is worth the attention of the Financial Secretary. The outward telecommunications services licences issued by the Telecommunications Authority permit the licence-holders to lay submarine cables to Hong Kong. However as they do not have local fixed network licences, they need local fixed network operators for connection to their clients locally. Nevertheless, the cost

of connecting the submarine cables from their landing points to the city centre is very high, so high that it far exceeds the cost. Can the Financial Secretary consider allowing these companies to connect their cables to one of the downtown telecommunications connection centres, and from there connect to their clients via existing fixed network companies, so as to enhance their competitiveness? The Government should study in detail and compare the open markets of the two places. I urge the Government not to win the first round, and then lose two subsequent rounds in the competition.

Simply put, the Government must not ignore the competition posed by the latest round of moves of and threats from Singapore.

On the other hand, many ".com" companies have been set up lately in Hong Kong, like bamboo shoots coming out after spring rains. They have their roots in Hong Kong, and major websites can easily employ over 1 000 people. Among them quite a number smell of speculation. Key financial officials have also given words of warning in respect of the risk of having a potential bubble in hand. Which of these many ".com" companies will win, which will lose, at the end of the day? It is now very difficult to foretell. What warrants the Government's attention is that the transparency of the market must be enhanced, so as to reduce systemic risks and to maintain fair competition. Small investors, naturally, must be aware of the risk involved in their investment. However, the Financial Secretary's Budget proposal of increasing 1 000 training places for information technology technicians is far from adequate. Information technology saw explosive changes over the last year, but the Education and Manpower Bureau has been conservative in its attitude, and slow in its reaction. The manpower survey for the information technology sector took one year to publish, and it is followed by inadequate specific measures to increase resources for the training of information technology personnel. Madam President, I talked about this topic in debates in this Council in the past, urging the Government to seriously address the problem of manpower shortage in the information technology sector. Things that should be done include increasing post-secondary education places and information technology-related places in universities, and increase the training of information technology talent. These measures will address several problems, namely, meet the need of the enterprises, bring economic growth, and solve the problem of youth unemployment.

I would like to turn to the taxation issue regarding the Internet. About the collection of taxes from the Internet, there is the matter of how that can be done, not to mention the big difficulties in regulation or control, because the Internet is not a locality-based company. It knows no national borders. A simple example. Tax on Internet purchases, should it be collected from the purchasers or the vendors?

It is envisaged that in the foreseeable short-term future, e-commerce will enable modern companies to evade and avoid tax more easily, and will give them more options, such as placing profits (operating units of revenue) in low-tax places, and expenditure units in high-tax ones, so as to lower the overall tax liability of the whole group.

In short, the emergence of the Internet will constitute a serious threat globally to government income, economically advanced countries in particular; in other words, the emergence of the Internet poses a long-term threat to government revenues, whether in Hong Kong or elsewhere. Though many international organizations, such as the Organization for Economic Co-operation and Development (OECD), have been lately studying how to define a new tax environment for the operating mode of the new economy.

The United States Congress has set up the Electronic Business Consultative Committee to look into the issues of sales tax on the Internet and to make recommendations to Congress.

Relatively speaking, it is easier to address the tax problems arising from e-trade in Hong Kong because we do not have sales tax. If the Government introduces the sales tax, the development of our fledging e-trade will be dealt a blow. I further hope to explain the existing taxation policies to the companies now engaging in e-trade. One word of caution I wish to say is, the introduction of the sales tax will not only hinder the e-trade activities, but will also affect other businesses, such as the tourism industry. The review group of the Government should study and weigh the benefits that the extra revenue of this tax might bring against the harms it would do to society as a whole.

I would anticipate that, in any case, the profits tax to be collected by the Government in the coming few years will hardly increase, if not decrease. The reason is, apart from tax evasion and avoidance I just talked about, many of the ".com" companies basically do not have a profit, and some even do not expect any in the next couple of years. Therefore, there will hardly be any increase in government revenue. As of late, quite a number of real estate companies, like the metamorphosis of the Superman, have turned themselves into technology companies, investing heavily in technology. This might also directly result in a reduction of government revenue.

When talking about the exploration of new taxes, I proposed in the past the introduction of environmental protection taxes. I noticed recently that in some economically advanced countries, such as those of the OECD, the average tax income from environment-related sources accounts for as much as 2.5% of their GDP, or 7% of the countries' total tax revenue. Naturally, the aim of such taxes is to encourage a change in consumer behaviour to achieve environmental protection objectives.

Hong Kong also has environment-related taxes, and I believe the sewage charge is one of them. However, sewage must be discharged, so a charge would not help change the behaviour of the polluters. The Government may look at the practice of some overseas countries that are very positive in promoting environmental protection, to see if there are things we can copy. At present, air pollution in Hong Kong is reaching a dangerous level, and the Government does have a real need to improve our environment by ways that can include the use of taxation policies. On the other hand, in respect of finding new tax sources, I read a very interesting report recently. The British Labour Party has proposed to tax well-off prisoners as a way to get new income. With the new economy and the new mindset, governments seeking new sources of income must search for a breakthrough with completely innovative approaches.

Another point I wish to discuss is the merger of enterprises. The impact of the new economy on Hong Kong enterprises will remain for some time to come. Recently, some banks have announced mergers to lower costs. This will enhance our competitiveness. This trend of merging, I believe, will be very strong and unstoppable. Mergers might result in staff and salary reduction, with great pressure on, and threatening the employment of, the employees, particularly those with low skills — that is, the "low-culture" people as Miss CHAN Yuen-han called them, and people "with low academic qualifications" as

I call them. The Government should conduct an overall review of the framework of retraining or vocational training. Mr Financial Secretary, we now have the Vocational Training Council, the Employees Retraining Board, the Youth Pre-employment Training Programme, the Project Springboard, and the information technology technician training scheme. There are many schemes and programmes already, but we must raise the cost effectiveness of them all.

The Financial Secretary has recently talked about introducing Education Coupon to university education; and here in this Chamber I also asked why we did not take the easier step first by introducing Training Voucher which could on the one hand completely revamp all the existing vocational training bodies, and on the other bring some revolutionary reforms in giving incentives to private companies to offer some training courses that closely meet the needs of the market, letting the private sector offer programmes that are more suited to the demands of the market.

To introduce the Education Coupon system to universities will involve endless and mammoth efforts. Not that I do not support the idea of Education Coupon, but I believe the resistance to its introduction is bigger than that to the Training Voucher.

Lastly, I would discuss the pre-Budget consultation. The Financial Secretary ruminated over this issue on many occasions, and also had discussions with Members of this Council. In the past, the Government used to give us two chances for consultation every year: One for us to give views on the expenditure part, the other on the revenue part. On the expenditure part, we normally put forth our views in the middle of the year, around July or August; and on the revenue part, about December. I think such arrangements were more suitable. I remember that the two rounds were combined into one last year. I believe that if the Government hopes to draw up a Budget that is acceptable to the citizens, and to this Council, it had better revert to the former two-round consultation; in respect of the second round in particular, the Government could consider briefing our Financial Affairs Panel in early November. The briefing could take the usual format, with the Financial Secretary first using 15 to 20 minutes to give us a brief idea of government finances. I think that this part can be made open, because it only involves old information. There is no problem with making it open for this will enable public extensive discussion as well.

Madam President, the more transparent the process of drawing up the Budget the better. Greater transparency will give the whole community a chance to participate. I think that drawing up the Budget is a major annual event in Hong Kong. Some overseas governments, in the United States in particular, use close to one year to complete the whole budgeting process; that is, of course, an extreme case. We do not have to make things as complicated as they do. But I think that several rounds of consultation could offer us opportunities to give our views on controversial issues. I also hope that, after using such opportunities properly, we could support the Budget drawn up by the Financial Secretary.

Thank you, Madam President. I so submit.

MR DAVID CHU (in Cantonese): Madam President, this year's Budget bears the theme of "Creating wealth by adding value. Benefiting the people through cutting cost." "Creating wealth by adding value" embodies measures to speed up economic recovery, such as improving the investment environment, promoting the economic transformation, and developing high technology. "Benefiting the people through cutting cost" is the materialization of the Enhanced Productivity Programme (EPP). "No tax hikes, no new taxes" is the policy adopted to reinforce and rejuvenate our economy. Taken as a whole, the entire Budget is forward-looking, pragmatic, and sympathetic to the people's situation. It is commendable and worthy of support.

Madam President, other Members from the Hong Kong Progressive Alliance have already deliberated upon economic measures with regard to creating wealth by adding value. I want to speak mainly on matters concerning "benefiting the people through cutting cost".

The Budget puts forward the ideas of rectifying the unwieldy establishment of the Civil Service, suppressing the expansion of the public sector, and allowing subvented organizations more flexibility in the utilization of resources. This is a renouncement of frills and a return to the administrative concept of small government, one traditionally observed in Hong Kong. The move is in the right direction. It is also a trend among governments of countries all over the world at the start of a new millennium.

For the current year, the Government has put in a lot of cost-cutting efforts. For instance, by cutting 10 000 civil service posts over the next three years, and by allowing greater participation in public services by private bodies, the Enhanced Productivity Programme (EPP) has saved \$1,150 million. However, it is apparently still arguable as to whether or not the structure of the current Civil Service and its productivity enhancement potential has been brought into full play, and whether or not public resources have been put to use most cost-effectively.

For example, as indicated by information from the Government, of the 97 government departments, more than half, namely 56, managed to achieve the minimum EPP target of "exactly" 1%. It is 1%, not 0.9%. This coincidental figure probably reflects the fact that some departments, perhaps in a bid to meet the minimum requirement, just kept productivity enhancement down to the lowest requirement of 1%, and did not put in full efforts to improve efficiency.

The Government in fact may step up "cost-cutting" efforts in more areas. For instance, in setting the overall EPP target, different scales can be set for different departments in accordance with their specific situations. There is no need to set it at 5% across the board. Here is another example. The Finance Bureau may exercise stricter financial supervision and management over government departments so as to draw up more plans and targets for the enhancement of efficiency, such as eliminating unnecessary spending on consultants. Furthermore, another good way to cut cost is to privatize or corporatize as soon as possible those departments that are poor in operational efficiency but rich in market value.

Surely, in order to achieve the target of "benefiting the people", public funds saved by the Government by means of "cutting cost" should be redeployed to much needed public services. One of the major tasks is to strengthen our manpower resources. It is, however, a pity that in the area of training, especially that in technology, the Budget apparently lacks punch. As a matter of fact, following the technology boom in the financial market over the past few months, Hong Kong has successfully embarked on the course of innovation and technology. But talent shortage is our biggest problem. According to my experience as a person engaged in information technology, the most obvious problem is the failure to recruit enough talents. How can I "take off" if not given enough talents even though the Government is determined to develop high technology? It is beyond doubt that, for the short term, a good method to solve the problem is to hire talents from outside. However, for the long term, the Government should devote more resources to training in technology.

Social welfare is also an area that warrants attention. In recent years the growth in social welfare spending has indeed been worrying. However, it is irrefutable that as the community is undergoing incessant changes and the people are ageing, the demand for social services simply grows. For instance, as indicated by members of the profession, at present many cases in the areas of family counselling, care for the aged and infirmity nursing are not given the required assistance and support. Furthermore, the Government intends to implement "lump-sum funding", which might further stretch social welfare resources. So, while curbing growth in welfare spending, the Government should find ways to effect more effective deployment and application of existing welfare resources.

Madam President, in today's debate, the Honourable Mr SZETO Wah, a veteran legislator from the Democratic Party, criticized the reform of Hong Kong's educational policy. He is the keenest critic. According to him, though there exist many problems in various Hong Kong policies, we cannot negate the whole system which has contributed much to the prosperity and stability of Hong Kong. He said that there was no need to undertake too many reforms and that it was not necessary to press on too rapidly with the reforms. He added that it was not necessary to carry out reforms on all fronts simultaneously as that might lead to confrontation with enemies from all fronts. In his opinion, the current situation is not one in which "one has come to the end of the road whilst pursuers are hot on one's heels". I hope that when the Democratic Party again proposes to speed up constitutional reform, and make amendments to the Basic Law, they will bear in mind the important speech delivered by Mr SZETO Wah today.

Thank you, Madam President.

MR ALBERT HO (in Cantonese): Madam President, to many members of the society, the Financial Secretary's Budget for the current year can be said to be a piece of insipid joy. It is "insipid" in that the Financial Secretary has not put forward in this Budget many specific or new financial or revenue measures. Such insipidity also reflects the point that the public are not cherishing excessive hopes or demands with regard to the Budget. They can gasp for breath and will therefore be pleased so long as not too many additional burdens are imposed on them.

However, I would also like to point out that to some other people, this piece of so-called insipid joy is superficial and brief. Why? The reason is that, this Budget, when viewed from a certain angle, is paving the way for the possible introduction of new taxes in the future. This occasion is perhaps just a windy eve heralding a forthcoming storm. I think that the Government will introduce many controversial proposals next year. I used the word "superficial" because the Budget is of little help to allaying the worries and anxieties about the future harboured by those on the brink of unemployment even though the Budget does give many people breathing spells. The orphaned, the widowed, the aged and the weak are pitiable people being neglected or disregarded by society. We do not think that the Budget is able to show them much concern or give them enough care. What joy is there for these people? So this piece of so-called "joy" is somewhat superficial.

Turning now to taxation policy, in his speech, the Financial Secretary mentioned our current budget deficits as well as future budgets. We have had deficits for several years. Is this a recurrent issue that comes and goes or is it a permanent structural problem? On this point, the Financial Secretary is unable to draw conclusion, but agrees to keep on observing it. I surely welcome such an open attitude on the part of the Financial Secretary. I, therefore, strongly support a proposal to conduct a comprehensive and overall review of our taxation policy for the future. Of course, my support also goes to the continuing efforts of a working group led by the Secretary for the Treasury in monitoring our economic growth and expenditure in the future. However, I must stress that in such a review of taxation policy, there must be no "hypothesis". Do not hypothesize the introduction of certain taxes, and do not lay down any criterion in advance. In my opinion, only such a review is meaningful.

In future, before considering making any changes to the tax system, we should not set our mind just on the ways to stabilize or increase government incomes. Even if we want to introduce new taxes to ensure stable revenue for the Government, we must still consider factors like revenue sources and the types of persons to be taxed. The reason is that all these involve issues about principles of social equality and the rational distribution of social resources. Surely, in many cases taxation is for the purpose of achieving social targets or policies. For instance, the curb on smoking and the crackdown on polluting activities are all social targets. However, generally speaking, stabilization of revenue is just one of the targets, and we cannot afford to ignore other social targets that are important, fair and commonly endorsed.

The Government always has the worry that our tax base is too narrow, holding that 80% of the profits tax is paid by just 5% of the companies and that 70% to 80% of the salaries tax is paid by a small number of taxpayers. However, the fact is that we should not continue to ask why the responsibility to pay taxes is being shouldered by a small number of people. This cannot reflect the other side of the issue, that is, the question as to whether or not our wealth, our incomes and our business opportunities are overly concentrated certain small groups or a few persons. Does this reflect the presence of monopolies in our market and the absence of a level playing field? Will such a trend aggravate the disparity between the rich and the poor? We have to reflect upon this. In fact, this is a two-sided issue, one that does not allow the simple statement that for so many taxes to be paid by a small number of people is unfair to those so paying. The situation in fact reflects that these problems are cropping up in our society now. This is the reason why I just stated that no criteria should be set in advance for our future tax review. When we later conduct review and consider opening up new sources of revenue or widening the tax base, we must think in different ways. I have just made mention of one of such points, namely, the point that more elements of progression should be brought into our taxation system if the principle of fairness is to be taken care of. According to the Financial Secretary, the introduction of more tax items might frighten investors away or even lead to higher incidence of tax evasion. Here I disagree with him. I totally disagree with such observation as I in fact think that the rates of our profits tax and salaries tax definitely have room for upward adjustment.

Secondly, at present our profits tax, salaries tax and even estate duties are levied on a basis defined by a narrow locality concept. Is it necessary for us to have review in view of changes in the circumstances? Many think that the scope of estate duties can be extended. This merits consideration by us in the future. Should we bring in capital gains tax, especially in the area of real estate, when the right time comes? Had we brought in capital gains tax for real estate investments earlier on — with exemption of course given to self-occupied private residential units — there would have been some stabilizing effect on the property market, and a bubble would not have appeared. In addition, proposals such as electronic road pricing and tax for environmental protection should also be considered by us. We call upon the Government to conduct a comprehensive and in-depth review. It is also hoped that in the course of the review, there can be consultations that are open and all encompassing.

I turn now to productivity enhancement. At present the Government implements the Enhanced Productivity Programme (EPP), and emphasizes its zero impact on quality and scopes of services. However, that is not what we have experienced. As a matter of fact, it has come to the notice of members of district-level representative assemblies that many basic services are shrinking on all sides. Here are some simple examples. Many reading rooms, study rooms and youth centres have to close down. Our Tuen Mun district is bristling with youth problems. Yet the only late-night working team has to be disbanded in exchange for some school social workers for reason of productivity enhancement. But the fact is that the two are not mutually exclusive.

Coming now to Comprehensive Social Security Assistance (CSSA), we certainly should address and eliminate certain situations that are open to abuse. Are those abusing the CSSA as numerous as what the Government claims to be? We definitely call this point into question. We notice that many people have to face the CSSA shrinkage even though they are destitute. The householders of certain single-parent families perhaps still have a small residential unit each. Because of their break-up with their spouses, they continue to stay there. Such a person, using the meagre amount of CSSA and trying to be frugal in daily expenses, manages to service mortgage repayments in the same way of paying rent with the hope of bringing up the kids. However, because of current policy changes, that person will have to sell even that unit, and rent another place instead. It will probably be sufficient for that person to make mortgage repayment if the Government issues a separate rental allowance. Why is it necessary to do so? In fact, productivity enhancement has resulted in many poor outcomes that we must review. Surely, we are not against the idea of value for money; nor are we against the Government improving the productivity and efficiency of civil servants. However, we do not think that the Financial Secretary's promises can be honoured as we notice that the services due to those in need are being cut.

Furthermore, with regard to the civil service reform, we definitely do not oppose eliminating the unwieldiness of the establishment, cutting wastage, and improving staff productivity. However, I think this involves more than the establishment of the Civil Service. In fact, there are numerous issues concerning working procedures and systems which may be more significant. Once the systems are improved, there can be redeployment of manpower for constructive assignments. So the Government definitely should not take the lead in banging the establishment, and thereby unnerve all people. Some people in fact have

been accusing the Government of taking the lead in creating unemployment. Let us take a look at a so-called system error on the part of the Housing Authority. How many billion dollars did it cost? How many posts will have to be cut to save the said sum? The Director of Audit is required to present several reports annually to point out errors committed by those government departments which have cost the Government public funds amounting to tens of millions or even tens of billions of dollars. How are these to be compensated? Of course, it is not necessarily wrong to launch privatization provided that it is done to the suitable departments at the right time. However, we are now being given the impression that a target is often set across the board. For instance, there is the target of cutting expenditure by 5% over a period of three years. So every department strives to achieve the target, with some even aspiring to over-achieve the target. Do the impact brought to the entire society as a result of this and its blow to our stability constitute a grave cost? I, therefore, again strongly urge the Government to instruct every department to properly carry out internal inspection, conduct frequent reviews of systems, and be careful with any change to be made to the establishment. Do not take an across-the-board approach in the manner of launching certain economic plans, for which targets are set for cutting certain percentage of expenditure while all departments are expected to over-achieve that as much as possible. I find this not acceptable. It is definitely unwise to mass-produce unemployment at a time when the economy has yet to recover.

As for public finance, I have only one point to make. At present, many government expenditure items are required to be screened by the Finance Committee. However, it has come to our notice that there has long been an arrangement by which the Government can avoid monitoring by the Finance Committee, that is, the grant of land in the form of a hidden subsidy. I am of the view that this definitely should not stay away from the Finance Committee's monitoring. Real estate projects associated with the Cyberport undoubtedly constitute a form of subsidy. So do property developments above Mass Transit Railway stations. Even future measures to let LPG filling stations enjoy premium exemption also constitute a form of subsidy. How could the Government make land grants by resorting to the art of evaluation in quoting a so-called market price or exempted price in a bid to steer this expenditure item of the SAR Government away from the screening of the Finance Committee? I think the Government should not try to run away from one fact, namely, the point that there definitely exist elements of subsidy in the practice of making land grants to certain bodies in support of their operations without tendering or only

with single tenders. We do not blindly oppose subsidization. However, every policy on subsidization must be open and fair. It has to be a fixed policy. Any such policy must be subject to public discussion and questioning before some highly transparent procedures of implementation are formulated. It is wrong to burn away our public funds by means of such form of hidden subsidy. So, in the coming year, we will ask the Finance Bureau to draw up a policy to the effect that land grants deviating from normal procedures require the Finance Committee's approval before implementation.

PRESIDENT (in Cantonese): Mr HO, your time to speak is up.

MR ALBERT HO (in Cantonese): Madam President, I so submit.

MR YEUNG YIU-CHUNG (in Cantonese): Madam President, insipidity is a delightful surprise. This is somewhat contradictory in terms of language logic. However, this year's Budget is indeed like that. The more insipid it is, the more delightfully surprising it is.

Firstly, this year's Budget basically has no revenue moves. Even according to the Financial Secretary, of all the Budgets that he prepared since taking office five years ago, this is the only one with no revenue proposals.

Secondly, most members of the public originally expected the Government to increase taxes to balance the deficit. The Financial Secretary also told the people to "get prepared psychologically". It unexpectedly turned out to be a false alarm following its release. The Budget chants "neither new taxes nor tax hikes", thus taking every person by surprise, and also relieving the people. It can be said to be one with a bitter start but a sweet end.

Thirdly, such an insipid Budget unexpectedly won from political parties, mass media and members of the public landslide endorsement. According to public opinion polls, most members of the public do support the Budget.

Being pragmatic and mindful of public opinions constitutes the main reason why the Budget won applause from all sides. With neither tax hikes nor new taxes, it gives top priority to the need of not jeopardizing economic recovery. Efforts will be made to cut cost and downsize before new sources are to be opened up. 10 000 civil service posts will have to go in the next three years. The focus of expenditure is to be placed on projects of education and manpower resources. In short, on sensitive issues like tax rate adjustment and civil service reform, the viewpoints of different sectors in society are being better balanced, and approaches more in line with public interests adopted. So it is a wise Budget that merits endorsement and support.

Surely, the Financial Secretary deserves full credit for using an adjusting method that makes things go down before allowing them to go up. With nothing going up or coming down, the status quo is being kept, which, however, pleases every party. With his political shrewdness and knack, the Financial Secretary managed to have the Budget, which is monotonously dull and offers little benefit, so nicely packed. Everybody is simply brought to "submission". There is a saying that "a clever housewife cannot cook a meal without rice". On this occasion the Financial Secretary is indeed "able to cook a meal without rice". I suggest that the Chief Executive let the Financial Secretary have the full authority to package his fourth policy address, the one to be delivered next October. I am sure that it will be well received.

As a matter of fact, the Hong Kong economy is beginning to pick up. As there have been budget deficits for three consecutive years, drastic tax cuts are out of the question. However, reckless tax hikes are bound to deal blows to the auspicious trend of economic recovery as well as to the progress of growth. Such a measure smacking of killing the hen to get the eggs is unacceptable. Furthermore, there is no excuse for the Government to increase taxes. The investment returns of the fiscal reserve beat the forecast figure by 100%, as a result of the sharp rise of the Hang Seng Index. The financial situation of the 1999-2000 fiscal year experienced dramatic improvement, with budget deficit going sharply from the original estimate of \$36.5 billion down to \$1.6 billion. As the economy further improves and the listing of the Mass Transit Railway Corporation, the \$6.2 billion deficit of the new fiscal year is likely to end up as surplus. So the question of violating the Basic Law does not exist. I, therefore, am of the view that the Government should stop considering bringing in departure tax.

Madam President, according to the Financial Secretary, the principle for introducing land departure tax is correct, only the timing is bad. As this year

happens to be an election year, it is not to be introduced this year. I am of the view that the levy of departure tax is wrong in principle, it is also politically incorrect" and runs counter to the direction of Hong Kong's future development. Both the Chief Executive's policy address, which made mention of strengthening the "ties" between Hong Kong and the Pearl River Delta region, and a report of the Commission on Strategic Development, which made mention of using the Pearl River Delta region as Hong Kong's "hinterland for development", ask us to remove obstacles obstructing communications or interchanges between the two places, and not to throw in another barrier. What is more, it can contribute very little to reducing budget deficits as only \$300 million to \$600 million can be collected annually in this way. However, the negative impact of obstructing communications between the two places is going to be very deep and far-reaching. The loss will outweigh the gain. I call upon the Financial Secretary to scrap the whole idea.

Madam President, henceforth I am going to present viewpoints on behalf of the Democratic Alliance for the Betterment of Hong Kong (DAB) on three areas, namely, education, information technology and human resources.

Given the fact that the economy has yet to make full recovery and government expenditure keeps running into the red, it is indeed a strenuous achievement for expenditure on education in the new fiscal year to gain moderate growth. The DAB is appreciative and supportive of this.

Increases in the education budget are being spent by the Government mainly on basic education. This is a move in the correct direction, responding to the requests extensively shared by members of the education sectors over the years. The reason is that more education resources have been devoted to higher education since the early 1990s, when the Hong Kong Government greatly increased the availability of higher education, and this has led to a "top-heavy" situation in Hong Kong's education. Resources for basic education have been inadequate by comparison. So quality suffers. As a result, basic education is unable to produce sufficient Secondary Seven graduates qualified for university admission. The only thing that the present redeployment of resources can do is "to mend the fold after a lamb is lost". The development of higher education is certainly very important. It is especially so as Hong Kong attaches great weight to transformation into a knowledge-based economic entity. It seems that higher education is again trying to make another go at expansion after a period of consolidation. The educational authority really ought to carefully consider how to strike a balance between basic education and higher education with regard to the deployment of resources.

Madam President, as a result of a survey conducted last year, it has come to the notice of the DAB that the full sum of School Textbook Assistance cannot cover the average textbook cost of students, and that it is necessary for a less well-off family to pay for the relevant expenses out of their pocket even when given the full amount of assistance. So, when making budget proposals for the new school year in October, the DAB asked the Government to improve the School Textbook Assistance Scheme and the Student Travel Subsidy Scheme so as to help needy students. The Financial Secretary accepted our proposal and set aside \$140 million for this purpose. I am very pleased with this. Under the improved School Text Book Assistance Scheme, the full amount of assistance for each student has gone up from \$422-\$1,756 to \$864-\$2,476, rising by 22% to 105%. Those aged over 12 and eligible for full subsidy under different student assistance schemes are eligible for the full sums of Student Travel Subsidy. Previously, such students were only eligible for half of the subsidy.

Taken as a whole with regard to different aspects of education, new measures proposed by the Government for continuing education are commendable. The Budget sets aside \$60 million per annum for the next three years in support of Project Springboard, a continuing-education programme launched by The Federation for Continuing Education in Tertiary Education so as to let more secondary school leavers have the opportunities to receive continuing education. The Non-Means Tested Loan Scheme has been extended to cover locally held continuing education and professional courses offered by registered schools, non-local universities and professional bodies, and accredited training institutes. All these are conducive to the spread of "lifelong learning and continuing education" among members of the society.

Here is a point particularly worth mentioning. The Budget has set aside \$800 million for the imminent educational reforms of the Education Commission. According to the Financial Secretary's explanation, with the sum of \$800 million remaining after finalizing the Budget, the Government reserved the whole sum for educational reforms. The Government undertakes to make supplementary allocation in the event that \$800 million is not enough. In addition to becoming the biggest expenditure item of the SAR Government, education has apparently also become the SAR Government's top-priority expenditure item. This reflects the SAR Government's determination and commitment with regard to education. This also reflects the SAR Government's foresight and wisdom in developing education. With priority given to investment in education as well as to developing education, the key to a rejuvenated Hong Kong is firmly in hand. It is also in line with the global trend.

Madam President, the development of information technology changes with each passing day and progresses at a tremendous speed. The measure to give priority to better prepared schools in the deployment of 250 information technology co-ordinators was necessary in the very beginning. However, it is now something well established. To avoid having a digital gap and to more rapidly and effectively promote information technology education, the SAR Government, in our opinion, should put into full effect the idea of "one information technology co-ordinator for each school", and set up a mechanism to subsidize the purchase of computers by needy students. According to our estimate, this will probably cost \$45 million. That is not a large sum. What is more, it can serve as an example, generate multiplying effect, and contribute to driving Hong Kong towards achieving the target of "one computer for each family." Furthermore, to encourage students to study with the help of information technology, we suggest that the authorities concerned let students access the Internet without PNETS charges.

The DAB has put to the Government 14 proposals on information technology, and some of them have already been accepted by the Government, for example, setting up community-based "information community" websites. It is hoped that the Government will follow up on those proposals which have yet to be adopted and finance their implementation next year.

Madam President, the Government must, as the DAB always stresses, solve the problem of unemployment with vigour and initiative, promoting employment so as to increase manpower supply in the labour market and train up those capable of meeting social trends on the one hand, and providing substantive assistance to those unemployed who are unable to help themselves so as to encourage them to be self-reliant on the other. The direction proposed by the current Budget with regard to improving employment is very much in line with DAB recommendations. I am very delighted.

According to the DAB, the Government should fully grasp the trends of local manpower demand in the future so as to formulate forward-looking manpower strategies and promote effective matching of human resources. Henceforth, Hong Kong will be progressing in the direction of information technology. The demand for manpower is going to be quite strong. The Budget is apparently placing emphasis on this. For instance, there is a proposal

to expand the junior information technology assistant training programme, and an additional allocation of \$5 million is being made to run the Information Technology Assistant Pilot Course for secondary school leavers and the unemployed. However, the authorities concerned must understand that those unemployed differ in their backgrounds, abilities, knowledge levels, and inclinations. In planning training courses, it is necessary to pay attention to the "need of tailoring". This is to give the courses more variety and choices. Do not just follow the trends closely whilst ignoring some unemployed persons' needs and abilities. The Government has indicated that a survey will soon be conducted, with particular attention to the employment situation of those who are relatively older and who are less skilled. It is hoped that the Government can complete the study as soon as possible so as to understand those people's characteristics and needs and extend more care to them.

I so submit in support of the Appropriation Bill 2000. Thank you, Madam President.

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

MISS CYD HO (in Cantonese): Mr Deputy, last year I viewed the Budget from the standpoint of women. This year, I referred back to the text of my speech of last year to see the progress of work done by the Government in this area.

Some time ago, there was a front-page press report on "Eight Beauties in Power". Different people have different views on beauty. However, many women are indeed in power in Hong Kong. At the same time, however, many women are struggling on the edge because of poor educational standard, illiteracy or poverty. First of all, I must commend the Census and Statistics Department for conducting a survey on the general conditions of the female population, making some situations and figures clearer than what they appeared before, and providing a set of data which both the officials and the people can accept without dispute. I hope that this is not going to be a unique example. It is hoped that the Department can annually release some information on figures reflecting the general conditions of the female population so as to make it possible for us to see if there is any improvement in women's social status.

First of all, I am going to speak on adult education. Some time ago I pointed out in this Council that in Hong Kong, females with education standards not above that of kindergarten and females with education standards not above that of primary school approximately number 400 000 and 636 000 respectively. The two groups total more than 1 million. After the meeting, the Secretary for the Treasury, probably out of doubt about my remarks, asked her colleagues to search for the origin of those figures in order to see if we democrats had exaggerated things to scare people. There is no need for the search. The answer can be found in the March 2000 Issue of the *Hong Kong Monthly Digest*. The article is entitled "A Profile of the Females in Hong Kong 1999" (FC page 5). According to the paragraph on education characteristics in the article, females with education standards not above that of kindergarten constitute 13%. Females make up a total of 3.36 million in Hong Kong's population. Calculated along this line, the total of those with education standards not above kindergarten comes up to some 400 000. This piece of information should be very accurate as it comes from the Government. However, the doubt shown by the Secretary is indicative of one thing, namely, that the figure is alarmingly incredible, but it is the fact. I am able to supply yet another figure which perhaps can temporarily somewhat ease the mind of the Secretary for the Treasury and the Financial Secretary. Out of the total given above, 350 000 women are aged above 65. The Government might hold that the education problem of the aged is not that "imminent", and that it can be dealt with later on. However, we have nearly 1 million women whose education standards are not above primary school level. Even if the 350 000 seniors are to be left out, there are still 650 000 women. What should they do? Being not up to Secondary Three level, they are not eligible for retraining, and experience even greater difficulty in finding jobs.

Mr Deputy, today I do not want to speak merely from the angle of employment. I am going to speak purely from the angle of adult education. If women have basic education standard, it is going to be easier for them to play their parental roles. If they are not even up to primary school level, they will be unable to help when their children run into trouble with their schoolwork. As a result, their children will be lagging behind in their schoolwork. In order that they can catch up, the schools will have to use more resources when they return to school. At meetings of the Education Panel, we were told by officials of the Education Department that parents are schoolchildren's first teachers. I surely agree with this. However, these first teachers can do very little even though they do have the will unless they are up to standard academically. Poorly

educated parents are usually from low-income families; this is another factor contributing to the chain cycle of poverty. In response to a suggestion from the Frontier, the Financial Secretary has additionally allocated \$2 million to develop adult education, despite the tight financial position, increasing the schoolplaces from 12 000 to 14 500. However, just as mentioned by quite a few colleagues today, this is an utterly inadequate measure when it is placed against the figures given above.

For this year, more resources in fact are being spent on Secondary Three and Secondary Five students in a bid to solve youngsters' unemployment issue. However, it is hoped that the Government can similarly attach weight to adult education. Some improvements in fact do not necessarily require spending money as adult education can be promoted by the redeployment of existing resources for better uses. For instance, with adult education courses currently held five evenings a week and lasting three hours every evening, many women just cannot make it as some are busy preparing dinner whilst some are just off duty. Is it, given the situation stated above, possible to make those adult education courses more flexible? Is it possible to reschedule those courses to be held two evenings a week instead of five? How about having classes on weekends or Sundays? How about starting classes at half past eight instead of seven o'clock? It was reported in newspapers some time ago that because of poor publicity, certain cheap English classes failed to get many students even though tuition fee was \$11 per hour. That led to a waste of resources. Furthermore, there is a rigid requirement mandating enrolment in June and payment of tuition fee for a long stretch of time at the time of enrolment. Burdened by work and domestic duties, adults probably find it hard for them to study for one whole year. Is it possible to consider allowing for some sort of flexible arrangements in respect of enrolment and temporary withdrawal in order that adults can have greater convenience in pursuing their studies by making use of their time in accordance with their schedules? Existing resources include many school buildings in public housing estates. These school buildings can be available in the evening. Get an additional care-taker and a few more teachers and we will be able to make use of these hardware items. Moreover, community centres are closed in the forenoon as they are probably under utilized. These are again ready for our utilization. Even community libraries can serve as venues for us to run less formal courses of adult education so as to make it easier for housewives to pursue studies. All these administrative arrangements will not cost much and yet can improve the situation.

Mr Deputy, next I would like to turn to another figure, which is also from the article "A Profile of the Females in Hong Kong 1999" (FC page 9). According to the article, those engaged in non-economic activities total 799 100, of whom 788 900 are women. This group of women, who almost number 790 000, are those whom we call housewives. Society has not got a term for the remaining 10 000-odd men. In fact, to look after a family requires a lot of labour and love. Labour has value, as illustrated in the meanest manner by the case of overseas domestic helpers, who earn \$3,860 each a month. Love is priceless. However, the 790 000 housewives are doing unpaid jobs, and are therefore being defined as those engaged in non-economic activities. Consequently, they are being denied participation in the Mandatory Provident Fund Scheme. What will come of them when they retire? What protection will they get? To have good marital relationship is their sole protection. Do not ever divorce. They also have got to be on good terms with their children. However, the maintenance of personal relationship is beyond the control of personal efforts. No housewife, I believe, wants to get divorced immediately after getting married; nor is there a mother who wants to be on bad terms with her child right after her child's birth. What will come of their lives in retirement in the event that their domestic relations turn sour and they are getting old? Some people hold that they had better get Comprehensive Social Security Assistance (CSSA) as that is at least a safety net. However, sums from the CSSA are petty and low. Sometimes seniors wishing to see doctors or take public transport to visit friends can make up their mind only after much hesitation. That is, in the words of social workers, a life very much deprived of dignity. The reason for this is simply they have been engaged in non-economic activities. These housewives are not lazy. With the early halves of their lives already behind them, they may end up in the CSSA net only because of poor domestic relations. This is very unfair to them. I call upon the Government to reconsider the old age pension scheme so that the livelihood of housewives in old age can have some safeguard. I also call upon the Census and Statistics Department to analyse the 790 000 housewives' ages, education standards and financial situations when it conducts another survey on the general conditions of females so as to collect further accurate information for us to examine if the 790 000 housewives are going to make up a large proportion of our CSSA recipients. Of course, I am not looking forward to seeing that. However, if there is such a possibility, then we should consider well in advance how to address the problem.

It is necessary to talk about the Child Support Agency when it comes to the issue of marital relationships. The Budget this year provides no provisions to set up the Child Support Agency. This is very disappointing to single parents. The issue is mentioned under Programme (1) of Head 53 Home Affairs Bureau: "The Bureau will follow up the recommendations made by an inter-departmental working group to improve the law and administrative measures affecting divorcees and children who live on alimony." As a matter of fact, the Government has been saying that a review will be conducted once the measure of Attachment of Income Order has been in force for one year. The trial period of Attachment of Earnings Order ended in late March 1999. The point has been raised again and again both inside and outside the Council. Concern groups of single parents, social workers and members of representative assemblies have all along been asking the Home Affairs Bureau to conduct a review.

The Government has been saying that the review has yet to be finalized and that there is no conclusion yet. However, the Budget draws the conclusion that it is necessary to improve the law and administrative measures. So the implication is that there is no hope of setting up the Child Support Agency. On the one hand, the Government has not released any review report. On the other hand, single parents and social workers have not been consulted, which makes it impossible for them to put forward proposals even if they so wish. A conclusion is made so quickly while nobody knows what proposals there are. We cannot accept this way of decision-making, one that is imposed from top down in total disregard of public opinions. I request the Government not to draw conclusion so quickly. If there is indeed already a review report, then the Government should release it for public consultation. I am not ruling out the possibility that improving administrative measures or the law might be more effective than setting up an Child Support Agency. But we should not plot in the dark.

Turning now to women's employment, the Budget of last year put forward two Projects Hope, providing 120 000 jobs, most of which, however, are manual labour posts in infrastructure projects. The Financial Secretary admitted that the two Projects Hope did not contribute much to women's employment opportunities. No mention has even been made this year. How can we then solve women's poverty problem?

My demand is indeed very humble. The reason is that, with problems of basic education yet to be solved, it is even harder to go into the employment issue. For reasons given above, we really have got to set up a central mechanism to look after women's affairs. A World Women Conference was held in Beijing in 1995 which also saw participation from Hong Kong. Put forward at the meeting were three strategic targets, including setting up or reinforcing government mechanism to work from the top leadership to promote policies on enhancing women's status with enough resources and talents, and integrating into all legislation, public policies and tasks the element of gender analysis. Over the period since 1995, we have done nothing to carry out such recommendations. Therefore, I call upon the Government to do so as soon as possible.

Mr Deputy, some people have criticized me, questioning me for talking about women's poverty only and asking me whether or not there is poverty among men. Some radio listeners even phoned in to rebuke me for reverse discrimination. However, according to the information given above, women really constitute the majority. As so many women are those under-educated housewives engaged in non-economic activities, and they make up a large proportion among those not covered by retirement protection, then there must be structural reasons in the background. So I am of the view that it is impossible to solve the women's poverty issue unless there is a central mechanism to monitor all government policies so as to see whether or not equal opportunities are being provided by government policies and whether or not women are being deprived of equal opportunities.

Mr Deputy, left with just a minute or so, I am going to speak on education on media literacy, a subject matter that interests me most. To screen for those aged under 18 among cinema-goers watching Category III films, the authority this year has sent officers to conduct 10 000 checks on cinemas. I have made inquiries with the Government to find out how many prosecutions have so far been instituted, the reason being that those checks are useless if there is no prosecution. The fact is that there was only one prosecution by the Government during the period between 1995 and 1999. Generally speaking, the Government only supplies three years' data. In this case, it starts from 1995, otherwise it would have been impossible for me to know that the last prosecution was instituted in 1995. It so happens that the Secretary for Justice is here. I would like to ask her to find out whether or not the allocation has been well spent.

If it turns out to be of no use, then it is more advisable to re-allocate the money to education on media literacy so that children can build up their own sense of values, and acquire immunity against elements of pornography and violence in the mass media. This will be more effective.

MR CHAN KWOK-KEUNG (in Cantonese): Mr Deputy, this year's Budget is welcomed by many people. This is, of course, because of the three "temporary" nays to increases, namely, nay to tax hikes, nay to new taxes, and nay to increases in government fees. Members of the public surely welcome all that. Furthermore, the Hong Kong economy is obviously picking up, scoring an annual growth rate of 2.9% last year. Some sectors have been able to grow even faster. The growth in manpower demand has been even more spectacular in the case of information technology, with fresh graduates having no difficulty in finding jobs, and getting good pays too. In looking for talents for websites or information technology companies, head-hunters are making so much money that they are "grinning from ear to ear".

However, economic growth and prosperity in individual sectors have not been able to rejuvenate the entire society, with the unemployment rate of the current quarter staying at 5.7%. Workers who are poorly educated and unskilled are unable to share the economic growth. Let us put it in another way. In the past the authorities estimated that 30 000 jobs came with every 1% of economic growth. Now this can only be a piece of memory. With Hong Kong in the trend of progressing towards advanced knowledge and high technology, grass-roots workers, unable to catch the express train of technology, can only struggle in a market deluged with unemployment, under-employment and poor pays.

It is obvious that with regard to grass-roots workers, the SAR Government shows the mentality of one who is willing to help but unable to do so. At present only the Employees Retraining Board (ERB) provides them with training for skill enhancement. However, the ERB has not been able to acquire steady funding sources since its establishment, as a result of which it is unable to draw up plans on a larger scale or for longer terms. This reflects the point that the authority does not attach weight to the needs of grass-roots workers facing new challenges in the new millennium.

Courses lasting for a few days or a few months are not enough to help them enhance their skills to meet the new requirements of society. Today, budgeted expenditure allocates no additional resources to help those grass-roots workers.

The Government offers no help. What is more, acting in its capacity as an employer, it bullies grass-roots workers by such means as contracting out services, and cutting entry pays and benefits. Like the last one, this year's Budget again "puts the knife" to civil servants. In his Budget for the previous year, the Financial Secretary put forward productivity enhancement measures, requiring government departments and bodies to achieve productivity enhancement of 5% within three years. All that the Financial Secretary stresses is the result out of productivity enhancement by different government departments and bodies. The Hong Kong Federation of Trade Unions (FTU), however, also pays attention to the process of productivity enhancement. Over the past year, we have dealt with countless complaints lodged by civil servants. For instance, in the case of the two Municipal Councils' ticketing staff and public relations officers, the Government intended to renew their contracts with a cut of 30% to 40% in their salaries when their contracts were due to expire. They were even told that if they refused to renew the contracts, new employees would be hired.

At present, four public hospitals have "permanent temporary workers", that is, workers who have worked as temporary workers for years. Under the Enhanced Productivity Programme, the hospitals have to contract out these workers' work or terminate their contracts immediately. Even for those who are able to stay behind, lives are tough. Workloads soar because of manpower shortage. Many workers have developed occupational illnesses, such as back pains, "tennis arms" and so on.

Furthermore, the Food and Environmental Hygiene Department has contracted out the tasks of street sweeping, cleansing and refuse collection. Those sweeping leaves at Chater Garden outside the Legislative Council every morning are employees of some private companies. So, the Department has to cut more than 100 Workman II posts. At present, the Department is having some trouble with its contracting out agreements, which, therefore, affords the workmen the luck to work until July.

Contracting out services can cut cost because private companies suppress grass-roots workers' pays. One works 10 to 12 hours and yet only gets \$3,000 to \$4,000. In contracting out those duties, the Government is doing something not different from exploitation by itself.

This year's Budget again institutes a general freeze on hiring. Departments having staffing needs will adopt contractual appointment terms. If appointment is made on civil service agreement terms, pay and benefits can still be more or less commensurate with those of civil servants. However, if appointment is made on non-civil service agreement terms, then there is no guarantee for the levels of pay and benefits. In the past, the Government offered generous contractual appointment terms to those with skills that it was short of. However, by now non-civil service contracts have become appointments on low pays.

The Financial Secretary judges the results of productivity enhancement by figures. That is to say, the sharper the cut is, the better it is. However, figures cannot reflect the work that they are shouldering and the mental pressure on them. For instance, two officers of the Housing Department killed themselves because they could not stand the pressure generated by the reorganization of their department. This has dealt a heavy blow to the general morale of the Civil Service.

As a matter of fact, members of the Civil Service have all along been supportive of structural reform. Their concern is whether or not the reform process is fair and reasonable and whether there is adequate consultation with the staff to strive for outcomes acceptable to both sides. The management did conduct consultation in the past year. However, as stated by civil service organizations, after the consultation, the authority made amendments in its own way instead of conducting further consultation to exchange views with employees for the purpose of working out something acceptable to both sides. This cannot be said to be *bona fide* consultation.

The Voluntary Retirement Scheme mentioned in the Budget also sets its targets mainly on basic rank staff, such as members of the clerical grades, drivers and Workmen II. Indeed, if they are considered to be redundant and thus have to leave voluntarily, the compensations that they will get for leaving the Civil Service will be a little more generous than those in the case of normal retirement. However, given the existing circumstances, it is going to be very difficult for those who lose their jobs at the age of 40 or 50 to rejoin the workforce. They will have to spend their remaining years in poverty.

Similarly, it is the experienced front-line grass-roots workers who will bear the brunt of the blow from the lump-sum funding arrangement to social welfare organizations. Because of increments, their salaries probably have already reached relatively high levels. There can be savings if the Government replaces them with less senior workers. Under the lump-sum funding arrangement, they are the most likely sacrifices.

The ultimate goal of the SAR Government in adopting all the reform measures is to "save money" by narrowing the gap between civil service pays and those of private sectors. However, are the so-called private-market rates really reasonable? For instance, a fast-food chain is hiring workers at a rate of \$11 per hour. Is this reasonable? Is hiring a worker for \$3,000 or \$4,000 reasonable in Hong Kong, a place of high rents and high cost of living? Why must we drive some grass-roots workers into poverty? With the Government taking the lead in downsizing its establishment and cutting entry pays of new recruits, it might cause others in the market to follow suit and, consequently, lead to a vicious cycle.

According to the Financial Secretary, he ran into the difficulty of "drawing a circle with one hand and a square with the other" in formulating the Budget. Surely, there is difficulty. However, "putting the knife" only to grass-roots workers definitely is not the best solution. It is also something which we in labour organizations do not want to see.

Finally, I want to talk about containing the size of the Civil Service. The Financial Secretary proposes to abolish all existing vacancies in the permanent establishment, and cease recruitment for the current year. It is believed that it is not going to be difficult to achieve the goal of cutting 10 000 posts. Some departments, however, have heavy workloads and put their officers under great pressure. It is really necessary to recruit additional staff to fill vacancies. To cut all vacancies in the permanent establishment with an "across the board" approach is not in line with realistic necessity. Moreover, in talking about containing the size of the Civil Service, the Financial Secretary has not taken into account the corresponding growth in demand for services associated with population growth. A forced curb on the size of the establishment might ultimately lead to inability to cope with the people's demand for services.

Mr Deputy, according to the Financial Secretary, so long as we firmly grasp the business opportunities associated with China's accession to the World

Trade Organization and closely follow the global trend of technology, then there naturally will be more jobs. However, this way of thinking is built on the assumption that Hong Kong is "able" to grasp business opportunities. If we do make it, then some of the unemployed can be absorbed and the situation of unemployment can improve. What is to be the way out for Hong Kong in the event that we fail to grasp them? What impact will be brought to the labour market? Mr Deputy, I call upon the SAR Government to address squarely the employment problems faced by grass-roots workers in the new century, refrain from becoming blindly optimistic, and prepare for both eventualities with regard to the future labour market; otherwise the situation might get out of hand when there comes a crisis.

Mr Deputy, I so submit.

MR FUNG CHI-KIN (in Cantonese): Mr Deputy, in this Budget, the Financial Secretary has spent reduced length on matters of the financial market compared with last year. Surely, some strategic points were already raised last year and are being put into effect one after another. For instance, in early 1998 I put forward the idea of strengthening the fund-raising functions of other major currencies so as to satisfy the demands of international investors and reduce the pressure of the linked exchange rate on the Hong Kong dollar. It is pleasing to note that it will take effect by the end of this year. It is, however, a pity that the bonds market strongly advocated by the Financial Secretary all along fails to draw much interest. The proposal to merge the clearing systems of the securities and futures markets will materialize this year as scheduled. Given the spectacular gains and the multiple targets achieved by government-owned shares, the Financial Secretary, armed with powerful "performance" and attaining a very high international ranking, really has all the brain power and is confident of success.

When deliberating on how to improve the competitiveness of our securities market, the Financial Secretary proposed to further reduce the rate of stamp duty on stock transactions by 10%. Given the fact that stamp duty on stock transactions has been an important ingredient in the Treasury's revenue in the current financial year, the reduction, though small, is of course well received by the market and investors. For the market is very understanding and receptive. However, the Financial Secretary mentioned stamp duty on stock transactions and brokerage commissions in one breath, saying that probably no further

consideration would be given to the industry's recommendations in respect of stamp duty on stock transactions unless there was reduction in brokerage commissions. This is most unfathomable.

The Financial Secretary probably has never personally bought and sold stocks. According to the Financial Secretary, the volume of transactions and the competitiveness of our stock market can be effectively enhanced by reducing brokerage commissions and, perhaps also, by lowering the rate of stamp duty on stock transactions. The fact is that as an investor, especially one in a market where funds are free to have inter-flows or come and go, he, in choosing to invest in the stocks of that place, is investing in the local economy as well as in local enterprises' performance (that is, the enterprises' profit-making ability). The cheapness of that place's brokerage commissions is not going to be his first consideration or incentive! If investment prospect is poor, as in the case of the scene following the financial turmoil of 1998 or the time when the future of the market was unclear following the Government's incursion into the market, no one will come here to invest, no matter how low the commissions are. Nor will the volume of transaction grow. On the contrary, following the improvement in the overall condition of Hong Kong over most part of the past year, with the "new economy" setting in and technology stocks leading the trend, investors have been rushing in from all parts of the world, thus kicking up the volume of transactions. Compared with growth in stock prices, brokerage commissions mean nothing. It is especially so with regard to medium- and long-term investors, or even those so-called short-term investors or speculators. Following its launch, the Tracker Fund has been scoring spectacular gains. It need not sit on a piece of rotten wood in the midst of an ocean; nor need it sway unsteadily. Are Hong Kong people not selling what they hold to reap profits by taking advantage of the high prices? They just will not bother with bonus shares and dividends obtainable in two years. The pricing of brokerage commissions on Hong Kong stocks only matters by comparison if Hong Kong stocks are available for transactions in other markets or through the insubstantial on-line trading (which, of course, is something hard for us to stop). Surely, before a decision can be made, consideration has to be given to other relevant factors such as market information, market volume, and the reliability of clearing deposits. Had they run into such competition, members of the industry, I believe, would have adjusted themselves for participation in the competition in order to survive. There is no need for instructions from the Financial Secretary! We are never afraid of competition. We just do not want to see it. As a matter of fact, also mentioned by the Financial Secretary in the Budget from paragraph

23 to paragraph 28 is the need for "minimum government intervention". And let us go back to paragraph 17 to paragraph 19, the part on "Market-led Economy" and the point that "the Government has had the good sense not to try to usurp the business sector's role." There is no need for the Government to give direction, or "to seek to direct economic developments". This must be the foremost guiding principle that the Government ought to bear in mind. This Council has had quite a few debates on resolutions urging the Government to adopt policies that can help local small and medium enterprises to survive and grow. Why does the Financial Secretary pinpoint local small and medium brokers in the belief that once the new exchange has been demutualized — please note that there is no subsidy from the Government whatsoever — small and medium brokers will have to shut up after realizing their monetary gains whilst those who "cannot survive the play" or those who "have no role in the play" ought to leave the ring and remain happy as minor shareholders of the exchange when there is "fair" adverse competition as a result of the scraping of minimum commissions?

Are small and medium brokers not some big international sharks "maliciously bent on manipulation and incursion"? Must they be kicked away? I repeatedly reflect on this issue, casting my look on markets around us. My conclusion is that brokerage commissions are not expensive in Hong Kong. That being the case, then why has the Financial Secretary again and again pegged brokerage commissions with stamp duty on stock transactions, determined to have brokerage commissions lowered? He is looking forward to getting the "good news" soon. The comments made have nothing to do with the Budget whilst constituting a blatant interference with market operation. I really cannot convey to the industry the Financial Secretary's "good" intention and "good" will; nor can I do them up! The Financial Secretary has achieved the target of merging the two exchanges; so has he achieved the target of totally seizing control of the exchange. Is he going to push most of the small and medium brokers into corners or even out of the ring? In fact the Financial Secretary is in a position to totally seize control of the MTR without holding any shares. What is he afraid of? Why is the Government unwilling to interfere with MTR fares? All this is to inspire investors from outside with confidence in the MTR. However, in the case of the exchange, he need not care about the confidence of small and medium brokers who are also its shareholders. I hope that this is not "donaldtsang.com" principle of market interference, a pupil who surpasses his teacher.

According to the Financial Secretary's estimation, the deficits of the financial year due to end might drop sharply (or might even turn out to be a surplus at the final closing). However, when the Financial Secretary and some Members of this Council remarked that the Hang Seng Index might not have much further growth in the following year, they were probably not aware of one point, namely, the fact that the stocks held by the Government through the Exchange Fund cannot be completely pegged with the Hang Seng Index. The reason is that when the Government incurred into the market in August 1998, the stock constituting the biggest buy of the Government was HSBC, which now is not the stock that shores up the Hang Seng Index at the level of 18 000 points. The component ratios of the Hang Seng Index have had major changes. There is a joke among market participants that by now Hong Kong stocks' index has been transformed from the Hang Seng Index into the Telecom Index or even "the L's Index". So, the performance of the Hang Seng Index is not equal to that of the government-owned stocks. As also stated by Mr Joseph YAM, the Chief Executive of the Hong Kong Monetary Authority several days ago, the performance of the Exchange Fund in the first two months was not good. He also advised us not to be too optimistic about the entire stretch of the current year (taking into consideration losses from investment in the Euro and drops in the prices of bonds held as a result of interest hikes). Furthermore, account entries made this year following the rise in the value of government-owned stocks are, to a very great extent, "mark to market", that is, profits entered into account books on the basis of market value and mainly not realized. Calculation can be done for all this. With regard to those government-owned stocks, the ones entirely purchased with the Exchange Fund, the portion sold through the Tracker Fund has a value of only some \$40 billion. Whence comes a profit of more than \$40 billion for entry into the Public Reserve Account? In the event that the performance of government-owned stocks remains stagnant or even goes downhill, then no comparison can be made with the current year even though there are guaranteed minimum returns from the Exchange Fund for part of the government reserves.

Under such circumstances, though the estimate of expenditure and revenue is \$10.7 billion less than the original estimate, the Hong Kong Progressive Alliance (HKPA) and I all along are adamant that this is irrelevant. The main issue is to make every effort to minimize expenditure. For the coming year, the overall estimated expenditure will still grow faster than the medium-term economic growth rate of 4.9%. What is more, for two consecutive years, the rate of public expenditure in terms of GDP has been more than 20%. As solemnly and sharply pointed out by a number of Members in their speeches, what we need is a smart, efficient and financially prudent small government, not a rapidly expanding and busybody big government. Here, let me point out this. Though this Budget's theme is "creating wealth by adding value and benefiting the people through cutting cost", it is hoped that the apparently inappropriate growth in overall public expenditure will not be claimed as cost-cutting totally on the strength of the hope that there will be spectacular growth in the values of government-owned stocks, securities, and foreign currencies. So, my suggestion is that we should not strive just for a balanced budget. Instead, we should work for zero growth in expenditure for the coming year or so. The rate of public expenditure in terms of GDP should be lowered, as soon as possible, to 18%, a level that is more comfortable and affordable for the people!

These are my remarks.

MR JAMES TO (in Cantonese): Mr Deputy, after listening to the speeches of quite a few Members, I notice that, as in the case of the past two or three years, not many of them have spoken on public order expenditure. Perhaps I should focus on this.

First of all, the overall situation of public order has been stable. Expenses on certain conventional crimes, such as robbery, are generally, in order. However, I have a few points to raise. With regard to the utilization of resources, we should deploy more resources to particularly deal with computer crimes or crimes in connection with electronic trade, all of which are likely to crop up in the next few years. As a matter of fact, I have been speaking on this topic for years. However, not until this year did the Government set up an inter-departmental group to look into the relevant legislation. Development in this area might undergo great or even extreme changes as in the days to come a lot of crimes are likely to be committed in this manner.

In addition, I also call upon the Government to test its security systems. Furthermore, with the Post Office implementing the electronic trading system, it is perhaps necessary to perform some tests to find out whether or not our safety measures are measuring up to requirements and whether or not their standards are high enough. In the United States, the Pentagon even hires some master-hands and "hackers" to perform tests under controlled conditions. I think we should follow their examples in this respect.

On the other hand, since the passage of the Organized and Serious Crimes Ordinance, this is the sixth year I am speaking on the same topic. It was probably said at the time when the Ordinance was passed that with the power newly acquired, we would be able to deal effective blows to the triads and launch massive crackdowns on organized crimes. However, we have been waiting for several years, but significant achievements remain to be seen. It has, on the contrary, come to our notice that the police recently applied the Ordinance in their crackdown on some modelling shams. Surely, this is some sort of achievement. However, I consider that to be a windfall, the gain from which does not quite measure up to our expectation.

With regard to investigating law-breakers' assets, it seems that certain pieces of legislation on confiscating gains from crimes have not been effectively and broadly invoked. I wonder if this is due to manpower shortage or if it is due to problems in co-ordination. Perhaps the Government can give explanation for this.

Turning now to the overall position of the Police Force, in fact, there is still much room if the Police Force is to take actions for the Enhanced Productivity Programme (EPP). First of all, though it has a lot of duties to perform, it also has a very large figure base. The Police Force is one of the departments that can get lump-sum funding. So its flexibility in the application of resources is even higher. Therefore, I expect the Police Force to achieve a level of productivity enhancement higher than those of other departments, and gain even better effect.

Over the past few years, the police establishment, through successful recruitment, has acquired many patrol policemen. However, I am now getting complaints against "loafing" patrol policemen. I have forwarded the relevant information to the police. They have also promised to conduct thorough investigations. Outcomes will be released in due course. It has dawned on me

that even though we have hired many policemen, we are not going to get much out of all that unless we have a proper monitoring system or set up a mechanism to beef them up. In fact, as again and again pointed out by me over the years, even given the same police district and the same number of policemen, a different commanding officer can still have the effectiveness of that same number of policemen doubled or tripled. It very much depends on the efforts put in by the commanding officer concerned in drawing up plans, considering strategies, and beefing up his staff. This is very important.

I am of the view that in the area of law enforcement over the past few years, the police traffic office has probably reached the point of being very demanding or even harsh. I understand that they always argue that they do not want to have even one additional case of traffic accident, thus it is necessary for them to keep on taking actions. However, in recent days, they have been taking prosecution actions on an extensive scale against people driving under the influence of alcohol or even crossing the road against red lights. They in fact ought to take some matching measures. Have they considered the question as to whether or not the pedestrian crossing lights give pedestrians enough time to cross the road. Can a pedestrian cross Nathan Road in 10 seconds or so? Should a pedestrian be prosecuted if he cannot cross the road within the specified time limit? It seems that actions now being taken have probably reached the point of being too harsh.

In addition, I want to speak on a current culture of the Police Force and the Immigration Department — the one highlighted by the incident of LIN Qiaoying. Such a culture means excessive reliance on the so-called confession statements. That is to say, successful prosecution comes with success in getting a confession statement from the suspect. However, we have to give consideration to the question as to whether or not the statement-taking process might lead to abuse of authority. Because of this, I cannot but wonder whether or not it is necessary for us to consider the need to be so dependent on those so-called confession statements as part of the standard prosecution proceedings at a time when we are making progress.

From a resources perspective, the \$60 million spent every year on the Complaints Against Police Office (CAPO) to maintain its establishment of over 100 persons is money spent in vain. Some people might ask where else the people can lodge complaints against abuse of authority by the police in the event that CAPO is gone. What if the office indeed has to go? I believe that nothing

new can be established without removal of the old. According to my observation over all these years, the Government so far still has not got a forward-looking plan to set up an independent mechanism of complaints or improve the existing mechanism to make it more credible. Of the several thousand investigable complaints handled by the office annually, only a few cases can be established. I indeed wish that the actions of the office reflected the reality. But its performance is a far cry from public expectations. So from the resources prospective, I think there is a problem. Last year, a warning was raised in my speech. I shall propose an amendment at the Committee stage in a bid to cancel the funding of \$60 million for CAPO. This is a drastic measure for the situation, but there is no alternative. If things go on like that, the sum of \$60 million is just going down the drain. Furthermore, people will still cherish some unrealistic expectations with regard to their complaints. This, in simple language, is to "fool" them.

Coming now to head 103, that is, expenditure on the Police Force's reward and special services, there have been a lot of controversies over this in recent years. However, for some crucial situations, the Government has not set aside huge sums for such subheads. I consider this item of expenditure on the basis of the same principle given above. I have also been waiting for reforms for years. I am of the view that for reasons under the same principle, recommendation has got to be made for this funding to be cancelled.

I want to move on to another office — the Independent Commission Against Corruption (ICAC). So far I have been very appreciative of their work. However, I am of the opinion that there are several areas requiring improvement by the ICAC. In the first place, I think it has not put in full efforts to look into corruption involving China-capital organizations or cross-boundary cases whilst conducting many investigations into cases not involving corruption. Is it because it is particularly difficult to conduct investigations into corruption cases involving China-capital organizations? Or is it because intelligence does not show that? However, what our business sector and fellow citizens experience is totally different. Has initiative been taken in this respect with regard to investigation? Cases of corruption involving China-capital organizations bear one feature, namely, the point that the sums involved are very huge. These are the flesh and blood of our country as well as our people's hard-earned money. Because of the factor of provincial ties, those in the corruption syndicates of China-capital organizations only trust people within very small circles. They have been so engaged in group corruption for a long time. I agree that in reality

work of investigation in this area is more difficult. With regard to the many corruption cases involving China-capital organizations, the ICAC takes the trouble to conduct investigations only when there is no way out or when the matters have already been exposed. For instance, some were exposed as a result of the financial turmoil. According to my information, it is often the case that some important figures actually manage to leave Hong Kong or take French leave when the investigation is half-way through or has reached a crucial stage. All these are very frustrating to us. I call upon the ICAC to step up law enforcement in this respect. I believe that even the leadership of the Central Government is also looking forward to seeing the matters being dealt with in accordance with the principle of "Hong Kong dealing with Hong Kong matters". Given the huge sums involved, even more efforts ought to be put in to conduct investigations, otherwise we are letting down Hong Kong people as well as our country.

In the second place, I think we should thoroughly look into some organized corruption activities, such as the recently exposed cases of substandard piling works. That concerns the construction industry. Thorough investigation should be carried out. In the event that some old cases come to light as a result of that, then they should also be looked into so as to drive home the message that no matter how long buried corruption activities are, the law-breakers will still be brought to justice once they are proved wrong.

In the third place, I look forward to seeing improvement in the selection of target companies or professions in connection with undercover operations or self-initiated investigations. This should be done on the basis of some objective yardsticks. It is hoped that, as the first scrutinizing step, the ICAC can take the initiative to gain the confidence of the Operations Review Committee. In order not to cause suspicion regarding motives or issues of immorality, I look forward to greater involvement on the part of the Secretary for Justice.

Now on the fire services, we recently discussed the arrival time of ambulances. At present, there are many favourable figures on this. So it appears that the relevant service is efficient. However, probing for the truth, it can be said that those figures are those of first-aid motor cycles. We have been told by officers of the Fire Services Department that every first-aid motorcycle arriving at the scene is followed shortly by a big ambulance and that the arrival time on record only indicates the arrival time of the first first-aid vehicle, that is, that of the first-aid motorcycle. However, in most cases small first-aid

motorcycles are unable to give assistance. Therefore, I call into question the fairness and reliability of the arrival times recorded under the performance pledge. If there are indeed not enough resources, there should be review and reinforcement.

With regard to the Immigration Department, I look forward to a review of procedures in connection with the investigation of cases involving forged documents. Furthermore, as just pointed out by me, we notice that the prosecution proceedings very much depend on the relevant confession statements. It is hoped that review can be done in this respect. It is also my hope that the Immigration Department can have one room with video interviewing facilities for statement-taking at every check point. However, the Director of Immigration appears to be very much against such a simple request, saying that it may not be cost-effective. However, I am of the view that every check point should have at least one room equipped with video interviewing facilities for statement-taking. These are only basic facilities.

With regard to the Correctional Services Department, I think it should step up its rehabilitative work, the reason being that, according to figures noted by me, recidivists make up a large portion among prison inmates. I am putting some hope in the Rehabilitation Division, which was established only in recent years. It is hoped that it can suit the remedies to the cases and achieve something so as to reduce the number of recidivists.

Finally, from a resources prospective, I have to praise the crackdowns on pirated optical discs by the Customs and Excise Department. They are quite successful. From this, it can be noticed that with the same strength or a slight increase in manpower, full mobilization can indeed achieve something. This is fairly good enhanced productivity performance. I trust that if the Department was a police district or if police districts could do likewise, the achievements would have been enormous.

I so submit.

THE PRESIDENT resumed the Chair.

MR LEE WING-TAT (in Cantonese): Madam President, I rise to speak in support of the resumption of the Second Reading of the Appropriation Bill for this Budget.

Discussions among members of the public regarding the Appropriation Bill following its release did not last long. Containing neither tax-hike proposals nor controversial proposals, the Bill draws fewer debates when compared with those of the past few years. In fact, however, there are quite a few debatable topics in this year's Budget. They have not drawn the attention of the press probably because those topics require more in-depth and detailed discussions.

I want to express my views on the following issues. Firstly, on Budget consultation. Insofar as I can recall, in the past there were fewer consultations on the Budget. In recent years, there have been more consultations with Members, which is a more progressive practice. Now every year the Government listens to the opinions from different political parties and members of the Legislative Council. The Financial Secretary once also visited a district, going into a cafe for a cup of tea, and dropping by shops to discuss business situations with shopkeepers. I think that is good. I hope that the Financial Secretary can go even further. For instance, the Financial Secretary might consider conducting in-house consultations with a larger variety of organizations before finalizing the Budget. He might go to radio stations to listen to public opinions. The greater the transparency the more open it. I am convinced that the Financial Secretary can do good to the Budget by listening to public opinions. I even look forward to the presentation of a people's budget by the Financial Secretary. There will surely be cheers from all quarters.

Furthermore, I have to talk also about the story of "crying wolf". However, I am going to present this story from an angle different from those of Honourable colleagues. I personally am more sympathetic with the Financial Secretary. Or, to be more honest, I still have some trust in him. He is a senior government official. So, in my opinion, it was all right for him to do that in a bid to build up an atmosphere to manoeuvre for the adoption of his Budget. Last year he already told the story of Moses. This year he built up atmosphere for new taxes. To a Financial Secretary with brain and guts, this is a big gamble. The reason is he should know better that though he might be able to fool a small number of people for a long time or a large number of people for a short time, it is difficult for him to fool a large number of people indefinitely.

On account of this, I have a feeling, that is, probably because of strong public concern during the formulation of the Budget, there arose among civil servants and legislators a lot of information, speculations, and reports, and, perhaps, much had been written as a result of frequent contacts between the Government and the press. That led to an atmosphere clamouring for tax hikes, but ended up with no tax increases. So it is said to be a situation of "crying wolf". I hope that the Financial Secretary will not take it too seriously, because I do not want to see him cut down on, or even retreat from, his consultative process on account of the story quoted or the criticisms levelled at him. I am of the view that he need not think in this way. I also think that he should not put a brake on such a budgetary process, one that is becoming more and more liberal and open to public opinions, just on that account. The budgeting process might, otherwise, retrogress. I just hope that the Financial Secretary can be more careful next year. It requires no special skill to deal with such a situation. Given the fact that members of the mass media all have to write something shortly before the release of the Budget, the Financial Secretary's mood or facial expression during that period of time might be used as indicators by people in speculating on tax hikes or other moves by the Government.

Secondly, I want to speak on the review of the tax system as well as on revenue and expenditure. I am in favour of reviewing the tax system, but do have some comments to make on the current practice. With regard to the review of the tax system, I agree indeed with the views expressed by quite a few colleagues in their speeches delivered yesterday, believing that such a review ought to be comprehensive and discussed in detail extensively. What is to be made known to the public and academics should not be confined to certain areas whilst the Secretary for the Treasury deals with a larger scope. I hope this is a piece of misunderstanding on my part. If indeed I have misunderstood it, then I stand to be corrected. It is also my hope that the Financial Secretary and the Secretary for the Treasury can be more positive here and listen to more people. Whether or not we are now having structural deficit is still an open question. Perhaps not even the Financial Secretary can draw the final conclusion. Of course, over the past two years, revenue from stamp duty on property transactions and that from various sources possibly related to land have seen sharp drops because of the steep decline in land and land-related revenue. Please, however, bear in mind that over the past two years, because of the active financial market and other factors, certain types of our taxes have been yielding more revenue.

So, the first question now is whether or not we are having structural deficit. Is there a final conclusion? Instead of putting a full stop to the matter after considering the position of this year, I want to have more time to study these issues. We may even take one more year. The reason is that when we consider the annual budget or estimate, we often use a five-year forecast. Why on this deficit issue can we study for three years only and must then draw a conclusion on the possible appearance of structural deficit in our budget? What changes are required even if we do see such a problem? There must be time a debate. Some people concur with the view that most of the taxes are being shouldered by a small number of people in society. There is also the view that the disparity between the rich and the poor in Hong Kong is more acute than the situation in other places or countries. When viewed from another angle, this can explain why so few people can shoulder so many of our tax. In fact, both the Government and some academics have produced data comparing income gaps between local unskilled workers and middle-ranking supervisors and managers. It has been noticed that the gaps are far wider than their counterparts in the United States, the United Kingdom and other developed countries. In those places, a worker is probably earning \$8,000 to \$9,000 a month while a college lecturer probably only earns \$20,000 to \$40,000 a month. So the difference between the two probably just comes up to two or three folds. However, in Hong Kong, a man or a woman washing dishes in a cafe probably gets \$5,000 a month and works 10 hours a day. On the other hand, a manager is likely to earn \$50,000 to \$60,000 a month. There is a 10-fold difference between the two. I am of the view that it is incomplete to take into consideration just the point that revenue comes mainly from a small number of people, without also taking into account other factors. The Government and academics theorize that the solution is to tax people earning low incomes. I do not fully agree with this. To find a suitable way to broaden the tax base and to get people to accept it, we probably will have to consider various aspects and seek to strike a balance.

On the other hand, I share the Government's worry with regard to expenditure, because our expenditure for this year already comes up to over 20% of our GDP. Even though our expenditure rate is based on trend economic growth rather than that ratio, it is after all still an indication that the ratio is in excess of 20%. Turning now to government-funded statutory bodies, the two former Municipal Councils, the Housing Authority (HA) — but the HA does not require much funding, and various organizations set up by means of foundation funds. How much have they obtained from the Government for their overall expenditure? Many colleagues have raised this point, but we so far have not

done the calculation. The figure very much interests me. Surely, when expenditure comes up to a certain ratio, then there is a need to economize. I agree with the Government's point that before finding ways to open up new sources of revenue, every organization must try its very best to economize. Yesterday the Director of Audit again said something. Figures mentioned by him yesterday involve relatively small sums, only tens of million dollars. However, if every now and then there comes to light serious waste of resources on the part of the Government, members of the public might gain the impression that the Government is "putting the knife" to them while failing to be sufficiently economical. I think that the people will not have the interest to consider starting the discussion on the need to broaden the tax base and take up more responsibility, unless the Government has already worked hard enough here.

Furthermore, in some areas I am in sympathy with what the Financial Secretary said. On the one hand, we ask the Government to economize. On the other hand, however, when the Government puts forward some ideas on retrenchment, we sometimes tend to be extremely cautious, or even, in my opinion, totally unwilling to consider such ideas before rejecting them. Whenever we talk about the extension of the contracting out arrangement of the Civil Service, or the partial privatization of government services, or the operation of certain services by means of trading funds, there will invariably be a lot of debates. The situation of the Housing Department (HD) is most familiar to me. Everybody knows that the HD has taken a very important step, on which Honourable colleagues might have different views, though. I am in favour of extending the contracting out arrangement on the condition that workers' welfare, incomes and employment are being taken care of. The programme now implemented by the HD is one for voluntary retirement. In fact, under this programme, we only seek to deal with 600 posts in three years. According to my understanding, and if my memory has not failed me, so far at least 1 200 staff members have already submitted their applications with reference to the 600 posts under the said programme. Will there be even more applicants when the application period draws to an end by the middle of this year? I do not know. There might be a few more by then. So, in my opinion, the most important point that whenever the Government introduces this type of programme, there must be sufficient consultation, and more consideration for workers' different worries. If so, our attempt to gradually reform the Civil Service might succeed.

During the period between 1993 and 1994, staff members of the Electrical and Mechanical Services Department (EMSD) Trading Fund came to the Legislative Council to participate in the discussions. At that time many legislators, including me, shared the worry that the move could lead to incidents of compulsory retirement, termination of service or other problems among many members of the EMSD. Four years have elapsed since then. In my opinion, the said Department already can more or less measure up to market standard in efficiency, and is in a position to compete with many big automobile firms, air-conditioner producers and electrical works companies as well as to bid for government contracts. In some cases, it has been successful in its competitions. Surely, it also has had failures in tendering exercises. With four years passed, it has proved that it can work.

Turning now to something unpleasant, it has come to my notice that many things have gone wrong with quite a few departments, one of which is the HD. Being a member of the HA, I am also involved. As mentioned by Mr James TO, the various problems with public housing has created among members of the public the impression that the huge amount of money wasted by the Government well exceeds the revenue from taxes which, as they believe, probably have got to be increased. At several Home Ownership Scheme (HOS) courts there are piles shorter than required. This issue has cost taxpayers at least in excess of \$1 billion. I really do not know whether or not there is something else. The public will be upset by all these. There have been recently many big fires involving rooftop structures and an outbreak of incidents concerning illegal structures. According to the Director of Buildings, Mr LEUNG Chin-man, he will adopt many measures to rectify the situation. Given the fact that we are now demolishing 14 000 illegal structures a year and there are at present about 1 million such structures, I believe that their demolition will remain incomplete at the time of my death. Up to now — there is some information for which I am still waiting from the Government — if calculation is based on a demolition rate of 100 structures a year, how many will be rebuilt at the same time? Nobody is in a position to supply such information. I think the figure is between 60 and 70. So out of the 100 structures demolished by the Government annually, about 60 to 70 of them will be rebuilt. Judging from this, the figure of 14 000 should be reduced with a discount. In other words, the number of structures actually demolished can only come up to a few thousand, because when some structures are demolished, some other structures are built.

In view of all these, I often have the impression that whenever something big happens, government departments will make a big fuss to state their views. After that, however, not even a crow or sparrow can be heard. For some seven to eight years, I have been engaged in housing matters. There have been big fires gutting rooftop structures. There have been fatal incidents involving the collapse of concrete awnings. On each occasion, heads of the departments concerned could be heard saying that the Works Bureau would adopt a lot of measures. However, history invariably repeats itself every few years.

This year the Financial Secretary has provided \$90 million for use over the next three years. This means only \$30 million for each year. The amount is not big. I also do not think that money alone can solve all the problems. In my opinion, we should start with amendments to the legislation so as to render those erecting or renting out illegal structures liable. The third thing is education. Only with a three-pronged approach can we accomplish all that within a shorter period of time.

Finally, I am going to talk about allocation of land and the Waiting List. Now the allocation of land is very steady, and so I no longer have to worry about the drastic fluctuations in property prices. I am very happy about that. However, I really want the Government, especially those departments responsible for land policies, to do something. Several years ago we were unable to solve the problems concerning the Waiting List, thus making it necessary for applicants to wait for another five or six years even now. The explanation given to us for all that was shortage of land. We now have enough land. However, single seniors are still required to wait for six to seven years for the allocation of public housing units whilst men in their prime are required to wait for nine years. Can the Government still think of any excuse for this? I just do not understand it. I call upon the Government to change such a policy so as to offer public housing to those in need as soon as possible. Thank you, Madam President.

MR RONALD ARCULLI: Madam President, for some of us in this Council, this may well be our last and final Budget as some of us may not be in this Chamber this time next year. Of course, we could always be up in the public gallery shouting praise or hurling abuse at not only the Financial Secretary, but also Honourable Members.

Madam President, whether we are speaking of legislating or governing or monitoring those who govern, it is all about leadership, for it is through leadership and leadership alone that we can hopefully guide or persuade our young to learn from our experience, be it good or bad. For even if it is bad, they can learn how to avoid the pitfalls. And this brings me to the Budget for 2000-01.

For those of you who think that our Financial Secretary acquired his political skills during his present tenure of office, wake up! The Financial Secretary is a consummate politician because he has consistently surprised us. He has not attempted to fool all of us all the time, but that is due to political savvy. This year's lead up to the Budget was no exception. Most of us thought that he was going to spring sales tax on us and at the very least, land departure tax. He outsmarted us yet again but like any world class magician, he pulled out of his hat a \$35 billion trick by reducing the forecast deficit from \$36.5 billion to \$1.5 billion, although I suspect, like his usual self, that he is again being conservative. I reckon that when we have our final closing, the \$1.5 billion deficit will turn into a modest surplus. But Financial Secretary, much as I appreciate your open consultative process with all of us about the Budget, I believe that if you cry wolf too often, there may well be a credibility issue sooner or later. I say this because some weeks before the Budget, a lot of people thought that we may well have a serious structural deficit problem. Yet we are now told that all we are doing is to set up two committees. I suppose that again demonstrates his political skills. The Financial Secretary has fired a warning shot comprising two committees across the community's bow with a clear message that he has not abandoned sales tax.

Madam President, I have said this before and I say it again, the Administration has to make out an irrefutable case of no wastage of public resources before the community will consider, let alone accept either a new tax or an increased tax.

Today, I want to talk about the use of our resources by the public sector. I therefore ask the community to reflect on the Administration's Enhanced Productivity Programme, affectionally called the EPP.

In the booklet on EPP for 2000-01, 103 bureaux, departments, organizations and institutions have set out their EPP targets for 2000-01. Out of these 103, only 47 will exceed the 1%, with 56 achieving hopefully that meagre 1%. What the community may not have noticed is Note (3) in this booklet and I shall quote:

"Some of the other subvented organizations are summarized here whilst others are subsumed under the responsible bureaux and departments."

You may ask: What does this mean? I guess it means that some of the savings may not be within the bureau or department. It would be helpful if we are told whether the saving comes from within the bureau or department concerned or whether it comes from the subvented sector tucked under their wings. I am not implying that the bureau or department concerned is claiming credit for enhanced productivity of the subvented sector, but without figures, the public will be left in the dark.

Madam President, the Financial Secretary and, indeed, Honourable colleagues know that I have been and remain critical of the EPP when it is set at a pitiful 5% for 2002-03. But Madam President, what I find worrying and indeed disturbing is the booklet states:

"Three have completed their 5% target in one go. Four are fairly close to 5%."

I really do not know whether to congratulate these seven bureaux, departments, institutions or organizations. I say this because whilst attaining 5% or close to it in one go may be laudable on the one hand, it may also mean that there was so much fat that cutting 5% off in one go would be as easy as falling off a log. However, giving them the benefit of the doubt, the Financial Secretary and the Treasury must drive home the simple message that the EPP must go on to phase 2 with at least another 5% over a much shorter period.

To meet the target or better than the target, heads of departments must focus on greater use of technology and utilize greater human resources management flexibility. Paper and people-intensive nature of government processes may suggest that such streamlining is equivalent to reduction in service. Mr Bill GATES, Chairman of Microsoft, suggests in his book *Business @ The Speed of Thought* that any government should re-invent itself with electronic communication networks and replace paper flow with digital publishing.

As for management of human resources, there is an urgent need of a major overhaul. I say this because the cost of maintaining our public sector does not compare favourably at all with some of our Asian neighbours. Although I believe that the majority of our civil servants are honest and hard-working, many reports point out that there is still ample room for the Administration not just to save costs, but also to enhance productivity. Critically assessing actual manpower requirements and implementing a flexible system are keys to success in human resources planning. In the audits conducted by the Director of Audit on the planning of manpower at immigration control points, it was found that miscalculation of manpower requirement led to inefficient allocation of staff. This was wasting of resources and the time of those they serve, and this is not, in fact, doing the Civil Service any good. The latest report of the Director of Audit on the Regional Offices of the Highways Department is another dreadful example of waste.

Another area where resources are wasted is the payment of overtime due to rigidity of the system. It would be interesting to know how much overtime we pay and whether it is justified.

Madam President, in the long run, we must look not just for productivity gain but also fundamental and lasting changes and improvements. The Civil Service has always been held in high esteem by the community not just because of their dedication, hard work and loyalty, but also because the Civil Service was not considered the sector that always offered the most attractive terms of employment. The recent Asian financial crisis made civil servants the most envied not the least because of job security. I therefore ask the Chief Secretary for Administration and the Financial Secretary to show the leadership that Hong Kong needs to scale new heights. Help Hong Kong regain and maintain its historical competitiveness even if it means sacrifice. The community, particularly our youths and elderly, needs a new direction and a new hope. I ask all of us to give this new direction and hope to the community.

Thank you.

MR ANDREW WONG (in Cantonese): Madam President, I rise to speak in support of the Second Reading of the Appropriation Bill 2000. With the economy of Hong Kong yet to achieve full recovery and the unemployment rate still high, the Financial Secretary proposed a Budget which does not seek to

introduce new taxes to broaden the tax base nor lower personal allowance to extend the tax net, which brings in no tax hikes, and which allows deflation to ease taxpayers' burdens and reduce government incomes. This deficit budget, one in which expenditure is estimated to exceed revenue, indeed made the people feel overjoyed and relieved. Consequently, the debates of yesterday and today lost some sparks. However, Madam President, probably because of this, quite a few Members tend to be too "fault-finding" in their comments. Madam President, I am referring to the criticism about the crying wolf tactic. The Honourable LEE Wing-tat has made mention of this; so has the Honourable Ronald ARCULLI. According to some Members, the Financial Secretary purposely presented a gloomy forecast in respect of the economic prospects and the Government's financial situation before the release of the Budget so as to create an atmosphere of "threatening rain" and "imminence of tax hikes". However, when the outcome was ultimately unveiled, the scene was that of "a calm sea" and there was "pleasant sweetness" for everybody. So the Financial Secretary is being criticized for using the tactic of crying wolf, one that smacks of cheating the people.

Madam President, I venture to disagree with this view. First of all, every person, I believe, agrees that to make rational economic and financial predictions, one has to theorize on the basis of current data. It is impossible to be 100% accurate.

Madam President, William SHERDEN, an American expert specializing in the study of economic predictions, recently published a book entitled *The Fortune Sellers* (not tellers) — *The Big Business of Buying and Selling Predictions*. The book points out that major turning points and changes in the economy between 1970 and 1995 all came as surprises to experts who made economic predictions. They failed to either forewarn the approach of serious economic recession or forecast imminent economic recovery.

Madam President, Mr SHERDEN further points out that the percentage of hits in respect of Elaine GAZARELLI, the most authoritative stock market analyst in the United States, only comes up to 38%. That is to say, out of every 13 tips from her, only five will turn out to be correct. To bet on horse races probably has a higher chance of winning. According to Mr SHERDEN, the percentage of hits in tossing a coin is 50%, which is higher than that of those experts.

Madam President, I am not advising the Financial Secretary to toss the coin when making various decisions for the Budget in the future. However, whilst the world is changing rapidly, the ups and downs in the market are coming and going even faster. As a result, every forecast tends to be either too optimistic or too pessimistic. That being the case, I think it is more advisable for the Government to be more pessimistic in making predictions. After all, to discover later that the sea is calm is better than to remain heedless at a time when dark clouds are gathering and later get swallowed up in the storm due to total unpreparedness.

Madam President, if the Financial Secretary is in fact bent on increasing taxes as well as on introducing new taxes or changing the tax system when he consults members of representative assemblies, academics and the people, he is just testing the water to determine the chance of success. However, if he changes his mind as a result of such consultation, I will consider him to be one ready to accept good advice, or even regard that as a case in which the people's will prevails over government will. I trust that Members of this Council are well pleased with the fact that the Financial Secretary has accepted our advice.

Madam President, the accusation of crying wolf in the present case can probably be attributed to the consultative work done by the Financial Secretary among different sectors prior to the formulation of the Budget. To conduct consultation well in advance is a liberal administrative measure, an improvement over the budgeting process practised during the colonial era. I look forward to seeing further extensive consultation and further extensive collection of public opinions by the Financial Secretary. Only by so doing can it measure up to the liberal system set by Mr BRAY, a former Secretary for Home Affairs, and make officials understand their own initial ideas — officials' initial interpretations are not necessarily correct as officials do not enjoy the privilege to truth after all.

The accusation of crying wolf brings back to memory Sir John COWPERTHWAITHE, who held the post of Financial Secretary years ago. Before his retirement from service, he took part in the debate of his last Budget (probably in 1970). At that time, Sir Y K KAN, the then Senior Member, while commending on Sir John upon his talent in fiscal management, somewhat jokingly said that Sir John's secret of success in turning a deficit budget into a surplus at the time of final closing probably lay in his way of "systematically

overestimating expenditure and systematically underestimating revenue". This is not an accusation, but rather a humourous remark acclaiming Sir John's fiscal prudence.

Madam President, fiscal prudence is the secret of Hong Kong's miracle of success. I hope that Mr Donald TSANG, the Financial Secretary, can keep up with such a good tradition so that Hong Kong can scale new heights in creating wealth and benefiting the people.

With these remarks, Madam President, I support the Second Reading of the Appropriation Bill and the 2000-01 Budget.

PRESIDENT: Twenty-three Members have spoken, and I believe those who wish to speak have done so.

DR LEONG CHE-HUNG (in Cantonese): Madam President, thank you for permitting me to speak again. I move that the debate on the Second Reading of the Appropriation Bill 2000 be adjourned to the meeting of 5 April 2000.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the debate on the Second Reading of the Appropriation Bill 2000 be adjourned to the meeting of 5 April 2000.

I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the motion passed.

The Council will continue with the debate on the Second Reading of the Appropriation Bill 2000 at the meeting to be held on 5 April.

MEMBERS' MOTION

PRESIDENT (in Cantonese): Members' motion. Proposed resolution under the Interpretation and General Clauses Ordinance.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

DR LEONG CHE-HUNG: Madam President, in my capacity as Chairman of the House Committee, I move that the Road Traffic (Traffic Control) (Amendment) Regulation 2000, published as Legal Notice No. 39 of 2000 and laid on the table of the Legislative Council on 16 February 2000, be repealed.

I would first like to stress that the move to repeal the Amendment Regulation is done on behalf of the House, not of myself.

The Road Traffic (Traffic Control) (Amendment) Regulation 2000 seeks to amend the Road Traffic (Traffic Control) Regulations by adding a new driving rule that prohibits a driver to use, while holding by hand or between his head and shoulder, a mobile phone or any telecommunications equipment, when driving a motor vehicle on a road.

Let me make it very clear from the outset that Members support in principle the proposal to prohibit the use of mobile phones while driving, so as to make our roads safer.

According to the Legislative Council Brief on the Amendment Regulation, overseas researches indicate that the use of mobile phones while driving would cause distraction to drivers and would affect, to a certain degree, drivers' concentration and performance, in particular, the reaction time in emergency situations. The risk of collision of drivers of motor vehicles who use mobile phones is about four times higher than that of those who do not use them.

I wish to point out that the Panel on Transport was consulted on the proposal in October 1999 and expressed its support for the prohibition. However, no details of the Amendment Regulation were made available to the Panel at that time.

Madam President, when the Amendment Regulation was discussed by the House Committee at the meetings on 11 February and 17 March, Members raised a number of concerns and queries about the scope of application of this new rule. For instance, it is not clear whether the Amendment Regulation would apply to a situation where a driver, having brought the motor vehicle to a halt in stationary position and clear of the flow of traffic but with the engine running, uses a mobile phone by holding it in his hand. The Administration has explained that the new driving rule should not be applicable to such a situation. However, a Member has pointed out that a driver sitting in a stationary motor vehicle with the engine running could be regarded as "driving" the vehicle.

Take another example. It is also not clear whether the Amendment Regulation would apply to the act of punching buttons of a mobile phone for the purposes of making a call while holding it by hand. According to the Administration's explanation, a driver is not allowed, under the Amendment Regulation, to hold a mobile phone to punch buttons for the purpose of making a call when driving. However, it does not prohibit the use of hands-free kit for mobile phones.

A Member considers that there is no justification for prohibiting the use of a mobile phone while holding it by hand or between the driver's head and shoulder when driving, but allowing the use of a mobile phone by placing it elsewhere when driving. The reason is that the use of a mobile phone in the latter situation could equally cause distraction to drivers. The Member has suggested that the rule should be relaxed to allow a driver to press the buttons on a mobile phone for the purpose of making a call while holding it by hand.

Some Members, however, hold a different view. They consider that the use of a hands-free kit to facilitate the use of a mobile phone while driving should also be banned given the potential danger.

Madam President, Members need time to discuss with the Administration the various concerns, queries and views that have been put forward. The scrutiny period of the Amendment Regulation has already been extended and the Amendment Regulation will come into effect on 1 April this year if it is not amended or repealed at this Council meeting.

The Amendment Regulation affects all road users. It is highly unsatisfactory for the Amendment Regulation to take effect when there are still many unresolved concerns and queries about the scope of its application. Members, therefore, agreed at the House Committee meeting on 17 March this year that I should move a motion to repeal the Amendment Regulation at this Council meeting.

In essence, let me stress again, the move to repeal this Amendment Regulation is on technical reason — you can say, Madam President, that it is a technical knockout.

I would also like to stress that Members fully appreciate that a driving rule to regulate the use of mobile phones when driving should be put in place as soon as possible. A Subcommittee has, therefore, already been formed to follow up the matter to enable the Administration, in the light of the Subcommittee's views, to introduce revised proposals for the consideration of this Council within a shorter timeframe.

There has been worry that since this Amendment Regulation is not going to be effective for some time, if it is repealed, are we then exposing our road users to a high degree of driving danger? Let me stress, however, that it is the clear responsibility of drivers to take all measures to drive with care, and these include not to be distracted by the use of mobile phones under any circumstances. This safety principle should never be deterred, no matter whether specific regulations to ban using mobile phones exist or not.

I urge all drivers to drive with care. I also urge fellow Members and the Administration to work promptly on a revised Amendment Regulation.

Madam President, I urge Members to support the motion.

Dr LEONG Che-hung moved the following motion:

"That the Road Traffic (Traffic Control) (Amendment) Regulation 2000, published as Legal Notice No. 39 of 2000 and laid on the table of the Legislative Council on 16 February 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr LEONG Che-hung, as set out on the Agenda, be passed.

PRESIDENT (in Cantonese): Does any Member wish to speak?

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Dr LEONG Che-hung, as set out on the Agenda, be passed. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the motion passed.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 5 April 2000.

Adjourned accordingly at eight minutes past Seven o'clock.