

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 3 April 2003

The Council met at half-past Two o'clock

MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE MRS RITA FAN HSU LAI-TAI, G.B.S., J.P.

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

THE HONOURABLE JAMES TIEN PEI-CHUN, G.B.S., J.P.

DR THE HONOURABLE DAVID CHU YU-LIN, J.P.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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

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

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

THE HONOURABLE NG LEUNG-SING, J.P.

THE HONOURABLE MARGARET NG

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

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

THE HONOURABLE SIN CHUNG-KAI

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

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

THE HONOURABLE JASPER TSANG YOK-SING, G.B.S., J.P.

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG, B.B.S.

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

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

THE HONOURABLE AMBROSE LAU HON-CHUEN, G.B.S., J.P.

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

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

DR THE HONOURABLE LAW CHI-KWONG, J.P.

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

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

THE HONOURABLE ABRAHAM SHEK LAI-HIM, J.P.

THE HONOURABLE LI FUNG-YING, J.P.

THE HONOURABLE HENRY WU KING-CHEONG, B.B.S., J.P.

THE HONOURABLE TOMMY CHEUNG YU-YAN, J.P.

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE LEUNG FU-WAH, M.H., J.P.

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

THE HONOURABLE AUDREY EU YUET-MEE, S.C., J.P.

THE HONOURABLE MA FUNG-KWOK, J.P.

MEMBERS ABSENT:

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE CHOY SO-YUK

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

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE DONALD TSANG YAM-KUEN, G.B.M., J.P.
THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE ANTONY LEUNG KAM-CHUNG, G.B.S., J.P.
THE FINANCIAL SECRETARY

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

THE HONOURABLE HENRY TANG YING-YEN, G.B.S., J.P.
SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY

THE HONOURABLE MICHAEL SUEN MING-YEUNG, G.B.S., J.P.
SECRETARY FOR HOUSING, PLANNING AND LANDS

THE HONOURABLE JOSEPH WONG WING-PING, G.B.S., J.P.
SECRETARY FOR THE CIVIL SERVICE

DR THE HONOURABLE PATRICK HO CHI-PING, J.P.
SECRETARY FOR HOME AFFAIRS

THE HONOURABLE MRS REGINA IP LAU SUK-YEE, G.B.S., J.P.
SECRETARY FOR SECURITY

THE HONOURABLE STEPHEN IP SHU-KWAN, G.B.S., J.P.
SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR

THE HONOURABLE FREDERICK MA SI-HANG
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

THE HONOURABLE STEPHEN LAM SUI-LUNG, J.P.
SECRETARY FOR CONSTITUTIONAL AFFAIRS

CLERKS IN ATTENDANCE:

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

MR RAY CHAN YUM-MOU, ASSISTANT 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 2003.

APPROPRIATION BILL 2003**Resumption of debate on Second Reading which was moved on 5 March 2003**

DR DAVID CHU (in Cantonese): Madam Chairman, the focus of the Budget this year is solving the problem of fiscal deficit by adopting measures to cut public expenditure and increase tax and fees. Although the Chief Executive and the Financial Secretary have reiterated that boosting the economy is the ultimate solution to the problem of fiscal deficit, there are few, if any, measures in the Budget to stimulate the economy, especially the Government has no concrete measure to tackle our "top enemy" — deflation. I wish to point out again that the problem of fiscal deficit is just the result of deflation. However, the Government now has attached too much attention to the fiscal deficit, to the neglect of deflation. It has practically put the cart before the horse. Not only will the Government be unable to eliminate the fiscal deficit, but it will also aggravate deflation, thereby causing the fiscal deficit to worsen. Therefore, I have some reservations about the Budget.

The Financial Secretary mentions in his speech that there is an urgent need to resolve the problem of fiscal deficit due to two reasons. First, the fiscal deficits of member states of the European Union (EU) and the United States are all contained below 3% of their respective Gross Domestic Product (GDP). Therefore, if our deficit should exceed this level, we may trigger off a financial crisis. Secondly, international financial organizations have said that the fiscal deficit poses a potential threat to Hong Kong. I think these two issues of concern to the Government are open to question.

First, I wish to point out that, as the fundamental social and economic structures of Hong Kong and EU member states and the United States are not the same, our problems are essentially different from theirs. As mentioned by the Financial Secretary, Hong Kong has to face four major changes: First, cyclic economic adjustments; second, transformation of the economic structure; third, ageing population; and fourth, changes in government policies. Precisely because Hong Kong has to face unprecedented changes and problems, the "alert level" of 3% of the GDP applicable to European countries and the United States should not be rigidly applied to the situation of Hong Kong. In fact, the so-called "safety alert level" was just a criterion used for assessing member states of the European Community when they joined the European Monetary Union, and these countries had their own considerations. The international financial sector has never adopted this as the international alert level. On the other hand, it is not uncommon to see the deficits of developed countries exceed 3% of their GDPs. For example, the fiscal deficit of Japan was 4.4% in 1996. The corresponding figure for France was 3.9%, Britain was 4%, and Italy was as high as 6.7%. Let us take the United States as an example. During the 27 years between 1970 and 1997, it witnessed fiscal deficits every year. In the year of 1992 alone, it recorded a deficit of 5.5%. However, no financial crisis has ever occurred in these countries. As for the so-called "international standard", it actually could mean that the liabilities of the Government could amount to 60% of GDP. Presently, the Hong Kong Government does not have any liabilities, whereas the GDP of Hong Kong was \$1,270 billion last year. According to this international liability standard, Hong Kong is absolutely able, if necessary, to issue bonds up to \$760 billion, which is equivalent to the total expenditure of the Hong Kong Government for three years. We only need to issue bonds to raise \$200 billion to \$300 billion, and that would be sufficient to alleviate the sufferings of Hong Kong people and promote the economic development of the territory. Therefore, I think, it is really not necessary for the Government to worry so much at the present stage, at least not to the extent of confusing ourselves.

Secondly, the Government stresses that our fiscal deficit will attract major international speculators to raid the financial markets of Hong Kong, thereby triggering another financial crisis. I have some reservations about this. I believe Members may still recall that certain international financial predators raided Hong Kong Dollar in 1998. May I ask: Did Hong Kong have the problem of fiscal deficit at that time? The answer is in the negative. However, the speculators still raided Hong Kong Dollar. Therefore, in my opinion, the

existence of the fiscal deficit problem is not a contributory factor for the raids launched by international predators. The most important factor is whether we have powerful and effective measures in stock to check and stop any raids by such predators. On the contrary, the more frightened we are, the less confidence we would have, and eventually we will only confuse ourselves, thus creating opportunities for such predators.

While the Government has quoted the comments of international financial institutions as the major justification for tackling the fiscal deficit, I think this also deserves further deliberation. International financial institutions had only said that the fiscal deficit posed a potential threat to Hong Kong. They did not say that cutting public expenditure and increasing tax and fees would be the right ways to make the economy of Hong Kong turn the corner. Therefore, I think the Government must first identify the right direction before formulating proper measures to tackle the problems. Otherwise, despite our good intentions, we would just be doing bad things for Hong Kong, aggravating the situation. If that happens, the day of our successful resolution of the economic problems will be very distant.

To enable Hong Kong recover completely from its economic downturn, I think we should first address the problem of deflation. Only by stimulating the economy and making the people regain confidence in the future, would we be able to revitalize their spending power. Only by doing so can we enhance the economic growth rate of Hong Kong, making Hong Kong more attractive to international investors and eventually even ameliorating the unemployment situation in Hong Kong. Otherwise, how can a desolate place, where even its people have no confidence in their future, arouse the interest of international investors? Therefore, I think the Government should not introduce any tax or fee increases to further undermine the already fragile confidence of the people. Such measures would also scare away investors. On the contrary, the Government should let the people have more money in their pockets under such circumstances. This will bring confidence and hope to them in the future of Hong Kong, thus making them more willing to spend part of their savings amounting to over \$3,000 billion on investments and consumption, and eventually promoting the recovery of the economy of Hong Kong.

Besides, I think the Government should reduce unnecessary intervention, so as to implement what the Financial Secretary has described as the small government policy. It should be noted that we have never relied on the

Government to promote the economic development of Hong Kong; instead, we only count on the intelligence and industry of Hong Kong people. Therefore, I think the Government should give the people more support, instead of more intervention in their work.

In addition, I think there are two issues that deserve our further deliberation: Firstly, the issue of major international predators raiding the financial markets of Hong Kong. On reviewing the historical development of Hong Kong, we can see that our city has been raided by major international predators every 10 years since the '60s, resulting in heavy losses. Such incidents, which occurred in the colonial time, may in some measure be premised on some ulterior motives. However, Hong Kong has now reunited with our own country, the Government of the Hong Kong Special Administrative Region (SAR) has the responsibility to tackle the international predators in order to protect the interests of the Hong Kong people. Hong Kong now possesses a foreign exchange reserve of over US\$110 billion, which ranks fifth in the world. If necessary, the Central Government would also make use of its foreign exchange reserve, which ranks second in the world, to assist Hong Kong in defeating the international speculators. So, why is the Hong Kong Government still so frightened? The possible answer is: The Government has been overly restrained by the vanity of being "the most liberal economy". We must know that the market value of Microsoft Corporation, an American company, is already equivalent to the total assets value of the whole stock market of Hong Kong. Being such a small but completely open financial market, though applauded by international investors, the Hong Kong stock market has to pay the price of bearing considerable risk. The full liberalization means that we are vulnerable any time to attacks by greedy international predators. Therefore, I think the Government should consider following the practices adopted by other countries in dealing with such situations by way of enactment of laws or issuing administrative directives, such as suspending the stock market and limiting sizeable transactions in order to tackle the moves by major international predators. I must point out that, in extremely critical moments, any government would take resolute measures to protect its own interests. This is not unnecessary intervention. If major international predators become aware of the determination of the SAR Government, and if they realize that we would not become their convenient cash-dispensing machines, I believe they would be deterred from laying hands on Hong Kong. Of course, we must make it very clear to international investors that Hong Kong is still an open and free market,

and that we would resort to resolute measures only in absolutely necessary situations, so as to protect the interest of the investors.

I think there is another point to which we need to give some serious consideration. In the past few years, the prices, the salaries and the land premiums have all dropped substantially in Hong Kong. Would such low costs enhance our competitiveness? Please bear in mind that the costs in the Mainland are always lower than ours. Therefore, should Hong Kong use our low costs as our major competitive edge? Or, should we rather stress on our quality human resources, professional services, excellent and diversified education and culture, our long-standing rule of law system, beautiful scenarios and the rich and varied lifestyles as our competitive edges? We must study very carefully to find out the factors that are dragging the pace of our economic development. I think, at the present stage, it is imperative for the Government to first conduct a comprehensive review on the overall economic situation of Hong Kong, including its monetary policy, before formulating some suitable solutions to facilitate the speedy economic recovery of Hong Kong.

In short, though the fiscal deficit is our potential problem, our worst problem at the moment is deflation. In dealing with our present economic woes, the Government should first identify the right direction before focusing on what it should do, such as formulating measures to deal with international predators, and conducting a comprehensive and in-depth review on the economic situation of Hong Kong with a far-sighted vision. As for other unnecessary issues, it had better exercise the least control and implement the least reforms. It would bother the people or make them your enemies if there is excessive control or change. At such tough moments, if we cannot act in solidarity, how can we endure such difficult times? Hong Kong has been caught in deflation for over 50 months, and yet we do not know when the predicament will be over. During this period, many Hong Kong people have endured the sufferings of negative equity assets, reduction of salaries, unemployment and many social and family problems caused by the above problems. Such problems are especially common among people of the middle class. I think a responsible government would not allow such an undesirable situation to continue. I think the Government should assume the role of a referee, instead of a player. The responsibility of the Government is to provide a good general environment for Hong Kong people, so that they can give full play to their intelligence and abilities. I trust that as long as Hong Kong people can exercise the spirit of

mutual assistance in confronting the predicament, they will surely manage to turn a new leave for the future of Hong Kong. To me, Hong Kong is still a place full of hope because I know that Hong Kong people can make it.

Madam President, I so submit.

MR FRED LI (in Cantonese): Madam President, having listened to the speech of Dr David CHU, I nearly thought that he had read a script belonging to a Member of the Democratic Party. From this, we can see that Members who had participated in direction elections really have changed a lot.

Madam President, now I am going to deliver my own speech. As my principal concern in the Legislative Council has been food safety and environmental hygiene, I witnessed some time ago that people engaged in the poultry raising and retail businesses had suffered severe blows during the outbreak of the avian flu. Now, the outbreak is nearly over, yet we have the outbreak of atypical pneumonia, which has made the businesses of different trades, such as tourism, catering and entertainment, plummet to the lowest point.

During the past six years, we have been attacked by two unprecedented super viruses. We really feel upset, and this is also a very rare situation. The Government has submitted an application for a funding of \$200 million to combat the epidemic. We would like to declare here that, should the Government require further financial resources, the Democratic Party will be ready to give its full support. We would co-operate with the Government in order to solve the problem.

Back to the issue of environmental hygiene, an issue of enormous concern to the Democratic Party and me. I wish to say that, regarding government expenditure, I have mentioned the problem of hawker control during the past few years. Today, I would like to discuss this again. After discussing the hawker control problem, I shall move on to the water supply issues, and then the work of the Consumer Council.

The problem of hawker control warrants our attention on a long-term basis. In the second half of 2001, the Government presented a review report on hawker control to the Legislative Council Panel on Environmental Hygiene. But to date,

we still have not been informed of the effectiveness of the proposals contained in the report. I hope the relevant department can give us an account on this.

In this Budget, and indeed from the budget of the Food and Environmental Hygiene Department, we can see that the decrease in the number of unlicensed hawkers is far greater than that of the officers of the Hawker Control Teams. The present ratio is nearly one control officer to one unlicensed hawker, and the expenditure on hawker control amounts to \$990 million. At this rate, the cost of controlling a hawker is over \$200,000 per annum. As we reviewed the past Budgets, we found that the Government had used \$770 million on hawker control in 2000-01. At that time, there were 4 400 hawkers, 900 more than the number of hawkers now. If we do some calculations now, we can see that the Government spent \$200,000 on managing one hawker then. But after three years, the hawker control expenditure has increased. Actually, we have less hawkers now but the expenditure has increased, is it cost-effective? The Government has declared that it will open new sources of income and cut expenditure, but I think its work on cutting expenditure has not been good enough, and definitely there is still room for improvement.

Besides, the Democratic Party and I are also very much concerned about the issue of wasting fresh water.

The funding required by the Water Supplies Department next year is about \$5.3 billion. However, the Department will only generate some \$2 billion from the water charges, and the balance has to be made up by income from rates and other taxes. If the money is used properly, the granting of suitable subsidies is understandable. However, in Hong Kong the water wastage and leakage problems are very serious. The money thus wasted amounts to hundreds of million dollars. The people absolutely would not like to see that public fund is used to subsidize money wasted in "leaked water".

During the past six years, the taxpayers of Hong Kong have wasted as much as \$3.4 billion on buying Dongjiang water. The amount includes the water costs we still have to pay (though the Guangdong authorities are requested to suspend the supply of water due to our lower-than-estimated water consumption), the excessive water we have to drain away at the border and the wasted fresh water due to the overflowing of our reservoirs. All this adds up to \$3.4 billion.

All along, the Democratic Party has hoped that the Government can enter into a more flexible water supply agreement with the Guangdong authorities. However, there has been no concrete result, though a lot has been heard that discussions are ongoing in respect of the post-2004 water supply arrangements to be made between the Hong Kong Government and the Guangdong authorities. The Government has not even completed its negotiations with the Guangdong authorities on the water costs agreement for the period between 2001 and 2003. We worry whether the Government is capable of negotiating for better water supply arrangements and more favourable prices.

Apart from the problem of draining away water due to over-supply, the leakage of pipes is also very serious. According to the information provided in the Budget, the leakage rate is 25%, that is, one quarter. Although the situation is already an improvement over the 26% leakage rate in 2001, we still have one quarter of our fresh water being wasted for no reason. If the amount of wasted water is calculated simply at the price charged at \$3.08 per cu m for the Dongjiang water, then \$700 million is wasted annually.

Public money is wasted here and there. If the money from the public coffer continues to be wasted in this way, we shall never have enough money to cope. We understand that water leakage is unavoidable because of ageing waterpipes, and the Democratic Party also understands that the Government will have to spend a lot of money and it may not be cost-effective to ensure 100% leakage free. However, if the 25% leakage rate can be reduced to 20% or even 15%, then we may save money by each drop of water we manage to save.

Besides, I note that the provision for the Consumer Council is reduced by 4%. During the past year, the number of complaints received by the Consumer Council has increased substantially. It handled a total of 23 000 complaints last year, which represented a 10% increase over the previous year. This may be attributable to the economic downturn which motivated certain unscrupulous shop operators to conduct their businesses by dishonest practices. The Government anticipates that the number of complaints to be received by the Consumer Council will continue to increase next year.

Earlier on, Mr Andrew CHAN, Chairman of the Consumer Council, said that the Consumer Council might give up, when it becomes necessary, conducting some of the more expensive product tests and reduce the number of Consumer Advice Centres in order to cut expenditure. Recently, the Consumer

Advice Centre at Garden Estate, Kwun Tong was closed. The impact is very obvious. I believe this is not what the people want to see. Although the consumers in Hong Kong are beginning to be more mature, or they have grown "smarter" than before, so to speak, many new dishonest business practices will still emerge every day. In addition, a fair competition law is lacking in Hong Kong, and there is virtually no effective legislation to protect consumers. Therefore, whenever consumers run into troubles, they would approach the Consumer Council to lodge complaints or seek advice. In the foreseeable future, the Consumer Council may still have to play a significant role in educating and assisting consumers. The reduction in funding may affect the services of the Consumer Council. The Democratic Party hopes that the Government will ensure that the interest of the people is safeguarded when it allocate funds to the Consumer Council.

Lastly, I would like to add the following information to my speech. In my geographical constituency in Kowloon East, I have already conducted 10 residents' meetings on the Budget. I had planned to hold 15 such meetings initially, yet five meetings were eventually cancelled due to the atypical pneumonia outbreak, out of the consideration of not to make the people worry about the health problems because of the crowded conditions of the venues in which the meetings would be held. The venues of the 10 meetings held include Home Ownership Scheme estates, public housing estates and different housing estates of the Hong Kong Housing Society. From these meetings, I gathered a strong feeling that the people did not want to say anything after arriving at the venues; this was vastly different from the residents' meetings on the Budget last year. They just felt helpless; they neither had the mood nor any opinion to express. They just hoped that the Government could help them to solve their unemployment problem as well as the sufferings they were facing. Besides, many public housing tenants asked me to convey their view that the rents of their public housing flats had not been adjusted downwards during the past few years. Yet, on the other hand, their own salaries and incomes had been reduced. With the atypical pneumonia outbreak, many grass-roots public housing tenants who work in the catering, tourist and transport industries have to face such problems as salary cuts, suspension of work, no pay leave, layoffs, and so on. They understood that their public housing rents were already inexpensive. However, their salaries had really been reduced substantially. The situation is especially bad for those living in one-bedroom, two-bedroom and three-bedroom flats and harmony public housing flats with rents over \$2,000. In the past, the rents accounted for some 10% of their income, but now the percentage has gone up to

over 20%. Therefore, they hoped that the Government could consider reducing the rents of their public housing flats, so as to alleviate their worsening financial hardship. This was the opinion more commonly and actively expressed at residents' meetings. As for the residents of other districts, they did not have so much to say because the Budget had not brought any good news to them. This was the greatest difference from the residents' meetings on the Budgets held in the past few years. The consultation meetings were very quiet. The residents just mentioned the issue of public housing rents and requested the Government to help them solve their unemployment problem. They said they were leading a very tough life and had a lot of grievances, but they did not raise too much concrete opinions. This is the outcome of the consultations I conducted in 10 residents' meetings.

Madam President, I so submit.

MR ABRAHAM SHEK: Madam President, to many, debating here on the Financial Secretary's second Budget appears to be superfluous in the face of the crises that we are now encountering: an open-ended war in Iraq where thousands of lives are being wasted away daily, and our own battle against the deadly Severe Acute Respiratory Syndrome (SARS) virus. Is it superfluous or meaningless to debate on this Budget? The answer is "no". We gather here although heavy at heart and somewhat down spirited, we are not out. In fact, we are alive and kicking with the Hong Kong spirit of togetherness and utility to overcome our multitude of problems through discussion and deliberation on the Budget. It provides a forum for discussion and unity between the legislature and the executive.

The Budget might not have been a masterpiece of our Financial Secretary, but it provides a new sense of economic awareness and awakening. It might not be a budget that could deliver us out of economic helldom, but it definitely gives us a direction to economic revival through reduction of excessive spending and the introduction of the concept of small government and good and effective governance. For this alone, we should give the Financial Secretary support in his Budget. We should also give our unfailing support to the Financial Secretary for his courage to cut civil servants' pay, his courage to reduce the excessive public spending, his courage to give commitment to take Hong Kong back to the road of prosperity. This is what we should give him our support. During the last few weeks, the Financial Secretary has gone through hell and fire,

but this baptism of fire could only make him a better person, and prepare him ever better to face his tasks as our Financial Secretary now and in the future. I call on my colleagues to lay to rest the Lexus affair, for it has hurt nobody in society except the Financial Secretary himself. He has paid dearly. Let bygones be bygones and look to the future. Let us all give the Financial Secretary and our principal officials the support to find a new direction for Hong Kong to a better tomorrow.

Madam President, in his second Budget, the Financial Secretary has adopted a pragmatic approach from last year's financial strategy. In 2002, having taken consideration of society's sufferings, he purposely put the budget deficit problem aside and offered a series of tax concessions and fee freezes which, naturally, pleased very much the public and the political parties. That made his maiden Budget very palatable. Could he continue this trend of generosity of giving away public money? The answer is "no". He might want to do so, but he cannot. Being a responsible official, he should look into his ability to do so, for the principle of prudence in public financial management is more important than personal popularity. I congratulate the Financial Secretary on this stance and hope that this is an example that other principal officials could follow.

The Budget, despite its inadequacy, has my full support. However, having listened to the debate in this Chamber during the past two days, I think there is great merit in the proposals and recommendations submitted by my Honourable colleagues from the Democratic Party, the Democratic Alliance for Betterment of Hong Kong, the Liberal Party and, of course, from my Breakfast Group. I strongly urge our Financial Secretary to listen attentively what had been said and what is to be said, and he should consider each and every one of those views carefully. If there are needs to amend his Budget, he should without fear amend it accordingly. I understand that no previous Financial Secretary would like to amend their Budgets, but Mr LEUNG is different. He has the strength of character, he has the financial acumen and expertise. He is now facing a totally different economic environment that none of his predecessors have ever dreamed of. He is also more open. I hope that he will listen to the voices of the people, which being the sweetest music of all, and amend the Budget for them to survive this terrible economic storm. This is what good and strong leadership is made of. I can assure him that if he does that, he will have the backing not only from this Chamber, but from society as a whole.

I congratulate Dr the Honourable YEUNG Sum for giving a very good speech for a change, not opposing the Government for the sake of opposing. I have observed, and I hope that I am not wrong, that he shared the Financial Secretary's principle of prudent financial management, but he went further with a new set of recommendations in alleviating the sufferings of the middle class due to tax increases, and so on. I find his recommendations and proposals economically and mentally stimulating, as he wished those measures could inflate confidence in consumer spending in a deflated economy and could reduce people's sufferings. In his speech, however, he left many questions to be answered: How are we going to find money to fund these measures? How is the Financial Secretary going to reduce the budget deficit? I will touch on these later.

The Honourable Miriam LAU of the Liberal Party spoke about the subject of wastages in public spending. She hit the nail right on the head. One only needs to read the Auditors' reports to know that wastages and inefficiency are common elements in the government machinery. I am surprised and astonished in reading the Budget that there is a noticeable absence of any new initiatives on cost reduction. Much have been spoken about cost reduction but little action is evident. Incredibly, the Government even decided to increase its expenditure in this and the coming fiscal years. According to the Budget, total government expenditure will increase by 7% to \$257 billion in 2003-04. I wonder how much of the expenditure will be wasted away due to inefficiency and bad management. An example of this is the \$1 million set aside for the advertisement of the Cyberport and the Science Park in attracting tenants to take up office premises there free of charge for a year. This is really ludicrous. I really suggest that the Auditors should look into this matter. The money could be saved or used on health care for the poor and the aged.

I urge the Chief Secretary for Administration and the principal officials to give their unfailing support to the Financial Secretary to cut wastages in public expenditure, by adopting a new culture and attitude that civil servants should spend on a need basis rather than as an item in the budget for them to spend without a question of value and necessity.

I congratulate the Financial Secretary for introducing a pilot scheme to introduce private financing in delivering infrastructural projects. The \$2.5 billion allocated for the 10 projects in this pilot scheme of PPP (private-public partnership) or PFIs (private finance initiatives) might have been a good starting

point, but is not practical nor could it be a major success. This pilot scheme is likened to a drop in the ocean. I urge the Government that it should immediately set up an application list, like the land application list, comprising intended major infrastructural projects where the private sector could bid and tender as PFI projects. By so doing, the Government could speed up the delivery of infrastructural projects by using private funding and expertise. Directly, this could open up a world of opportunities to attract local and international investments to Hong Kong, and simultaneously reduce the heavy unemployment rate of over 17% in the construction sector. With this initiative, apart from attracting financial investments locally and overseas, and increasing employment opportunities within the construction sector which supports over 1 million people in Hong Kong, it could also stimulate other sectors of the economy through increased economy activities. As a result, the whole economy would benefit. Do it now, I repeat "now", as such investment resources are being sought after not only by the people in Hong Kong, but by everybody in the world, particularly in the Asian arena.

The political parties' recommendations for tax concessions and fee freezes, if implemented, are no doubt good for the public, but are financial headaches for the Administration. Where do the money come from? I suggest that these good initiatives should be funded from the immediate sale of government assets rather than through tax increases. Where are these assets? They are not being hidden away:

- (a) Sale of the East Rail of the Kowloon-Canton Railway Corporation (KCRC). The merging of the KCRC with the MTR Corporation Limited is an ideal solution, but it would take a long time to materialize. The Government should sell this by private tender and bring in immediate cash for the Government instead of going out to tax the middle class. Through innovative structuring of the terms of sale, the Government could retain control of fare increase for the protection of the travelling public, and could still fetch a higher price than going to the market by merging. Do not tell me that this cannot be done. I ask the Government to check this out in the markets locally and internationally, and I can assure it that the response will definitely be positive.
- (b) Sale of the Airport Authority (AA). It is now time for the Government to abandon the concept of corporatization. The

Government should not give it land, money and let it grow into a financial monster. It is now time to sell this airport in time of need, instead of subsidizing the AA to grow and grow beyond government control. Why should the Government spend money to subsidize the AA in building an airport town? It is not the Government's job, it is the private sector's responsibility. Let the market decide what to do. The idea of subsidizing the corporations to build an exhibition centre or concert hall is outdated. It is now time for these corporations to return back to the private sector. Sell them.

- (c) Sale of the Water Authority.
- (d) Sale of the Tunnels.

These are all available and should be put back to the market. This will bring in much needy cash, so that the Government does not have to turn to the people for money. The money is there for the Government to take, and the money is in the market.

In conclusion, the Government should actively assist the market by creating a more favourable business environment. Only in this way would it help revive the market, and in turn solve the fiscal and economic problems of the day. Surely, a healthy property market is significant to the overall economy. The Government should immediately withdraw from interfering with the private commercial property market *vis-a-vis* the office leasing of the Science Park and the Cyberport. The Government should also consider lowering the stamp duty on property transactions and remove the 70% mortgage ceiling. This will help to create a healthy market.

A strong government is a government that listens to the wishes of people to amend its plan and acts accordingly. If the Financial Secretary does this and amends his Budget according to the wishes of the people who ask him to, this would be his finest hour. Madam President, with these words, I support the motion. Thank you.

MR IP KWOK-HIM (in Cantonese): Madam President, if we ask a man in the street what is most impressive about the Budget for the coming year, I believe most of them would say, "The tax increases, of course!" There are various tax

increases in the Budget. In fact, with the tight finances and an enormous fiscal deficit, coupled by the uncertainties brought about by the war between the United States and Iraq, it is easy for the people to envisage that the Government will not play Santa Claus again with gifts for everyone in the Budget this year. Of course, no one would like to bear the pain of having one's own interest injured. Therefore, it is understandable that the people would have grievances. However, does it serve any purpose if we do nothing other than just making complaints and feeling aggrieved?

In assessing the merits of any policies, we must adopt certain objective criteria. Judging the fundamentals, as Financial Secretary Antony LEUNG said, the problem of fiscal deficit is caused by structural factors inherited from the past. Therefore, the problem must be resolved by way of structural adjustments. For a long time, the huge recurrent expenditure constituted by high salaries and high welfare had been paid off by such non-recurrent revenue as high land premiums. After the bursting of the economic bubbles, the revenue from high land premiums do not exist anymore. However, the high salaries and high welfare could not be adjusted downwards in tandem, thus resulting in structural deficits. The Government must now make adjustments to the revenue-expenditure structure: Opening up new sources of income, so as to increase steady recurrent revenue; cutting expenditure, so as to reduce massive recurrent expenditure; and putting forward good proposals on boosting the economy of Hong Kong, so as to solve the problem of fiscal deficit completely.

In this tax increase exercise, the largest revenue contributor is salaries tax. Among 1.29 million salaries taxpayers, most of them belong to the middle class. Since the reunification, people of the middle class have suffered a lot from the financial crisis. They had spent all of their life savings on buying properties which subsequently plummeted substantially in value, and the majority of such properties have even become negative equities. They live under strenuous pressure every day for making repayment for their mortgage loans. The trend of layoffs has been so common in recent years that these people always worry that such a nightmare might happen to them one day. Just looking at their situation from the perspective of their income, they are much better off than those who do not have to pay tax. However, if their situation is viewed in the context of their family commitments, we would find that they are actually very frail. If we want to make them endure their present sufferings willingly and believe that there will be a brighter future after all these hard days, the

Government has to make sure that it would be able to achieve the target of eliminating the fiscal deficit by 2006-07.

Madam President, while the British-American coalition force is attacking Iraq, Hong Kong is also fighting a tough battle — against atypical pneumonia. In order to combat this disease, everyone in Hong Kong has become highly alert. The front-line hospital staff, pathological specialists and relevant officials all faithfully fulfil their duties. The people have enhanced their hygienic measures, such as wearing face masks and washing their hands more frequently. During this period of fighting the atypical pneumonia epidemic, it is inevitable that everyone would become nervous. At such a time, actually the Government should make more effort to promote healthy lifestyles, and the people should do a suitable amount of physical exercise, so as to strengthen their resistance and relieve their stress. Therefore, at this moment, I would like to turn my discussion to cultural and recreational activities. In order to actively encourage the people and make it convenient for them to participate in various cultural and recreational activities, the Government should make some necessary improvements in terms of strategy. May I suggest: Firstly, the Government should enhance its client-oriented services; secondly, the Government should make good use of its resources so as to avoid wastage; and thirdly, the Government should strengthen its co-operation with community and sports organizations.

Firstly, in order to enhance its client-oriented services, the Government must understand the different needs of the people, so as to provide more tailor-made recreational and sports services for different categories of people. Thematic promotion of recreational and sports services would serve their needs. In order to alleviate the people's tense nerves, the Government may launch a series of recreational activities with the theme of reducing stress; such activities may include Tai-chi, Yoga, and dancing or stress-reduction therapy workshops. On the facilities, different activity facilities could be provided for people of different age groups. In fact, the Government has already taken its first step. Since last year, many exercise facilities have already been installed in parks for use by the elderly. Besides, additional artificial turf soccer pitches have been built. The Government will also build a park for use by the young people to practise their skateboarding skills.

Secondly, the Government should make good use of its resources so as to avoid wastage. At the moment, the utilization rate of indoors gymnasias is just

65%, whereas the utilization rate for tennis courts has been dropping in recent years to about 40%. The Government is actively studying the possibility of converting facilities with low utilization rates (such as tennis courts and squash courts) to venues serving other purposes. However, each conversion would incur a cost of several hundred thousand dollars. I suggest in future the Government should build certain flexibility in the design of such activity rooms or venues, and such venues should, as far as possible, be used for different purposes. In this way, even if the people change their preference as a result of the changing trend, suitable conversion can still be made to these venues without costing a lot of money. The Financial Secretary said that he would invite the private sector to submit letters of intent on 10 or so recreational and cultural facility projects worth about \$2.5 billion. If the private sector is involved in the design and management of recreational and cultural facilities, such facilities would be more flexible and innovative. The DAB will support this approach. Besides, the Government may also work with sports organizations to promote sports activities for teenagers, students, the elderly and housewives during off-peak hours of the sports venues, or it may provide some thematic recreational and sports activities. All of these will put the venues to better use.

Thirdly, the Government should also strengthen its co-operation with community and sports organizations. Last year, the Sports Policy Review Team proposed in its report that the Leisure and Cultural Services Department (LCSD) should take the initiative to strengthen co-operation with various national sports associations in order to promote various sports activities strategically. The DAB strongly supports this approach. Now, the authorities may also invite various organizations to make use of the venues to provide different types of stress reduction activities.

In order to relieve our anxious minds, visiting museums and participating in cultural activities are some of the effective ways. In the coming year, the LCSD will spend a total of about \$620 million on cultural relics and museums, representing an increase of 8% over the revised estimate of last year. The increase of about \$46 million will mainly be allocated for use by the Heritage Resource Centre to organize exhibitions. At a time of resource constraint, it is acceptable to see a slight increase in the estimate for cultural relics. The Chief Executive undertook in his policy address delivered in January that the Government would formulate a comprehensive policy on heritage preservation, and the relevant review would be completed within this year. I hope that the new strategy will make some improvement in the preservation of valuable

historical buildings and cultural relics, both in terms of the resources and the mechanism involved.

Madam President, in the past, the Government relied heavily on revenue generated from the property market (such as proceeds from land sales, modifications of land use, stamp duty and profits tax which is indirectly derived from properties). With the burst of the property market bubble, the Government has lost its main financial support. Yet, the expenditure of the Government could not be stopped overnight. The revenue-raising plan of the Government is selling government assets and land. On the sale of land, the Government estimates that it should be able to reap a total of over \$75 billion from land sales in the next five years. However, given the property market is so weak now, the Government actually has no control over the amount of money to be realized through the sale of land and assets. I worry that once this plan fails to work out as originally envisaged, the deficit of the Government would further escalate. Should that happen, the credit rating of Hong Kong may be adjusted downwards. I hope that the Government can move in the direction of small government and expand the tax base. Otherwise, the fiscal deficit will continue to worsen, and eventually causing far-reaching impact on Hong Kong.

On 13 November of last year, the Government announced a package of nine measures to stabilize the property market — they were the famous "SUEN's Nine Strokes". The suspension of land sales for one year was one of such measures. As a result, the Treasury has received \$13.9 billion short of originally envisaged. Recently, as a result of the United States' war with Iraq and the atypical pneumonia is spreading in Hong Kong, the overall economy including the property market has come under severe pressure. Under such circumstances, another controversy has emerged: Would the Government resume the sale of land in the early part of next year as scheduled?

The Chief Executive said clearly last month that there was not anything more important than stabilizing property prices in Hong Kong, and the Government would regularly review the timetable for suspending the sales of land. In the Legislative Council meeting last week, Secretary for Housing, Planning and Lands Michael SUEN stated that the Government would resume the sale of land early next year as scheduled. We clearly know that, each property development project, from planning to completion, takes about three years. If the suspension of supplying new land from the Application List should continue, there will be a major gap of supply of flats in the property market in

2005-06. I worry that, by then, there might be a man-made upward spiral of property prices.

Of course, at the moment, what we see is that there is a large number of vacant new flats. Last year, more than 34 000 flats were completed in the private sector, and the total number of private vacant new flats amounts to over 60 000. On the other hand, the volume of housing to be completed within this year and the next will continue to be high. Many large-scale private housing estates will be completed one after the other in West Kowloon and Tseung Kwan O. Some property analysts have estimated that it will take two years before the market could absorb the existing number of vacant flats.

However, I believe Members would be interested in knowing the following figures. Last year, the Buildings Department received notifications from developers for the official commencement of works for only 42 private residential projects involving about 7 000 flats, a drastic drop of 51.4% from the year 2001. This is a record low in recent years.

After suspending the sales of land for one year, it is anticipated that 15 hectares of land can be sold either by tender or by auction next year. Another source of land supply is by way of land exchange, but such activities do not appear to be vibrant either. It is estimated that there will only be about 100 cases of lease modifications and exchange of land in 2003, which represents a substantial drop of about 42% when compared to 172 cases in 2002.

May I ask, in view of the drastic drop in supply, will the property market revert to the previous situation of under-supply, such that property prices might climb up again due to some human factors? For these questions, I hope the Secretary and the Director would consider them seriously.

Presently, the property market is sluggish simply because the overall economy is weak, and there is the confidence crisis as well. If the people cannot feel secure about their own "rice bowls", how can they take up a long-term loan which runs out to 20 years? Are Hong Kong people really so poor financially, and cannot raise the money to buy a flat? The following figures may throw some light on this. In 1977, the total banking deposits of the people of Hong Kong were only about \$2,000 billion. However, our total banking deposits now have increased to over \$3,000 billion. So we have the money, but not the confidence. If the Government wants to stabilize the property market, it

has to first stabilize the minds of the people. If it wants to stabilize the minds of the people, it has to formulate a good policy.

The government revenue generated from the land premiums has dropped drastically from \$63.6 billion in the peak period of 1997-98 to \$8.6 billion in 2001-02. We should not be too nostalgic about those crazy years. In my opinion, it would be a better approach for the Government to contain the growth of its expenditure first before opening up new sources of revenue.

Madam President, a Budget is never a simple arithmetic of addition and subtraction — not just doing some additions and subtractions, and if the revenue and expenditure could arrive at some kind of balance, the job is considered done. You still need to promote economic development and improve the livelihood of the people. Presently, Hong Kong is facing great economic hardships, and all Hong Kong people are travelling on the same train. Certainly, no one wants to see this train named "Hong Kong" derailed. Therefore, everyone should faithfully fulfil the duties required of his post and do a better job in order to survive the predicament. However, the people cannot grope in the pitch-dark tunnel all the time. The Government must let the people see a ray at the end of the tunnel, so that they would know when their hardship would be over. If they know when their hardship would come to an end, then they would have the confidence to fight fiercely in the tough battle.

Madam President, this Budget is an interim action plan for the SAR Government to tackle the fiscal deficit and to show its determination to the market and the people that it can resolve the fiscal deficit. In order to overcome the problem of fiscal deficit in Hong Kong, we must act in solidarity.

Madam President, I so submit.

MRS SELINA CHOW (in Cantonese): Madam President, the predicament confronting Hong Kong is the worst we have ever had throughout the years. The war in Iraq, together with atypical pneumonia, which is closer to us and undoubtedly more destructive, has dealt a further blow to our already weak economy. However, I think this is not a time for us to sigh and complain. Instead, we should follow the examples of some outstanding leaders and peoples, so as to motivate ourselves to become more positive. Some people say that the performance of Mr Rudolph GIULIANI, Mayor of New York and the New York

people after the September 11 Incident has provided us with good examples to follow. But in my opinion, the doctors and medical workers who are now fighting a tough battle against the epidemic at the front line, who attach greater significance to saving the lives of others than the protection of their own, are even more brilliant examples for us. Apart from paying tribute to them, we should always remember their dedication and vigour, because this will give us greater strength to endure our present predicament.

Yesterday, Mr James TIEN clearly spelt out the stand of the Liberal Party on the Budget. We support the Government's initiative in drawing up a timetable for achieving a balance between revenue and expenditure. However, in view of the many difficulties before us, I think it is necessary for us to review and reassess certain measures for opening new sources of revenue, so that we can give a break to the people. In this way, our economy would be able to recover quickly.

In solving the fiscal deficit and maintaining our international credit ratings, the Government must plan and adopt very clear and feasible strategies. Otherwise, it is highly possible that our credit ratings would be adjusted downwards, leading to an upsurge in interest rates, and worsening of the business environment, especially for our small and medium enterprises (SMEs). This generally explains why the different sectors of the community have the consensus that the Government should take resolute measures to resolve the fiscal deficit. As a matter of fact, Hong Kong has always been a prudent society, and it has for a long time followed the principle of keeping expenditure within the limits of revenues. The two-pronged approach of opening new sources of revenue and cutting expenditure has generally and widely been considered as the only option for the Government in resolving the fiscal deficit.

On cutting expenditure, the Liberal Party has always advocated the principles of free market and small government. Therefore, we absolutely agree to adopting "large market, small government" as the philosophy of the Government. However, like many Honourable colleagues who have spoken before me, I doubt whether the measures selected so far could have the sufficient strength and efficiency in resolving the fiscal deficit problem.

I would like to thank Ms Emily LAU for raising a series of questions on the existing manpower and the establishment. She went into the detailed situations of various departments, providing both the questions and answers.

She has saved a lot of my speaking time. From the answers to the questions raised by me, everyone can easily come to this conclusion: All we have to do is to narrow down the differences between the existing manpower and the establishment, or even to delete such differences, then we would discover that there is substantial room for cutting expenditure — at least we can turn the existing manpower into the establishment. On this base, we can achieve a major reduction in the funding need in the Budget next year. This may be a good way of cutting expenditure.

In fact, the Financial Secretary had already announced that the recruitment of civil servants would be suspended with effect from 1 April. However, apart from the suspension of recruitment of civil servants, the Government must also tighten its human resources expenditure before it can really save money. Therefore, I had raised the following question to the Secretary for the Civil Service: As the Government will suspend the recruitment of civil servants, if the departments/bureaux have some additional manpower requirements, will the Government make the necessary arrangements by making internal transfer between different departments or bureaux? How many such transfers will be made during the budget year 2003-04? If so, how many posts and how much manpower will be saved? If not, whether the Administration has any other methods to satisfy some additional manpower requirements at a time when the recruitment of civil servants has been suspended? The reply I got was quite queer, because the reply was simply not sent to me by the Secretary. The reply to me was sent by the Permanent Secretary who said that, in the Budget for 2003-04, there was no information on such manpower transfer. However, if such demand was detected, the Government would assist the bureaux or the departments in the deployment of manpower. In fact, the Government has already made efforts in different aspects in order to cut expenditure. Therefore, there would be certain room. However, the Civil Service Bureau and the Financial Services and the Treasury Bureau are now considering further ways to assist the manpower deployment procedures. If the deployment of manpower cannot be arranged due to time constraint or job requirements, the bureaux or departments may recruit some non-civil service contract staff to address their short-term service requirements.

To cut a long story short, it seems that such a mechanism does not exist at the moment. However, if necessary, this can be done. So the relevant studies are being conducted now. I do not know how many months the studies will take. But generally speaking, the Government needs to take several months if not a full

year to carry out a study. The reply also said, if necessary, staff could be employed on a contract basis. Does that not mean spending money again? I am somewhat disappointed about this. I hope that the Bureau can formulate a reasonable timetable, such as three months, to present a plan that would portray how on the whole different Policy Bureaux and departments could deploy their respective internal surplus manpower to other bureaux/departments with manpower needs — I emphasize that it must be deployed to other bureaux/departments. This mechanism must be set up as soon as possible.

During the past period of time, we have doubted whether the Government needs to rely on consultants. And I have seen that other Honourable colleagues have also raised such queries. I believe that, when the Government proceeds to hire consultants, the only reason we can accept is: There is insufficient expertise within the Government. In the past, when the Government had a shortage of manpower, it would seek outside service as a kind of support. However, under the present financial constraint, if there is a shortage of manpower, we must look for such manpower within the Government, instead of seeking outside support.

Last month, the Liberal Party raised a question on an allocation of fund of several millions of dollars requested by the Environment, Transport and Works Bureau. We asked why it was necessary to outsource certain services. The answer we got was that the Bureau did not have the relevant kind of engineers. We therefore asked again, if the Environment, Transport and Works Bureau did not have that type of engineers, whether they were available in other bureaux. The Bureau Directors were unsure and could not answer the question immediately. I believe the present situation is like this: There is no such a mechanism in the Government, so it is necessary to establish one. As for the outsourcing policy, the Liberal Party has all along supported the Government in doing more in this aspect, but the prerequisite is that it must be able to save costs. However, we found that this is not always the case. Very often, in theory outsourcing services could save costs. However, the manpower level remains the same, because the Government cannot dismiss its officers. If so, it is better to stop outsourcing. Instead, internal manpower of the Government should be utilized first.

Looking at the issue of cutting expenditure from another perspective, we discover that, the savings to be achieved by the Government are actually very small. In the following year, that is, 2004-05, only 0.5% of the expenditure will be saved; in 2005-06, 4% will be saved; and in 2006-07, 1.2% will be saved.

As it is not possible to cut expenditure substantially, then we can only rely on opening new sources of revenue since the ultimate goal is to eliminate the fiscal deficit. Then what is the case with opening new sources of revenue? Over the corresponding periods, the respective figures are 11%, 9%, 5% and 2.3%. In other words, the revenue the Government intends to generate from the people is higher than the money it plans to save by expenditure-cutting measures. In terms of percentage, it is much higher. I think the people in general would find this unfair. Therefore, I believe the Financial Secretary must reconsider this.

At the moment, among the various service industries, if the situation of the retail industry is not the worst (Mr Tommy CHEUNG must say that his constituency is even worse), it must be one of the worst. Even before the outbreak of the war and the atypical pneumonia incident, under the deflation of last year, both the sales and turnover dropped, making the retail industry face very heavy pressure. The turnover dropped \$17.5 billion, whereas the sales volume dropped 2.6%. During the past few weeks, we have all seen that the situation has become even worse.

My office has conducted a telephone survey on the retail industry during the past two days. We discover that their turnover has dropped as much as 50% to 90%. They all realize that, apart from hoping that the atypical pneumonia incident could be over as soon as possible, there is virtually nothing they could do. However, they generally think that, as the rent constitutes a major burden to them, it would be most helpful to them in alleviating the losses in their business if their rents could be reduced or waived. In such a difficult time — I am glad that Secretary Michael SUEN is here — I believe the Housing Authority could consider the issue and provide them with some rent concession to facilitate their recovery. If the public sector landlord could take the initiative, we hope the landlord in the private sector could follow. Of course, retail business operators also hope that, once this crisis is over, the Government could launch major promotional campaigns both locally and overseas, so as to restore the consumer confidence. The Government may have to prepare some public resources for this purpose.

The Liberal Party is lobbying for a suspension of contributions towards Mandatory Provident Fund schemes both by employers and employees for one year. In fact, we have made this suggestion on many different occasions, but it seems that the Government has not heard our voice. We can see that this

request is very strong among many business operators, especially among SMEs and retail business operators. This is a move that does not cost a single cent on the part of the Government. We hope the Government can reconsider this.

Everyone knows that practitioners of the industry strongly oppose the substantial increase in Motor Vehicles First Registration Tax. No one would feel surprised about the objection from the industry, because this tax item pinpoints the industry. However, I just wish to say this explicitly, that the Motor Traders Association of Hong Kong, which belongs to my constituency, does not oppose the increase in the Motor Vehicles First Registration Tax; they just believe that, in a quiet market atmosphere and the deflation environment, coupled with the increased tax burden for people belonging to the middle class or above, such a measure would certainly undermine the consumer sentiment. In fact, their sales volume already dropped 15% last year.

With the present increase, the prices will rise by 15% to 38%, and it would cause serious damage to the industry. The Motor Traders Association of Hong Kong predicts that, with the increase in the Motor Vehicles First Registration Tax, the sales volume of high-end vehicles will drop 50%, whereas the sales volume of the entire vehicle market will also drop 20%. As such, it would be virtually impossible to generate \$7 billion in revenue as originally envisaged by the Government. What is more, the decrease in sales volume will lead to the dismissal of 1 000 employees. The Government must make some effort to prevent unemployment and the shrinking of the market. I hope the Government and Honourable Members will carefully listen to the voice of the industry.

This morning, we heard many opinions from the industry, including the motorcycle industry. They think that this tax item is particularly unfair to them because the prices of their products are relatively lower. The blow suffered by the market would make the industry unable to turn the corner.

In view of the request made by the industry, we should consider this tax item from another perspective. At a time when consumer sentiment is so low, we really should not introduce any tax increase in this regard. If consumer spending continues to decline, the profits will decline as well, and so will profits tax revenue. In that case, will the Government's proposal to increase tax actually result in double decreases in revenue?

Madam President, the Liberal Party supports the Appropriation Bill 2003. If the Bill is negated, it will lead to a suspension of all government services, and cause a constitutional crisis. I believe Hong Kong people will not wish to see us act in that way.

PRESIDENT (in Cantonese): Mrs Selina CHOW, your speaking time is up.

MRS SELINA CHOW (in Cantonese): Thank you, Madam President.

MR FREDERICK FUNG (in Cantonese): Madam President, the Financial Secretary released his second Budget early last month. The underlying theme of the Budget has gradually been conveyed to the public by way of the traditional tactics of "balloon flying" by the senior officials. In short, it is all about the four words: "eliminating the fiscal deficit". The Hong Kong Association for Democracy and People's Livelihood (ADPL) and I are of the opinion that the people must acknowledge the fact that Hong Kong at the moment does face unprecedented financial pressure, and that we should try our best, by employing various methods, to suppress the fiscal deficit of the Government to an acceptable level. However, the focus of the issue is: What are the means that we should adopt in order to achieve this target? For example, in the eyes of the Government, "unusual" measures should be adopted to eliminate the fiscal deficit during this "unusual" period. But will these measures affect the daily life of the ordinary people, especially the middle/lower classes, low-income earners, or even the underprivileged? Furthermore, will such measures further polarize the confused and worried society? On the other hand, is it a reasonable deadline to achieve fiscal balance by 2006-07? Is it practising alternative planned economy to spread the fiscal deficit evenly over each year in a subjective manner? Is this unscientific or unreasonable? What the ADPL and I are most concerned about is, when the Government designs the targets, proportions and scopes of the various measures to eliminate the fiscal deficit, whether consideration has been given to catering for the needs and living of the grassroots. This is the basic principle that the ADPL holds in examining the Budget for the year 2003-04.

First, on the overall direction of the Budget, the Government attributes the fiscal deficit to the structural problems of the economy, and proposes to adopt measures to cut expenditure, raise revenue and boost the economy, so as to

eliminate step-by-step the deficit that runs to tens of billions of dollars by 2006-07. The ideal scenario in the plan of the Government is to collect about \$20 billion by raising revenue, to save another \$20 billion by cutting expenditure, and to resolve the remaining deficit of about \$30 billion with the projected annual economic growth of 3.5%. Why cannot this plan win the general support of the Hong Kong community? Instead, people staged demonstrations and processions one after the other. The elderly people, the wage earners, the social welfare workers and even the usually politically insensitive bourgeoisie and the professionals, all took to the streets to protest. The ADPL and I are of the opinion that they have been all forced into taking such "rebellious actions" just because the Government has not been fair and impartial to different groups of people in society in implementing measures of raising revenue and cutting expenditure.

In raising revenue, for this financial year alone, the Government has already planned for revenue-raising measures to reap as much as \$14 billion from the people, of which some \$6 billion of "invisible revenue" (not knowing where such revenue will be generated within the next few years) has not been included. The ADPL and I are of the opinion that, among the various revenue-raising measures, the one with the most far-reaching impact is the proposal to restore the marginal tax rate, tax bands, and personal and single parent allowances substantially to the 1997-98 levels. It has made more than 90 000 wage earners fall into the tax net again, and nearly all taxpayers are made to shoulder a heavier tax burden and become the "target of opportunity" in the eye of the Financial Secretary. This proposal has made the tax-paying threshold of single persons drop from \$9,000 to \$8,300, and each taxpayer is made to pay an average \$5,271 in additional tax two years later, thus substantially increasing the financial burden of people of the middle/lower classes. Besides, the Financial Secretary also declared that, with effect from next year, fees and charges of government services will not be frozen anymore. This means that most people, apart from paying more tax, will have to pay more money before they can get such basic services as water supply, medical services and education, making underprivileged groups like the low-income earners, the elderly and single parents suffer a heavy decapitation strike. However, on the other hand, the Government appears to be disinterested or incapable in implementing measures to cut its internal expenditure. In releasing the Budget, the Financial Secretary just reiterated the old assurance that the Government would do its best to contain public expenditure, so as to cut public expenditure by \$20 billion to \$200 billion in 2006-07. However, there are very few measures proposed to

cut expenditure in this regard. In comparison with the scope and proportion of measures for raising revenue, the Government has virtually committed the offence of "disproportionate strength between measures of cutting expenditure and raising revenue". The ADPL and I consider that such seriously unbalanced measures of eliminating the fiscal deficit can never win the support of the people. This is especially so when we are caught in the difficult situation of an economic downturn and a high unemployment rate. In tackling the problem of fiscal deficit, the Government should adopt the principle of first making use of its reserve, then cutting its expenditure, and finally raising revenue, with the objective of supporting people of the middle/lower classes to survive the harsh winter-like circumstances. However, the Government has put the cart before the horse, for its practices are lopsided. As a result, the people feel disappointed with the administration by the SAR Government.

On this issue, some people in society highlight the fact that the staff salaries and allowances account for 70% of government expenditure on the one hand, and the civil service establishment is rigid and unreasonable on the other. The ADPL and I opine that, instead of trying to further cut the salaries of the Civil Service, the Government had better review the day-to-day operations of various government departments first with a view to avoid wasting money on unnecessary expenditure. In this regard, the Audit Commission has provided a lot of clues which are worthy reference for the Financial Secretary. The ADPL and I have specifically studied seven value for money reports released by the Audit Commission during the past three and a half years. We discovered that, during the three years between 1998 and 2001, the Government had wasted or undercharged a total of \$3.975 billion. For example, in the Report No. 35 compiled by the Audit Commission, it was estimated that the total tax revenue written off for overseas employees who failed to pay tax before leaving Hong Kong amounted to \$59 million in 1997-98, and \$77 million annually between 1998 and 2000. Report No. 36 pointed out that, had the Cheung Sha Wan Abattoir been privatized in 1992, the former Urban Council could have avoided incurring an accumulated operating deficit of \$883 million. Report No. 38 also pointed out that, if the Government had made suitable adjustments to the application criteria and procedures for subsidized places in various types of home for the aged, a saving of \$1.257 billion on the expenditure could have been achieved. Among these audit cases, we have not yet included the "blunder in purchasing Dongjiang Water" in which \$1.7 billion of public fund had been wasted due to the mistake made by the Government in assessing the water consumption of the people. Please do not forget that the errors and wastage

unfolded by the Audit Commission are just the tip of the iceberg, when compared with the huge administrative structure of the Government. In addition, it is very difficult to quantify public services accurately due to their special nature. Therefore, the ADPL and I have reasons to believe that, if the Government could do a good job in checking its services, strengthen its inspection and examination of the various kinds of wastage and bad practices in its daily operations, and if it could implement the proposals put forward by the ADPL to the Financial Secretary for cutting public expenditure, the accumulated effect will surely relieve the financial pressure of the Government to a great extent in the next few years, and then it will not have to make the people of the middle/lower classes scapegoats in the elimination of the fiscal deficit. The proposals put forward by the ADPL include extending the voluntary retirement scheme to all civil service grades; contracting out, employing contract officers and corporatizing its non-core or non-emergency services with the consensus of both the management and the staff sides; and gradually introducing the floating salary system to the civil service with a pilot scheme launched for Directorate officers. Therefore, on the premise of "first making use of its reserve, then cutting its expenditure, and finally raising revenue", the ADPL and I oppose any increase in fees of any items that are related to the livelihood of the people.

Apart from this, the ADPL and I have strong opposition, or even discontent, to the tactics employed by the Financial Secretary or even the whole SAR Government in lobbying for their policies. Let us take the Budget of the year as an example. In the course of promoting the Budget during the past few months, the Financial Secretary cited a lot of economic data, in a bid to play some number games. He either mentioned that the Government had a regular deficit of a certain amount, or mentioned the relative percentage of public expenditure as a share of GDP. It seemed that the financial situation of the entire SAR was nothing more than a set of cool and uncaring accounts. It seemed to be his determination to confine the discussion on the fiscal deficit to a single-dimensional thinking framework of rational communication and objective analysis. He also repeatedly stressed that the principle of compiling a Budget is "common commitment by all, and those who have the means pay more", and reiterated that the responsibility of solving the problem of fiscal deficit was "the responsibility of everyone". He has ignored the fact that people of different classes in society have different needs in terms of their living and difficulties. However, in promoting other highly controversial policies, the Government has repeatedly employed the tactics of "lobbying for the support of one camp to fight against another" in a bid to win the favour of a small minority, even at the cost of

offending the majority, in total neglect of public opinion. This was the case when the Government promoted the enactment of laws on Article 23 of the Basic Law; and the same strategy was employed in lobbying for a reduction of CSSA payments by promoting the theory that "CSSA nurtures lazybones". In this way, the SAR Government has been making many enemies in its six years of governance, eventually driving the people into confrontation. The ADPL is of the view that, if the Government continues to do this, it will further undermine its credibility, support and governance. If this Budget cannot reflect what the Chief Executive has said, "To think in the way the people think, and to sense the urgency felt by the people", the Budget will ultimately be discarded by the people.

Madam President, I hope the Financial Secretary can accept what I have just said and change his mind. However, if the Financial Secretary does not give us a satisfactory answer in his reply next week, and does not amend his present proposals and directions, I shall vote against the resumption of the Second Reading of the Appropriation Bill 2003.

MR LEE CHEUK YAN (in Cantonese): Madam President, the Financial Secretary introduces the Budget by quoting these famous lines from Charles DICKENS' *A Tale of Two Cities*: "It was the best of times, it was the worst of times". The two cities referred to by Charles DICKENS were in England and France. As for which "two cities" the Financial Secretary has in mind, I think only he himself will know. Today, I wish to render a new version of the introduction to *A Tale of Two Cities*. The "two cities" I have in mind are not Hong Kong and the Mainland; instead I am talking about the two different worlds in Hong Kong society — the world of Mr TUNG and the rich and powerful as well as that of the common people. This is "A Tale of Two Worlds in One City" in Hong Kong:

It is the jolliest of times, it is the most miserable of times;
It is the age of wisdom, it is the age of zero wisdom;
It is the year of noble aspirations, it is the year of secret motives;
It is the season of bright prospects, it is the season of grim prospects;
It is the spring of disease, it is the winter of fiasco;
It is a metropolis with everything;
It is a melancholic city with all sorts of misfortunes;
We all hope that someone will ascend to the Altar;
We are all falling direct into an abyss the other way.

In a word, we are talking about a nondescript government which has announced a nondescript Budget.

When it comes to jollity and misery, we will never forget that Bow Tie TSANG, the Chief Secretary for Administration, has added a private golf driving range to his official residence, nor can we forget that the insider information possessed by the Financial Secretary has led him to buy a new car. People consider all of these signs of jollity. Some people think that senior government officials are really jolly. I am not interested in knowing whether senior government officials are jolly. But I do know that a Budget on increasing taxes and cutting expenditure, announced at a time when the economy remains sluggish and our prospects uncertain, will make many people very miserable:

- miserable are CSSA recipients. The repeated cuts in CSSA payments have aggravated their plight;
- miserable are patients of chronic illness and the elderly. By increasing medical fees, excuse me for saying so, the Government is actually laying its hands on the "funeral expenses" of the elderly;
- miserable are adults, because they used to have learning opportunities, but the Government will stop subsidizing evening schools, so they will have no more learning opportunities. Miserable are university teachers and staff as well as the people, young people, planning to take associate degree programmes. It was once said no efforts would be spared to invest in education, but now the authorities are sparing no efforts to axe university funding by 10%; associate degree programmes have become traps of indebtedness. The Government may really wish to launch a "Great Leap Forward" in education, do its best to achieve a 60% tertiary education participation rate for young people of the right age, and churn out a greater number of university graduates in a faster, better and cheaper manner, but what is so miserable is that students will become heavily indebted;
- miserable are young people and university students who will have fewer job opportunities because the Government will stop civil service recruitment completely;

- miserable are unemployed workers because the Government will reduce the funding for retraining, so the retraining allowance of unemployed workers will be reduced correspondingly;
- miserable are employees of car dealer companies because the drastic increase in Motor Vehicles First Registration Tax has led to spates of order cancellation, layoffs and company closures. Truly, someone is jolly while others are miserable.
- miserable are many unemployed workers because the Government has just reduced the number of posts intended to accommodate impoverished workers, so there are going to be more unemployed workers;
- miserable are the disabled because the Government is even so unscrupulous as to reduce the disability allowance;
- miserable are foreign domestic helpers and their employers because they will have to pay \$400 more monthly.

When economic conditions are still so bad, when the unemployment rate is so high and when most employees are threatened by layoffs and wage cuts, the Government still wants to eliminate the fiscal deficit by all means, to make all strata of society suffer. This is perhaps a way to realize the Confucian principle upheld by Mr TUNG: "When Heaven is going to give a great responsibility to someone, it first makes his mind endure suffering. It makes his sinews and bones experience toil, and his body to suffer hunger. It inflicts him with poverty and knocks down everything he tries to build." The common people can only sigh and say to themselves, "Senior government officials are jolly but incompetent, and we are made extremely miserable and discontented."

When it comes to wisdom and zero wisdom, Madam President, the fiscal deficit has become the nightmare of the entire Government, the sole agenda of the Financial Secretary. The more important task of formulating a long-term economic strategy seems to have been forgotten. This is very dangerous.

Admittedly, a long-term fiscal deficit will increase the risk exposure of the linked exchange rate and in turn impede economic recovery. But we must also realize that with our improved currency board system and the huge foreign

exchange reserve we still have, the fiscal deficit is not the most significant factor affecting the stability of the linked exchange rate. The most important factor is instead people's confidence: their confidence in the prospects of the economy, their confidence in the Government and their determination to stand by the Government in defending the HK\$7.8 peg. Unfortunately, the people's confidence has always been the biggest deficit of the SAR Government.

Maybe, the Government itself knows very well that it cannot possibly command people's confidence, so it has resorted to a policy of zero wisdom. Purporting to be an authority, it has tried to stir up a panic by stating in a newspaper with a readership of intellectuals that if the Budget cannot deal with the fiscal deficit properly, speculators would immediately attack the Hong Kong Dollar. By adopting an obscurantist policy, it aims to force the people of Hong Kong to accept its proposals of tax increase and expenditure reduction. I must point out very solemnly that this is a very dangerous strategy because once the progress of eliminating the fiscal deficit is hindered by any unexpected factors, the Hong Kong Dollar will face an even greater risk of attack. The outbreak of atypical pneumonia is one example.

I must point out here that my opinion is different from that of Mr LEUNG Fu-wah. According to Mr LEUNG Fu-wah, if the fiscal reserve increases, the power of resistance of the SAR will increase correspondingly. But I must reiterate that the only thing that can really enhance the resistance of the SAR is the confidence of the people.

With respect to noble aspirations and secret motives, Madam President, the Government should play its proper leadership role and initiate sensible discussions among the various social strata and stakeholders. Everybody should be sincere in making a common commitment, in joining hands to overcome the difficulties and in enduring the plight together. Only this can be called noble aspirations. In this process, social cohesion will increase steadily, which is conducive to economic recovery.

It is a pity that in the course of drawing up the Budget, what we saw were just secret motives, just attempts to make one another suffer, just the increasing conflicts among the various social strata and just mounting grievances in society. It looks as if Hong Kong had activated a programme of self-destruction, gradually precipitating a collapse of society.

In regard to bright prospects and grim prospects, Madam President, what people have seen in successive policy addresses are just a whole series of empty promises: a Super Manhattan, the locomotive of the Pearl River Delta, the first place to rebound, the sure prospects of prosperity, and so on. Bright prospects are still altogether elusive, but grim prospects are only so real, just right before our very eyes: a 10% downsizing of the Civil Service, the stoppage of civil service recruitment, voluntary retirement and even mandatory layoffs — as implied by the Chief Executive in breach of his earlier undertaking.

The Government and private organizations are very different. In times of recession and dwindling business, a private organization may close down a whole department; in contrast, when the economy is sluggish and people are battered by various difficulties, the demand for government services will only increase. If the Government goes "slim" at this time, people will just say, "You left me just when I needed you most". This is just like throwing stones on a person trapped in a well.

In order to eliminate the fiscal deficit within a short time, the Government has decided to implement voluntary retirement and a long-term stoppage of civil service recruitment. All this will not only affect the morale of civil servants but may also create a succession problem in the Civil Service. Such myopia will produce far-reaching negative effects on public-sector manpower quality in the future. I must once again ask the Government to think twice.

In the past year, for the sake of rallying public support for civil service pay cut and downsizing, the Government tried to smear the image of civil servants through the mass media; as a result, civil servants were reduced to common enemies of the people. However, recently, people have seen how many front-line civil servants and health care personnel work with total dedication to protect the health of the public during the atypical pneumonia outbreak. I hope that the public can realize that civil servants are not "lazybones" and greedy people who think only of their own benefit. I hope that front-line civil servants can continue to perform their duty of serving the public diligently. I also hope that the pneumonia outbreak can bridge the gap between the public and civil servants.

Very unfortunately, I have heard some other arguments in this two-day debate. For example, Liberal Party Chairman Mr James TIEN and Hong Kong Progressive Alliance Chairman Mr Ambrose LAU have both commented that the

expenditure-reduction measures proposed by the Government are not adequate. Mr James TIEN said that the Government should find out whether it should lay off some employees because staff salaries occupy 70% of government expenditure. Mr Ambrose LAU said that the Government should take vigorous steps in the direction of structural rationalization, corporatization, privatization, manpower reduction and removal of sinecures. Madam President, these are of course the viewpoints commonly held by the business sector, but we do not wish to see the adoption of all these practices by the Government. If manpower can be cut so very easily, should the number of health care staff be reduced? We can all see that the situation is not good at all, and there is even a need to increase manpower. So, how can we lay off any staff so very easily? At the beginning, we hoped that after reaching a consensus on pay cut this time around, there would not be any more noisy arguments and we would thus be able to do our job and work together to restore people's confidence. Unfortunately, the political parties representing the commercial sector still insists taking harsher measures to lay off civil servants. Their insistence will do Hong Kong definitely no good.

Madam President, in the following part of my speech, I wish to say a few words on "the spring of disease" and "the winter of fiascos". Madam President, with the rapid spreading of atypical pneumonia, this spring can be called a spring of disease. Atypical pneumonia has produced some immediate and negative effects on the economy. The tourism, hotel and retail industries are the worst-hit, and many organizations have lowered their forecasts of Hong Kong's economic growth. At one time, forward US Dollar contracts even went up by a hundred or so percentage points because of rumours. The signs are that the plans of the Financial Secretary to eliminate the fiscal deficit, protect the linked exchange rate and boost the economy may all end up in a fiasco.

At this critical moment, is the Government still going to increase the force cutting expenditure and increasing revenue and implement the timetable for eliminating the fiscal deficit at all costs? Or, is it, as suggested by Mr LAU Chin-shek, Chairman of the Hong Kong Confederation of Trade Unions, yesterday, going to accord priority to restoring people's confidence, shelving and deferring its actions as far as possible? I hope that the Government can open a sensible dialogue with society.

Madam President, we can see that Hong Kong has become a melancholic city with all sorts of misfortunes, and that many people are talking about

ascending to the Altar. Madam President, Hong Kong people's perception of time is rather idiosyncratic — they love countdown more than anything. This was the case before 1997, and has remained the case after 1997. So, there is still four years and two months and 28 days to go before 1 July 2007, that is, the day when Mr TUNG's term of office expires.

In a short span of five years, Hong Kong has been reduced from a metropolis with everything to a melancholic city battered by all sorts of misfortunes. Such a change is partly attributable to the legacy of the historical past, and partly to the change in external factors. But in any case, there is no denying that the SAR Government leadership is incompetent. It was the fifth anniversary of the reunification last year, and some people said optimistically that we only had to bear with Mr TUNG for five more years. But now people realize to their horror that it is already so terrible to bear with him for even less than a year. People who say that it is already the worst of times for Hong Kong are really the most optimistic in society, because the majority of Hong Kong people think that the worst of times has not yet come.

Madam President, to deliver ourselves from the present political and economic quagmire, we need a political leader with good leadership skills, a leader who can foster solidarity among the people and boost their morale. However, politics has always been the taboo and weakest point of the SAR Government. To stop the division of society, we need an effective political channel to resolve conflicts and reduce disputes. But this is precisely the one single ingredient missing from the political system of Hong Kong. Whether Mr TUNG is going to ascend to the Altar or to step down immediately, we still need a prompt review of the political system. If not, Hong Kong will fall deeper into the abyss. Efforts to bring about a democratic political system can give people hope, hope that we can prevent businessmen from ruling Hong Kong, hope that we can achieve "all Hong Kong people ruling Hong Kong".

Madam President, having listened to my speech, Members will see that the Hong Kong Confederation of Trade Unions will vote against the Budget. However, I very much hope that the Financial Secretary can give us a reason to support the Budget. Will the Secretary take account of the latest developments and put forward some new measures that can make us think that restoring people's confidence is the prime concern of the Government? Madam President, I so submit.

MS CYD HO (in Cantonese): Madam President, subsequent to the downward adjustment of Hong Kong's projected economic growth by two financial services companies yesterday, the annual economic growth projected by the Budget to boost tax revenue has immediately becomes less reliable. A moment ago, a third financial services institution made a similar suggestion of lowering our economic growth. This is extremely worrying because the Financial Secretary is trying to achieve fiscal balance through raising taxes and slashing social investment. Will the Financial Secretary effect a further slash of services and government commitments and, at the same time, raise taxes that will dampen consumer sentiment? What I fear most is that this might lead to a vicious circle — the Government raising taxes because of reduced revenue and revenue shrinking as a result of increased taxes.

This year's Budget has proposed to raise taxes and slash services. Besides strong reaction from those people who will be substantively affected, academics from different disciplines and commentators also hold strong views on the Budget's approach of slowly transferring the Government's commitment to economic development, social investment and upgrading the quality of the population to the community in order to achieve a numerical balance in five years' time. In their opinion, the so-called "big market, small government" approach, essentially a "small community" approach, is not conducive to the long-term development of Hong Kong.

The policy address and the Budget are most crucial to the governance of Hong Kong. I very much hope these two documents can propose effective measures to, through balancing public income and expenditure, facilitate economic transformation, eliminate the disparity between the rich and the poor, and build up a caring and just society. However, we can see that the Financial Secretary cares only about balancing figures in the medium range. The Budget has apparently taken no account of the fact that these measures might incur even greater social costs. Just as Dr LAW Chi-kwong pointed out yesterday, the Budget has failed to echo the slogan of building a caring and just society as proposed in the policy address. I would like to add that the policy address has only stated this point very much like a slogan, practically being short of preventing anything of a caring and just nature, in terms of both content and detail.

The Budget has failed entirely to evaluate whether various proposed measures can narrow the gap with respect to gender equality from the angles of eliminating poverty and gender mainstreaming. Nor have any proactive measures been proposed to protect the development of children. On the contrary, various Bureau Directors are prepared to take such measures as terminating or slashing certain services in the response to the Financial Secretary's policy of slashing expenditure by 1.8% across the board, notwithstanding that the consequences thus caused will be far-reaching and negative — not only will the quality of the population fail to be upgraded, the disadvantaged groups in society will find it even harder to turn around their lot because of the absence of an environment for upward mobility. Faced with a mixture of difficulties, some people will eventually become a long-term burden of the community.

To begin with, I would like to say a few words on the proposal of slashing Comprehensive Social Security Assistance (CSSA) payments by 11.1%. Sociologists and CSSA recipients once indicated that they were not trying to impede any reduction of CSSA payments. Slashing CSSA is a possible option because it has been accepted by every one of us that something must be done to tide over the current difficulties. However, the rate of CSSA reduction cannot reflect the actual spending pattern of CSSA families which should include, for instance, spending on electronic communications like telephone and pager, and education expenses for such purposes as extra-curricular activities, Internet access and transport. The expenses incurred for the purpose of enabling these CSSA recipients to keep in contact with the community and other people have only been reduced very slightly. With the exception of certain means of transport which have recently introduced short-term concessions, transport expenses have actually been rising than falling.

If what we are going to tackle is abject poverty, the international standard of US\$1 daily can probably be adopted indeed. In this case, the current rates of CSSA payment may have exceeded the international standard. However, if we seek to tackle relative poverty in the hope that after giving the recipients a helping hand today — particularly in terms of enabling the children to receive good education so that they can repay the community in the future — then we should examine whether slashing the CSSA payments in this way can practically help the disadvantaged groups and upgrade their quality and ability. Otherwise, poverty will become hereditary and recyclable. Eventually, children brought up in CSSA families will end up being a second-generation CSSA recipients.

The Equal Opportunities Commission pointed out in March that, in formulating public expenditure policies, the Government had failed to evaluate the social costs and negative impacts. For instance, we are short of data concerning the nature and extent of social deprivation and the long- and short-term prices that have to be paid because of such deprivation. I do not know whether the Government is trying to evade such data intentionally or it has never thought of them. In any case, I hope the Government can keep a long-term record of the changes of such data. This will enable us to expeditiously grasp the information so that they can form a good base for the formulation of public expenditure policies.

Next I would like to talk about gender equality. This year's Budget has not only failed to propose proactive measures to eliminate woman poverty, some of the measures it will essentially aggravate the situation. Female parents of single-parent CSSA families are bearing the brunt of it for they are made to bear enormous pressure, both financially and psychologically. In the end, such pressure will not only inflict physical and mental damage on them, but also transfer on to their children as well.

When it comes to the imposition of a levy on employers of foreign domestic helpers, the helpers, predominately female, will naturally be affected directly. Even if employers are willing to bear the additional levy for their domestic helpers, this measure will impact on the employment burden of 160 000 women, the current employers of foreign domestic helpers, and the employment desire of these women, who are well-educated and capable of participating in economic activities, will thus be undermined. It is most regrettable that the Government has failed to evaluate how far these measures will impact on woman poverty and woman equality from the angle of gender equality.

Various policy bureaux are required to slash expenditure by 1.8% across the board. The Education and Manpower Bureau, for instance, has indicated its intention to cease the provision of adult education services in two years' time and contract them out to private service providers. I am particularly concerned about adult education because we succeeded in lobbying the former Financial Secretary to set aside \$70 million, a very small sum of money though, as extra funding for adult education. I was deeply moved at that time. The argument advanced by us was that there were 380 000 nearly illiterate women in Hong Kong whose education level was equivalent to kindergarten or below. The then Financial Secretary argued that he had noted our support for adult education not

because we wanted to help these women to seek employment, but because they had not even attained the kindergarten level. We were just trying to give them a helping hand to prevent them from being out of touch with society because of their difficulties in reading and writing. Having acquired a basic ability to write and read, they would be able to take part in parent activities and work with the schools in educating their children. This will be extremely valuable to the community. It is a pity that the Education and Manpower Bureau is planning to slash its commitment to this this year.

According to the findings of a preliminary survey conducted by us, 65% of the people attending adult evening schools are women. Should the tuition fees currently charged by evening schools rise from \$140 to \$1,200, the minimum tuition fees currently charged by private providers, many woman students will definitely be forced to give up their studies for financial reasons. It is because they have to save the money for use by their children in order to secure for the latter a better opportunity. However, they will lose all their opportunities of receiving education. We were told by the Permanent Secretary for Education and Manpower Bureau that sufficient places were available in day schools to accommodate evening school students. The remark made by the Permanent Secretary clearly demonstrates that she has failed to consider the fact that some of these evening school students women are aged between 30 and 40. How can they be expected to attend the day schools alongside other students who may be merely 12 or 13 years old? Furthermore, it is simply impossible for them to attend primary day schools because they are mostly below the primary three level.

Ms Emily LAU commented yesterday that a number of redundant posts in the Bureau and Department should be scrapped. Although the Financial Secretary is wearing a mask, I can see that he is smiling heartily in total agreement. I would like to add that while the Secretary is very supportive of the idea of scrapping the posts, I hope the money thus saved can be spent on the people, adult education and essential social services rather than being returned to the coffers. It is hoped that women with poor reading and writing skills can synchronize with the community after upgrading their abilities.

Now I would like to move on to say a few words on the protection and development of children. The child abuse problem will from time to time attract the attention of people from different sectors in the community. Why from time to time? It is because we will heave a deep sigh and blame the

Government for not having done enough whenever a tragedy occurs. However, we seem to have forgotten everything after the incident is over. Although the Social Welfare Department (SWD) still makes domestic violence a core service despite the prerequisite of slashing expenditure, the service provided by the SWD is remedial rather than preventive in nature. We have already paid a dear price when a tragedy strikes.

Madam President, I would like to move on to a very small expenditure item, parent education. We succeeded in fighting for this provision, though it is limited to \$500,000 for a term of three years. As the funding arrangement will soon expire by August 2003, the relevant activities will probably have to stop. Madam President, over the past year or so, we have been able to work hand in hand with the media, parents and teachers because of the availability of the funds. This explains why parents were recently supplied with a lot of information telling them how they can get along with their children, accept their children's different levels of development, accommodate their children's shortcomings, admire their children's strengths, and reminding them not to impose unnecessary pressure on their children. Nonetheless, this funding arrangement will expire. I hope the Financial Secretary can refrain from retrieving the remaining small sum of money. I very much hope the Financial Secretary can, instead of returning the remaining money to the coffers, let them keep it.

Parent education cannot be accomplished in three years indeed. The Secretary should have had personal experience too. Every child faces different problems during different periods of development. While older children face bigger problems, younger ones may face problems of a different nature. Parents must never cease learning. Every year, there are new parents of newborn babies. Therefore, I hope the provision can be turned into a recurrent expenditure item to provide children with protection and an excellent environment through their properly educated parents.

Yesterday, some Members raised these questions — even government officials raised the same question too, "What do Honourable Members really intend to do if the Government is not allowed to raise taxes or cut spending? Where will the money come from?" Worst of all, we must face the truth that there is no tree in Hong Kong that can grow money. But still there are certain principles that all of us very much support. For instance, we agree with the principles of "those who have the means pay more", making possible upward adjustments to a progressive profits tax and the standard rate of salaries tax and

demanding people purchasing vehicles priced at six or seven digits to pay more in tax. I find absolutely no problems with these principles. As for medical charges, under the principle of "those who have the means pay more", we will agree to making appropriate adjustments. However, the Government should consider "footing the bill first" in times of emergency. In the long run, members of the public should share all public expenditure. Therefore, we should uphold the objective of nurturing more "people to have the means" so that public expenditure can be shared by more people. Therefore, the Government must spare no efforts in investing in education and upgrading the quality of the population.

I have all along objected to the Financial Secretary's proposal of introducing an across-the-board cut to the expenditure of various Policy Bureaux because policies should be prioritized. It is simply impossible for the Government to shirk some of its policy responsibility, such as medical services. The recent incident of atypical pneumonia outbreak has demonstrated the fact that the Hospital Authority is experiencing severe manpower shortage and the existing manpower cannot be stretched anymore. Actually, a number of related medical services, such as development of Chinese medicine, cross-boundary food safety, research on the prevention of infectious diseases in Guangdong and Hong Kong, and so on, are still outstanding. I dare not cherish the extravagant hope that "new money" can be earmarked for the implementation of these services. But at least the revenue generated from the adjustment of charges for the provision of services should be kept by the Hospital Authority instead of going to the Treasury to enable new projects to be undertaken by the Hospital Authority. We can also see recently that the public medical system is so excellent that it is simply impossible for the private sector to replace it. Therefore, the Government should continue with its funding commitment in this area.

Madam President, I recently read a book entitled *The Plague* written by Nobel laureate Albert CAMUS. The book told of a commercial city, in which the people were leading a busy life. They only cared about working, without any time to care about others. The outbreak of an epidemic left some people in great disappointment, panic and despair. Yet some people insisted on facing the crisis with a positive attitude and continuing their life as usual. Without the sickening sentimentality featuring in the books written by DICKENS, this book can be summarized in one simple line — "The main thing was to do one's job well". I hope the people of Hong Kong can also demonstrate this courage. Let us try our best to do the job we are supposed to do every hour, every day.

MR SZETO WAH (in Cantonese): Madam President, primary school pupils used to practise Chinese brush calligraphy with the aid of copybooks. One copybook page reads like this: "With family savings of \$2,000 and daily expenses of 20 cents, how long can the savings last with no extra income?" I think I can describe the Budget in this way. "With family savings of \$2,000" implies abundant reserves, while "daily expenses of 20 cents" refers to the slashing of expenditure in order to maintain a frugal living. "With no extra income" refers to the absence of measures for reviving or promoting the economy, and "how long will the savings last" is a question of how long the money is going to last. The entire Budget has only one theme, that is, to slash expenditure for all government departments, raise taxes and charges, and reduce the deficit. It has failed to come up with any plans to break the economic quagmire of Hong Kong. Some people estimate that this will lead to a vicious circle in which deflation will further worsen and the economy further weaken.

In response to such criticisms, the Financial Secretary, Mr Antony LEUNG, revealed that the Chief Executive had in his policy address come up with the Pearl River Delta (PRD) initiatives to revive and promote the economy. Now that the policy address has been published for three months, except for some small progress with the implementation of round-the-clock boundary clearance, we have only heard some indefinite rumours with respect to other areas. There are virtually no prospects in sight that are helpful to the economy. On the contrary, the liaison and co-operation between the SAR Government and Guangdong Province in tackling the transmission of atypical pneumonia have been disappointing. As the saying goes, "the fall of a leaf is enough to tell of autumn's arrival". I am afraid the so-called PRD initiatives are nothing but illusionary wishing thinking.

"When the seas are in turmoil, heroes are on their mettle". Adversaries and hardships should create opportunities for a capable person to give full play to his abilities rather than giving him an excuse to sit on the problems. The act of blaming his failure to overcome various hardships and offer solutions on the objective circumstances and external factors is in complete contradiction to the lines quoted earlier — "Moving against the rising tide, a black bear was drowned in the end". Right from the beginning of assuming the office of Financial Secretary, Mr Antony LEUNG should have had a clear picture of the challenges facing him. Now he should demonstrate his abilities to rise to the challenges.

Every one of us can easily come up with the solution of relying solely on slashing expenditure and raising taxes and charges to resolve the deficit problem. Insofar as slashing expenditure is concerned, a broad-brush approach has been taken so that each government department is given a big envelope instructing them the amount of expenditure to be slashed. They are then allowed to exercise their own discretion to resolve the matter. While no specific analysis of the tasks to be accomplished by each department is given, the simplest and easiest way to carry out the instruction in a feasible manner is to spend "20 cents" every day, as mentioned by me earlier. This should not be seen as a philosophy of financial management. Rather, it is like doing "the granny's sum", and no skills are acquired at all.

Now I would like to concentrate on education expenditure outlined in the Budget.

In May last year, shortly after assuming the office of Financial Secretary, Mr Antony LEUNG said in a quite emotional tone when interviewed by a journalist from *The Standard* that, despite a significant increase in education expenditure of nearly 50%, we still lagged behind other advanced countries. Due to the failure of the former administration to invest in this area, we were now made to bear the consequences. The people of Hong Kong are not properly educated and trained all because the colonial government has failed to inject resources.

It was at the time when Mr Antony LEUNG was Chairman of the Education Commission (EC) that education expenditure grew 50%. He must have a magical wand. Several years after the reunification, Hong Kong economy has already started to experience difficulties, with the deficit beginning to surface and government finances getting much worse than before. However, education expenditure still managed to grow 50%. Now that all money has been exhausted, how much has the quality of education improved? We will be able to find out the answer after listening to the grievances aired by teachers and parents. In last year's Budget debate, I quoted the common saying "with money one can make even a ghost push a grinder" to illustrate the point that money can motivate a ghost. However, a ghost can only push a grinder. Money can definitely not upgrade the quality of education.

Now Mr Antony LEUNG is no longer Chairman of the EC. Being the Financial Secretary in full control of the supply of water, he has surprisingly

chosen to switch off the valve. While it is easy to go from living frugally to living generously, it is difficult to go from living generously to living frugally. His previous decision to raise education expenditure has made education expenditure difficult to be slashed today. It takes 10 years to grow a tree and 100 years to educate a man. Education is supposed to be a long-term undertaking. The Government can definitely not supply water at one time and impose water rationing at another for this is contrary to the development pattern of the education cause. I am afraid even a continuous supply of water for a decade cannot remedy the harm done by a momentary decision to impose water rationing. In the course of slashing expenditure, Mr LEUNG must get to understand this special feature of education.

"People-oriented" education is the direction advocated by the Government with enormous vigour. But what do "people" refer to? Essentially, the subject of these people refers to students, the receiving end of education. However, the key lies in teachers, the giving end of education. If the Government is sincere in implementing the "people-oriented" concept, many other options can be considered for the purpose of slashing the funding for education. Students and teachers must not be affected for they are supposedly crucial to the "people-oriented" undertakings.

The Budget has now proposed to save approximately \$900 million, or 31.8% of expenditure. Measures that will affect the students and teachers include the introduction of exorbitant tuition fees as a result of outsourcing adult education; the closure of a number of kindergartens, raising tuition fees, school-switching, and job losses for teachers as a result of tightening criteria for reimbursement of rents and rates; and dampened morale and the emergence of a gap in the supply of teachers specializing in special education as a result of the abolition of qualification allowances.

Nevertheless, the reduction in education funding this year can still be considered not huge. In order to implement the Financial Secretary's plan to resolve the deficit problem by 2007, all government departments must slash expenditure by at least 9% in the next few years. That will mean that the Education and Manpower Bureau has to slash expenditure by approximately \$5 million. Insofar as we know, the University Grants Committee will slash its block grant by 10%. Consequently, university tuition fees are set to rise, while sub-degree and higher-diploma programmes have to become self-financing, thereby leading to aggravated burdens on students and the abolition of certain

programmes. Hong Kong's determination to transform into a knowledge-based economy will certainly suffer a setback. In addition, the abolition of the link between the pay of university teaching staff and that of civil servants will naturally lead to pay cuts and retrenchment. The replacement of the mechanism with the rule of man will injure academic dignity and freedom too.

I estimate that within the next four years, the cause of education in Hong Kong will be hit by a major disaster as a result of cuts in educational funding by more than 9%, or approximately \$5 billion. Hong Kong will see no tomorrow!

I demand the Financial Secretary to reconsider his fiscal strategies.

Madam President, I so submit.

MR ANDREW WONG (in Cantonese): Madam President, I rise to speak in opposition to the Appropriation Bill 2003. This is the second Budget prepared by the Financial Secretary, Mr Antony LEUNG, as well as the 18th Budget scrutinized by me since I joined this Council in 1985. I have never objected to an Appropriation Bill before. This is the first time, and hopefully the last time, I do so.

Madam President, we should not panic even if this Council succeeds in negating the Appropriation Bill 2003 because the vote on account resolution 2003 has been passed. The Government will not come to a standstill because money will still be available at its disposal.

Madam President, I oppose the Second Reading of an Appropriation Bill for the first time because I am greatly dissatisfied with the two Budgets prepared by the Financial Secretary. My discontent might be slightly or even greatly different from the discontent felt by other Members. I hope the Financial Secretary can respond to the eight points of comments presented below when he summarizes the Second Reading debate.

First, why did the Financial Secretary act like awakening from a dream even though he was well aware of the likelihood of a huge deficit a long time ago?

Second, despite his allusion to a huge deficit in his maiden Budget, why did the Financial Secretary still choose to squander last year and resort to

reducing instead of raising taxes and fees? Was it because it was considered necessary to give the public some sweeteners because that was his maiden Budget? Or was it because he was trying to pave the way for the Chief Executive, Mr TUNG Chee-hwa, for election to a second term of office?

Third, if the squandering by way of reducing taxes and fees was meant to revitalize the economy, why did the Government refuse to consider and respond to the measure proposed by me in the 2001 policy debate and the 2002 Budget debate of revitalizing the economy by distributing \$10 billion local spending vouchers?

Fourth, it cost the Government \$11.4 billion last year as a result of the squandering. After deducting the \$1.2 billion duty concession offered to ultra low sulphur diesel, this will mean \$10.2 billion. How far has it impacted on the \$70 billion deficit estimated for this year? Why did the Secretary still fail entirely to give us an explanation in his Budget speech?

Fifth, insofar as broadening the source of expenditure is concerned, why are the Boundary Facilities Improvement Tax and Soccer Betting Duty mentioned by the Secretary last year still not implemented? I did indicate in last year's debate that the proposals should be a "go".

Sixth, why is profits tax raised from 16% to 17.5% only, given that only profit-makers are required to pay the tax? Why did the Government not raise it to 18.5%, the highest point recorded in the '80s? Profits tax is obviously targeted only on profit-makers. People incurring losses will be spared.

Seventh, will the increase in Motor Vehicles First Registration Tax deal a blow to the motorcar market, including the second-hand market? Will it result in less instead of more revenue?

Eighth, why is the Government still allowed the civil service pay cut to be implemented in two phases in accordance with the "zero-three-three" arrangement when a consensus has been reached in the public sector, including civil servants and employees of subvented organizations, and when everyone is prepared for the worst?

With these remarks, Madam President, I oppose the Appropriation Bill 2003.

MR WONG YUNG-KAN (in Cantonese): Madam President, with atypical pneumonia remaining unchecked in Hong Kong, day-to-day conversations among the public are invariably centred around the spread of the virus, ways of avoiding infection, and so on. We hope the Government can, at this critical moment, lead the public to make concerted efforts in resolving problems. Under the current situation, environmental and personal hygiene has become an important subject. Today, I will focus on food safety, environmental hygiene and agricultural and fisheries policies.

As a representative of the Agriculture and Fisheries Constituency in this Council, I would like to say a few words on the development direction of agriculture and fisheries. In recent years, the industry has started to transform to high value-added development. A number of fishermen have started to actively explore the possibility of developing offshore fishing. As I pointed out in a motion debate on "Developing offshore fishing industry", the offshore fishing industry has become a major trend of fisheries development. However, the time available for market development will become very limited as high seas fisheries are gradually put under regulation. Hong Kong fishermen have all along been unable to develop offshore fishing on a large scale because of a lack of capital. Earlier on, the Joint Committee of Hong Kong Fishermen's Organizations and I submitted a proposal to the Financial Secretary in the hope that the Government can inject \$200 million into the Fisheries Development Loan Fund (the Fund) for application by fishermen aspiring to developing offshore fishing. It was estimated by fishermen's organizations that each offshore fishing vessel can yield an annual production worth \$8 million to \$10 million, as well as creating more than 1 000 job opportunities.

According to the loan records of the Fund, the default rate is less than 3%. It is simply unnecessary for the Government to worry about losses incurred as a result of providing loans to fishermen. The Financial Secretary remains sceptical of the existence value of the fishing industry, probably because he started his career as a banker. An additional provision of \$20 million has currently been allocated from the funds of the Fish Marketing Organization for the purpose of developing offshore fishing. Frankly speaking, the provision of \$20 million is merely sufficient for helping three old vessels to carry out modification. It is utterly inadequate for the development of offshore fishing on a large scale. I hope the Government can reconsider the possibility of increasing its injection of capital. At the same time, the Government should provide fishermen with training to familiarize them with offshore fishing skills

with a view to enabling industry participants to be better qualified to develop offshore fishing.

Insofar as agriculture is concerned, the industry has in recent years managed to establish brand names and develop quality agricultural products through product upgrading. In order to upgrade the quality of local agricultural products, it is essential to have sound scientific research and marketing. However, what Hong Kong is doing in this area is severely inadequate, compared with the Mainland and other countries or places where academic institutions specializing in training specialized personnel for agriculture and fisheries, and scientific research establishments for researching new agricultural products are available. When it comes to marketing, Hong Kong has all along focused on cuisine promotion to the neglect of promoting local quality agricultural and fisheries products to places around the world. As a result, agriculture products which are well known locally have not been able to really enter the global market. Should the Government intend to help local agriculture to develop high value-addedness, more efforts must be made in these two areas.

In recent years, a growing number of farmers have indicated interest in switching to organic farming and intensive greenhouse production. Not long ago, the Agriculture, Fisheries and Conservation Department organized a series of seminars attended by more than 100 farmers. Although many farmers and private investors are interested in investing in the development of quality agriculture, they meet numerous obstacles as a result of the lack of co-ordination among government departments. The most common phenomenon is that some farmers wish to invest in the construction of greenhouses for intensive farming. Unfortunately, the Lands Department will raise objection to the construction of structures on agricultural land prior to the commencement of the relevant works. We hope the SAR Government can expeditiously formulate policies to co-ordinate various government departments to lift restrictions to avoid smothering the opportunities for the local agricultural industry to embark on a new path of development.

Flowers are a necessity in every city. Therefore, floriculture offers enormous potentials of development. Owing to the lack of assistance from the authorities concerned, imported flowers take up a lion share of the market. The most pressing problem confronting florists is the absence of a permanent wholesale venue. Although the Leisure and Cultural Services Department has

undertaken to allocate a lot near the Fa Hui Park for wholesale business, its promise has still not been honoured year after year. As a representative of the agricultural and fisheries sector, I hope the Government can make this small request by the flower growers come true at an earlier date.

During the period between the '50s and the '60s, a large number of people from outside Hong Kong flooded into the territory. In order to resolve their employment problems, the Government allocated a number of sites in the New Territories for agricultural purposes and the breeding of pigs, chicken, and so on. The Government has in recent years decided to close pigeon and quail farms because of the outbreak of avian flu. In a recent meeting with the people in the trade, I was told that they had been given only hundreds of thousands of dollars by the Government. After using up the money, they could do nothing but sit and wait for government assistance. We hope the Government can develop the industry to enable them to continue making a living.

Madam President, I would like to say a few words on marine conservation. The result of an Artificial Reefs Programme launched by the Government several years ago has been very satisfactory. This is one of the Government's recent commendable measures with respect to the preservation of marine resources. On the other hand, however, our marine parks and reserves are facing the damage caused by illegal capture by fishermen from outside the territory. The result is unsatisfactory, though it costs the Government over \$10 million each year to hire 50 or so staff to patrol the seas in a bid to prevent foreign vessels from entering our marine preserves to carry out capture fisheries. Some marine parks have been subject to frequent illegal capture by unruly elements. As a result, our marine ecology has been severely damaged. A couple of days ago, seven mainland vessels were caught by Marine Police for stealing sea urchins off our shorelines. This illustrates that concerted efforts from all parties are required to protect our marine parks.

Madam President, I would like to say a few words on the problem of labelling prepackaged foods. Earlier on, a future direction for the formulation of a scheme on labelling genetically modified foods and nutrition was proposed by the Government. But surprisingly, after three years of study and consultation, the Government has merely requested food suppliers to label genetically modified foods on a voluntary basis. The Democratic Alliance for Betterment of Hong Kong (DAB) is of the opinion that the Government is not

only ignoring the public demand for making labelling compulsory for years. More importantly, the Government is turning a blind eye to the public's right to information on food safety. The DAB hopes the Government can answer the quest of the public by formulating a timetable on compulsory labelling.

Besides the labelling problem, there are loopholes in the current regulation of food labelling. Although the Government has, over the past two years, issued approximately 12 500 warnings and instituted 270 prosecutions against non-compliant labels, the DAB has in its annual survey discovered individual supermarkets selling expired foods, with some of the foods having expired for over a year. This reflects that the entire inspection system, including even the law, is flawed and penalty is insufficient. Failing to truly review the existing system, the Government will be unable to make retailers pay more attention to shelf management, regardless of how many resources the Government is prepared to commit to stepping up inspection.

Another issue we have been constantly following up is the regulation of imported frozen meat. Actually, thanks to repeated campaigning by the industry and us, the Government has adopted a more stringent approach in the regulation of chilled meat. Examples are additional identification for chilled chicken, proposals to immediately cancel licenses held by meat stores where chilled meat is disguised as fresh meat, enhanced inspection, and so on. All this reflects that the Government has listened to the views of the industry and this is worth commending. However, it is disappointing that the Government has fallen short of accepting the detention and test system proposed by the industry in the interest of protecting the public with respect to consumption of chilled meat.

Lastly, Madam President, I would like to say a few words on the issue of developing eco-tourism in Hong Kong. In response to a motion debate initiated by me in this Council last year on "Developing eco-tourism", the Commissioner for Tourism commissioned The Hong Kong Polytechnic University to undertake a consultancy study on the potential of developing tourism in the Northeast New Territories. The study, now completed, has confirmed that 10 sub-regions in the Northeast New Territories offer potentials of developing cultural tourism. They include Tolo Harbour, Plover Cove Reservoir and North Shore of Tolo Channel, South Shore of Tolo Channel, Ap Chau and Kat O Villages, Yan Chau Tong Marine Park and Plover Cove Country Park, Tung Ping Chau, Luk Keng and Country Parks, Wetlands and Surrounds, FCA Corridor and Sha Tau Kok.

We have all along been striving to open up the frontier and abolish the Sha Tau Kok closed area. I would like to take this opportunity to thank the Financial Secretary for making a raft-fishing trip to Sai Kung last year. As a result, rafts can now be developed for fishing purposes. Such changes have brought business to some mariculture farmers. I hope the Financial Secretary can reconsider the proposal of formulating new strategies to further develop the boundary and restricted areas.

The DAB recommends the SAR Government to capitalize on Hong Kong's abundant resources in its natural environment. With the co-ordination of policies for protecting and preserving existing resources, the Government should develop eco-tourism with vigour and not lay the beautiful natural environment to waste.

Lastly, I would like to say a few words on the atypical pneumonia issue. Yesterday, I was told by a few staff members working in the Tai Po Alice Ho Miu Ling Nethersole Hospital above my office that they would work very hard and were eager to achieve a good result. Nevertheless, they were facing a severe manpower shortage. Moreover, the shift duty system makes their working condition extremely hard. As such, I hope the Government can pay more attention to front-line staff to enable them to resolve the problems encountered at work as well as in their daily life.

Thank you, Madam President.

MR TOMMY CHEUNG (in Cantonese): Madam President, the commercial and industrial sectors, in particular the catering industry, are very grateful to the Financial Secretary for his decision to provide relief to a series of fees and charges last year. Recording a deficit of \$60 billion to \$70 billion this year, the Government has announced that the SAR's priority task in the next few years is to eliminate the deficit. In this connection, the Financial Secretary has indicated his wish to raise revenue by \$14 billion through increasing salaries tax and corporate profits tax. Furthermore, the Government is pinning its hope on a 3% growth in Gross Domestic Product per annum in the following three years which is expected to bring approximately \$30 billion to the coffers.

However, the Government still has to provide an additional funding of \$6 billion to fill a "gap" in the deficit. We have been very concerned about the

source of this sum of money. The Secretary has been keeping his mouth shut, refusing to disclose where the money will come from. On the other hand, he stated that a review of 3 000-odd fees and charges would be carried out.

Experience tells us that whenever the Government declares an intention to review fees and charges, it is very likely that fee increases are forthcoming. I would like to issue a stern warning to the Government that the extent of impact caused of raising government fees and charges will be even intense than proposed tax increases, both in terms of width and depth.

Though deflation has lasted more than 50 months in Hong Kong, the operating cost of small and medium enterprises (SMEs), including the catering industry of which I am a representative, remains high. Accounting for 10% to 12% of the turnover of the catering industry, gas, electricity and water charges have never seen any reduction, regardless of the severity of deflation. There is no way to economize on rents too. The fact that expenditure on labour insurance has doubled over the past two years means that the industry is suffering from extra hardship.

However, the world is by no means constant. When the Budget was announced on 5 March, the industry's mood was far different compared with the time when the Financial Secretary announced reductions in rates, trade effluent surcharge, water charges, sewage charges, business registration fees, and so on, last year. This year, the catering industry's businesses dropped 20% immediately following the Government's proposal to raise taxes and abolish the concessions for various fees and charges.

There was a major outbreak of atypical pneumonia in mid-March as the negative impact of the Budget began to subside. The impact of the epidemic on the catering industry is unprecedented. I have witnessed the development of the catering industry for more than four decades. It has experienced riots in 1967, lighting control caused by the oil crisis in the '70s, Sino-British negotiations in the '80s, the financial turmoil in the '90s, and the recent September 11 incident. Compared to these disturbances, the impact of this epidemic is not less, if not greater.

As the epidemic goes rampant, the people's confidence in public hygiene begins to collapse. The entire industry, including restaurants of all sizes and classes, is being hit. Moreover, the epidemic has become increasingly devastating. Around 18 March, night-time businesses in general saw their

turnover drop 30% and day-time businesses 10%, though banquet orders had not dropped yet. The situation however took a sharp dive on 28 and 29 March with businesses across the board plunging 50% to 60% on average, from at least 30% to between 70% and 80%. Today, business turnover dropping 80% to 90% has become a common phenomenon. Furthermore, the World Health Organization has appealed to people all over the world to stop coming to Hong Kong unless it is necessary to do so. Furthermore, foreign consulates are prepared to evacuate their nationals. All these news virtually spell disaster for Hong Kong economy.

The catering industry is heavily dependent on cash flow. Operators of the industry in general are knocked off balance by the sharp drop in turnover. The situation is particularly worrying in the first few days of a month. It is because not only is the industry required to pay rents to landlords and wages to employees, it is also required to make outstanding payment to goods suppliers at the beginning of each month. Over the past couple of days, some goods suppliers even demanded restaurants to pay cash on delivery instead of making monthly payment, for fear that they cannot collect the money later.

The sharp dive in turnover has produced a huge domino effect. Not only close to 10 000 restaurants and the livelihood of 200 000 employees are being seriously threatened, related trades and industries, such as food suppliers, tablecloth and uniform cleansing workers, interior decoration workers, and so on, are badly hit too.

The most disheartening fact is that we have no idea how long this battle is going to last. Just as a boss of a major catering consortium told me a couple of days ago, he had never witnessed such a terrible situation though he had been in the industry for nearly six decades.

I have to stress that I object to the Government trying to make up for the deficit through increasing fees and charges not because of the epidemic outbreak. It is because SMEs, the middle class and even the general public are unable to bear additional charges.

During the period from 12 March to 24 March, the Liberal Party succeeded in interviewing 1 846 people for their views on the Government's proposed fee adjustments. 62% of the respondents opposed the Government's proposal of raising charges for various services following tax increases. 71% of the respondents were worried that the increases would trigger off a wave of fee hikes.

Furthermore, 63% disputed the saying that increases in charges not related to the people's livelihood would not aggravate the people's burden. 75% of the respondents were worried that even if only charges not related to the people's livelihood were raised, the relevant cost would eventually be passed on to consumers.

The survey has also found that 54% of the respondents disagreed with the Government's proposal to raise various charges for the provision of service on the grounds that it had to gradually recover the cost. At the same time, 37% of the interviewees opined that the costs of providing various government services were too high.

According to these findings, most of the people raise objection to fees increases because the economic environment is far from favourable. Many of them do not subscribe to the theory that increasing charges that are unrelated to the people's livelihood will not affect the people's livelihood. In the opinion of the Liberal Party, some of the livelihood-neutral charges, so to speak, actually have a direct bearing on the business environment. Such charges as license fees, trade effluent surcharge, sewage charges, and so on, will impose enormous pressure on the operating costs of SMEs, particularly the catering industry. Should SMEs be forced to lay off staff, wind up or raise prices, the grassroots will ultimately suffer.

The Government has always stressed that it has to gradually recover the costs of service provision in accordance with the "cost recovery" and "user pays" principles. While these principles can hardly be challenged, the requisite is that the Government should set costs to reasonable levels. Should the Government choose to recover the cost of service provision rashly without taking vigorous actions to cut spending and avoid wastage, a situation in which the Government holds a banquet and the public and the business sector foot the bill will easily arise. This will be extremely unfair to the general public.

Though the business sector falls short of welcoming the Budget's proposal of raising the profits tax rate, there is really nothing it can say. After all, only profitable enterprises are required to pay profits tax. At present, how many enterprises, particularly those in the catering industry, are making profits?

Regarding the proposal of lowering the salaries tax allowance and raising the rates for various tax bands on a comprehensive scale, I am worried that it will deal a further blow to the faith and spending desire of the middle class.

Although the measures will be implemented in two phases to minimize the impact, the middle class, already deeply troubled by the possession of negative equity, enjoy the least government service and receive the least assistance, although they have all along been the major source of government revenue as the largest group of taxpayers. Proposing to raise various fees and charges, the Government is undoubtedly trying to wield its axe again at the middle class. Taking advantage of the passive hardworking attitude of the middle class, the Government, believing them to be an easy prey, is risking that they will not take to the streets to stage demonstrations. If the Government goes on sacrificing the middle class on every occasion, I believe the latter will no longer tolerate it one day and eventually let their grievances explode.

This year, the Financial Secretary proposes to eliminate the deficit by spurring economic development, slashing expenditure and raising revenue. I would like to point out that the three measures are actually interrelated, for increased government charges will keep spending desire persistently weak, thereby affecting economic growth and damaging the business environment. With operators' profits going backward, the coffers will ultimately see its revenue drop. I cannot see how the Budget can stimulate the economy. On the contrary, the entire Budget is working against this objective.

I think it is undesirable for the Government to propose raising various government charges during this difficult period unprecedented in history because this is like aggravating the hardship confronting SMEs and wage earners by pushing them into an abyss. On the contrary, the Government should take the initiative of offering assistance. Now that Hong Kong has entered an extraordinary period, the situation has become so serious that it is like a war has been launched. The Government must address this situation by means of a series of measures. Here are my proposals:

First, immediately suspending rates for April, May and June. Concessions should continue if the economic situation unfortunately keeps worsening.

Second, as Mrs Selina CHOW mentioned earlier, it is hoped that such property owners as the Housing Department and the Government, the Home Affairs Department, the Leisure and Cultural Services Department, and so on, can take the lead in the market by providing business operators with rental concessions in April, May and June. In the past when the market was

flourishing, we "shared our comforts and joys" with the landlords. Now that the market has become so sluggish, it is the hope of all operators that their landlords can "share their hardships and sorrows".

Third, offering concessions on water charges, sewerage charges and trade effluent surcharge for the months April, May and June.

Fourth, offering immediate financial assistance to SMEs. This should include offering loans to the catering industry to meet its urgent needs and allowing the suspension of contributions to the Mandatory Provident Fund (MPF) schemes for two years.

Members might probably raise this question: Can the Government rescue the territory and the catering industry after taking all these measures? Of the above mentioned concessions, the first and third measures can benefit the public as well. The second measure will be very helpful to the survival of business operators though the rental revenue of the Government will thus be reduced. As for the fourth measure, the Government should expeditiously come up with ways to help SMEs to achieve the best effect of offering immediate assistance to business operators to address their cash flow problem.

Should business operators wind up their businesses because of cash flow problems, the five measures mentioned above can no longer exist. What loss will the Government incur after taking these measures? I dare not guarantee that everyone can be saved after all of these measures are taken. However, I believe restaurants and SMEs with a solid base should be able to weather the difficult time though they are suddenly caught in this predicament caused by the disaster.

At present, a number of the hardest hit restaurants and karaoke establishments have chosen to withhold the payment of wages and suspend their operation one after another. The reason is that they can minimize losses if they stop operating — for they will then only need to cover the loss arising from the payment of rent, whereas wages and all overheads can thus be saved. After the suspension of business, it will be easier for them to negotiate the rentals with landlords.

In the near future, presumably a number of wage earners will be forced to suspend work without pay or even be dismissed. If concessions can be offered

on various government fees and charges and wage earners are allowed to stop making MPF contributions, they will be able to keep more money in their "purses". This will also give them and their family members a greater sense of security.

Employers will be able to improve their cash flow if they can be exempted from the payment of 5% of wages as MPF contribution and the payment of certain charges. In doing so, employers might be able to reconsider their plans to lay off staff, cut wages or suspend the duty of their employees without pay.

Every year, \$20 billion is siphoned from the market as a result of the MPF contributions. In several years' time, the money will be enough to change the course of Hong Kong economy. As this sum of money is independent of the Government's Operating Account, temporarily suspending the contributions should have no impact on public finances.

I do not think suspending MPF contributions in the short run will paralyze government operation. On the contrary, the knock-on effect produced by the retention of \$20 billion each year will surely provide Hong Kong economy with greater vitality. Why is it impossible for the Government to make a resolute, flexible, slightly bold decision at such extraordinary times?

The Liberal Party's previous proposal to suspend MPF contributions was meant to stimulate the economy. The proposal is raised again today because it is forecast optimistically that the disaster can stabilize in a couple of months. Otherwise, Hong Kong might not be able to live again.

What matters most to Hong Kong at the moment is to foster a stable internal environment. Although it might cost billions of dollars to launch all these extraordinary relief measures, the Government can win the faith of employers, employees and everyone else in Hong Kong and let them know that there is still warmth in the world, that the Government really cares. Employers will continue to be willing to operate businesses and invest in Hong Kong.

Even if we know how to clean up the aftermath and come up with ways to develop an atypical pneumonia vaccine, Hong Kong will need to undergo a rebirth process before it will be able to stand up again. It might take weeks, months, years or even longer. The concerted efforts of every one of us are required before we can make it through this protracted process.

I would like to take this opportunity to make a sincere appeal to the public utilities, such as the gas company and the two power suppliers, to offer immediate concessions to help tens of thousands of enterprises weather this disaster. However, the assistance should be one-off and not be taken as a precedent. Both the industry and I certainly do not hope something like this will happen again.

I would also like to make an appeal here and hope Honourable colleagues and members of the public can understand that the catering industry is not exceptionally dangerous. Over the past few weeks, fellow operators appealed one after another to employees to wear masks, talk less, keep food covered, wash hands and perform cleansing more frequently, and cleanse exhaust traps and air filters. It can be said that we have done everything possible.

Luck comes but once, but trouble comes in droves, with bad news coming one after another. With the economy yet to recover from the financial turmoil and the September 11 incident, Hong Kong is at the same time experiencing deflation for the 50th straight month. Coincidentally, the United States, the largest market for Hong Kong exports, has launched a war against Iraq. Regardless of the duration of the war, we can virtually see no ray of hope in the future. SMEs and the middle class have been paying enough. They are simply unable to bear any more government charges. I hope the Government will not dig into their pockets again.

Talking about songs, I recall a song beginning with "without heaven, how can there be earth". A street signboard posted by a political party also writes: "without the country, how can there be families". Today, I would like to ask Honourable Members this question: "Without employers, how can there be employees? Without investors, how can there be profits tax? Without work today, how can one have money to support their retirement life at the age of 65?"

Madam President, I so submit.

MR ANDREW CHENG (in Cantonese): Madam President, there is basically only one single theme in this year's Budget — resolving the deficit problem. In order to tackle the problem, the Financial Secretary is even prepared to administer a heavy dose by increasing taxes and charges. Concerning the

question of whether the dose can cure the deficit, we can note from the discussions held in the community in the past several weeks that people are generally not optimistic. It is even more worrying that the dying labour market will further worsen at any time because of the Budget.

Following the exposure of the Financial Secretary's car purchase incident, the Chief Executive stated publicly his hope that the Financial Secretary could make amends for his fault by compiling a good budget. Madam President, faced with internal and external troubles as well as the natural calamity in the outbreak of atypical pneumonia, we simply do not want to face man-made disasters again. The Financial Secretary will truly be able to make amends for his fault if he can refrain from raising taxes and charges, and even introduce such measures as reducing rates, freezing sewage charges, and so on again.

As Chairman of the Panel on Home Affairs, I am very much concerned about the dissemination of news on the Government's handling of atypical pneumonia and free flow of information. It is indeed necessary for additional resources to be committed to government publicity and civic education. Although the Government's handling of this incident is not perfect, at least the Government has not tried to conceal anything in publishing the number of infected cases. A genuine account of the tracking of the source of the virus has also been presented. Of course, it will be even more satisfactory if information on the residential address of the patients can be published to enable residents living in different communities to take early precautions.

As such, the Government should indeed take extraordinary measures at such extraordinary times. The Budget, published a month ago, appears to have been overtaken by events. It is necessary for the policy agenda outlined for various government departments to be adjusted too. It is very much hoped that Secretaries of Departments and Directors of Bureaux can explain to Members in their replies next week whether the guiding principles formulated in the Budget will suitably be adjusted. Surely one of the measures that need to be strengthened is to inject resources to step up health education.

Madam President, the freedoms of speech and information are extremely important in the sense that they are very precious. Regrettably, they have become a target in the eyes of Mr LONG Yungtu, former Assistant Minister, Ministry of Foreign Trade and External Cooperation, who criticized the relevant

reports of scaring away foreign investors. He even held the view that the situation should not be considered "serious" unless at least 500 000 people were infected and hospitalized. Such comments precisely reflect the typical thinking of Chinese officials — all negative news that might possibly damage the country's image in the region must be blocked entirely. At the same time, the media must praise and completely echo official viewpoints. Human lives? Just grass.

Though the confidence of local and foreign investors may possibly be affected by the epidemic outbreak in Hong Kong, I am convinced the market can restore rapidly when the outbreak is over. An open government must fulfil the requirement of respecting media coverage. Publishing the number of infected cases should not be seen as a family insult. It is what a responsible government should do. Any attempt to block, prohibit, seal off, dilute information about the epidemic situation is the dirtiest behaviour. By constantly fooling and misleading the people, the Government will eventually make the community pay a dearer price. By the time the community, the territory or even the whole world is endangered, the image of the Chinese Government will surely plunge to the deepest bottom in the hearts of the people worldwide. The news that watch and clock makers from Hong Kong were treated like freaks in Switzerland and a mainland delegation visiting New Zealand was not provided with accommodation and transportation has unavoidably dampened our spirit. At present, Chinese are seen in many places as suspects of plague carrier. Perhaps it is worthwhile for the Governments of China and the SAR to seriously explore the hidden reasons when the outbreak is over.

Fortunately, the Chinese Government has finally indicated its willingness to disclose more information on the epidemic situation in China. *China Daily*, an English-language newspaper, condemned in its editorial the Guangdong Provincial Government for its handling of the epidemic outbreak. I hope the Chinese Government can provide the World Health Organization (WHO) with specific details of the epidemic situation in the Mainland so as to enable people from around the world, in particular the SAR Government of Hong Kong, to have a better understanding of the outbreak and enable them to take more effective measures to tackle the problem. The Budget should also devote additional resources to such areas as information recognition and civil education, with a view to enabling the public to better understand the harms done by atypical pneumonia.

Although the epidemic has slowed down the operation of the community, other community affairs must not be neglected. In connection with the Budget, I will present my views to the Government on transport affairs.

The Government is determined to introduce a Boundary Facilities Improvement Tax. It is estimated that the tax will generate a recurrent revenue of \$1 billion per annum. Upon the introduction of the tax, both local and cross-boundary commuters will be affected. A 5% drop in cross-boundary ridership will, in terms of performance in the year 2001, translate into a loss of \$111 million for the Kowloon-Canton Railway Corporation (KCRC), while a drop of 10% will mean a loss of \$221 million.

Once the KCRC's profits are encumbered by the Boundary Facilities Improvement Tax, there might even be a need for the KCRC to reduce fares to attract commuters to continue travelling on the cross-boundary line in order to maintain its ridership. We are worried that, under such circumstances, the KCRC will transfer the pressure of increasing fares on to commuters travelling on local lines so as to maintain its performance. As such, I hope that the Government can reconsider the knock-on effect of the introduction of the tax. It is irresponsible for a responsible policy-maker to keep on saying that the KCRC will base its decision on commercial principles. In my opinion, regardless of the introduction of the tax, the KCRC should suitably lower its fares for both the cross-boundary and local lines. Failing to do this, the Democratic Party believes there will still be considerable resistance to the introduction of the Boundary Facilities Improvement Tax.

Another tax item worth mentioning is diesel duty levied on buses. I find it extremely regrettable that the Government has failed to look at this tax item and abolish this exemption enjoyed by the franchised bus companies for years. The Government prefers to wield its axe indiscriminately at the middle class rather than touching the vested interest of public transport operators. This is really very disappointing.

According to the Government, the bus companies will have to raise their operating cost by approximately 5% if diesel duty is levied at a concessionary rate of \$1.11. In the absence of detailed data concerning the annual fuel consumption of each bus company, we can only make projections according to the Government's estimate. If we project according to the latest performance disclosed by the two bus companies, the levy of diesel duty will make the after-

tax profit reaped by the Kowloon Bus Company (1933) Limited (KMB) drop from \$1.6 billion to \$1.33 billion in 2001, and in the case of the New World First Bus Services Limited, from \$150 million to \$107 million in 2002. The bus companies, particularly the KMB, have repeatedly resisted the request of directly cutting fares to benefit the public and have even gone so far as to turn a deaf ear to Dr Sarah LIAO's view about the exorbitant bus fares. The Democratic Party therefore holds the view that the re-imposition of the levy can enable the Government to channel more financial resources to other social services, a move which I will be welcomed by the public.

In our opinion, the Government should not exclude bus companies when it considers introducing taxes in the future. To the public, the bus companies have only offered them trivial concessions by freezing bus fares in the past several years. The Government should therefore require the bus companies to share the responsibility with the community in the extremely difficult economic environment.

Madam President, the deficit-elimination proposals made by the Financial Secretary are not going to help increase job opportunities. They will, on the contrary, run counter to this objective and work precisely as a poison that aggravates the unemployment problem. The employment opportunities of the public, particularly graduates, have diminished following the policy address's announcement of the Government's plan of suspending of civil servants recruitment and streamlining manpower. Furthermore, the Budget has once again wielded its axe at the middle class and grassroots by significantly increasing salaries tax and raising properties tax, lifting the freeze on various charges affecting the people's livelihood, and slashing allowances for the grassroots. Under the threat of unemployment, wage cuts, and fare and tax increases, the public will definitely do everything they can to reduce spending, making it even harder for the economy to revive. Consequently, employers will definitely slash manpower. The measures taken by the Financial Secretary to eliminate the deficit will end up pushing the public to unemployment and causing the service industry to bear the brunt.

Madam President, the American attack on Iraq and the outbreak of atypical pneumonia have aggravated Hong Kong's economic and employment situation. The Iraqi war is unfavourable to the economic outlook, for export is one of the important pillars of Hong Kong economy. Orders for the four major industries in Hong Kong, namely watches and clocks, toys, textiles and garment have dropped according to reports. Once orders for export to the United States

drop, manufacturers will definitely resort to pay cuts and retrenchment to reduce cost.

As a result of the panic created by the atypical pneumonia outbreak, not only the people of Hong Kong dare not venture out, the turnover of most trades and industries, with the exception of supermarkets, has been badly hit. The businesses of restaurants and entertainment establishments are extremely poor. Worse still, a number of countries, including Canada, Singapore and the United States, have advised or warned their nationals against visiting Hong Kong for sightseeing. The sharp drops in the numbers of overseas tourists and mainland tour groups have directly hit tourism, with the hotel industry being badly hit as well. These are exactly the economic pillars mentioned by the Financial Secretary. Unless prompt action can be taken to tackle the threat imposed by atypical pneumonia, layoffs and closure of restaurants, entertainment establishments, and retail and tourism undertakings will become inevitable.

The prospects of the more than 3.5 million wage earners in Hong Kong are indeed worrying. If the Budget still insists on raising taxes and charges related to the people's livelihood at this moment, it is undoubtedly rubbing salt into the wounds because this will surely render more workers jobless.

Many people understand that it is the current trend of events that causes the unemployment problem to worsen. The public concern is whether the Government is, sensing the urgency of the people, treating the worrying unemployment problem as its prime concern. Nevertheless, the Budget has failed to convey this message to the public. Last year, the SAR Government undertook to create 30 000 posts. Although the unemployment rate last year saw no improvement, the newly created posts certainly did help slow down the surging unemployment rate. In this year's Budget, the number of people who will be given assistance in job-seeking is reduced to 18 000. Moreover, it is still unknown as to whether the 12 000 participants of the "Re-employment Training Programmes for the Middle-aged Scheme" can secure a job upon completing the programmes.

I hope the Government can adopt a flexible approach by giving a higher priority to problems relating to the people's livelihood and employment over the deficit problem. The Democratic Party will endeavour to come up with more proposals to help improve the employment situation. For instance, it is worthwhile for the Government to consider two major types of work, namely local home helpers and environmental protection.

I very much hope the Government can seriously consider this question: Are there any employment policies and what is the notion behind the Government's promotion of employment? The direction pursued over the past several years was to promote economic development, that is, so long as the economy fares well, employment opportunities will naturally increase. This explains why the Government did try to reduce tax rates and stimulate economic growth by adopting the Keynesian principle of expansionary deficit. For this year, under the proposal of fully contracting the economy, the Government will buy places and offer incentive in the form of subsidy to employers to hire the unemployed. How can these apparently wavering policies ameliorate the unemployment problem confronting Hong Kong?

Madam President, which group of people of the unemployment population has the greatest need to receive assistance — the poorly-educated, the low-skilled, or university graduates? Regarding ways to help the poorly-educated and low-skilled people to seek employment, should we upgrade their education standard, equip them with basic skills training or create opportunities that fit their development in a forced manner such as helping them to become hawkers, or develop Hong Kong's creative industries?

We will be most willing to discuss with the authorities whatever strategy they wish to adopt. However, we hope the employment policy can be implemented thoroughly and consistently. We also hope the Government can expeditiously come up with suitable proposals on its employment policy and the formulation of an unemployment index.

Madam President, I so submit.

MR MICHAEL MAK (in Cantonese): Madam President, the Budget has given me a message that the Government is telling the people to fight a lone battle and probe the way forward in the absence of any guidance, and it is not tiding over the difficulties with them together.

It cannot be denied that suitably increasing revenue and reducing expenditure would certainly help resolve the predicament of a fiscal deficit, but the Government has not suited the remedy to the case, and we even cannot say that it has treated the symptoms but not the disease. It has only taken certain measures casually under the pretext of a fiscal deficit and brought Hong Kong

cuts and bruises. Madam President, first of all, I would discuss the problems of my sector. At present, the ratio of the utilization rate of public sector medical services to that of private sector medical services is 94:6, which is a serious imbalance. In fact, I already proposed a Member's motion to discuss the problem last year.

There are continuous increases in demand for public sector medical services and our population while Hong Kong is facing the problem of ageing population. Drawing reasonable inferences, we can cope with the people's demand for public services and safeguard their lives and health only by increasing expenditure and manpower resources for medical and health services.

Nevertheless, in the 2003-04 Budget, the appropriation for the Hospital Authority has reduced from the revised appropriation of \$29.935 billion in the year 2002-03 to the budget estimate of \$29.608 billion for the year 2003-04, and the total number of nursing staff has reduced from 19 529 to 19 499. It is planned that the number of general beds will be reduced from 20 579 to 19 379, a total reduction of 1 200 beds. What logic has the Government applied when it formulates the relevant policies on medical and health expenditures? Has it anticipated that people will have reduced demand for medical services in the coming year? Has the Government regarded people's lives and health as trivial matters? Does the Government think that the revenue to be reaped after implementing the relevant medical fees and charges is sufficient to make up for the deficit in the health care sector? After the implementation of the relevant medical fees and charges, people will demand a higher quality of public medical services which would inevitably increase the workload and pressure of front-line health care personnel. But the Government will have reduced expenditure and manpower then. We really cannot make head or tail of this.

Due to a serious manpower shortage, front-line health care workers are suffocated by heavy workload and pressure every day and they are also pressurized by the need to pursue continuing education. Yet the Government has not provided them with any support and financial assistance, because it has not given the Hospital Authority and the Department of Health sufficient funding for staff training. Nor has it given health care personnel who need continuing education special waivers.

The atypical pneumonia incident has precisely given the Government which has not been vigilant in peace time a sharp warning and taught it a

profound lesson, and it has paid a heavy price. It has taught the Government a lesson that it should not casually reduce expenditure and manpower for medical and health services on the ground that the fiscal deficit is of paramount importance and put a bet on people's health. Actually, there was already a shortage of health care personnel before the outbreak of the atypical pneumonia incident and I had been shouting myself hoarse in asking the Government to look squarely at the problem ever since I became a Member of this Council. The Hospital Authority has had deficits for several years in a row and it has sounded the alarm for public medical services. The atypical pneumonia incident has served to highlight the seriousness of the problem. Front-line health care workers have already burnt themselves out and I sincerely urge the Government not to reduce medical expenditure and health care manpower anymore! As the common saying goes, "prevention is better than cure and health is wealth", the Government should make hay while the sun shines and deploy more resources for the implementation of primary health care services. In such aspects as mental health, stress management, the environment and air, eating habit, harmonious interpersonal relationship and occupational safety, the Government should guide people to pay attention to their health and reduce the disease incidence rate so as to reduce the utilization rate of medical services and medical costs. The Government should be far-sighted and it should not focus only on the fiscal deficit problem without deploying resources to implement primary health care services or increasing medical funding. At that time, people's health will not be protected and a heavier price has to be paid eventually.

The Government keeps saying that all people in Hong Kong should tide over difficulties and bear responsibilities for the fiscal deficit problem together, but the message given by the Budget only shows that the Government has once again failed to practise what it preaches. It has secretly shirked the responsibilities for the fiscal deficit onto the middle classes and disadvantaged social groups and made them targets of its measures to reduce the fiscal deficit. The middle classes have contributed a lot to the prosperity and stability of Hong Kong and worked silently and stood fast at their posts. What have they got in reward? They have only got the rewards of layoffs, pay reductions and negative equity assets as well as a series of suffocating tax increase measures. The Government has said that it will only revert salaries tax and the tax bands to the levels before the concessions made in the year 1998-99. Can the Government also revert the income and financial conditions of the people to the levels in 1997? Can the people shirk the burden of negative equity assets? Concerning the levy on foreign domestic helpers, the middle classes also bear the brunt. Although the Government will reduce the minimum wage of foreign

domestic helpers at the same time, some employers would rather bear a heavier burden than reducing the wages of foreign domestic helpers, and some employers have no alternative but to reduce the wages of foreign domestic helpers because they really cannot afford the monthly levy. However, it will definitely give rise to contradictions between employers and employees and put a heavier pressure on employers. The Government has introduced a high land departure tax, but there is only a nominal reduction of the fares for a journey to Lo Wu. In fact, many people travel between Shenzhen and Hong Kong every day to work or school, and the Government should cater for their needs. As regards the Air Passenger Departure Tax and the Motor Vehicles First Registration Tax, the Government should not pinpoint people who have the means and savings. They have earned the money by hard toil and they have the right to enjoy the fruits of their labour. Thus, the Government should not take advantage of them.

Madam President, in principle, I support the levy of soccer betting duty by the Government, and I have conducted a relevant questionnaire survey on colleagues in my sector. So far, around 60% of the respondents support the regularization of football betting, but most of them are worried about the effects on the mental development of young people. Therefore, in the course of the regularization of football betting, the Government should not overlook its effects and it has to introduce sound matching measures. For example, it should step up educating and guiding young people not to indulge in betting. The result of an opinion poll conducted by the University of Hong Kong indicates that 65% of middle class people have complaints about the policy agenda and they are more dissatisfied than ordinary people, and they have only given the policy address a score of 38.7 marks, lower than the score given by ordinary people. The findings of the opinion poll are the middle classes' silent protest against the Government. The middle classes have silently made contributions to Hong Kong and they only hope that the Government can treat them fairly, impartially and openly. At present, there is a thirst for talents in various parts of the world. Taking health care personnel as an example, many countries have opened their doors to welcome them. So if the Government takes advantage of them again, they will only become disheartened and there will be another wave of emigration which will deal a heavy blow to Hong Kong.

Since the financial turmoil, there have been repeated layoffs and pay reductions and many people are finding ends difficult to meet. However, they will not apply Comprehensive Social Security Assistance (CSSA) unless they run out of options. CSSA is an indispensable system of a civilized society and it can

provide basic protection for the living of the needy. It is also the responsibility of the Government and the right of the people. Nevertheless, it is a pity that the Government has evaded its responsibility under the pretext of a fiscal deficit and reduced CSSA payments across the board, making life more and more difficult for the disadvantaged.

While the Government takes advantage of the middle classes and disadvantaged, it is exceptionally generous to public organizations and businessmen. Many public organizations such as the two power companies, the two railway corporations and the bus companies have had surplus for many years. Although the people have been given repeated wage reductions, the fees and charges of these organizations have remained high. Worse still, they have not ruled out the possibility of increasing fees and charges. Now that the Government allows them to fleece the people, can it say that all people should tide over the difficulties together? The Government has toughly increased taxes payable by the middle classes, but only made a nominal increase in profits tax for businessmen. As the term suggests, profits tax is payable only when there are profits, so it will not become a burden for the consortia. Nevertheless, the Government is still lenient to companies that have profits. The Government is the chief culprit who has made the problem of the disparity between the rich and the poor in Hong Kong to deteriorate continually. How can we support the Budget when various classes in society have not evenly borne responsibilities for the fiscal deficit problem?

When our economy continues to be in the doldrums, the Government has to increase revenue and reduce expenditure, and formulate suitable measures and policies to stimulate and promote economic development. It is an art to reduce expenditure and increase revenue. The Government uses the money earned by many taxpayers by hard toil to meet the costs of administration each year, but it is a pity that it still fails to suit the remedy to the case, without coming up with effective measures to prevent wastage of public money. On the contrary, it only acts against the popular will and advocates increasing revenue and reducing expenditure in an irrational and short-sighted manner. Moreover, we find that the Government has not introduced forward-looking economic policies or sound strategies to improve the unemployment situation, and the so-called measures for increasing job opportunities are only old ideas in new packaging, which lack any novelty at all. In fact, as the people's confidence is frail now, the Government should adopt a proactive attitude and take active measures to restore the people's confidence in domestic consumption.

Madam President, the Financial Secretary bought a car before the tax increase. Although he said that it was a careless mistake, people inevitably became suspicious given his sensitive status. Actually, many people in my sector also think that the Financial Secretary was wrong and even the Chief Executive said that he had been seriously negligent. From the psychological angle, they really could not figure out the motive of the Financial Secretary. According to my analysis, given the financial strength of the Financial Secretary, more than a hundred thousand dollars were negligible and it seems that he did not have any motive for cheating. However, if it was a careless mistake, the making of such a serious mistake by the Financial Secretary has completely ruined the integrity of the Government the popularity of which is very low already. Even if people originally do not oppose increasing the Motor Vehicles First Registration Tax, how can they support the Budget when they associate it with the fact that the Financial Secretary has evaded tax liability of more than a hundred thousand dollars while ordinary people have to pay the additional tax? In my opinion, the future of the Financial Secretary and Hong Kong people is dependent upon good luck.

(THE PRESIDENT'S DEPUTY, MRS SELINA CHOW, took the Chair)

The series of tax increase proposals of the Government are targeted on the middle classes to which my voters generally belong. I really cannot support the Budget because the Government has treated them in a heartless and unjust way. I so submit. Thank you, Madam Deputy.

MR ALBERT CHAN (in Cantonese): Madam Deputy, before I speak on the Budget, I would like to pay tribute to the medical workers who are engaged in the treatment of patients infected by atypical pneumonia. They work day and night, exhausting all their time and effort to fight against the virus that caused this outbreak of atypical pneumonia. This kind of challenge and work are extremely arduous. Their professionalism and selfless spirit deserve our greatest respect.

Insofar as this Budget is concerned — Madam Deputy, as soon as I started to speak the Financial Secretary walked out of this Chamber — I think it is

unsympathetic and devoid of integrity. I know that the Financial Secretary does not like to hear this and so, he leaves the Chamber whenever I start to speak. Such being the case, it will be very difficult to solicit my support for this Budget.

Madam Deputy, as I have just said, this Budget is unsympathetic and devoid of integrity, and I shall explain this later. This Budget has failed to alleviate the plights of the people. On the contrary, it has aggravated the burden of Hong Kong people, particularly the grassroots and the middle class. Many measures and taxes proposed in this Budget aim to fleece the middle class and the low-income earners. It is not in the least helpful to many owners of negative equity assets and worse still, it has exacerbated their plights, for they already have to spend a colossal sum of money every month to pay for their mortgage loans and other expenses. Despite downward adjustments in the mortgage interest rate, many of them are still paying an unreasonable interest rate of P+1% or P+2%, which means that banks are still reaping staggering profits.

The series of incidents that happened after the publication of the Budget has brought Hong Kong to face both internal and external problems — one being the outbreak of atypical pneumonia and the other being the war between the United States and Iraq. The outbreak of atypical pneumonia can be described as a storm of atypical pneumonia. This storm has brutally swept across Hong Kong, causing serious impact on the entire economy and the entire community of Hong Kong. The tourism industry is hit even harder. Recently, we have begun to see recessions in many industries, particularly the manufacturing industry. Some time ago there was a slight pick-up in the tourism and hotel sectors, but these slightly improved economic activities have also been ravaged by the storm of atypical pneumonia, resulting in sluggishness in the aviation, hotel and retail industries, catering establishments, and also in Hong Kong as a whole. I believe that some time later, we will be seeing more cases of layoff, a record-high unemployment rate, worsened deflation and a further downward adjustment in property prices in Hong Kong.

Given all these developments, the Budget before us now can be considered as being completely out of tune with society and the reality. So, under the present situation where we face both internal and external problems, the Government is unsympathetic indeed if it still insists on grinding its axe at the middle class and the low-income earners.

This Budget has proposed many measures, including adjusting downward the tax bands for salaries tax and increasing various taxes. Many taxes that have been frozen before will be increased. Besides, the Government will cut the Comprehensive Social Security Assistance payments. To those residents and people who live below the poverty line, particularly the elderly, the vulnerable and the disabled, their life, which is already miserable, will become all the more pitiable. If this is not unsympathetic, I do not know how we should describe it.

Moreover, the imminent abolition of many concessions relating to water and sewage charges will make the operation of the catering trade and many other industries even more difficult. With regard to increases in fees and charges, such as the charging of a fee for medication prescribed at specialist out-patient clinics postponed for one month to 1 May due to the pneumonia outbreak, they will still put pressure on the living of low-income earners. The Government's decision to levy a "poll tax" of \$400 on employers of foreign domestic helpers is, in my view, tantamount to "snatching food from a beggar's bowl". Many employers of foreign domestic helpers are under great financial pressure. Many of them have been tightening their belts in order to make ends meet, but the Government still has to wield its axe at them. The Hong Kong Housing Authority (HA) has considered further tightening the income and asset ceilings for public housing applicants. This is another measure that will add to the pressure on low-income earners. I hope the HA will veto this proposal in the end.

In a nutshell, the Government attempts to increase its revenue through increasing tax and removing various exemptions, while at the same time cutting some established items of government expenditure. All these measures have put an even greater pressure on the living of the general public, particularly the low-income earners and the middle class. At a time when expenditure is compressed and a fiscal deficit prevails, we nevertheless do not see any intention on the part of the Chief Executive's Office to cut expenditure. The most obvious example is the post of Senior Special Assistant mentioned by Mr CHEUNG Man-kwong. The Government had tactfully reinstated this post at the eleventh hour. Members should know very well that this post was left vacant originally, and the situation now is like "a dog in the manger".

The Budget projects that an economic growth of 3% can be achieved after the various measures have been implemented. But obviously, the war between

the United States and Iraq as well as the outbreak of atypical pneumonia have made it impossible for this to realize. Some consultancy companies have already revised downward the projected economic growth by some 1% or 2%. This again proves that the Budget is already out of tune with the reality. At present, everyone in Hong Kong is overwhelmed by fear because of this storm of atypical pneumonia. With the Government's incompetent governance over the past five years or so and the many unsympathetic economic and social policies implemented by the Government, the public is now boiling with anger, and the community is filled to the rim with resentment and grievances. All this reflects that TUNG Chee-hwa ostensibly appears to be kind as he has been pretending to be a "good old man" all the time. But at heart, he is unsympathetic and cold. He is a kind tyrant who is kind on the face but a genuine tyrant under the skin, and who turns a blind eye to the life and death of his people. Under such circumstances, if the Government remains hell-bent on pushing ahead with this Budget, public resentment is set to soar.

On the surface, the Budget also nominally wields the axe at the consortia, and the increase in profits tax is one of such measures. As far as we can see, while the profits of the major consortia in the past five to six years has dropped compared to the time when the property market was at its peak, they still manage to reap profits in billions of dollars yearly. Many people do not even have a job and their income has also come down substantially. But the profits of the consortia are still on the high side. The fees and charges of public utilities also remain high and they are still making sizable profits. However, the Government simply shuts its eyes and sees none of these consortia. When it wants to cut expenditure, it first targets on the people; when it wants to wield the axe at somebody, it wields it at the people. The Towngas, bus companies, the MTR and the power companies are making profits in hundreds of millions of dollars. So are banks. Many owners of negative equity assets have resorted to burning charcoal to kill themselves because of mortgage loan repayment and stress problems. But banks have continued to exploit the toil and sweat of owners of negative equity assets, and this actually constitutes part of the banks' profits. What has the Government done about this? The Financial Secretary does not like to hear this, for he has come from the banking sector. Madam Deputy, in view of all these problems, if the Government still does not address the plights of the people and revise its measures, this Budget will only lead to much stronger public resentment.

I have described this Budget as a budget devoid of integrity. Many Members also mentioned earlier the incident about a car purchase made by the Financial Secretary. If he is a Financial Secretary without political integrity, how could he convince the people that this Budget has political integrity? The incident of his car purchase may just be the tip of an iceberg. There may be many things behind that we do not and will not know, things that only the Financial Secretary himself knows. It is impossible for a budget which is unsympathetic and devoid of integrity to be endorsed by the Legislative Council. Judging from the present composition of the Legislative Council, however, this Budget will certainly be passed.

I only wish to give a serious warning to the Government. Over the years, the Government has been able to weather political, economic and social storms. This may be attributed to the governing tactics and approaches adopted by the past colonial government. The most obvious example is that they used to adopt a very realistic attitude in addressing issues at the time, for they would take whatever measures that could dilute pressure or political impact to soothe public anger and discontent, with a view to ensuring continuity in their colonial rule over the territory. Certainly, I am not an advocate for this colonial sort of ideology in government. But some of the senior officials in our Government, and even some of those who are sitting here, are actually trained by the former colonial government and so, they should be well-versed in these approaches and stratagems. If the policies of the Government fail to address the problems of the times, ease public anger and improve the people's livelihood, public anger, as it accumulates, will lead to series of repercussions and impact. So, given increasing public anger and public grievances, the measures of the Government, particularly fiscal measures, should aim to cushion the repercussions and the political impact. However, this Government of ours has not done so. The series of measures proposed by the Government only serve to intensify public anger and intensify the impact of politics on the people. This is tantamount to digging its own grave.

During the past colonial era, four major pillars were set out to form the basis of social development. They were social welfare, housing, education and medical care. But this Budget of the Government and the series of measures introduced recently are meant to undermine these four major pillars. The four pillars are gradually debilitated and may even collapse, in which case the entire society of Hong Kong may also collapse, which is the last thing I would wish to

see. As I said on 14 March, it is not my wish to see that as a result of the Government's incompetent governance (I am referring to senior officials, not medical workers) and the incapability of senior officials, Hong Kong would fail to develop into a super metropolis but becoming a super infected area instead. I said this on 14 March. It is not my wish to see this happening. It is not my wish to see Hong Kong collapsing to such a state. But if the senior echelons of the Government lack a sense of crisis and vigilance in dealing with political and economic policies as well as policies concerning the people's livelihood, public anger in the community might swell beyond control when problems arise. In that case, the Government might have to rely on the People's Liberation Army to take over Hong Kong in order to resolve the problems.

The Financial Secretary does not like to hear my comments and that is why there have been so many problems. Whenever listening to my comments in the debates, Secretary Stephen LAM would give tit for tat and engage in verbal duels with me. To me, his performance is greatly appreciated. I do welcome heated debates, but I do not like those people who act like a turtle retracting its head into its shell, who run away on hearing dissenting views.

MR MA FUNG-KWOK (in Cantonese): Madam Deputy, given the series of incidents that occurred in the past month since the publication of the Budget, which obliged Hong Kong to face them, there have not been sufficient opportunities for rational and in-depth discussion on the contents of the Budget in society. Indeed, we are faced with the problem of a huge fiscal deficit. So, this year's Budget will have far-reaching implications on the future as a whole.

In view of successive years of fiscal deficit, friends from the New Century Forum and I basically agree that it is necessary for the Government to resolutely tap new sources of revenue and control expenditure, provided that all such initiatives must observe the principle of fair sharing of the burden by all social strata, and that the tax adjustments must tie in with the Government's policy agenda. In the meantime, public expenditure must also be utilized properly to stimulate the economy. The Budget is not short of measures to increase revenue, but it is short on efforts to cut expenditure. From the perspectives of equal sharing of the burden, consistency with the policy agenda and stimulation to the economy, many of the proposals are even open to question.

Madam Deputy, for a long time, the middle class has only hoped that the Government can provide a good social environment in which they can earn due rewards for their own talents and expertise. They have constantly made substantial commitments to public finance. They have made great contributions and seldom aired their grievances. Now with a huge fiscal deficit before us, I agree that those in the middle class who have the means should pay more tax. So, friends from the New Century Forum and I sensibly support the proposals in the Budget to reduce the salaries tax allowance, increase the standard rate of tax and narrow the tax bands, for these will help broaden the tax base and increase the tax revenue. That said, we think that after the financial turmoil, the middle class has generally suffered from the multiple impact of retrenchment, pay cut and negative equity assets. So, for those middle class people who have long been caught in distress as a result of their negative equity assets, the Government must introduce tax concessions for them, in order not to add to their pressure. More importantly, the Government must show care for the middle class. For example, I have always proposed that the ceiling for home loan interest deduction be increased from \$150,000 to \$200,000 and the period for such deduction be extended. Although the number of people who will benefit from this measure is limited, the social benefits to be reaped will be enormous. Unfortunately, apart from proposing an increase in salaries tax, the Budget has also proposed to increase the property tax and to increase rather than decrease the home loan interest deduction [*sic*]. All of these measures will put an even heavier burden on the middle class whose property has become negative equity assets. This is not only contrary to the principle of stabilizing the property market, but will also add to the pressure on owners of negative equity assets.

Madam Deputy, according to a survey conducted by the New Century Forum earlier, 70% of the respondents consider that the Budget is unfair to the middle class, and among respondents who consider themselves middle-class, over 80% hold that the Budget is unfair to them. Tax hikes, generally speaking, will certainly court dissatisfaction, which is only understandable. But when dissatisfaction has swollen to such a high level, the Government should be highly concerned about it and address it with due attention.

Madam Deputy, many tax proposals in the Budget are in many ways contradictory to the policy agenda announced by the Government. For example, in respect of stabilizing the property market, the Government introduced nine measures only in November last year, but just as I have said, apart from

increasing the salaries tax, the Budget has reduced the ceiling of the home loan interest deduction and increased the property tax. These measures will undoubtedly exacerbate the situation of the secondary property market.

The Budget has proposed to increase the Motor Vehicles First Registration Tax on a progressive basis. While this measure basically merits support, the rate of increase is too high indeed. This will seriously affect the industry which solely engages in the sales of automobiles and is therefore unfair. Besides, such an increase may eventually lead to a drop in revenue instead of boosting it. I hope the Government can duly make adjustments.

Madam Deputy, in recent years, the vacancy rate of private offices has been hitting record highs, whereas rentals have continued to fall. Government departments that have been renting offices in private commercial buildings could have continued to rent their offices at more favourable prices. Nevertheless, the Government plans at this stage to build three new government buildings at a cost of \$9 billion. Except for the case of the Radio Television Hong Kong which is worthy of consideration given the need to update its equipment, the new headquarters project is not cost-effective. Besides, after those government departments currently renting offices in commercial premises have moved into the new government building, the vacancy rate of offices may further climb, thus putting more pressure on rental and further devastating the property market. Moreover, the Government has consistently stressed the need to cut some 10 000 or 10% of civil servants in the next two years. By logical inference, the demand for office space should be declining and therefore, there is no pressing need to build a new government building. Is it in line with the Government's objective of cutting expenditure to spend this sum of public money against the prevailing financial constraints? Can the Government consider injecting the money into other infrastructure projects that can generate economic benefits? If the Government insists on taking these projects forward, it should consider allowing private sector participation in order to reduce the depletion of the fiscal reserves.

Moreover, the policy address published only in January again stressed the need for Hong Kong to integrate with the Pearl River Delta (PRD). Nevertheless, does the Boundary Facilities Improvement Tax now proposed by the Government not run counter to the objective of integration with the PRD? Has the Government considered the impact of any counter-measures that may be employed by the Government on the other side of the boundary?

The Government has constantly emphasized the need to support the small and medium enterprises (SMEs). But most of those people who have to travel between Hong Kong and the Mainland frequently are employees of SMEs whose jobs require them to do so. Thus the cost of the Boundary Facilities Improvement Tax will ultimately be shifted onto their companies. Has the Government assessed the burden that would be created by this tax on the SMEs?

The Budget proposed to increase the profits tax by 1.5%. The large corporations should be able to afford such an increase. But for SMEs which have to update their equipment and adjust their *modus operandi* in order to survive, can they afford such an increase? Why can the Government not introduce a "two-tier profits tax regime" under which, say, only those companies with a profit exceeding \$10 million will be subject to a 1.5% increase in profits tax, whereas the *status quo* will be maintained or even a lower tax rate will be applicable to those with a profit below \$10 million? This will ease the impact on SMEs and demonstrate the importance attached by the Government to the problems faced by SMEs.

In respect of expenditure cutting, many people in the community think that the Government has not been doing enough. For instance, the Government has reached an agreement on the "zero-three-three" arrangement to effect the civil service pay cut, and while it appears on the surface that the Government will cut the pay of civil servants by 6% in two years, the fact remains that there will not be much difference in the total commitment for civil service salaries when the annual increments enjoyed by most civil servants are taken into consideration. Under such circumstances, can the Government consider freezing the increments for civil servants or making salary increments conditional by granting such increments only to civil servants with outstanding performance? The various allowances for civil servants should also be expeditiously reviewed and appropriately reduced or compressed. More importantly, the establishment and operation of the Civil Service should be reviewed. A target-specific approach should be adopted to cut expenditure, efforts should be made to reduce waste, and a broad-brush approach should be avoided.

Furthermore, given the problems in many public and quasi-government bodies, such as overlapping of resources and even competition with the public for profit, the Government should restructure these bodies expeditiously in order to compress the recurrent expenditure of the Government.

In addition to boosting revenue and cutting expenditure, the Government must also stimulate the economy. The Government has stated that to resolve the \$60 billion deficit, \$30 billion of it will come from economic recovery, \$20 billion from cutting expenditure and the remaining \$10 billion from tapping new sources of revenue. It appears that the Budget still clings to this "3-2-1" approach. However, can this "household economy" approach be a solution to the macro economic problems? In fact, the lack of new impetus to economic growth will make it increasingly difficult for the Government to carry out reforms. Tax increases may further deal a blow to consumption and then make the economy shrink further. So, the most pressing task of the Government is to assist in the economic restructuring of Hong Kong.

Madam Deputy, I am glad to see that the Government has finally taken on board some proposals made by me and the New Century Forum a few years ago. They include imposing a tax on foreign domestic helpers on the principle of equity so as to cease acting generously at the expense of Hong Kong people, channeling private capital into infrastructure investment, and opening up the education and medical facilities of Hong Kong to attract people from the Mainland and the region to come to Hong Kong for studies and medical services at their own expense. Education and medical care are two types of public services that remain to be advantages of Hong Kong in the region. The Government should draw on the experience of Singapore and convert these two types of public services into trade services. This will not only be helpful to the creation of professional posts, but also to stimulating local consumption. Certainly, the performance of the SAR Government in controlling and fighting atypical pneumonia will be an important test for Hong Kong's medical and health care system, and will have implications on the development of regional medical services. Therefore, we must exert our utmost to overcome the epidemic.

However, other than these two measures, does the Government have a clear direction to stimulate the economy? How do we resolve the problem of structural unemployment encountered by low-skilled workers? The proposal of importing workers at a ratio of "1:3" under discussion between the Government and the industrial and labour sectors has been dragging on for months. Why has a decision not yet been reached? Why can the Government not implement this as a pilot scheme by, for example, importing some workers on a trial basis and then assess the effectiveness of the scheme? Regarding the development of creative industries as consistently advocated by the Government, the Budget has not reflected any new policy of the Government.

Madam Deputy, the Budget stated on the one hand that the issue of bonds is not completely ruled out, but stressed on the other that Hong Kong can still draw on its considerable fiscal reserves to cope with its spending. So the Government does not see any need to issue bonds, adding that the issue of bonds cannot solve the long-standing problem of insufficient revenue in the Operating Account to meet expenditure. I agree that the Government should not seek to offset its recurrent expenditure by issuing bonds. But this does not mean that the Government should not issue bonds to secure financing for projects with long-term investment value, such as investments in education or infrastructure.

In fact, the investment income from the fiscal reserves is part of the Government's recurrent revenue. Our reserves have already been eroded by consecutive years of fiscal deficit, and as the Government needs to inject resources for various infrastructure investment, the reserves will shrink further and this will eventually lead to a fall in the Government's recurrent revenue. On the contrary, if the Government can issue bonds at this unusual time to carry on with its investment in some cost-effective projects, including education and infrastructure, it can reduce the need to draw down the fiscal reserves and stabilize the Government's recurrent revenue. More importantly, the issue of bonds can demonstrate the Government's endeavours and confidence to spur economic growth. Moreover, given a relatively low prevailing interest rate, the interest cost of issuing bonds will also be relatively low.

(THE PRESIDENT resumed the Chair)

Madam President, as I have stressed time and again, any revenue-boosting revenue or expenditure-cutting initiative will bring some pressure and pain to each and every sector of the community. However, I hope all sectors of the community can face these measures with a rational attitude. I also hope that the Government, apart from tapping new sources of revenue, can consider the principle of equal sharing of the burden by all strata and industries, and adopt a more macro and long-term vision and also more flexible financial policies to facilitate the economic restructuring of Hong Kong, thereby providing new impetus to the Hong Kong economy. Otherwise, no matter how much the

public has paid for the purposes of increasing revenue and cutting expenditure, the fiscal deficit may still be with us and it would be difficult to see a pick-up in the economy in future.

I so submit.

MR TAM YIU-CHUNG (in Cantonese): Madam President, the economy of Hong Kong is weak and domestic consumption is sluggish; government expenditure is enormous and the fiscal deficit has been climbing for consecutive years. This year's Budget has finally made the decision to resolutely eliminate the huge fiscal deficit. The Government has pointed to three directions, namely, reviving the economy, cutting expenditure and increasing revenue. All these originally give no cause for much criticism. But the unexpected onslaught of atypical pneumonia has disrupted the set orientation of the Budget. In the coming year, it will certainly be difficult for government revenue to achieve its target, and it will be difficult for public expenditure to be cut substantially.

The atypical pneumonia epidemic has hit us ferociously and caught the Government and the people completely off guard. Everybody is overwhelmed by fear. The pneumonia outbreak has dealt a severe blow to the Hong Kong economy. Recently, we can see that business has been slack at food establishments, stores in shopping arcades have looked desolate, the number of inbound tourists has dwindled drastically, and Hong Kong businessmen have been boycotted in their participation in trade exhibitions overseas. Yesterday, a number of international securities firms also revised downward their estimates of Hong Kong's economic growth by 0.5% to 1%. This shows that the pneumonia epidemic is the biggest social crisis that Hong Kong has ever faced over the past decades.

Some people suggested shelving the Budget in the light of the present circumstances. This I beg to differ, because eliminating the deficit is a major direction generally agreed by members of the community. We must persevere with this direction. We cannot revert the plan abruptly at the outbreak of an epidemic. Otherwise, the baggage of the fiscal deficit will certainly fall onto the shoulders of the people for a much longer time.

Now, there are signs indicating that the spread of atypical pneumonia may be contained in a short period of time. To ameliorate the sequelae of the pneumonia outbreak is a task that brooks no delay. Insofar as the initiatives to revive the economy are concerned, we hope that the Financial Secretary will make preparations well in advance by, among other things, launching publicity drives to tell overseas countries and the Mainland that Hong Kong has successfully contained the pneumonia epidemic, thus rebuilding Hong Kong's image as a healthy metropolis, expeditiously attracting tourists to return to Hong Kong and facilitating the recovery of the tourism industry. The Government must encourage local spending in order to boost the revenue of restaurants, catering establishments and the retail industry. It must assist the small and medium enterprises (SMEs) to cut their operating costs and expand business opportunities. The Government must take vigorous measures and prescribe effective stimulus; it must aim at the targets accurately and promptly, as if pursuing a swift recuperation after a serious illness.

During the onslaught of atypical pneumonia, front-line medical workers as well as all front-line personnel from government departments who participated in handling the epidemic, including those from the Department of Health, the police, the Food and Environmental Hygiene Department and the Home Affairs Department, have shown unparalleled courage of not fearing risks and a high degree of professionalism. I wish to take this opportunity to pay the highest tribute to them.

The pneumonia epidemic has demonstrated that public health has a direct impact on Hong Kong's economic development. In this connection, the Government must provide additional funds to enhance public health and the mechanism for the prevention of epidemics, in order to prevent the recurrence of similar incidents. With the forging of closer ties between Hong Kong and the Mainland, residents are bound to travel to and from both places frequently. Be it in the Mainland or Hong Kong, the outbreak of any epidemic may spread to the other side of the boundary. The lack of sound cross-boundary co-operation in relation to early warning of epidemic outbreaks and contingency measures will jeopardize the social stability of Hong Kong, the Pearl River Delta and the neighbouring provinces and hence affecting the flow of passengers, resources and capital among these places, which is not conducive to the economic development of any of these places.

Nevertheless, a mechanism for co-operation between Hong Kong and the neighbouring provinces and municipalities for the prevention of epidemics is lacking. Liaison between Hong Kong and its welfare and health counterparts in the Mainland is possible only via the Ministry of Health in Beijing, and the time-consuming process is full of twists and turns. This has inhibited the early implementation of various contingency measures and made it difficult for joint efforts to be made to trace the source of the disease. To comprehensively enhance cross-boundary co-operation in respect of early warning of epidemics and contingency measures to protect public safety and social stability, the SAR Government must firstly, expeditiously put in place a sound mechanism for cross-boundary co-operation in respect of early warning of epidemics and contingency measures to ensure early notification of the outbreak of epidemics and enable joint investigation to be conducted immediately to trace the source of the infectious disease, so that concerted efforts can be made to build a line of defence to curb the spread of the disease. Secondly, cross-boundary co-operation in public health studies must be enhanced to step up monitoring of epidemics, so as to facilitate prompt dissemination of accurate and authoritative information. Colleagues from the DAB and I will go to Guangzhou tomorrow to meet with officials of the Health Department of Guangdong Province, in order to understand the measures adopted by Guangdong to control atypical pneumonia. We also hope to foster co-operation between Guangdong and Hong Kong in the prevention of epidemics, so that concerted efforts can be made to protect the health of the people.

On the domestic front, the Government must further enhance the mechanism whereby public opinions can be conveyed upwards, and also step up community work, so that the Government can identify and clarify rumours more quickly to pre-empt unnecessary public panic. On the other hand, the situation at block E of Amoy Garden has highlighted the public health hazards at crowded housing estates. Some outdated building design may be hazardous to public health. It is, therefore, imperative to conduct assessments of the hygiene conditions and safety of buildings. The Chief Executive announced yesterday that a set of hygiene standards for housing estates and public areas would be drawn up by the Housing, Planning and Lands Bureau and the Home Affairs Bureau. This has marked the first step made by the Government, and I hope the Government can beef up the relevant initiatives and measures.

The Government must also review the existing medical system and mechanism, and formulate contingency measures for the prevention and treatment of epidemics. The Government must revise its medical strategies. Apart from focusing on treatment, efforts must also be strengthened for the control and prevention of diseases. For this reason, the Government must enhance primary medical care services and step up publicity and education in respect of the disease prevention and primary health care.

The unemployment rate in Hong Kong is as high as 7.4% now. A high unemployment rate has become a long-standing trend. So, wage earners are set to face a very difficult employment situation in the future. To resolve the problem of unemployment, increasing job opportunities is an important direction. In the Budget, the Government proposed that ongoing efforts would be made to develop the local community economy. Over the past few months, the Wong Tai Sin Dragon Market initiated by the Hong Kong Federation of Trade Unions has proved that this mode is viable. We hope that the Government can step up its efforts to facilitate the development of all forms of business that can provide a large number of jobs, and proactively develop a binary economy, thereby creating more employment opportunities for grass-roots workers.

The Budget has given effect to the Re-employment Training Programme for the Middle-aged and community-based employment programmes proposed in the policy address to assist middle-aged workers to find jobs in their own community through non-governmental organizations. These two measures have undoubtedly brought a flicker of hope to the sluggish job market. However, the Government must ensure that employers participating in the programmes will provide full-time jobs and pay their employees at a level comparable to the market rate. Monitoring must also be enhanced, so as to supervise employers to provide and earnestly implement training programmes. Only in this way can we truly help the unemployed workers.

The success of this new round of economic restructuring of Hong Kong hinges on upgrading the level of education and vocational skills of our working population. Therefore, it is imperative to improve the skills of the 3.25 million workforce, particularly those of grass-roots workers. Now that the Government has established the Manpower Development Committee, I hope this Committee can step up its effort in the provision of training and the skills upgrading of workers to help some qualified and capable workers to rejoin the

labour market, in order to prevent the disadvantaged groups in society from being cast out and marginalized.

The Government must give up the model of formal education in the development of vocational training and retraining and continuing education. Rather, an effective vocational skills training system should be set up in the light of the actual situation and the trend of future development to meet the demands of employers and employees. For example, the qualifications framework and quality assurance mechanism that the Government is striving to establish should not emphasize academic qualifications to the neglect of skills qualifications, because in that case, people with rich experiences and trade skills would then be put at the lower end of the proposed mechanism due to their lack of formal academic qualifications. This would undermine the achievements of such persons and dampen their confidence in pursuing continued studies. The Government must handle academic qualifications and skills qualifications separately by developing two independent qualification ladders and setting up an interconnected articulation mechanism for the two. In fact, there is no lack of successful examples for our reference, such as the National Council for Vocational Qualifications of the United Kingdom and the practices adopted by Singapore. Recently, I have been to the Mainland with the office-bearers of trade unions in several industries to study the national vocational qualifications certificate system, and it was an eye opener to us indeed. The Ministry of Labour in China has set up a comprehensive vocational qualifications system for all trades and industries, based on which a system for promotion is developed in tandem with the development of the training and accreditation systems. Under these systems, everyone can continue to upgrade their own skills qualification through training and examinations. The Government should make reference to these systems. It should conduct a thorough survey and look into the actual situation in Hong Kong, so as to provide interrelated skills enhancement programmes for workers to progressively advance their skills level by level, so that their market acceptability and professional skills qualifications will be increased on completion of the training programmes.

Madam President, I believe in dialectical materialism, and things that start out to be bad can be turned into something good. As long as we have confidence in ourselves and do not put the blame on fate or other people, and as long as we can be of one mind, the adversities before us now can be overcome. By then, we will appreciate more deeply the value of health and the value of

social stability and economic development. I so submit. Thank you, Madam President.

MR ALBERT HO (in Cantonese): Madam President, when the Financial Secretary formulated his Budget, he was keenly aware of a guiding principle, that is, the fiscal deficit could basically be eliminated and the general revenue account could achieve balance by 2006-07. This guiding principle is founded on two presumptions. First, the annual economic growth could reach 3%; and second, the government revenue could increase as scheduled, that is, the Government would introduce tax increases and new taxes. However, such thinking, with a touch of planned economy, faced unexpected problems in enforcement with the incidence of some unexpected events. Therefore, the presumptions mentioned just now have lost the base completely. This is because firstly, the war in Iraq would unfortunately draw out, slowing down the growth of global economy; and secondly, the atypical pneumonia outbreak and its spread in the community would greatly affect the local economy. The tourist, retail and even service industries have all been affected, causing the economy of Hong Kong to further deteriorate.

Given such unfortunate and unforeseeable circumstances, the projected economic growth of 3% will definitely have to be adjusted downwards. In the face of such circumstances, does the Financial Secretary need to review his guiding principle to examine if its base is still valid? What I want to emphasize is: Why we need to adopt 2006 and 2007 as the time index for the mandatory elimination of fiscal deficit, thereby achieving a balance between revenue and expenditure? Why can we not adopt a more far-sighted vision and find more room to afford Hong Kong economy an opportunity of recovery?

In fact, apart from the \$300 billion of regular fiscal reserve which we often mention, we all know that we still have another \$300 billion in foreign exchange reserve that can support our financial commitments. In terms of the total assets of the Government, we still have \$150 billion to \$200 billion in reserve, which may be used as the basis for corporatization or issue of bonds. Under such circumstances, why should we adopt such stringent policies to promote our future economic recovery? The so-called "promotional effort" may in fact not produce the results as desired. I really feel that, it is just wishful thinking on the part of the Government to bring economic recovery and growth by adopting

such an approach. The Government is just forcing it through to achieve fiscal balance. It simply will not work.

Madam President, I have a greater worry. The Financial Secretary hopes to raise revenue by increasing the tax rate, but the revenue may drop instead of increase. This is because, as a result of the possible shrinking of the economy, many people may earn less money and many companies may make less profit. The Government proposes to cut public expenditure substantially, in the hope of spending less. But this may make more people become impoverished and consequently, more people may have to rely on the Government for assistance. So the Government may have to increase its expenditure on CSSA. In the end, the Government may incur more expenditure, instead of spending less. These are my worries.

Madam President, after the release of the Budget, many people have a very natural and direct response: The Budget is aimed at the middle class, who will be made the major targets for the increases. It is very simple. Let us take a closer look at the taxes. The profits tax will bring about additional revenue some \$3.5 billion in additional revenue, but the salaries tax will generate an increased revenue of \$6.8 billion. And most of the salaries taxpayers come from the middle class. Why should the people of the middle class be made the major targets of such increases? This is a question we could not help asking.

After the Budget was released, I read a story on the Internet which left a deep impression on me. I would like to tell Members this story. The story runs like this. There is a middle class family, in which the housewife controls the revenue and expenditure of the family (the Financial Secretary of the family). Before the Budget was announced, she had heard government officials say repeatedly that if the problem of fiscal deficit was not solved, the linked exchange rate of the Hong Kong Dollar might be subject to impact. So, feeling worried, the lady proceeded to change all the family savings into US Dollar to ensure that the family would not suffer heavy losses if the linked rate was affected, or in the event of a delinking. However, she still listened to the Budget speech delivered by the Financial Secretary in great anxiety. However, after listening to the Budget, she was very shocked because she knew that her family would possibly have to shoulder a tax increase of 30% two years later. Therefore, she immediately called for an emergency family meeting to see which household expenditure items could be deleted, and then she decided to classify all expenditure items into "recurrent items" and "non-recurrent items".

Of course, there were many non-recurrent items, including the annual travel, even consumption items such as dining out. All of these had to be reduced. In the past, they would dine out, go to the movies or shop once or twice a week. Now, all of these had to be cut. In future, it might be once a month or even only on festive days that they would go out to spend some money. Certain household expenses like newspaper and magazine subscriptions had to be reduced as well. The subscription of three magazines in the past would be reduced to only one now. In the past, each child had a broadband Internet account, now the number of accounts would be reduced from two to one. In the past, they had subscribed to the cable television service, but now they considered that the expenses in this regard could be saved. So the service was cancelled. The children had been taking piano and drawing lessons and they had hired teachers to give them lessons. However, the drawing lessons had to be suspended, and they would have to learn to draw by following the instructions in the books. As for playing piano, it was a good hobby for them and they had been learning it for a long time and they would take the piano examination. So they were allowed to continue with their piano lessons. Tutorial lessons were essential to them, so they could not skip them. So, in this way, some of their expenses were cut. Of course, their supermarket expenditure had to be reduced from \$3,500 to \$2,800. This was a very explicit plan. She thought that just let the family endure the harsh economic winter before they could plan for anything else.

However, when it came to the latter part of March, there still seemed to be no signs of an end to the war in Iraq. On the other hand, there came the atypical pneumonia outbreak in Hong Kong. The housewife called for another meeting for further reduction in their expenses. At this juncture, the husband said, "How can we cut our spending any further? We have slashed so much already. What items can I cut?" The wife answered, "Across the board. Every item will have to be cut by 5%." The husband said, "How can you cut 5% across the board? You have to judge the prevailing situation." The wife said, "I am sorry. The Financial Secretary says we can do it. He requests us to cut our expenditure across the board. If this is possible with government departments, why is it not possible with you?" So the husband could not make any headway with his wife. Therefore, sometimes he had to eat his boxed lunch in the office now. Their children had to suspend their piano lessons. And they even had to tell their children that they had better not think about going abroad to further their studies because the family had to reserve some money as contingency fund to prepare for unexpected emergencies.

In fact, this story is not at all fictitious. I have heard that many families have made similar considerations as in the above example. Financial Secretary, under such circumstances, do you think your proposal intended to raise tax can generate a level of revenue that would match your expectations? To what extent our domestic consumption will shrink? We are now all feeling very miserable and worried. We hope the Financial Secretary can make a more sagacious forecast.

Madam President, given such prospects, I can only describe our situation in the following way. First, it appears that the trend of polarization of the wealth gap between the rich and the poor will intensify and the trend will go on for some time. This is supported by figures, and I am not the only person who has made such an observation. Secondly, the middle class will be impoverished. Once in possession of good assets and investments, many of the middle class have unfortunately become owners of negative equities. I have even witnessed some of them going bankrupt. And thirdly, the grassroots will fall into abject poverty. From media reports on the television, we can see that some people are now scrimping and saving on a life of subsistence.

We feel very distressed to see Hong Kong having fallen into such a dreary state. However, distress aside, what should we do to address the situation? Why should our situation turn out like this? Looking back into our past 30 years, actually we had experienced poverty before. I think the Financial Secretary also grew up in the same era as I did. During our younger days, many of those who managed to gain admission to the universities were from the public housing estates. Among the people I know now, be they professors, chief executive officers of major corporations, or even consultants of the major hospitals, many of them have grown up in public housing estates. I remember that, when I was young, many of my friends lived in public housing flats, some of them even lived in seven-storeyed resettlement estate blocks. When I went to their homes, we would find that there was an offensive smell in their places. When we visited them, the hygienic conditions of the entire flat made us feel uneasy. However, their whole family had to live in such an environment. Sometimes, people of the whole floor had to share the use of the same public toilet. However, we had a relatively stable society at that time, and people were full of vigour.

I often ask myself: Why was it like that? I feel that several factors were important. People at that time did not have too many complaints, and they did not feel too jealous of others. Now some people are jealous of others, so they would find fault with other people, and it seems that they want to get part of the fortune of others. People at that time also would not make too many demands on the Government, because the Government had already provided them with some basic needs. First, it was the basic safety net. They thought this had already solved their basic needs of living, and also the conditions were improving, such as the provision of large-scale public housing projects. Public housing showed steady improvement, and the rents were rather inexpensive. Secondly, on the medical aspect, the Government provided nearly free medical care for everyone. After such basic needs in the lives of the people were met, then education followed. University education provided very good opportunities for the young people. After gaining admission to the universities, they could even get grants and loans. The above environment facilitated social mobility. So many people managed to climb up the social ladder and become members of the middle class. Some people have become rich and risen to such prominent positions similar to the Financial Secretary of the present day. Such examples abound.

However, what we see today is that, the people of the middle class feel that there is not much hope and there are fewer opportunities because they feel that the Government is short of means in handling social crises. Society has entered a new era, in which the Government intends to promote a knowledge-based economy, but it also wants to cut the expenditure of the universities. Many people who want to pursue further studies cannot get any subsidies for their evening courses. Even subsidies for associate degree courses are deleted. These are people who are most earnest in the pursuit of further studies, but the Government has denied them opportunities. Therefore, how can they feel that society would afford them any opportunity?

In addition, some poor people are voicing their grievances miserably. We all know that the income and assets ceilings for public housing will be adjusted downwards. Sales of Home Ownership Scheme flats have been suspended, and medical fees have been raised. Therefore, the people are beginning to feel more and more insecure. Such problems make society as a whole feel uneasy. I must point out that many people of the middle class are dissatisfied with the Government — the higher income they earn or the higher education they have, the more dissatisfied they are and the greater doubt they

have in the governance of the Government. Among such people, many of them will agree that it is fine to require them to endure the difficult time or to pay more tax. However, they think that it is not worthwhile to suffer the difficulties for this Government devoid of credibility, devoid of the abilities to do things for them. Nor does it care for their needs.

Therefore, under such circumstances, all we can do is to oppose this Budget. Thank you, Madam President.

MR NG LEUNG-SING (in Cantonese): Madam President, what the 2003-04 Budget has to deal with is an entrenched problem in public finance. We can appreciate the extent of the problem from the Government's plan to use the Land Fund accumulated over the years to meet the liquidity requirements in public finance. If anyone still considers the fiscal deficit problem in Hong Kong to be non-existent or not serious, or not serious enough to warrant confronting and tackling it seriously, this certainly amounts to deceiving oneself and blinkering others. However, if we are resolutely determined to confront and tackle this problem in earnest, it will certainly be difficult to find a solution that can have the best of both worlds and please everybody. Before the publication of the Budget, measures had already been finalized on reducing civil service pay, adjusting social welfare payments and health care charges, and the Budget also proposed to adjust profits tax, salaries tax, property tax, first registration tax of motor vehicles, and so on. It can be said that all classes in society will be affected and the general public have to make sacrifices of varied degrees. This precisely demonstrates the principle that public finance has to be shouldered by all members of the public.

However, it is equally understandable that at difficult times, people will inevitably look at this matter from their own angles and come to the conclusion that their share of the burden is unfair. I believe the idea of sharing the burden fairly is, in the final analysis, a principle and direction to be followed in implementation only and the burden cannot be calculated with precision with any mathematical formula. Technical revisions can always be made to the fiscal measures in the Budget and it can be claimed that every revision is better compared to the original proposal, but this precisely underlines the fact that there is actually not any so-called perfect Budget immune from controversy. In spite of this, I still believe that, in order to address the situation in which taxpayers in certain social classes have to bear a larger share of the burden, the Government

can consider establishing a tax rebate mechanism under which favourable treatment can be given to the taxpayers concerned once the Government's financial position has attained a stable and healthy state, so that wealth can be returned to the people and their unsympathetic and resentful attitude allayed.

Another issue relating to this so-called fairness is whether the Government has made equal efforts in increasing revenue and cutting expenditure, and whether results have been achieved. In 2003-04, the recurrent government expenditure will be \$210.3 billion and the total government expenditure will be \$261.4 billion, whereas the total public expenditure will be \$286.5 billion. Compared with the Budget in 2002-03, the changes are 1.1%, -0.6% and 0.03% respectively and compared with the revised Budget of 2002-03, the increases are as much as 4.5%, 7.4% and 4.9% respectively. In 2004-05, government expenditure and public expenditure will increase further. This is certainly disappointing. However, the goal of cutting expenditure can still be reflected in the context of a decrease in public expenditure as a percentage of the Gross Domestic Product (GDP). According to the Budget and the Medium Range Forecast, this percentage will be 22.3% in 2003-04 and by 2006-07, it will be only 18.4%, representing savings equal to 3.9% of the GDP at that time or amounting to nearly \$55.55 billion. Of course, we cannot be complacent about the present achievements in cutting expenditure. On the contrary, it should be noted that a lot of work still needs to be done, for example, practical and substantial efforts should be made to reduce non-essential government services as well as taking forward the establishment of a long-term and feasible mechanism to adjust civil service pay and benefits in response to economic conditions and market changes.

Concerning specific measures in the Budget, members of various sectors of the community may evaluate it differently. Constrained by actual circumstances, some parts of the Budget are perhaps the outcome of compromises and are somehow not thoroughgoing or persuasive enough. However, it should be noted that this Budget has at least demonstrated to the international community that the SAR Government has set down a more definite goal and clearer timetable in tackling the deficit. More importantly, there is now a more specific proposal and the measures are generally feasible. Under this proposal, \$30 billion of the fiscal deficit will be eliminated by economic growth, on the assumption that economic growth in real and nominal terms will reach 3%. If we look at the Medium Range Forecast, there are of course many variables, both favourable or unfavourable ones, and the unexpected turns of

events of late, such as the duration of the events in Iraq and the effectiveness of the measures to contain the atypical pneumonia outbreak, will all impact directly on future economic growth. However, I believe this is not an overly optimistic forecast. To the financial sector, this Budget has at least provided a more practical basis for evaluating the changes in public finance in the future, as well as demonstrating clearly the Government's determination, ability and approach in resolving the fiscal deficit. This will also help allay concerns in the market as to whether public finance can be restored to a stable and healthy state.

The Budget has still left some issues for society to ponder over. Firstly, even if the medium-range fiscal balance as projected in the Budget can be attained, it is to some extent vulnerable to other factors, since one characteristic of the forecast is its heavy reliance on investment and income from the sale of assets, which in turn rely heavily on market conditions. Therefore, in the long run, preparations should be made by improving the taxation system and broadening the tax base, and reasonable and significant adjustments must be made to the pattern of overall government expenditure and public expenditure in order to cope with the effects of changes in the overall revenue pattern. I believe one direction that merits consideration is to change the welfare system based mainly on cash subsidies to a system based on kind, which can dampen the desire to seek assistance and curb the susceptibility of cash subsidies to abuse. Concerning the public health care system, a system of medical savings should be established for society and a system of health care charges commensurate with the affordability of the public should be implemented according to the principle of "those who have the means pay more". On housing benefits, the principle of providing practical, modest and basic housing to members of the public in genuine need must be strictly observed and a period of validity must be incorporated into tenancy agreements. The eligibility of recipients must be determined according to changes in their financial position and subsidized housing should not become a lifelong benefit transferable from one generation to the next. The Basic Law stipulated that the SAR should keep expenditure within the limits of its revenues. This is the constraint on our expenditure pattern, which also means that in meeting any need for expenditure, consideration must also be given to revenues and we cannot speak lightly of using the reserve.

It should be noted that the Government plans to transfer the Land Fund to the General Revenue Account to meet government expenditure. From this, we can clearly see the problem posed by the present pattern of public expenditure

and that the Central Government's insistence on establishing the Fund to meet the financial needs of the future SAR Government before the handover was visionary. I had the honour of becoming the voluntary trustee of the Land Fund and handed over close to \$200 billion in the Fund to the SAR Government on 30 June 1997. The account as at the end of March last year indicated that the Fund had accumulated \$247.3 billion. This amount will give the SAR Government a real and considerable advantage in dealing with its fiscal problem in the future.

Madam President, I basically agree with the views put forward in the Budget, that is, since Hong Kong economy is externally-oriented, any attempt to stimulate it through expenditure increases and tax reduction is, although not entirely ineffective, limited in impact in the long run. A more effective way to address the problem of deflation without increasing our financial burden is to increase external demand, which means attracting more visitors, overseas talents and investment immigrants to come to Hong Kong; more foreign enterprises to set up regional offices here; more people to attend schools in Hong Kong and seek medical treatment at our private hospitals; and more foreign capital inflows into Hong Kong's financial market, thus creating a nexus for capital. These measures will reinforce the vigour of various sectors.

On the other hand, the Government still has a role to play in promoting local economic activities. As long as the measures are focused and practical, I believe they can still serve their purposes. One point that deserves speedy consideration is that at present, the Government commits over \$1 billion each year to offer different types of training and retraining opportunities to the public. I think that insofar as some types of work requiring low levels of skill are concerned, a more practical approach is to work together with employers and channel the resources devoted to providing training and retraining to offering subsidies directly for on-the-job training, so that trainees can take up work immediately and learn as they work. As I have always suggested, it is absolutely possible to adopt such an approach to assisting local domestic helpers. This will allow trainees to directly acquire the skills required by employers, as well as solving the unemployment problems for tens of thousands of people instantly. Another proposal that can promote local economic activities, which has been mentioned by Mr WONG Yung-kan and was proposed by friends of the fishing and agricultural sector earlier on, and which I found feasible and worthy of support after examination, is to upgrade the local fishing industry from its mode of family businesses and coastal operation to corporations and offshore

operation by offering assistance in capital, skills and operation, so that the fishing industry can develop on a long-term and sustained basis, thus enabling it to increase its output and cost-effectiveness substantially and absorb some of the local workers.

Madam President, Hong Kong is now in the midst of unprecedented difficulties. Due to the epidemic, the physical health of Hong Kong people is being seriously threatened and their courage, will-power and ability are also being sorely tested. However, we can find consolation in the fact that in the health care workers and other people who are battling the epidemic in Hong Kong, Members of this Council and the public can see their solidarity and dedication that command our respect. I believe the same spirit can also be found in every Hong Kong citizen and brought into play. As long as Hong Kong people uphold this spirit, then no matter if it is a life-threatening epidemic or a difficult financial situation, we shall be able to overcome them. As long as we face the challenges with one heart and concerted efforts, Hong Kong people will definitely stand firmer, develop at a faster pace and live more colourful lives. Madam President, I so submit.

MISS MARGARET NG: Madam President, I adopt everything the Honourable Audrey EU has said in her speech earlier in this debate. Regrettably, the formal business of a no confidence motion against the Financial Secretary cannot be dealt with until a much later occasion.

Madam President, it has been widely noted that this Budget places the heaviest burden on the middle class while making life even tougher for the poor and the most vulnerable. The middle class is prepared to bear the burden — if they can feel sure that this will do the job. But they can feel no such confidence. They do not believe that the deficit will be eliminated, or that public finance will be put back on an even keel. They have no faith in the abilities of this Government. They have the greatest objection to put their hard-earned cash into incompetent hands which will just fritter it away.

They deride the naive mathematics of the Budget. According to the Financial Secretary, of the estimated deficit of \$70 billion, \$20 billion will be met by raising revenue, another \$20 billion will be met by cutting expenditure, and the remaining \$30 billion will come from economic growth. This is not

going to happen. To begin with, everyone doubted the forecast of a 3% growth even a month ago when the Budget was announced. Now, with the war in Iraq and the raging atypical pneumonia, the economy is certain to slip further. Without a serious re-assessment of the situation, a debate on this Budget will be largely pointless.

But even a month ago, when it was announced, this Budget was already divorced from the most urgent need to find ways to revive the economy. The Budget does not address this problem. On the contrary, the series of increase of taxes, fees and charges, and indiscriminate cuts in public expenditure are bound to push the economy deeper into the depression, and further erode the morale of the community. I have heard the forceful speech of Dr the Honourable David CHU, and I agree with everything he said. The Government was asked whether it had considered the deflationary effect of such a Budget. The Government acknowledged that the Budget would make deflation worse, but insisted that the right thing to do was to ignore this and concentrate on the deficit.

How much worse does the economy has to get before this Government takes serious action? Talking about the middle class which is supposed to be best able to afford paying more taxes, the middle class in fact has taken blow after blow, and this includes the legal professionals. A few days ago, the Law Society of Hong Kong has announced that Hong Kong law firms will have to pay a further contribution to the professional indemnity fund as a result of the bankruptcy of the reinsurer HIH. This contribution is on top of the hefty increase in premium 18 months ago. To some struggling law firms, this may well be the last straw that breaks the camel's back. The fact that we have not made a song and danced about it does not mean that we do not have much to endure.

Legal services, like the rest of the service industry, is directly dependent on the economy. When the economy goes down, demand for services will also diminish. The hope of the legal profession, like the hope of the rest of the community, is in reviving the economy. On this pressing concern, the Budget has offered no solution.

Madam President, the Financial Secretary makes cutting public expenditure his primary target, but he has time and again gone about it the wrong way, thereby making things worse. I want to concentrate on just two points.

The first point is civil service pay, I want to declare interest here. I have been instructed to advise applicants representing civil service unions in a judicial review against the reduction of civil service pay in High Court Constitutional and Administrative Law List (HCAL) No. 178/2002.

This is my fourth consecutive budget debate speech calling for reduction in civil service pay and the size of the Civil Service. In 2000, I have questioned the pay rise and the method of the survey which backed it up. I called on the Government to review the system. I have said, on many occasions, that the Basic Law does not preclude a downward adjustment, because the existing terms and conditions of service allow the Government to change its policy and mechanism of pay adjustments, provided due process and natural justice are satisfied. This means that the Government has to carry out a genuine consultation, and come up with a new system which is fair and principled. What the Government cannot do is to impose a pay cut unilaterally by an abuse of executive power and pressure politics.

I have also warned that civil service pay cut should not be considered as a means of meeting a budget deficit, nor should civil servants be turned into the scapegoats of the Government's mismanagement. The Government, unlike the private sector, cannot determine how much its employees' salaries is to be cut, on the basis of how much money it has to save. To do so is to put the stability of the Civil Service in jeopardy.

Yet this is precisely what the Financial Secretary did do, in his Budget last year, and again in this Budget. Members will remember that last year, a 4.75% cut was "assumed" in the Budget. As an assumption, it failed dismally. Then, when the "assumption" was not backed up by factual findings, the Government resorted to forcing through legislation to effect a 1.75% pay cut. The political cost of this fiasco is incalculable.

The Government promised that the pay-cut legislation of last July will be a one-off, and an overall civil service pay adjustment system will be next presented to this Council in a bill. That has not materialized. For the purpose of this Budget, so that the Financial Secretary can announce that part of the deficit will be met, the Government again resorted to undisguised pressure and negotiation under pressure, and netted a 6% cut over two years. This falls short of the ambition of the Financial Secretary regarding the deficit, makes both the

Government and civil servants the target of the anger of the public, and saddles the Government with an untenable interpretation of Article 100 of the Basic Law. It has also sown the seeds of controversy which will erupt at the next opportunity. This sort of budgeting and mentality will force the Hong Kong Special Administrative Region to live from crisis to crisis.

Madam President, many Honourable Members have spoken against the cut on public assistance for the sick and the elderly. I wish to associate myself with their remarks without repeating them. The second point that I want to make about cutting expenditure is the effect on the administration of justice. It certainly makes life simple for the Financial Secretary to impose a 10% cut indiscriminately on every department of the Government, including its judicial arm, and leave them to work things out the best they can. But this is also the most short-sighted, and will directly harm Hong Kong's strength and so weaken its economic recovery.

The legal system and the rule of law are our strongest points. We cannot afford to cut down on the quality of the administration of justice. The Panel on the Administration of Justice and Legal Services has discussed the effect of the 10% cut on the Judiciary, the Department of Justice and on the Legal Aid Department. Members are very concerned that this will mean longer waiting time for cases to be heard as fewer Judges will be appointed. It is now uncertain whether much needed update and reform of civil procedure can go ahead. Bilingual judgements will be set back. Our ambition to teach the common law to speak Chinese, a unique contribution not only to China but to the historical development of the common law, is thwarted. The Department of Justice will be curtailed in its ability to brief out for legal advice and legal representation even where the need arises. Legal aid will be given to fewer people even where shutting out access to justice will result.

Madam President, this is shooting ourselves in the foot. Selling the family silver cheap may deprive a family of luxuries, but laying waste the family land and allowing the foundation of the family house to crumble is an iniquity, and those who have the charge of them shall not escape censure. Indeed they should be stopped.

Madam President, I cannot support the Budget and will vote against it. Thank you.

MR HENRY WU (in Cantonese): Madam President, many colleagues mentioned, both yesterday and today, the atypical pneumonia incident and the war in Iraq which have aroused enormous concern recently, and many colleagues expressed dissatisfaction with the contents of the Financial Secretary's Budget and the incident of the Financial Secretary's car purchase. Regarding tax increase which is of concern to the business sector, the Comprehensive Social Security Assistance which has aroused concern in the community, and on even some less significant issues such as the situation of the Ocean Park, colleagues have also expressed a diversity of views. I will not dwell on these topics in my discussion here. With regard to the many aspects covered in the Budget, I will concentrate on expressing the views of the financial services sector which I represent.

On 15 January this year when the motion of thanks in relation to the policy address was debated, the Hong Kong Exchanges and Clearing Limited (HKEx) announced that the minimum brokerage commission would be abolished on 1 April as scheduled. Now, we are debating the Budget, and the relevant arrangement has taken effect since the day before yesterday.

Madam President, the industry has been worrying that the abolition of the minimum brokerage commission would lead to cut-throat competition, which would affect the viability of the securities industry and consequently deal a blow to the industry. Fortunately, we have not seen any cut-throat competition to date and so, I must thank the industry for supporting an open appeal made by me and several long-established industry organizations on 31 March by remaining united and self-disciplined after the abolition of the minimum brokerage commission. This has pre-empted the emergence of vicious competition in the market, enabling everyone to work in concert to maintain social stability in Hong Kong.

The Financial Secretary's Budget has proposed many revenue-raising and expenditure-cutting measures to resolve the fiscal deficit. Measures to increase revenue include various fee increases and tax hikes, whereas measures to cut expenditure mainly feature the civil service pay cut. Given the present economic hardships as a serious fiscal deficit prevails, particularly in view of the psychological threats brought by the war in Iraq and the rampant attack of this fatal strain of pneumonia, measures to alleviate the deficit should merit support from all sectors of the community. However, have the Government and the relevant authorities ever sympathized with the difficulties faced by all trades and industries?

Madam President, before the HKEx's announcement on the abolition of the minimum brokerage commission, the Government had announced the establishment of a Working Group on the Business Environment of the Stockbroking Industry (tripartite forum) consisting representatives from the Financial Services and the Treasury Bureau, the HKEx and the Securities and Futures Commission (SFC), with its terms of reference being to examine ways as to how the Government, the HKEx and the SFC can assist the small and medium-sized stock brokerage firms to operate in the prevailing difficult environment. The establishment of this tripartite forum by the authorities to help the industry should merit support and commendation.

However, at the special meeting of the Panel on Financial Affairs of this Council on 28 March, the Government, when reporting on the work progress of the tripartite forum, violated its "agreement" with the Legislative Council by not providing any papers. This is sort of holding the Legislative Council in contempt, particularly as the Government has emphasized the need to maintain a harmonious relationship and mutual respect with the Legislative Council. Besides, the Government, without reasonable explanation, resolutely refused to accept the motion passed by the Panel on 16 January to include "to re-examine the option of introducing a two-tier brokerage commission system" in the work areas of the tripartite forum. I am extremely disappointed with this. I think the tripartite forum not only disrespects the views of the industry, but also disrespects the Legislative Council.

Madam President, the tripartite forum has only encouraged and suggested ways for the industry to cut expenditure in order to achieve savings, but disallowed the industry to maintain the original commission system insofar as revenue is concerned. By the same token, could it be that I can only support the expenditure-cutting part of the Budget and oppose the revenue part?

The tripartite forum aside, another "expert group" has also been appointed pursuant to the penny stocks incident to specifically study such issues as the three-tier structure, the listing mechanism, and so on. A report was published on 21 March, proposing the transfer of the listing powers of the HKEx to the SFC in 18 months. The report was immediately endorsed by the Financial Secretary, which is rather unusual. This recommendation has made people feel that this expert group is no expert at all and that it does not even understand the actual operation of the securities industry in Hong Kong. Why do I say so?

Given the contracted volume of transactions, the HKEx has already suffered from a substantial reduction in its revenue. Worse still, this expert group has, for no reason at all, proposed to take away the listing powers of the HKEx, which account for 18% of its revenue, and this is set to further undermine the business and achievements of the HKEx. No wonder the stock price of the HKEx plummeted by 8.4% on the next trading day after the Financial Secretary announced his acceptance of the expert group report, even though the stock market in general was slightly down by a mere 0.8%. As at the end of last month, that is, on 31 March, the stock price of the HKEx hit a record low, as it was further down by 13% compared to 21 March. I believe this incident does not pale in comparison with the penny stocks incident. The transfer of the listing powers to the SFC will not only affect the HKEx, but also do no good to the investment market. Given that powers will be over-concentrated on the SFC of which the powers are already excessive, coupled with the lack of appropriate check-and-balance proposals, the existing listed companies and companies interested in a listing in Hong Kong would be scared off. This would affect the investment sentiments of investors and even affect the stable development of Hong Kong's financial system, thus dragging down the pace of the overall economic recovery of Hong Kong. Obviously, if transactions continue to go downhill, the Government's revenue from stamp duty will also be affected. However, it has become a global trend to do away with the stamp duty on stock transactions. On the premise that the Government supports the removal of the minimum brokerage commission rule as part of its vigorous efforts to promote internationalization, the industry strongly urges Hong Kong to follow the general trend by abolishing the stamp duty on stock transactions. In this connection, I hope that the Financial Secretary — although he is not in this Chamber, I believe other Bureau Directors will hear this — can respond to the question of whether the stamp duty on stock transactions will be abolished in his reply next week. Whether or not his response is justified will have a bearing on how I am going to vote on the Budget!

Madam President, since the Hong Kong-British colonial rule, the Government has consistently stressed the need to be in keeping with major global trends. It has invariably attached importance to internationalization in all aspects and even pursued internationalization at the expense of the interest of local industries. Today, even after the reunification, internationalization is still a pet phrase of the Government. But the outbreak of atypical pneumonia in Hong Kong has enabled us to see clearly once again the true face of "internationalization" and its impact on us.

Just look at the rumour on 1 April about Hong Kong being declared as an infected area. Members of the public swarmed to buy groceries; and we saw a steep plunge and panic selling in the stock market, and the Hang Seng Index fall to below 8 500 points. There were even reports that the slump in the stock market involved foreign-funded companies stepping up their short-selling activities and thus adding fuel to the flames. Foreign financial institutions had immediately adjusted downward their projection of Hong Kong's economic growth and reduced the proportion of Hong Kong stocks in their securities portfolios. So, there are signs that the Hong Kong Government is suffering from "internationalization paranoia", for it talks about internationalization all the time as a way to attract inward investments to the neglect of the protection of the interest of Hong Kong people. In fact, once there are signs of trouble in Hong Kong, international institutions will immediately run away from Hong Kong as fast as they can, and even adopt policies to isolate Hong Kong right away. Insofar as the pneumonia incident is concerned, many countries have imposed various barriers and limitations on the entry of Hong Kong people.

Looking at the policies of the Hong Kong Government in the context of this atypical pneumonia incident, it is not difficult to see that an atypical government and its atypical policies are the cause of the atypical plights faced by Hong Kong today, particularly as those financial officials who have been advocating internationalization have ignored the interest of Hong Kong people and the local industries. But we have been consistently told by experience that only those local securities firms that take root in Hong Kong will truly consider the overall interest of Hong Kong, live up to the spirit of caring for and supporting each other amidst adversities and endeavour to maintaining social stability in Hong Kong, unlike international organizations that will immediately transfer their capital out of Hong Kong to the detriment of the overall economic benefits and development of Hong Kong.

A typical government will make the protection of its nationals and its own interest as the prime objectives. On financial issues, in particular, any typical government will stress the need to have its own characteristics, instead of copying everything from foreign countries. But this atypical government of Hong Kong has all along run counter to the *modus operandi* of a typical government. As I said earlier, the report of the expert group which proposed important reforms that would affect the entire financial system was immediately endorsed by the Financial Secretary, without detailed studies and procedures of

consultation, not even allowing time for people to digest the contents of the report. As the Government has given a green light to the report without studying the feasibility of its proposals and their possible impact, people are worried that the damages to the entire financial system brought by this atypical decision might be even more horrible than those caused by atypical pneumonia.

Earlier on I mentioned that the powers of the SFC have been expanding. In this connection, its financial conditions must be mentioned. According to the 2003-04 budget tabled by the SFC to the Legislative Council Panel on Financial Affairs, the SFC will have a deficit in the coming year, and the SFC has actually been operating with a deficit for years. While the SFC has not sought government funding for 11 years in a row, this is due to its possession of massive fiscal reserves, rather than its effective control of expenditure. In fact, salaries take up the lion's share of the SFC's expenditure, accounting for 80% of the total expenditure, and this is a major factor contributing to its serious deficit. At a time when the private sector and the Civil Service have effected pay cuts to ride out the storm together, the SFC still has not considered further adjusting its pay mechanism. All that it has done is to freeze salaries, resulting in an ever increasing deficit year after year. I am afraid that it would eventually lay its hand on the Budget one day and seek funding approval from the Legislative Council.

After the Securities and Futures Ordinance came into effect, the SFC stated that the licence fees would be lowered by 3% in order to ease the burden of the industry. But if the SFC could follow the market practice of substantially cutting expenditure on salaries, this could further ease the burden of the licence holders. At a rough estimate, with a 10% cut in the expenditure on salaries by the SFC, and calculating on the basis of about 30 000 securities practitioners, we can expect the licence fees to go down by \$1,000, representing a reduction of 55%. Moreover, according to the latest statistics, there are close to 20 000 people engaging in securities business of authorized institutions who have registered with the Hong Kong Monetary Authority. If all of them are taken as representatives of securities dealers, as much as \$40 million would be generated from licence fees and this could be a significant relief to the deficit of the SFC. Regrettably, during the scrutiny of the Securities and Futures Bill, the SFC did not address squarely the problem of having two governing bodies in one industry mentioned by me time and again. So now, the SFC can only see the revenue-raising opportunity slip through its fingers.

Overall speaking, before the publication of the Budget, the Government had been "dropping hints" to the media that all sectors of the community should ride out the storm together. The public therefore had had certain expectations of the Government, thinking that all sectors of the community could really join hands to share the burden of resolving the deficit. But the outcome has been greatly disappointing to the people. This Budget with high expectations but low effectiveness has proposed tax increases as expected, but a pay cut for civil servants will be implemented only in phases. It gives the impression that the Government will give in as long as opposition is raised frequently and loudly. On the contrary, the middle class who have always conformed to the wish of the Government and worked conscientiously to contribute to the economy of Hong Kong have been hit harder. This is precisely a reflection of the situation of members of the securities industry. The small and medium-sized brokerage firms in the local securities industry have been working hard for the development of the securities industry in Hong Kong, but they are hit the hardest in the end. The HKEx is no exception. To conform to the wish of the Government, the HKEx had abolished the minimum brokerage commission rule. But in the end, the HKEx turned out to be the knife borrowed by the Government to kill and was subsequently deserted by the Government once its objective had been met, as the Government then forcefully took its listing powers away and gave them to the SFC, making use of the report of the expert group. What difference is there between this and the United States' arbitrary attacks on Iraq?

Moreover, the Budget has stressed the goal of resolving the deficit in 2007, giving the impression that this is a budget with a specific timeframe, rather than one that is visionary and forward-looking. This has not only undermined the people's confidence in it, but also tremendously increased the pressure on all quarters of the community in working together to resolve the deficit.

Indeed, many policies now are more or less linked to the tenure of the Chief Executive and the accountable officials, and it appears to be their target to have all problems resolved and all tasks completed within their tenure. If we are talking about the governance of the Hong Kong-British colonial government, it is acceptable if work is expedited in order to get the job done before a certain deadline. But after the reunification, a time limit for governance no longer exists and so, such mentality of carrying out work with a specific timeframe should be removed. Under the principle of the Basic Law, a more farsighted approach or perspective should be adopted for major policies. Therefore, I think the Government can relax certain policies to allow the people some

breathing space. This is particularly so for proposals to resolve the deficit. More time can be provided, so that corresponding adjustments can be gradually made to cater for the changes in the actual situation. There is no need to rigidly stipulate that the deficit problem must be completely resolved within the five-year tenure, for this will only add to the burden of society. As the ill omens associating with drawing "a most inauspicious divination stick" linger on, misadventures have occurred one after another. Under the impact of such unexpected incidents as the atypical pneumonia outbreak and the war in Iraq, sentiments of unrest have already been sown in the community. Material amendments should be made to the Budget and the goal of balancing the books in 2007 should be deferred, so as to give all strata of the community an opportunity to ease their anxieties and discontent. Under the present atypical situation, we should first stabilize public sentiments. We should revive the people's confidence in Hong Kong, instead of allowing the doomsday sentiments to erupt and spread in the community.

In this year's Budget, I believe the Financial Secretary has one wish and that is, he wishes that everybody will get rich and everybody will be making a fortune. If not, why is it that his speech happens to include a total of "118" paragraphs? However, when can everybody make a fortune (人人發) as connoted by the Chinese pronunciation of "118"? While it is now too early to say whether this will realize and no one knows when everybody can make a fortune, atypical pneumonia is, however, making a scene in Hong Kong!

To end his Budget speech, the Financial Secretary said that "We can see clearly what is in store for us. Through perseverance, we will have a bright future." But to brokers in the securities industry in Hong Kong, if the Government is still hell-bent on its own way and refuses to listen to the professional opinions of the industry, then to the securities industry, the concluding remark should be: "We cannot figure out what lies ahead of us. All the past contributions will only become memories in the future."

Madam President, I so submit.

MR JAMES TO (in Cantonese): Madam President, we are here debating the Budget today. I should be talking about economic development and issues relating to revenue and expenditure. But given the situation in the Middle East and the outbreak of atypical pneumonia, coupled with the fact that public

confidence in the Government's leadership has plummeted over the past few years since the reunification, such issues as eliminating the deficit and increases in taxes and fees that we should be discussing today are not just financial issues, but also very important political issues.

Given the critical situation and severe hardships of late, people have telephoned radio and television stations to call for solidarity. People aspire for solidarity because they feel helpless and lonely under the present circumstances. Financial considerations, livelihood issues and job security, coupled with the recent onslaught of the disease, have thrown the public into panic. Of course, it is good if we can unite. But regrettably, we will be going nowhere if we fail to resolve these political issues at root. The Government is asking the public to work together to eliminate the deficit and it is asking the people to make some commitments. But even to those people who have the means to make commitments, the Government must have the ability to rally support and to exert influence politically before the people will genuinely be willing to make commitments.

Having listened to the speech of Mr LEE Cheuk-yan earlier, I actually took it out and read his speech once again. I can say I agree with every single word that he said. Although his rhetoric was very harsh and satirical, and I think those who were given the stick by him would be in great pain, what he had said can truly reflect the sentiments of the ordinary man in the street. Instead of asking how long the Chief Executive will remain in office as the second Chief Executive, we had better really think about this: Is it possible for the Chief Executive to discontinue his tenure? Or do leaders of the Central Government have a mechanism to replace the Chief Executive? As Members may recall, during the scrutiny of the Chief Executive Election Bill, there was the view that the Chief Executive could not be replaced because the Chief Executive was returned by election. Now that as I look back on this, I wonder if the Central Government had the wisdom of keeping a last resort up its sleeves to replace the Chief Executive in the event that the popularity of the Chief Executive drops to a bottom low and many problems arise. In other countries, and even in the history of China, as long as the power-that-be knows that he is sick or feels that he is sick, disregarding whether his sickness is genuine or fake, there will be a way for the power-that-be to cease to hold office.

I can very easily think of many persons in Hong Kong who are capable of building social cohesion. If any of them, with the approval of the Central

Authorities, is appointed as the Chief Executive, then even though he or she will have to be returned by some so-called elections, this can immediately stop public confidence from falling and will readily rally public support; and that may be the way out for Hong Kong. I do not know what will happen after a change of term in the leadership of the Central Government, and I have no idea if there will be a transfer of powers. But if Hong Kong people's confidence in the Government drops to a very unstable state and when the governance of Hong Kong has even affected the Central Authorities as well as the overall security and stability of the country, should leaders of the Central Government who want to make great achievements, particularly the new team of leaders in the next term, really think about this clearly? Recently, the incident of a car purchase made by the Financial Secretary, Mr Antony LEUNG, has aroused concern for the question of integrity. So, it involves not only the Chief Executive, but also Antony LEUNG, the Financial Secretary, who is directly related to the incident. After listening to Ms Audery EU's speech, I agree with what she had said. But if I am asked whether the replacement of two persons concurrently would make people feel that the situation is unstable, my answer is in the negative. Things will be fine as long as the choice so made — let us leave aside the stance on democracy — can instantly drive public confidence to go up.

At a forum attended by political parties last week, I said that for the post of Financial Secretary alone, I could think of at least five to 10 candidates who would be acceptable to the Central Authorities, the Chief Executive and members of the public. I do not wish to further discuss this point here. However, I believe if the public has learned that someone with political acceptability will take up office as the Financial Secretary, and even though we do not consider the factor of acceptability, if the public at least has more faith in the ability of the candidate, thinking that this candidate will not be as bad as his predecessor, public confidence could then be boosted and this could already make a difference in the entire situation.

In terms of politics, one week is already too long. I think the Financial Secretary (no matter how long he will remain in office), or the Financial Secretaries in the future or Chief Executives in the future, and even the entire Government in the future must work in the light of the prevailing circumstances. A bold and resolute government that dares to make commitments politically will definitely reconsider the budget in its entirety, for the Budget is already overtaken by events. Not only pro-democracy Members have said this. As far as I have heard, this is already a consensus among many Members who have spoken earlier in the debate, with the exception of four to five Members.

Certainly, one will ask: How should this be done? It appears that there is a relevant provision in the Basic Law. But this is an unusual time now, and we have encountered lots of unusual circumstances. If we compare the present circumstances to a flood, we can say that this very flood occurs once in many decades. But in the history of Hong Kong, the present situation is unique and unprecedented. Apart from those measures such as issuing bonds as suggested by some people, can we further reduce the minimum level of the reserves to cater for the present circumstances? I believe other countries will do so if the same happens to them. If the Central Government genuinely wishes to provide support, it can actually do a lot more things to give its support, including support in financial terms and in other areas.

From the security perspective, I think the present situation has now reached an alarming state. Last year, and actually a lot earlier than that, I began to warn the Government about this in 1998 and 1999 at internal meetings and at meetings of the Fight Crime Committee. If the CSSA is to be adjusted substantially whereas rental, transport fares, and so on, are not coming down, and given the hikes in fees and charges now, the consequences that follow, including businessmen not having business to do and workers becoming jobless, will sound an alarm for the stability of society. This is exactly what is happening now. I am not the only one who said this. Even some a government-appointed working group to bring cohesion into play, so to speak, has also said so.

Under such circumstances, I hope that the Government, in giving effect to every measure, such as effecting an increase in fees and charges or slashing the CSSA, will act very cautiously, or else we will be paying a dear price. The worst scenario is that the People's Liberation Army would have to be called in to stabilize public sentiments.

Next, I wish to turn to the police, which is already more of a side issue. Recently, or over the last couple of years, I have been saying in my speeches that following the gradual integration between the Mainland and Hong Kong, offences such as hired murder, blackmail, and so on, have started to constitute a big problem in law and order. Certainly, some people may say that after CHEUNG Tsz-keung had been fixed, it seems that nobody has the guts to cause troubles, or that as some triad elements had also been fixed upon Macao's reunification, it shows that the Central Government has acted in a very decisive manner. However, I can tell Members that various problems have started to

emerge following the continued integration over the past few years. I hope the Government will enhance its contact with the Mainland to facilitate collection of intelligence, particularly intelligence concerning blackmail and cases of hired murder.

Moreover, the number of fraud cases involving credit cards has indeed increased. This has led to many problems, as private companies, including credit card companies and banks, have been hiring private investigators to settle their problems. But in fact, I think the Government must do more in this regard.

Some problems that are more minor or comparatively less significant, such as fraud cases involving electrical appliances merchants, will affect the reputation of Hong Kong's tourism industry. I hope the Government can take proactive steps and conduct more undercover operations to eliminate these black sheep of the trade.

With regard to the police's special expenditure under "R&SS" which includes expenditure commonly known as informer's fees, and also the expenditure of the Complaints Against Police Office, I will discuss them in detail when I propose their deletion at the Committee stage.

With regard to investment immigrants, while the Government has begun to consider this in the context of mainlanders, and the Chief Secretary, Mr Donald TSANG, also appears to have implied that there are other ways for mainland residents to meet the new requirement of \$6.5 million investment for citizenship application by, for instance, going abroad and obtaining the right of abode in another country, I still hope that the Government can engage in close discussions with the Mainland to find ways for capital to leave the Mainland lawfully, in order to facilitate mainland residents coming to Hong Kong as investment immigrants. I am not the only person suggesting this. Mr Joseph YAM has also mentioned this in his article, and this will also be a very important and well-intentioned manifestation of support for Hong Kong by the Central Government under the present circumstances.

With regard to the Independent Commission Against Corruption (ICAC), as its establishment is smaller than the other disciplined forces, I hope the Government will not require it to achieve a 1.8% reduction of expenditure across the board, just as other departments are so required, and subject it to the same treatment as that for other departments in the next few years. Given that the

ICAC is small in scale, it does not have as much flexibility as other departments in the deployment of resources. For example, its establishment is not as large as that of the police and it is not as flexible as the police in the deployment of resources.

On the other hand, regarding some other minor issues, they were already mentioned by Mr Henry WU earlier on, who appeared to be strongly criticizing the Government's proposal of transferring the listing powers to the Securities and Futures Commission. This, I beg to differ. I think the listing powers must ultimately rest with an independent body, because the Hong Kong Exchanges and Clearing Limited has the problem of a conflict of interest.

Now I would turn to contingency measures that we have come across lately. With regard to the law on epidemic prevention, there are indeed many loopholes, and I wish to make two points briefly. When Dr YEOH Eng-kiong was asked how those residents who had moved out of block E of Amoy Garden earlier could be isolated and how such cases should be handled in the interest of the residents' own safety or other people's safety, his answer was that they would not be allowed to return to their flats if they had moved out before the isolation order was issued, not even if they chose to return of their own accord. Now that all residents of block E have been moved out. Of course, as we look back, if Dr YEOH had known long before that this step would be taken, then we can say that he was clever in making those remarks. But in fact, he did not know about this at the time. So, Dr YEOH Eng-kiong's reply had reflected loopholes in the relevant ordinance, as the ordinance was enacted in 1936 without any consideration for the situation where so many people had escaped before a isolation order was issued by the Government, or when the Government was about to issue such an order. The right thing to do should be to amend the legislation on epidemic prevention, so that the law can serve the purpose and objectives of the isolation order. For example, it should be amended to the effect that residents who had moved out before the issuance of the isolation order should be isolated, in order enforce the law to the letter. However, he had chosen to uphold a piece of legislation enacted in 1936 which is obsolete and fundamentally flawed.

At this point in time, I still think that we all need to unite, just that we should unite in the hope that the Central Government can replace the Chief Executive and the Financial Secretary, so that Hong Kong people can have a government that is politically trustworthy, whether in terms of its competence or integrity, which can then lead us out of the quagmire.

MR MARTIN LEE: Madam President, I believe I am the last Member to speak, particularly when the Financial Secretary is still not here. But thanks to him who inspires us with a quote from the two lines in *A Tale of Two Cities* by Charles Dickens, which of course was all expressed in the past tense, because the author was writing about the French Revolution. With apology to him, perhaps I will change the tense of the verb in the second line of every couplet in the beginning paragraph, it will read thus: "It was the best of times, it (*is*) the worst of times, it was the age of wisdom, it (*is*) the age of foolishness, it was the epoch of belief, it (*is*) the epoch of incredulity, it was the season of light, it (*is*) the season of darkness, it was the spring of hope, it (*is*) the winter of despair, we had everything before us, we (*have*) nothing before us, we were all going direct to Heaven, we (*are*) all going direct the other way

As Members have spoken, Madam President, a week is a long time in politics, and so this Budget, which was presented four weeks ago, as relevant to today's Hong Kong as a budget speech perhaps presented 20 years ago, 30 years ago, or even 50 years ago.

To cut the deficit appears to be the main theme of this Budget. But is it still right that we should concentrate on this primary goal? In the light of events which emerged in the last couple of weeks, to cut the deficit now is like a doctor insisting that the patient should continue to lose weight by maintaining a diet even after the patient has caught the severe acute respiratory syndrome. It is seeking death. These are of course very extraordinary times. Look at the untold damage to the tourist industry, the airline industry, the hotel industry, the restaurant industry. What are we to do? If we were to maintain this course — I am afraid, short of a miracle, it will happen — and of course, the Government is very good in trusting the arms of Honourable Members who will protect and support the Government in every conceivable way, the Budget, and these budgetary measures, will of course be passed by this Legislative Council. But is it good for Hong Kong?

What we need, Madam President, are budgetary measures to save the economy from total collapse. The primary target, therefore, should be to boost economic growth, because if it could succeed, then the reduction of deficit will come naturally. But if we are still intent to reduce the deficit by taking every steps to make it happen, so as to maintain a balanced budget by 2006-07, then I am afraid there is not much economy left.

Madam President, we need a budget that restores confidence, which is so lacking in the community of Hong Kong, and not a budget that will even destroy the little confidence that some people may still have in our Government. I have to say, Madam President, that many people in Hong Kong no longer trust the Government as they used to. And so the people fall ready prey to rumours. In relation to the former Government, I think it is perhaps right to say that responsible officials will not tell an outright lie, certainly, they will not be caught out by telling an outright lie. But as for the present Government, with certain individuals, but not all, to be fair to them, I will not believe anything he or she says even on record, unless it is supported by independent evidence.

This is a time of course for leadership. There is an English saying, cometh the hour, cometh the man, and of course we always think of Winston CHURCHILL, who was there all the time, and nobody thought much of him, until the time came, and people wanted him. In Hong Kong, we have this, cometh the hour, but where is the man?

An instance of this is the effort, on the part of this Administration, to change the name SARS (severe acute respiratory syndrome) into SRS, so the word "acute" was taken out. The first time I noticed this was when I was flying back from Geneva to Hong Kong, with the Honorable James TO, and we were asked to write on a little form, and instead of SARS, I found it is described as SRS. When I came back to Hong Kong, I read a newspaper, and in fact the term SRS was understood to be Slow Reacting Substance — perhaps for the Government, it would be more apt to say Slow Reacting Syndrome. But surely, this shows how stupid the Government is. SARS, many people in the Government will say, is a unfortunate description of this killer disease, but is it? Why do they not look at it positively? As a attribute to the hundreds of front-line doctors, nurses and other hospital staff, who risk their lives to fight against this new killer disease, we should be proud of it. One day of course it will be contained, then we will be proud to say this is the SAR syndrome, because many people in Hong Kong risked their lives to win this battle against it.

I said earlier, that when people have no confidence in the Government, rumours are believed as the truth, and so a boy of 14 was able to create panic in Hong Kong, and I read yesterday's report in the *South China Morning Post*: The unnamed schoolboy allegedly hijacked the design of the *Ming Pao* website, copied it on his own webpage, and put a bogus news item on it, reporting that Hong Kong had been declared an infected port. The news item also said the

Chief Executive TUNG Chee-hwa had resigned, and the Heng Sang Index had collapsed. It sparked frantic phone calls between offices and homes around Hong Kong, people were told that supermarkets would be shut down, a curfew would be announced, and the airport would be closed, sealing off Hong Kong. But right next to it was another report, the title was " World Health Organization (WHO) to advise against travel to Hong Kong unless link is found". Was the boy entirely wrong? Well, today's *South China Morning Post* reported — the headline was "WHO tells travellers to avoid Hong Kong", and of course travellers are told not to visit Hong Kong or Guangdong.

It was also reported in Switzerland that their government banned exhibitors at the prestigious watch and jewellery fair for employing staff, who had travelled from Hong Kong, in the Mainland, Singapore, and Vietnam, and there were about 320 Hong Kong people who were already there. Today, I also heard that at least one secondary college in the United Kingdom, a really prestigious college called Cheltenham Ladies' College, has told all students from Hong Kong that they must travel to the United Kingdom nine days before they would return to the College. This is not a quarantine, but certainly pretty close to it. So maybe this boy of 14 was not just a naughty boy, maybe he was some kind of a prophet. *(Laughter)*

What are we to do then, when there is no leadership here? I suggest the Legislative Council should take the lead — and our chairman, Dr YEUNG Sum, on behalf of the Democratic Party, has called all political parties to work together — and asked the Government to take the following remedial budgetary measures: to shelf all proposed increases in salaries tax, to freeze all Government fees and charges for one more year, and to waive rates, water and sewage charges for one quarter.

Unfortunately, the Financial Secretary has completely lost his creditability. And I cannot usefully add anything to what was said by the Honourable Audrey EU yesterday. There was of course another e-mail message on April Fool's day, suggesting that both the Chief Executive and the Financial Secretary had resigned. Many people would have wished that it was true.

And so, Madam President, perhaps I should end by quoting the last paragraph of the same book by Charles DICKENS, *A Tale of Two Cities*, of course in a totally different context. It is the last two lines with the thoughts of one of the heroes, Sydney CARTON, who was waiting to be executed by the

guillotine, as he was about to sacrifice his life for a friend called Charles DARNAY. And he has this to say, "It is a far, far better thing that I do, than I have ever done; it is a far, far better rest that I'd go to, than I have ever known." For the Chief Executive, and for the Financial Secretary, the rest that I have in mind is a rest at their home, and the thing they can do at best is to stay home with their family and enjoy family life. Long be that last. Thank you.

PRESIDENT (in Cantonese): Are there any more Members who wish to speak? Twenty three Members have spoken on the motion today.

MRS SELINA CHOW (in Cantonese): Madam President, I move that the debate on the Second Reading of the Appropriation Bill 2003 be adjourned to the meeting of 9 April 2003.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the debate on the Second Reading of the Appropriation Bill 2003 be adjourned to the meeting of 9 April 2003.

PRESIDENT (in Cantonese): 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.

PRESIDENT (in Cantonese): Council will continue with the debate on the Second Reading of the Appropriation Bill 2003 at the meeting to be held on 9 April when public officers will respond. If the Bill receives its Second Reading, its remaining stages will also be proceeded with at that meeting.

MOTIONS

PRESIDENT (in Cantonese): Motions. Proposed resolution under the Interpretation and General Clauses Ordinance to amend the Trade Marks Rules.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, I move that the motion, as set out in the paper circularized to Members, be passed.

The main purpose of the motion is to make certain time limits specified in the Trade Marks Rules extendable so that applicants and other parties concerned will have sufficient time to deal with the matters related. The extensions as proposed in the motion are outcomes of the follow-up discussions between the Administration and the representatives of the legal profession in accordance with the suggestion of the Subcommittee. The proposed extensions have been agreed by the Subcommittee.

Now, I would like to give a brief account of the relevant amendments. Under Rules 13 and 14, the Registrar will issue a notice to the applicant in writing if his application for registration of a trade mark is found not meeting the registration requirements. Once the notice is issued, the applicant will have to respond in writing within six months from the date of the notice, such as amending the application to meet the registration requirements. If necessary, the applicant may ask for an extension of the time limit for a period of three months. Should the application still fail to satisfy the registration requirements, the Registrar will issue a second notice in writing. The applicant may have another three months to file a further response in writing or request a hearing. In respect of these time limits, the legal profession considered them insufficient. After discussion, the Administration and the representatives of the legal

profession reached a consensus by including a provision in the Rules to the effect that the applicant will be allowed to extend the time limit for a further period or multiple periods of not more than three months each on specified grounds.

Another major amendment concerns the time limits for opposition proceedings against registration. When the Registrar accepts an application for registration of a trade mark, particulars of the application will be published in the official journal. Under Rule 16, a person may file a notice of opposition in respect of the application for registration within three months of the advertisement. Under Rule 17, the applicant of registration will have to file a written statement within three months on receipt of the notice of opposition. Both three-month periods are not extendable. In respect of these time limits, the legal profession considered the time allowed insufficient. After discussion, the Administration proposed an amendment to these time limits by making them each extendable for two months with no further extensions allowed. Representatives of the legal profession are satisfied with the proposed amendment.

Apart from the above amendments, the motion also covers some consequential amendments arising from the amendment of Rules 13, 14, 16 and 17, as well as certain technical amendments made by the Administration on the advice of the Legal Adviser of the Legislative Council.

Upon the implementation of the Trade Marks Rules, the Administration will keep under review the registration procedures of trade marks for improvements.

Lastly, I would like to take this opportunity to thank Miss Margaret NG, Chairperson of the Subcommittee, and all its members for putting forward useful and constructive views during the deliberation of the Trade Marks Rules.

Thank you, Madam President.

The Secretary for Commerce, Industry and Technology moved the following motion:

"That the Trade Marks Rules, published in the Gazette as Legal Notice No. 30 of 2003 and laid on the table of the Legislative Council on 12 February 2003, be amended -

- (a) in rule 2(1), in the definition of "opponent", by repealing "16(1)" and substituting "16";
- (b) in rule 13 -
 - (i) in subrule (2), by repealing "within the period beginning on the date of the notice and ending 6 months after that date" and substituting "at any time during the period beginning on the date of the notice and ending 6 months after that date, do either or both of the following";
 - (ii) in subrule (3), by repealing "before the expiry of the 6-month period referred to" and substituting "within the period specified";
 - (iii) by repealing subrules (4), (5) and (6) and substituting -

"(4) If -

- (a) the applicant files written representations or a request for amendment under subrule (2) within the period specified in that subrule or, where the Registrar has granted an extension of time under subrule (3), within the period as so extended; and
- (b) it appears to the Registrar, after considering the representations or request for amendment, that the application, or the application as amended or proposed to be amended, does not meet the requirements for registration,

the Registrar shall inform the applicant of his opinion by notice in writing.

(5) Where a notice is sent to the applicant under subrule (4), the applicant may, at any time during the period beginning on the date of the notice and ending 3 months after that date, do any or all of the following -

- (a) file written representations or further written representations to establish that the requirements for registration are met;
- (b) file a request or a further request under section 46 of the Ordinance to amend his application so as to meet those requirements (see rule 24); or
- (c) file a request for a hearing.

(6) The Registrar may, on a request being filed by the applicant on the specified form within the period specified in subrule (5) or, where the Registrar has previously granted an extension of time under this subrule, within the period as so extended, extend the time for filing written representations or a request under subrule (5) for such period or periods, not exceeding 3 months at any one time, and on such terms, if any, as he may direct, if he is satisfied that -

- (a) where the notice sent to the applicant under subrule (4) raises an objection to the registration of the trade mark on any of the grounds mentioned in section 12(1), (2) or (3) of the Ordinance (relative grounds for refusal of registration) -
 - (i) the applicant needs additional time to obtain the consent of the owner of a relevant earlier trade mark;

- (ii) the applicant needs additional time to obtain an assignment of a relevant earlier trade mark; or
 - (iii) proceedings for the invalidation or revocation of a relevant earlier trade mark are pending and time should be extended to allow for the proceedings to be disposed of;
 - (b) the applicant needs additional time to prepare evidence of use to be filed in support of the application; or
 - (c) other exceptional circumstances exist to justify the granting of an extension of time.";
- (c) by repealing rule 14(2) and (3) and substituting -

"(2) Subject to subrule (3), where -

- (a) the Registrar sends a notice to the applicant under rule 13(1);
- (b) the applicant files written representations or a request for amendment under rule 13(2) within the period specified in that rule or as extended under rule 13(3); and
- (c) the Registrar sends a notice to the applicant under rule 13(4),

the prescribed period for the application is the period beginning on the date of the notice sent to the applicant under

rule 13(1) and ending 3 months after the date of the notice sent to the applicant under rule 13(4) or, where the Registrar has granted an extension of time under rule 13(6), ending on the last day of the period as so extended.

(3) Where -

- (a) the Registrar sends a notice to the applicant under rule 13(4); and
- (b) the applicant files a request for a hearing within the period specified in rule 13(5) or, where the Registrar has granted an extension of time under rule 13(6), within the period as so extended,

the prescribed period for the application is the period beginning on the date of the notice sent to the applicant under rule 13(1) and ending on the last day of the hearing or at such time as the Registrar may decide the matter without a hearing under rule 75.";

(d) in rule 16, by adding -

"(4) The Registrar may, on a request being filed by any person on the specified form within the period specified in subrule (1), extend the time for filing a notice of opposition or anything referred to in subrule (2) by 2 months, which time may not be further extended.";

(e) in rule 17 -

(i) in subrule (3) -

(A) by renumbering it as subrule (4);

- (B) by adding "or as extended under subrule (3)" after "subrule (1)";
- (ii) by adding -
 - "(3) The Registrar may, on a request being filed by the applicant on the specified form within the period specified in subrule (1), extend the time for filing a counter-statement by 2 months, which time may not be further extended.";
- (f) in rule 18(1), by adding "or as extended under rule 17(3)" after "rule 17(1)";
- (g) in rule 37(4), by repealing "he shall not be permitted to take part in the proceedings" and substituting "the Registrar may treat the application for revocation as being unopposed by the owner";
- (h) in rule 41(3), by repealing "he shall not be permitted to take part in the proceedings" and substituting "the Registrar may treat the application for revocation as being unopposed by the owner";
- (i) in rule 47, by adding "with necessary modifications" after "apply";
- (j) in rule 50(6), by repealing "he shall not be permitted to take part in the proceedings" and substituting "the Registrar may treat the application for variation or rectification as being unopposed by the owner";
- (k) in rule 74 -
 - (i) in subrule (3), by adding "or on the filing of a request for a hearing in accordance with rule 13(5)" after "subrule (2)";
 - (ii) by repealing subrule (6);
 - (iii) by renumbering subrule (7) as subrule (6);
- (l) in rule 95 -

- (i) in subrule (1) -
 - (A) in paragraph (b), by repealing "and (3)" and by adding "(but see rule 13(3))" after "amendment";
 - (B) by repealing paragraph (c) and substituting -
 - "(c) rule 13(5) (time for filing representations, a request for amendment or a request for a hearing) (but see rule 13(6));";
 - (C) in paragraph (e), by adding "(but see rule 16(4))" after "opposition";
 - (D) in paragraph (f), by adding "(but see rule 17(3))" after "counter-statement";
 - (E) in paragraph (u), by repealing "121(a)" and substituting "121(1)(a)" and by adding "(but see rule 121(2))" after "opposition";
 - (F) in paragraph (v), by repealing "121(b)" and substituting "121(1)(b)" and by adding "(but see rule 121(3))" after "counter-statement";
- (ii) by adding -
 - "(3) No period of time specified in rule 13(3) or (6), 16(4), 17(3) or 121(2) or (3) may be extended under rule 94(1).";
- (m) in rule 121 -
 - (i) by renumbering it as rule 121(1);
 - (ii) by adding -

"(2) The Registrar may, on a request being filed by any person on the specified form within the period specified in subrule (1)(a), extend the time for filing a notice of opposition by 2 months, which time may not be further extended.

(3) The Registrar may, on a request being filed by the applicant on the specified form within the period specified in subrule (1)(b), extend the time for filing the counter-statement by 2 months, which time may not be further extended.";

(n) in the Schedule -

- (i) in Fee No. 3, under the column "Matter or proceeding", by adding "or (6)" after "rule 13(3)";
- (ii) in Fee No. 29, under the column "Matter or proceeding", by repealing "94" and substituting "16(4), 17(3), 94 or 121(2) or (3)".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Commerce, Industry and Technology, be passed.

MISS MARGARET NG: Madam President, as Chairman of the Subcommittee on Trade Marks Rules and Trade Marks Ordinance (Commencement) Notice 2003 (the Subcommittee), I wish to report on the work of the Subcommittee.

The new Trade Marks Ordinance, which aims at modernizing Hong Kong's trade marks law, was enacted in May 2003. The Commencement Notice appoints 4 April 2003 as the day on which the new Ordinance shall come into operation. The new Trade Marks Rules, made to provide for the practical implementation of the Ordinance, will also come into operation on 4 April 2003.

The Subcommittee notes that the new trade marks regime has the wide support from the business community, legal and professional organizations. They are anxious for it to come into force without further delay. Members agree that the new registration regime is more user-friendly, simpler, more effective and cheaper for trade mark applicants as well as other users. For example, under the current registration system, an applicant has to pay a total of \$5,400 for registering a mark. Under the new regime, it will only be \$1,300.

However, the Subcommittee also notes that the trade mark practitioners are very concerned about the non-extendible time limits for certain procedures set under Rules 13, 14, 16 and 17.

In respect of concerns on Rules 13 and 14, trade mark practitioners consider the non-extendible time limit of nine months for an applicant to respond to the Registrar of Trade Marks' examination report on his application unrealistic and impractical. This differs from the current practices as well as for a number of other jurisdictions where extensions are available if applications are made on good grounds. As considerable time is required for trade mark applicants to collate evidence to substantiate their claims for the distinctiveness of their marks or to resolve concerned disputes before proceeding with the application, the tight timeframe will pose genuine difficulties to applicants. This is particularly so when international clients are involved. Practitioners are concerned that a large number of applications will end up being rejected. Alternatively, applicants will be forced to request a hearing of his application which will involve substantial cost to both the applicant and the Registrar. The Subcommittee accepts that this is too inflexible and at variance with the objectives of providing a user-friendly and cost-effective registration system.

According to the Administration, it is necessary to set timeframes for examining trade mark applications. It stresses that the time limits under Rules 13 and 14 provide certainty for the business community. If an application is kept pending for too long, it will create uncertainty for other businesses that may wish to use or apply to register a similar mark.

However, following discussions with the Subcommittee and practitioners, the Administration has agreed to amend Rules 13 and 14 to provide for extension of time each of a period of three months in specified circumstances. The Subcommittee welcomes the amendments.

As regards time limits set under Rules 16 and 17, the Subcommittee considers the non-extendible three months deadline for an opponent to file with the Registrar a notice of opposition to the registration and for an applicant to file a counter-statement to such a notice too onerous. The new requirement departs from the current practice where two-month time limit is set but extension is allowed with the consent of both parties. The practitioners are concerned that as considerable time is often needed to gather relevant information or documents in order to assess his ability for engaging in an opposition, the three-month time limit will cause genuine difficulties to opponents. Members understand this concern.

The Administration explains that the new three-month time limit can provide greater certainty to applicants since they will have better knowledge of the position of their applications. Nevertheless, after considering members' views and further discussion with practitioners, the Administration has agreed to amend Rules 16 and 17 to provide for a one-off two-month extension for filing of notice of opposition or counter-statement. The amendments are welcomed by members and supported by practitioners.

The Subcommittee is aware that practitioners have made other comments and raised various concerns over the operational aspects of the new Rules. The Subcommittee also appreciates that there will be regular reviews on the Rules with a view to identifying areas for improvement in the light of operational experience of the Rules.

The Subcommittee supports the Administration's proposed amendments to the Trade Marks Rules. Thank you.

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

(No Member responded)

PRESIDENT (in Cantonese): Secretary for Commerce, Industry and Technology, do you wish to reply?

(The Secretary for Commerce, Industry and Technology indicated that he did not wish to reply)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by the Secretary for Commerce, Industry and Technology, be passed. Will those in favour please raise their hands?

(Member 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 of the Members present. I declare the motion passed.

PRESIDENT (in Cantonese): Proposed resolution under the Employees' Compensation Ordinance to amend the Third Schedule.

PROPOSED RESOLUTION UNDER THE EMPLOYEES' COMPENSATION ORDINANCE

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, I move that the motion under my name, as printed on the Agenda, be passed.

First, I would like to thank Mr Kenneth TING and members of the Subcommittee for their support when they examined the resolution to be moved under section 48A of the Employees' Compensation Ordinance (the Ordinance).

The purpose of the resolution is to revise the maximum daily rates of reimbursement for medical expenses under the Ordinance. Under the Ordinance, an employee who has received medical treatment in respect of an injury suffered as a result of work accident may claim from his employer reimbursement of the actual amount of medical expenses incurred. The reimbursement is subject to daily maximum rates for in-patient and out-patient treatment. The current levels have been effective since August 1998.

In November last year, the Executive Council approved a revision of the fee structure of public health care services. This involved the introduction of a charge for accident and emergency service, as well as an increase in the existing fees and charges for other services. The latter was brought into operation as from 1 April this year. As a result, the current maximum levels of claims for medical expenses under the Ordinance would be inadequate to cover the expenses which injured employees might incur in seeking treatment in public clinics or hospitals.

To take into account the increase in charges in public clinics and hospitals, we propose that the daily maximum rate be raised from \$175 to \$200 for a worker receiving in-patient or out-patient treatment, and to \$280 for a worker receiving both in-patient treatment and out-patient treatment on the same day. Subject to Members' approval, the revised rates will take effect from tomorrow, when the resolution is published in the gazette.

Our original intention was to move this resolution at the meeting of the Legislative Council on 19 March so that the revised levels would take effect on 1 April to coincide with the implementation of the new fee structure. However, the Legislative Council House Committee decided at its meeting on 7 March to form a Subcommittee to examine the resolution. The Subcommittee completed its examination promptly on 14 March and endorsed the proposal. I am grateful to the support of the Subcommittee and to you, Madam President, for agreeing to waive the usual notice period requirement to enable me to move this resolution today.

Apart from the Subcommittee set up to examine the resolution, the Panel on Manpower of the Legislative Council and the Labour Advisory Board also supported the proposal. I recommend it to the Legislative Council for Members' approval.

Madam President, I beg to move.

The Secretary for Economic Development and Labour moved the following motion:

"That the Third Schedule to the Employees' Compensation Ordinance be amended -

- (a) in paragraph 1(b), by repealing "\$175" and substituting "\$200";
- (b) in paragraph 2(b), by repealing "\$175" and substituting "\$200";
- (c) in paragraph 3, by repealing "\$175" and substituting "\$280"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Economic Development and Labour, be passed.

MR KENNETH TING (in Cantonese): Madam President, I speak in my capacity as Chairman of the Subcommittee formed to study two proposed resolutions made under section 48A of the Employees' Compensation Ordinance (ECO) and section 40 of the Pneumoconiosis (Compensation) Ordinance (PCO).

The two proposed resolutions seek to revise the maximum daily rates of reimbursement for medical expenses under section 48A of the ECO and section 40 of the PCO, to coincide with the new fee structure for public health care services to be implemented on 1 April 2003.

In the course of deliberations, some members have expressed concern about the implications of the proposed adjustment in medical expenses payable on the premium level of employers' compensation insurance. The Administration has informed members that the adjustment of the levels of medical expenses under the ECO would have an impact on the claim costs by about 4%. However, the actual impact on insurance premium would be subject to factors in relation to individual employer's claims experience and individual insurer's pricing policy. The authorities informed the Subcommittee that some individual insurance companies may choose to absorb the claim costs instead of raising the insurance premium.

As the Subcommittee has noted that the two proposed resolutions cannot come into operation on 1 April 2003, it has enquired about the transitional arrangement for payment of the difference between the existing rates and the revised rates of medical expenses. The Administration expressed that a small number of employees who require medical treatment due to pneumoconiosis or injuries at work during the interim period might not be able to claim full

reimbursement of the medical expenses incurred. In respect of these cases, the Administration was exploring the possibility for some charitable funds to provide financial assistance to the employees or pneumoconiotics concerned.

In order to minimize the impact on injured employees and pneumoconiotics after the new medical fees became effective on 1 April 2003, the Subcommittee supports the Administration to move the two proposed resolutions at today's meeting.

Madam President, the Subcommittee supports the two proposed resolutions.

I so submit.

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

MR CHAN KWOK-KEUNG (in Cantonese): Madam President, the original objective of revising the two Ordinances this time around is to provide adequate cover for medical expenses incurred by employees injured at work who have sought medical treatment. Currently, employees injured at work would receive a daily reimbursement of \$175 for hospitalization, out-patient treatment or hospitalization plus out-patient treatment.

However, after the new fee structure and fee increase for public hospitals were implemented last Tuesday, the cost of hospitalization alone has gone up from \$68 to \$100, while out-patient medical charge (which includes the cost for consultation and medication) has gone up from the past \$44 to \$60 for consultation, plus \$10 for each type of medication. To those injured employees who seek medical treatment, the burden has increased sharply.

With regard to the motion proposed by the Government this time around which seeks to adjust upward the maximum daily rates of reimbursement for out-patient and in-patient treatment to \$200 respectively, I very much support it in my capacity as the representative of the labour sector. It is more comprehensive than the original provision in Ordinance, and it fully reflects the actual need of employees. With these remarks, I support the motion.

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

(No Member responded)

PRESIDENT (in Cantonese): Secretary for Economic Development and Labour, do you wish to reply?

(The Secretary for Economic Development and Labour indicated that he did not wish to reply)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by the Secretary for Economic Development and Labour, be passed. Will those in favour please raise their hands?

(Member 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 of the Members present. I declare the motion passed.

PRESIDENT (in Cantonese): Proposed resolution under the Pneumoconiosis (Compensation) Ordinance to amend Part I of the Second Schedule.

PROPOSED RESOLUTION UNDER THE PNEUMOCONIOSIS (COMPENSATION) ORDINANCE

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, I move that the second motion under my name, as printed on the Agenda, be passed.

First, I am grateful to Mr Kenneth TING and members of the Subcommittee for their support when they examined the resolution to be moved under section 40 of the Pneumoconiosis (Compensation) Ordinance (the Ordinance).

The purpose of the resolution is to revise the maximum daily rates of reimbursement for medical expenses under the Ordinance. Under the Ordinance, a pneumoconiotic person who has received medical treatment in connection with pneumoconiosis may claim reimbursement of the actual amount of medical expenses incurred from the Pneumoconiosis Compensation Fund Board. The amount of reimbursement is subject to daily maximum rates applicable to in-patient treatment and out-patient treatment. The current levels have been in force since August 1998.

Similar to the circumstances under the Employees' Compensation Ordinance, the existing maximum levels of claims for medical expenses under the Ordinance would need to be revised now that the fees for public clinics and hospitals have gone up as from 1 April 2003. We propose that the daily maximum rate for in-patient or out-patient treatment be raised from \$175 to \$200, and to \$280 for a worker receiving both in-patient treatment and out-patient treatment on the same day. Subject to Members' approval, the revised rates will take effect from tomorrow, when the resolution is published in the Gazette.

The Subcommittee set up to examine the resolution and the Panel on Manpower, the Labour Advisory Board and the Pneumoconiosis Compensation Fund Board support the proposal. I recommend it to the Legislative Council for Members' approval.

Madam President, I beg to move.

The Secretary for Economic Development and Labour moved the following motion:

"That Part I of the Second Schedule to the Pneumoconiosis (Compensation) Ordinance be amended -

- (a) in paragraph 1(b), by repealing "\$175" and substituting "\$200";
- (b) in paragraph 2(b), by repealing "\$175" and substituting "\$200";
- (c) in paragraph 3, by repealing "\$175" and substituting "\$280"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Economic Development and Labour 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 the Secretary for Economic Development and Labour 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 of the Members present. I declare the motion passed.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 9 April 2003.

Adjourned accordingly at seventeen minutes to Eight o'clock.