

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 22 March 1995

The Council met at half-past Two o'clock

PRESENT

THE PRESIDENT

THE HONOURABLE SIR JOHN SWAINE, C.B.E., LL.D., Q.C., J.P.

THE CHIEF SECRETARY

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

THE FINANCIAL SECRETARY

THE HONOURABLE SIR NATHANIEL WILLIAM HAMISH MACLEOD, K.B.E., J.P.

THE ATTORNEY GENERAL

THE HONOURABLE JEREMY FELL MATHEWS, C.M.G., J.P.

THE HONOURABLE ALLEN LEE PENG-FEI, C.B.E., J.P.

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

THE HONOURABLE HUI YIN-FAT, O.B.E., J.P.

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

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

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

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

THE HONOURABLE SZETO WAH

THE HONOURABLE TAM YIU-CHUNG

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

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

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

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

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

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

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

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

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

THE HONOURABLE JAMES DAVID McGREGOR, O.B.E., I.S.O., J.P.

THE HONOURABLE MRS ELSIE TU, C.B.E.

THE HONOURABLE PETER WONG HONG-YUEN, O.B.E., J.P.

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE VINCENT CHENG HOI-CHUEN, O.B.E., J.P.

THE HONOURABLE MOSES CHENG MO-CHI

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

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

REV THE HONOURABLE FUNG CHI-WOOD

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

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA

DR THE HONOURABLE LAM KUI-CHUN

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

THE HONOURABLE EMILY LAU WAI-HING

THE HONOURABLE LEE WING-TAT

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

THE HONOURABLE FRED LI WAH-MING

THE HONOURABLE MAN SAI-CHEONG

THE HONOURABLE STEVEN POON KWOK-LIM

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

THE HONOURABLE TIK CHI-YUEN

THE HONOURABLE JAMES TO KUN-SUN

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

DR THE HONOURABLE PHILIP WONG YU-HONG

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE HOWARD YOUNG, J.P.

THE HONOURABLE ZACHARY WONG WAI-YIN

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

THE HONOURABLE CHRISTINE LOH KUNG-WAI

THE HONOURABLE ROGER LUK KOON-HOO

THE HONOURABLE ANNA WU HUNG-YUK

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

THE HONOURABLE LEE CHEUK-YAN

ABSENT

THE HONOURABLE FREDERICK FUNG KIN-KEE

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

THE HONOURABLE ALFRED TSO SHIU-WAI

IN ATTENDANCE

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

THE DEPUTY SECRETARY GENERAL
MR LAW KAM-SANG

PAPERS

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

Subject

Subsidiary Legislation	<i>L.N. No.</i>
Port Control (Public Cargo Working Area) Order 1995	83/95
Port Control (Public Cargo Working Area) (No. 2) Order 1995	84/95
Food Business (Regional Council) (Amendment) Bylaw 1995	85/95
Frozen Confections (Regional Council) (Amendment) Bylaw 1995	86/95
Funeral Parlour (Regional Council) (Amendment) Bylaw 1995	87/95
Milk (Regional Council) (Amendment) Bylaw 1995	88/95
Offensive Trades (Regional Council) (Amendment) Bylaw 1995	89/95
Places of Amusement (Regional Council) (Amendment) Bylaw 1995	90/95
Places of Amusement (Regional Council) (Amendment) (No. 2) Bylaw 1995.....	91/95
Swimming Pools (Regional Council) (Amendment) Bylaw 1995	92/95
Undertakers of Burials (Regional Council) (Amendment) Bylaw 1995	93/95
Places of Public Entertainment (Licences) (Specification of Fees) (Regional Council Area) (Repeal) Notice 1995	94/95
Residential Care Homes (Elderly Persons) Ordinance (90 of 1994) (Commencement) Notice 1995	95/95

Timber Stores Regulation	96/95
Timber Stores Ordinance (11 of 1995) (Commencement) Notice 1995.....	97/95
Foreign Lawyers Practice (Amendment) Rules 1995.....	98/95
Solicitors' Practice (Amendment) Rules 1995.....	99/95
Trainee Solicitors (Amendment) Rules 1995	100/95
Statutes of the Chinese University of Hong Kong (Amendment) Statutes 1995	101/95
Specification of Public Office.....	102/95
Electricity Ordinance (Cap. 406) (Commencement) Notice 1995	103/95
Official Languages (Authentic Chinese Text) (Public Finance Ordinance) Order.....	(C)18/95
Official Languages (Authentic Chinese Text) (Trade Unions Ordinance) Order.....	(C)19/95
Official Languages (Authentic Chinese Text) (Inland Revenue Ordinance) Order	(C)20/95

Miscellaneous

White Paper on the Annual Report on Hong Kong 1994 to Parliament

WRITTEN ANSWERS TO QUESTIONS

Proper Procedures for Legislative Council Election

1. DR DAVID LI asked: *According to the Independent Commission Against Corruption, 289 complaints on election graft were reported in 1994. In view of the upcoming Legislative Council election this year, will the Government inform this Council what further steps will be taken to ensure that proper procedures will be followed during the election?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr President, it is important that elections conducted in Hong Kong should not be tainted by graft and other irregularities. The Corrupt and Illegal Practices Ordinance sets out the legal framework against such practices.

Everything possible will be done by the Administration and the Boundary and Election Commission (BEC) to ensure that the Legislative Council elections in September will be as honest and clean as possible.

To this end, the Independent Commission Against Corruption (ICAC) would ensure that candidates and their agents are fully aware of the relevant requirements and procedures to conduct a clean campaign. Their officers would visit all candidates to explain the dos and don'ts under the Corrupt and Illegal Practices Ordinance. An information package would be given to each candidate to provide an introduction to the law, illustrative cases and answers to common problems. Publicity literature for candidates' agents and campaign helpers would also be produced. ICAC officers would also take part in briefings for candidates organized by the BEC.

As for the general electorate, the ICAC would publicize, during the election period, the "Support Clean Elections" message through the mass media, posters and press advertisements. Advisory leaflets would be mailed to all registered electors. A hotline would be set up to enable the public to make enquiries and to report any suspected irregularities. A dedicated team of 30 ICAC officers would investigate complaints from candidates and members of the public.

In addition to the efforts of the ICAC, the BEC would further refine, with experience gained from the March municipal councils elections, its comprehensive set of guidelines on election-related activities for the coming Legislative Council elections. The complaint procedures instituted by the Commission would encourage mutual policing and help ensure that the electoral legislation and guidelines are complied with, and that the Legislative Council elections would be open, clean and honest.

Right of Abode for British Dependent Territories Citizens Passport Holders

2. DR LEONG CHE-HUNG asked: *In its response to the Legislative Council's motion debate on full British citizenship for all British Dependent Territories Citizens (BDTC)/British National (Overseas) (BNO) passport holders in Hong Kong, the British Government stated that the Joint Declaration enabled all Hong Kong BDTCs to retain the right of abode in Hong Kong. In this connection, will the Administration seek elucidation to ascertain:*

- (a) *whether BDTC passport holders who also possess Canadian or Australian passports can retain the right of abode in the territory after 1997, taking into consideration that Britain, Canada and Australia allow dual nationality but China does not; and*
- (b) *if the answer to (a) is in the negative, whether there are or will be two categories of BDTC/BNO passport holders, one with the right of abode in Hong Kong and the other without?*

SECRETARY FOR SECURITY: Mr President, section XIV of Annex I to the Joint Declaration and Article 24 of the Basic Law provide that persons not of Chinese nationality shall subject to certain conditions be granted the right of abode. The answers to Dr the Honourable LEONG Che-hung's sequential questions therefore depend crucially on the precise way in which these provisions are to be implemented. We are seeking clarification from the Chinese side, in the context of our wider discussion in the Joint Liaison Group on the "right of abode" issue.

Off-shore Transshipment Centre in Kaohsiung

3. MR HENRY TANG asked (in Chinese): *It is learnt that Taiwan plans to set up an off-shore transshipment centre at Kaohsiung before 1997. In this regard, will the Government inform this Council whether it will evaluate the effect of such a plan on the air services, shipping trade and tourism of the territory; if so, how the evaluation will be conducted?*

SECRETARY FOR ECONOMIC SERVICES: Mr President, the Kaohsiung centre is apparently designed to cater for shipping, rather than air, links with the mainland; hence the impact on air services should be minimal. We see little potential impact on Hong Kong's tourism industry.

In regard to shipping, the Port Development Board Secretariat has carried out a preliminary evaluation of the possible effect on Hong Kong. The result of this evaluation is that we expect the centre to have a relatively small impact on overall port throughput. Specifically we estimate a 1.1% reduction in the growth of port traffic in the period 1994-96, and 0.7% in the period 1996-2001. On the other hand, there is also potential for an overall expansion in trade between Taiwan and the mainland as a result of the centre's establishment; some of this trade for reasons of price, service quality or convenience is likely to flow through Hong Kong and would tend to offset any reduction in port traffic.

Our estimates of the effect of the transshipment centre on Hong Kong will be kept under review as more information on its development becomes available.

Vietnamese Migrants and Refugees

4. MR MICHAEL HO asked (in Chinese): *Regarding Vietnamese migrants and refugees stranded in Hong Kong, will the Government inform this Council of:*

- (a) *the respective numbers of Vietnamese migrants and refugees now staying in the various centres managed by the Correctional Services Department;*
- (b) *the respective numbers of Correctional Services Department personnel presently working in those centres as well as the staffing establishment by rank; and*
- (c) *the personal emoluments and other operating costs in each of those centres in the 1994-95 financial year together with a detailed itemized breakdown?*

SECRETARY FOR SECURITY: Mr President,

- (a) The Correctional Services Department does not manage any centres for refugees. The total number of Vietnamese migrants in Vietnamese migrant detention centres managed by the Correctional Services Department is about 15 300.
- (b) The staffing establishment and the corresponding strength by rank in the Vietnamese Division of the Correctional Services Department is at Annex.
- (c) The personal emoluments and other operating costs in each of the Vietnamese migrant detention centres in the 1994-95 financial year are as follows:

	<i>Personal emoluments (\$ million)</i>	<i>Other operating costs* (\$ million)</i>	<i>Total (\$million)</i>
Whitehead Detention Centre	182.78	17.68	200.46
High Island Detention Centre	55.55	7.99	63.54
Chimawan Detention Centre	25.21	2.38	27.59

	<i>Personal emoluments (\$ million)</i>	<i>Other operating costs* (\$ million)</i>	<i>Total (\$million)</i>
Green Island Reception Centre	11.76	0.55	12.31
Total	275.30	28.60	303.90

* Other operating costs include temporary staff, transport and travelling, maintenance charges, stores and general administration expenses.

Annex

Establishment and Strength of Vietnamese Centres
(as at 6 march 1995)

<i>Rank</i>	<i>Vietnamese Division</i>						<i>TOTAL</i>
	<i>HQ</i>	<i>CDC(U)*</i>	<i>CDC(L)</i>	<i>GIRC</i>	<i>HIDC</i>	<i>WHDC</i>	
<i>Custodial Staff</i>							
Assistant Commissioner	+1(s)						1 0
Chief Superintendent	1						0 1
Senior Superintendent	1 1					1 1	2 2
Superintendent					1	4 2	5 2
Chief Officer			2 1	1 1	2 1	13 10	18 13
Principal Officer	1 1		3 3	1 2	5 6	41 35	51 47
Officer			8 5	4 6	11 10	22 31	45 52
Assistant Officer I		4	40 18	19 11	50 66	247 201	356 300
Assistant Officer II		1	1 31		143 107	8 150	152 296
Sub-total	2+1(s) 3	0 5	54 58	25 27	212 190	336 430	630+1(s) 713

<i>Rank</i>	<i>Vietnamese Division</i>						
	<i>HQ</i>	<i>CDC(U)*</i>	<i>CDC(L)</i>	<i>GIRC</i>	<i>HIDC</i>	<i>WHDC</i>	<i>TOTAL</i>
<i>Vietnamese Migrants Staff</i>							
Officer (VM)			4	2		34	34
						23	29
Assistant Officer II(VM)			22			266	288
			25	14		221	260
Sub-total	0	0	22	0	0	300	322
	0	0	29	16	0	244	289
Total	2+1(s)	0	76	25	212	636	952+1(s)
	3	5	87	43	190	674	1 002
<i>Other Departmental Grades Staff</i>							
Technical Instructor (CS) (Catering)	6					5	5
Instructor (CS) (Catering)			2			12	14
			2		1	11	14
Instructor (CS)							0
							0
Workman II				2	4	15	21
				1	4	8	13
Total	6	0	2	2	4	27	41
	0	0	2	1	5	24	67
<i>General Grades Staff</i>							
Senior Administrative Officer						1	1
							0
Administrative Officer	1						0
							1
Senior Clerical Officer						1	1
						1	1
Clerical Officer I	1				1	3	5
	1					3	4
Clerical Officer II	1		1	3	16	21	21
	1		1	5	13	20	20
Clerical Assistant					1	3	4
					1	3	4

Rank	Vietnamese Division						
	HQ	CDC(U)*	CDC(L)	GIRC	HIDC	WHDC	TOTAL
Office Assistant					1	4	5
					1	4	5
Personal Secretary II						1	1
						1	1
Typist					1	3	4
					1	3	4
Supplies Supervisor I	1					1	2
	1					1	2
Supplies Supervisor II	1				1	3	5
	1				1	3	5
Supplies Assistant				1	2	1	4
				1	2		3
Total	4	0	0	2	10	37	53
	5	0	0	2	11	32	102
GRAND TOTAL	12+1(s)	0	78	29	226	700	1 045+1(s)
	8	5	89	46	206	730	1 084

Legend: Establishment + Supernumerary Posts

Strength

* Chimawan Detention Centre (Upper) ceased to be a Vietnamese migrant detention centre with effect from 1 December 1994

HQ - Headquarters
 CDC(L) - Chimawan Detention Centre (Lower)
 GIRC - Green Island Reception Centre
 HIDC - High Island Detention Centre
 WHDC - Whitehead Detention Centre

Usage of Private Carpark Spaces

5. MR STEVEN POON asked (in Chinese): *It is learnt that operators of certain privately-run carparks in the territory have used some of the parking spaces as the venues for car shows or selling second-hand cars, thus substantially reducing the number of parking spaces available for public use. In this connection, will the Government inform this Council:*

- (a) *whether there is any requirement stipulated by the Government that all parking spaces in a carpark are to be exclusively used for parking when granting approval of the building plan of the carpark; and*
- (b) *whether the conversion of part of a privately-run carpark to other commercial usage (such as car shows or selling second-hand cars) is in breach of any regulations; if so, what measures will be taken by the Government to ensure that the relevant regulations are complied with by the carpark operators?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) Carparks operated on private lots are subject to the lease conditions governing the particular lot and these can vary considerably from one case to another.
- (b) The use of carparking spaces on private lots for other commercial uses, such as car sales or shows, does not necessarily breach the lease conditions therefore. Lease enforcement action can be taken against breaches of lease conditions if these do occur however.

Banks' Derivative Products

6. DR HUANG CHEN-YA asked (in Chinese): *Following the progressive abolition of the Interest Rate Agreement, some banks have, one after another, offered various kinds of derivatives in order to secure more retail customers. In this connection, will the Government inform this Council:*

- (a) *whether government approval has to be sought before the banks offer such derivatives to their clients; if so, which department is responsible and what the procedures are for granting the approval;*
- (b) *whether the advertisements put out by the banks for such derivatives are subject to the regulation of the Securities and Futures Commission or the Monetary Authority; if so, what the regulating procedures are; and*
- (c) *what legislation is in place to safeguard the customers' investment in these derivatives?*

SECRETARY FOR FINANCIAL SERVICES: Mr President, we do not see a direct link between the deregulation of the interest rate cap on time deposits governed by the Interest Rate Rules and the introduction of derivative products by banks. Such products are more likely the result of product innovation by banks aided by the development, and more common use, of derivatives.

Regarding (a), the Monetary Authority, as the regulator of banks, expects that all the activities of banks should be conducted in a responsible, honest and business-like manner. Banks are therefore required to be financially sound, to be prudently managed by fit and proper persons and to have adequate systems of internal control for the various aspects of their business, including derivatives-related business. Within this overall framework, it is not generally the practice of the Monetary Authority to require banks to obtain its prior approval for each and every new business product. However, where certain products raise risk-related issues (such as deposit-linked derivatives), banks are expected to consult with the Monetary Authority in advance. In such cases, the primary focus is to ensure that banks fully understand the nature of the risks involved and have systems and controls to manage those risks.

As regards (b), advertisements by banks on their products do not need to be pre-approved. Nevertheless, the Monetary Authority recognizes the credit, legal and reputational risks to the banks should they engage in derivatives transactions with customers who do not fully understand the risks involved. In issuing a guideline on risk management of derivatives in December 1994, the Monetary Authority therefore reminded banks that for their own protection, they should have policies and procedures reasonably to ensure that their customers have the capability to understand the nature and risks of derivatives transactions into which they enter. They should also provide the customers with sufficient information to help them understand the risks. The Monetary Authority has followed this up in particular cases by means of on-site examinations.

On (c), provisions in the Banking Ordinance ensure that banks manage their risks properly so as to safeguard the stability of the banking system and protect the interests of depositors. However, banking supervision is not generally designed to protect bank customers in respect of specific products. Furthermore, guidance of the kind described in the previous paragraph will help to achieve the objective of protecting not only the banks but also their customers against imprudent marketing of derivative products. In general, to safeguard their own interest, investors would have to be aware of the risks associated with any of their investment activities and to seek professional advice if necessary.

Mandatory Sentences for Serious Crimes

7. DR DAVID LI asked: *According to a recent survey commissioned by a local English newspaper, more than half of the people of Hong Kong think the territory's judges are too lenient with criminals. Will the Government inform this Council whether it is considering or will consider introducing legislation to require the courts to impose specific sentences fixed by law for serious crimes such as murder, manslaughter and rape?*

ATTORNEY GENERAL: Mr President, there is a specific sentence for murder. Since the enactment of the Crimes (Amendment) Ordinance 1993, any person convicted of murder receives a mandatory sentence of imprisonment for life.

Other serious crimes do not carry mandatory sentences, but are subject to a maximum sentence. The circumstances in which a particular type of offence may be committed are infinitely varied. There may be strong mitigating circumstances in respect of even serious offences. A fixed or minimum sentence would not allow the judge to take into account all the relevant circumstances when imposing an appropriate sentence.

In addition, one possible effect of having offences which carry a fixed or minimum sentence might be an undesirable reluctance on the part of judges and juries to convict.

The Administration is not considering introducing legislation of the type referred to in the question.

Public Displays on Progress of Airport Core Programme

8. MR JIMMY MCGREGOR asked: *It is learnt that the Provisional Airport Authority has arranged public displays on the progress of the Chek Lap Kok airport project and its associated transport systems in order to provide the public with information on the airport project. Will the Government inform this Council whether it will arrange for a number of public displays of descriptive and pictorial illustrations of such progress, with an indication of the percentage completion of each of the principal core projects, at appropriate venues much frequented by the public; and if so, whether such displays will be updated each month until the completion of the airport project?*

SECRETARY FOR WORKS: Mr President, the New Airport Projects Coordination Office (NAPCO) has organized 10 exhibitions between August 1994 and March 1995 in different districts throughout Hong Kong. The aim of these district exhibitions is to keep the public informed of the 10 projects in the Airport Core Programme (ACP), including the new airport at Chek Lap Kok

and its associated transport systems, and the steady progress that has been made on the works. The exhibitions feature descriptive texts on the ACP projects and their progress, photographic displays of the project sites, models and video films. An indication of the percentage completion of each of the 10 projects is included in the text and these figures are updated from time to time.

The exhibitions have been held about monthly in prominent and convenient venues which attract high pedestrian flow. These include Lok Fu Centre, Pacific Place, Tsuen Wan Plaza, City Plaza, Tuen Mun Plaza, Times Square, Shatin New Town Plaza, Telford Garden, Landmark and Ocean Terminal. The 10 exhibitions held so far have attracted a total estimate of 163 000 visitors. The final exhibition of this series will be held at the Shun Tak Centre from 24 to 26 March 1995.

There is no immediate plan to repeat this series of district exhibitions for the time being. Instead, we are planning to establish an ACP viewing and exhibition centre for the public this year. Other formats of local exhibitions are also being considered.

Apart from exhibitions, NAPCO uses a number of other channels to disseminate information on the ACP to the public. These include the bi-monthly publication of a newsletter and progress fact sheet to keep the public abreast of key developments and progress on the ACP. A total of 45 000 copies are published and distributed to about 2 500 individuals and companies both locally and overseas by direct mailing and to the public through district offices and the municipal councils and so on. In addition, NAPCO regularly issues press releases and photographs to highlight achievements of major milestones on the ACP and these are widely covered in the press.

Briefings and site visits on the ACP are also organized for different members of the local and overseas communities, including community leaders, academics, professional and business groups. For school students in particular, we have also produced teaching kits on the ACP and organized briefings and exhibitions to cater for their interests specifically.

As the ACP projects are building towards peak production, we are aware of the growing importance to keep the people of Hong Kong updated on the ACP progress. We will continue to use the above channels to disseminate the relevant information to the public.

Relocation of Existing Ferry Terminals in Central

9. MR WONG WAI-YIN asked (in Chinese): *Some of the existing ferry terminals in the Central District will be relocated to new ferry terminals in the reclamation area as a result of the Phase I Central and Wan Chai Reclamation works. In this connection, will the Government inform this Council:*

- (a) *of the ferry routes to be affected;*
- (b) *of the distance between the new terminals and the existing terminals to be relocated; and*
- (c) *what measures will be taken to minimize inconvenience to passengers, such as the provision of feeder buses and the construction of a covered pedestrian walkway?*

SECRETARY FOR TRANSPORT: Mr President, the relocation of ferry piers under Phase 1 of the Central and Wan Chai Reclamation project is scheduled to take place in stages between March 1995 and early 1997. Upon completion of the project in 1997, public ferry services will be accommodated in five new permanent piers on Central Reclamation — four for the ferry services of Hong Kong and Yaumati Ferry (HYF) and one for the licensed ferry service between Central and Discovery Bay.

HYF's Central to Jordan Road passenger service has been relocated to a temporary pier on the eastern edge of the reclamation with effect from 17 March 1995. Ferry routes serving Tuen Mun, Tsuen Wan and Tsing Yi and the outlying islands will be relocated to new permanent piers on the northern edge of the reclamation in May 1995.

The walking distance between the existing piers and the new piers on the reclamation is estimated to be about 900 m. However, the actual walking distance for ferry passengers will vary depending on their origin and destination. Also, passengers arriving by land transport such as buses and taxis should not be adversely affected because there are interchange facilities adjacent to the new piers. These facilities include a bus terminus and waiting areas for taxis and private cars. One bus route has already been relocated to the new bus terminus and another six bus routes will be relocated by May 1995. A well lit covered walkway leading to the ferry piers and adequate directional signs have been provided and more facilities are being constructed to provide easy and convenient access for ferry passengers. Publicity will be arranged through notices at piers, pamphlets and press releases to advise passengers of the changes.

Young Drug Abusers in Yuen Long

10. MR WONG WAI-YIN asked (in Chinese): *The problem of drug abuse by young people has become increasingly serious in Yuen Long. It is learnt that the Government is planning to set up a drug addiction treatment centre in Yuen Long to provide services to first-time young drug abusers. In this connection, will the Government inform this Council:*

- (a) *of the estimated number of young people abusing drugs in Yuen Long; of this number, how many are students and what is the age of the youngest drug abuser;*
- (b) *of the objectives of the proposed drug addiction treatment centre and the details of its specific plan; and*
- (c) *what are the factors that will be taken into consideration in determining the location of the treatment centre; and whether the public will be consulted before any decision is taken; if so, how the public consultation will be carried out; if not, why not?*

SECRETARY FOR SECURITY: Mr President,

- (a) The number of young drug abusers (below the age of 21) in Yuen Long District reported to the Central Registry of Drug Abuse was 316 in 1994. Statistics on the number of students among these young drug abusers are not available. The age of the youngest drug offender reported in Yuen Long is 10.
- (b) The objective of the proposed drug addiction treatment centre, to be operated by the Society for the Aid and Rehabilitation of Drug Abusers (SARDA), is to develop an alternative facility wholly and exclusively for the treatment of young male drug abusers. A new facility is required because existing treatment facilities on the remote island of Shek Kwu Chau do not segregate young abusers from addicts with a long history of abuse and, accordingly, the environment there is not entirely conducive to the restoration of young abusers to a drug-free life.

The project has been endorsed by the Action Committee Against Narcotics and approved for funding by the Community Chest. The proposed centre will provide an in-patient treatment facility for young male drug abusers under the age of 25, with an initial capacity of 20 beds, to be progressively increased to 30 over a period of three years. Once admitted, a patient will undergo a programme of detoxification and counselling by a team of medical, nursing and social work staff. The residential treatment and rehabilitation programme takes eight weeks, during which time the family of a patient will be involved. On completion of the residential programme, the patient will be discharged from the centre and transferred to an aftercare programme in one of SARDA's three regional centres.

- (c) Since the participation and support of the families of young drug abusers is considered important in helping to encourage them turn over a new leaf, it is essential that the proposed centre should not be located in areas too remote from the community. On the other hand, care will be taken not to set up the centre in a densely populated area. As regards the requirements of the centre, apart from adequate space to provide the necessary facilities and accommodation, some open space within the centre is needed to enable activities to be organized for the young patients during their stay there.

No firm decision has been taken on precisely where the centre should be located, although a number of sites, including the vacant premises of a disused school in Yuen Long, have been examined. The relevant district board will be consulted in due course.

Water Seepage in Public Housing and HOS Flats

11. MISS EMILY LAU asked (in Chinese): *Regarding the frequent complaints by residents of public housing estates about water seepage problems in their flats, will the Government inform this Council:*

- (a) *of the total number of complaints received by the Housing Authority about water seepage problems in public housing and Home Ownership Scheme (HOS) flats under its management which have been occupied for less than three years, together with a breakdown of the causes of water seepage; and how many of such complaints have resulted in repair work being carried out;*
- (b) *of the 10 public housing/HOS estates occupied for less than three years having the largest number of complaints about water seepage problems, together with the names of the respective contractors;*
- (c) *whether the Housing Authority has put in place any regulating mechanism to ensure that water seepage problems will not occur in public housing and HOS flats as a result of the negligence of the contractors or defects in building design; if so, what such mechanism is, and why water seepage problems still occur frequently; and*
- (d) *what measures the Housing Authority has taken to improve the quality of public housing/HOS flats in order to prevent the occurrence of water seepage problems after the flats are occupied?*

SECRETARY FOR HOUSING: Mr President, water seepage problems in newly completed public housing estates involve ceilings, windows, external walls and expansion joints. Common causes are the varying standards of workmanship on surface drainage and tenants' unauthorized modifications which damage waterproof materials and surface drainage in the toilet, kitchen and balcony areas. Given the short notice, it is not possible to include in this reply details of complaints about water seepage in all public housing rental estates which are less than three years old. This information will be provided separately as soon as possible. (Annex) As Home Ownership Scheme flat owners themselves are responsible for maintenance works, the Housing Department does not keep a record of such complaints.

Upon receipt of complaints about water seepage in public housing rental estates, estate management staff will refer them to the District Maintenance Office of the Housing Department for follow-up action. However, if the defects are found within the Defects Liability Period (that is within one year of flat completion), repair work will be undertaken by the main contractor.

The quality of housing construction is maintained through a contractor's performance monitoring system. The detailed requirements are set out in the contract specifications and contract drawings. The contractor is bound by the Conditions of Contract to construct the flats and to deliver the end product to the Housing Department in accordance with the requirements specified.

Apart from providing site staff to inspect regularly the work of each construction project, the Housing Department also requires its own project staff, for example, architects and engineers, to visit the site periodically to check that the flats are completed to the required standard. Both site and project staff are guided by procedures set out in the Housing Department's Quality Management Manuals. This mechanism enables each item of work to be checked at every stage of a public housing construction project so that in case of defects, corrective action is taken before the flats are occupied. As indicated above, the contractor is still held responsible for rectifying any defects within one year of handover of the flats.

Campaign Advertisements through Electronic Media

12. MR HENRY TANG asked (in Chinese): *As candidates for the Legislative Council election are not allowed to advertise in the electronic media to promote their candidature, will the Government inform this Council:*

- (a) *of the reasons for banning election advertising through the electronic media by candidates;*
- (b) *whether the relevant provisions in the Bill of Rights Ordinance governing freedom of expression have been taken into account in this connection; and*

- (c) *whether it will consider relaxing the control so that candidates for the new functional constituencies may choose any form of media which they consider to be effective for launching their election campaign?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr President, TV and radio are extremely influential mass media. They reach into virtually every household in Hong Kong. It is therefore important to ensure that they are not being used to give any particular groups or individuals undue influence or prominence. Given the very high cost for TV and radio advertising, allowing election candidates to place advertisements on TV and radio to promote their campaigns would give rich candidates significant advantage, and would place candidates with limited financial means at a disadvantageous position.

In the interest of open and fair elections, we believe a more equitable option is for the Government to make use of some of the air-time available to it on TV and radio for candidates to introduce their platforms. We are now looking into how this might best be arranged for the Legislative Council elections in September this year, including the elections of the nine new functional constituencies. In devising the arrangements, a central consideration will be to give candidates fair and equal access.

Although candidates for the Legislative Council elections will not be allowed to place advertisements on TV and radio, they will have access to the electronic media through air-time provided by the Government. The relevant provisions of the Bill of Rights Ordinance governing the right to freedom of expression has been taken into account in this connection.

Unlicensed Cinemas

13. DR TANG SIU-TONG asked (in Chinese): *It is learnt that a number of cinemas in the territory have started operating before licences are granted by the Urban Council and the Regional Council. In connection with this, will the Government inform this Council:*

- (a) *what is the total number of cinemas now operating without licence in the territory; why this situation has arisen; where should the victims go for filing compensation claims in the event of an outbreak of fire in these cinemas; and*
- (b) *what is the normal time required for the Government to process cinema licence applications; and whether there is a need to review and improve the procedures for processing such applications?*

SECRETARY FOR RECREATION AND CULTURE: Mr President, there are at present five unlicensed cinemas all operating within the Urban Council (UC) areas. The UC have taken prosecution action against the owners of all these cinemas. All these cinema owners have been convicted and fined, ranging from \$6,000 to \$10,000, plus a daily fine of several hundred dollars. This situation has arisen mainly because the cinema owners are unable to satisfy all the licensing requirements imposed by the licensing authority, which is the UC in the urban area and the Regional Council in the New Territories, prior to opening their doors for business.

In the event of an accident such as a fire, victims could claim legal remedies against the person causing the fire, including the owner of the unlicensed cinemas who would be culpable for operating a place of public entertainment without a valid licence.

Under current licensing procedures, the licensing authority working in conjunction with other departments concerned, including the Buildings Department and the Fire Services Department, would normally complete the initial vetting of an application for a cinema licence and issue to the applicant the licensing requirements within one to two months. The time taken for a licence to be issued would depend very much on the time the applicant successfully complied with all the requirements. Past experience has shown that it would normally take an applicant around nine to 14 months to fully satisfy all the licensing requirements.

The licensing authority keeps the licensing procedures under constant review to ensure that applications are dealt with efficiently without compromising any safety or hygiene requirements. The licensing authority will continue to monitor the operation of the licensing procedures and introduce improvements as and when necessary.

Care of AIDS Patients

14. DR CONRAD LAM asked (in Chinese): *In view of the refusal of home helpers in some government-subsidized organizations to attend to AIDS patients, will the Government inform this Council:*

- (a) *what short-term measures are in place to cope with the situation;*
- (b) *whether there is any concrete plan to enhance the home helpers' understanding of AIDS: if so, what the details are and what is the timetable for its implementation; and*
- (c) *whether the Government has reviewed the appropriateness and adequacy of the present educational work in promoting the understanding of AIDS; if so, what the result of the review is; if not, when such a review will be conducted?*

SECRETARY FOR HEALTH AND WELFARE: Mr President,

- (a) Home help services are provided by government-subsidized organizations. It is known that some home helpers have expressed a reluctance to deal with AIDS patients. Efforts are, therefore, being stepped up to enhance home helpers' understanding of AIDS through briefings and seminars with a view to preparing them for providing services to needy AIDS patients.
- (b) In conjunction with the Hong Kong Council of Social Service, the Social Welfare Department will implement the following measures to reinforce training and support for home help staff:
- Pamphlets on AIDS resource centres will be issued to home help staff next month so that they know where to seek advice and information on AIDS directly.
 - Six seminars, 40 training workshops and 30 orientation visits will be organized in 1995-96 for all home help staff to enhance their understanding of AIDS.
 - The component of AIDS education in all basic and refresher training courses for home help staff will be strengthened.
 - Operational guidelines on handling AIDS patients are under preparation and will be issued to home help staff within this year.
- (c) The Advisory Council on AIDS and its Committee on Education and Publicity on AIDS have all along built in evaluation as a component of the educational programmes conducted. In general, the results have indicated that the programmes are appropriate and effective for the target groups served. In order to determine the overall effectiveness and appropriateness of current publicity and educational programmes on AIDS, two research programmes are being undertaken to assess the knowledge, attitude and behaviour of the public towards AIDS and AIDS-related issues. Preliminary findings of the researches are expected to be available in mid-1996. The publicity and educational programmes on AIDS may be appropriately modified in the light of these findings.

Cash Allowance for Hospital Authority Staff

15. MISS EMILY LAU asked (in Chinese): *As part of their remuneration package, staff of the Hospital Authority (HA) receive a basic salary as well as a monthly cash allowance at a rate up to 60% of their basic salary. This has resulted in high spending by the Government on medical care, but the patients*

have not been able to benefit from it directly. In this connection, will the Government inform this Council:

- (a) whether the policy of adjusting the cash allowance in line with salary increases is consistent with the Government's prevailing policy on fringe benefits;*
- (b) whether, in view of the ever-increasing amount of the cash allowance, the existing discrepancy in the remuneration package between the medical staff of the HA and those of private hospitals will be widened further;*
- (c) whether the cash allowance, which is intended to substitute some of the fringe benefits, includes an element of housing benefits; how many employees of the HA are now receiving both the cash allowance and benefits under the home loan interests subsidy scheme separately provided by the HA; and whether the provision of such housing benefits runs counter to the Government's established policy of not allowing the receipt of "double benefits"; and*
- (d) whether a review will be conducted on the HA's remuneration package with a view to urging the HA to adopt another set of employment terms, which is similar to that offered to officers at comparable ranks in the Civil Services, in the recruitment of new staff?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, the remuneration package for employees of the Hospital Authority was drawn up by an independent firm of consultants. This remuneration package was designed on the basis that it would be comparable to the civil service package in terms of the overall cost to the employer. It comprises a basic salary and cash allowance, a non-contributory provident fund scheme, annual vacation, medical and dental treatment, life and disability insurance as well as a housing loan interest subsidy scheme. The level of cash allowance was determined on the basis of the partial encashment of certain civil service fringe benefits including retirement benefits, leave and housing benefits. It currently ranges from 8% to 60% of an employee's basic salary.

While the Housing Loan Interest Subsidy Scheme is an element of housing benefit within the Hospital Authority remuneration package, the cash allowance is non-accountable and not regarded as a housing benefit. Employees of the Authority who receive both an interest subsidy under the Scheme and the cash allowance do not, therefore, contravene the "no double housing benefits" rule. There are 3 627 employees currently receiving interest subsidy under the Scheme.

The Hospital Authority remuneration package is a unique package designed to encourage the staff working in former government and subvented hospitals to opt for transfer to the Authority. It was endorsed by the Executive Council and approved by the Finance Committee of the Legislative Council.

Since the majority of medical staff working in private hospitals are not salaried employees whose income is determined largely on an individual basis by virtue of their professional qualification, specialized expertise and profile of clients, it would not be appropriate to compare directly their salary package with that of Hospital Authority employees.

The Administration is conscious of the need to contain cost escalation in the provision of medical services. The comparability of employment terms between Hospital Authority staff and their counterparts in the civil service will be a subject of discussion between the Government and the Authority. However, any consequential adjustment to the remuneration package offered to new employees must be made having due regard to the impact on staff morale as well as the need to recruit and retain qualified professionals.

Impact of Port Expansion

16. MISS CHRISTINE LOH asked: *As stated in the Port Development Strategy Review, the Port Development Board is pursuing a level of port expansion which will increase the volume of freight cargo moved by road through the territory from 20 million tonnes in 1996 to 70 million tonnes in 2011, an increase of 250%. Will the Administration inform this Council of:*

- (a) *the estimated air quality impact of this increase, both in terms of predicted vehicle emission levels of major pollutants and in relation to the Air Quality Objectives;*
- (b) *the infrastructure support required to meet the increase in cargo volume moved by road together with the estimated capital cost of such infrastructure support; and*
- (c) *the estimated area of land required for efficient container back-up movements and container storage?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President, the answers to the three parts of this question are as follows:

- (a) The acceptability of port development proposals in environmental terms were addressed in the original Port and Airport Development Strategy (PADS) studies. Although the Port Development Strategy Review did not itself examine the detailed environmental implications of the projected increase in port throughput, this will

be the subject of a separate study by the Environmental Protection and Planning Departments of the environmental implications of the projected increase in port and airport throughput. The aim will be to assess all the key issues associated with further economic development in Hong Kong and evaluate their cumulative environmental impacts. This will assist the formulation of plans to achieve a sustainable development pattern for Hong Kong. Full public consultation will be part of this process.

- (b) The projected increase in freight traffic will require the provision of new transport infrastructure. A number of projects are planned for this purpose which will not only serve the port, but the whole of Hong Kong. A list of these projects is annexed.
- (c) Based on the findings of the "Study on Port Back-up Land and Open Storage Requirements" published by the Planning Department in 1994, we estimate that a total of about 500 hectares of port back-up land will be required by 2011.

Annex

Major Transport Projects

	<i>Project</i>	<i>Estimated capital cost</i>
(a)	Western Corridor Railway from the border to the container port, including a spur line to the container port (port rail line)	The port rail line will cost \$8 billion.
(b)	Route 3 (Country Park Section)	\$7 billion (to be financed entirely by a private sector consortium)
(c)	Ting Kau Bridge	\$2 billion
(d)	Route 16 (Sha Tin to Cheung Sha Wan)	\$2.7 billion (probably to be built by a private sector consortium)
(e)	Duplicate Tsing Yi South Bridge	\$1.034 billion
(f)	Improvements to Lok Ma Chau border crossing	\$200 million
(g)	New Road from Man Kam To Crossing to New Territories Circular Road	\$2.4 million

Juvenile Delinquency in Tai Po

17. REV FUNG CHI-WOOD asked (in Chinese): *Regarding the problem of juvenile delinquency in the Tai Po District, will the Government inform this Council whether:*

- (a) *there is an upward trend in the number of crimes committed by juveniles in the Tai Po District recently; if so, what are the factors leading to such a situation;*
- (b) *the relevant government department have any specific short term plans to improve the situation; and*
- (c) *consideration will be given to strengthening the police manpower in the District as well as deploying another outreaching social work team to serve the District in addition to the one provided in June 1993?*

SECRETARY FOR SECURITY: Mr President,

- (a) There has been an upward trend in the number of young persons (under 21 years of age) arrested for crime in Tai Po. The figures are as follows — in 1991, 873 were arrested; in 1992, the number was 1 006; in 1993, it was 1 179; and in 1994 it was 1 583. The increase is mainly attributable to the increase in the arrests of young persons for shop theft and dangerous drugs offences.
- (b) The problem of young offenders is a matter of considerable concern to the Government and a number of departments are involved in tackling it. Specifically, in Tai Po, the Police Force has stepped up covert operations against drug traffickers. The Force is currently conducting special weekly operations to check on amusement game centres, which are frequented by young persons. The Force also plans to promote the Junior Police Call, in order to foster a police-youth partnership in the fight against crime; in addition, its community relations officers will increase visits to schools. The Force will also intensify both uniform and plain clothes patrols in school areas and areas frequented by young persons.

The Social Welfare Department, together with subvented Children and Youth Services in the district, will in the coming few months set up 40 guidance groups to provide support to youth at risk; organize three anti-drug campaigns to educate young persons against drugs; and formulate eight volunteer training programmes to help prevent drug abuse and enhance positive peer influence among young people.

From the prevention angle, the Education Department will continue to encourage dialogue among teachers and school social workers, promote home-school co-operation, produce leaflets on good parenting, organize annual seminars for schools on unruly and delinquent behaviour, promote a "whole school approach to guidance" in order to cultivate a positive and caring environment in schools, help schools promote moral education, and run training programmes for teachers on moral education.

- (c) The police manpower in the Tai Po District is considered adequate; there will be an additional 17 disciplined posts created for the Task Force and Patrol Sub-unit of Tai Po Division in 1995-96.

The Social Welfare Department, in conjunction with the Hong Kong Council of Social Service, has just completed a review of its outreaching social work. The review has recommended further expansion of the service from 1996-97 onwards and identified Tai Po District as one of the 13 priority areas for the provision of more outreaching teams. The review report is being considered by the Administration.

Appointment of Recorders and Deputy Judges

18. MR ERIC LI asked: *Regarding the appointment of recorders and deputy judges of the High Court to hear cases, will the Government inform this Council:*

- (a) *of the number of occasions during the past five years on which barristers from private practice have been appointed to sit as deputy judges under section 10 of the Supreme Court Ordinance;*
- (b) *since the enactment in July 1994 of section 6A of the Supreme Court Ordinance how many barristers have indicated their willingness to be appointed as recorders, and how many have actually been appointed;*
- (c) *whether the recorder system has resulted in any recorders sitting to hear cases; if not, when the system will be implemented and what is the likely number of cases to be heard by recorders during the next year;*
- (d) *how much notice of sitting dates is given to recorders and deputy judges from private practice; and*
- (e) *whether there is any system in place whereby recorders or deputy judges can be made available at short notice to hear a case if the assigned judge is unavailable; if so, how often has it been used and*

on how many occasions has a recorder or deputy judge from private practice declined to sit?

CHIEF SECRETARY: Mr President,

- (a) During the past five years, there were 32 occasions when barristers in private practice were appointed to sit as deputy judges of the High Court under section 10 of the Supreme Court Ordinance (Cap. 4).
- (b) A total of 40 barristers have indicated interest in becoming recorders of the High Court. The Judicial Service Commission has made a preliminary assessment of the suitability of these barristers and is drawing up a shortlist of suitable candidates. Appointments will be made by the Governor upon receipt of the Judicial Service Commission's advice.
- (c) Pending receipt of the advice of the Judicial Service Commission, it is not possible to estimate the number of recorders to be appointed during the next year and the likely number of cases to be heard by them. Once appointed, a recorder is expected to sit in the High Court for at least four weeks each year. It is estimated that approximately 10 recorders will share the workload of one full-time judge.
- (d) Sitting dates for deputy judges (and recorders in the future) are normally arranged a few months in advance.
- (e) Since July 1994, the Judiciary has kept a list of barristers in private practice who are prepared to sit as deputy judges of the High Court at short notice. So far, two barristers from the list have been invited to take up cases just a few days in advance and both accepted these urgent appointments.

Wage Ceiling for Employment and Compensation Payments

19. MR LEE CHEUK-YAN asked (in Chinese): *Will the Government inform this Council whether it will review and raise the wage ceiling of \$15,000 for the purpose of determining the severance payment, long service payment and compensation for injuries at work as stipulated in the Employment Ordinance and the Employees' Compensation Ordinance; if so, whether it will propose amendments to these two Ordinances within the current legislative session; if not, why not?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, the wage ceiling for the calculation of severance payment and long service payment under the Employment Ordinance is now being reviewed. Subject to the advice of the Labour Advisory Board (LAB) on the issue, we plan to introduce the relevant amendments to the Employment Ordinance into the Legislative Council as soon as practicable.

As regards the calculation of compensation payments under the Employees' Compensation Ordinance, the levels of payments for different compensation items are governed by different factors, and wage movements is just one of them. The wage level should therefore be considered in the context of the regular annual review on the levels of all the various compensation items for injuries at work under the Employees' Compensation Ordinance. The LAB will be consulted later in the year and subject to its advice, we hope to effect appropriate changes through a Legislative Council resolution by the end of the year so that the new levels of compensation can come into effect in early 1996.

BILL

Second Reading of Bill

APPROPRIATION BILL 1995

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

PRESIDENT: In accordance with Standing Order 54(2) we will now resume the debate on the Appropriation Bill 1995. The motion before Council is that the Bill be read the Second time. Under Standing Order 27, Members have 15 minutes for their speeches.

MR ALLEN LEE (in Cantonese): Mr President, with regard to the last Budget delivered by Sir Hamish MacLEOD in his tenure as Financial Secretary early this month, I would describe it as "overly prudent but short on creativity".

The Liberal Party has clearly indicated in last year's Budget debate that, given a huge reserve on its hand, we hoped the Government could act with the breadth of vision to promote further investment to build for the future, in order that the people of Hong Kong could continue to create wealth and enjoy the fruits of economic development.

However, in this Budget, only routine adjustments in line with past practices are made; and neither a strong determination to build for the future, nor substantial improvements on livelihood is evident. Having said that, the Liberal Party is not too disappointed because we have not expected much at the

outset. How can we expect a budget which involves medium range forecast extending beyond the present Government's effective period of rule over Hong Kong and made under the premise of avoiding strong criticisms and without consultation with China to have any breakthrough in terms of improvement?

I would like to comment on the following three areas:

(I) *Inflation*

The Financial Secretary said the Government has identified three factors which may help us in future in the battle against inflation. These factors are, first, falling property prices; second, a modest expansion of the workforce; and third, a significant rise in interest rates.

In fact, of these three factors, apart from the one relating to the property market which the Government is able to interfere in to a certain extent, the other two are only objective circumstances beyond the control of the Government. We can only rejoice in the occurrence of these two events and that is all there is to it.

But the problem is that, according to the Government's projection, the inflation rate for 1995 will still stay at 8.5%, while the cost of imports in 1994 have risen by about 5%. That is to say, inflationary pressure in Hong Kong is generated by domestic demand and only property prices can be controlled by the Government. After the Financial Secretary had made it clear that no further steps would be taken to interfere with the property market, we can see that property prices have begun to stabilize and even rise a little. It just serves to illustrate that the Government has no other effective means to combat inflation. Thus, the people of Hong Kong could only keep their fingers crossed.

In fact, one of the sources of domestic inflationary pressure is the increase in public expenditure. Public expenditure for the coming year is expected to increase by about 19.4% over that of this year and involves the creation of new posts in many government departments. Would such a pace of expansion be too fast? Are there any expenditure items that do not warrant the rush for implementation in the next financial year? If they can be spread over for completion within the next two, to three years, the inflationary pressure we are subject to may be alleviated.

If the inflationary pressure is not mitigated, the Government should consider further curbing the growth of public expenditure. However, in so doing, it must be guaranteed that, where reserves are abundant, expenditure involving the improvement of livelihood must not be slashed.

(II) *Livelihood and taxation*

In this year's Budget, the Government has proposed to introduce a disabled dependant allowance, double the dependent parent and grandparent

allowances and increase the single-parent allowance. These can be seen as gestures to seek the approval of the people of Hong Kong. I use the word "gesture" here because, to most of the people who will benefit from these concessions, such relief can only slightly ease their tax burden.

If the Government really wants the people to be the master of their own wealth, it should refer to the proposals of the Liberal Party and further expand the tax band. If the Government is willing to do so and, coupled with the implementation of its tax concession proposals, most people of the middle and lower classes as well as the sandwich class would benefit more. Unfortunately, the Financial Secretary made no mention at all of tax band expansion in his budget proposals. The Liberal Party will keep on pressing the Government to consider our proposals in order that the people may enjoy more substantive tax concessions.

Still on the matter of taxation, the existing arrangement is that taxpayers must pay provisional tax. The Government may say that this requirement proves effective. But I would like to ask: why does the Government not compensate the taxpayers the interests for provisional tax payments while interest is payable even for Tax Reserve Certificate? If the Government wishes to avoid pressure from the public demanding the deduction of interests from tax payments, would it not be most thorough to scrap provisional tax altogether? The Liberal Party would like to hear the Government's reply on this issue.

As far as the elderly are concerned, the Liberal Party is very dissatisfied with the Government for refusing to promptly relax the eligibility criteria of the elderly for the Comprehensive Social Security Assistance (CSSA) scheme and increase the basic rate of CSSA payment to \$2,500. No matter how generous the Government appears to be on tax concessions, only the working population can benefit. No direct benefits are enjoyed by the elderly at all.

The Liberal Party proposes that the eligibility criteria for CSSA be relaxed and the basic rate of CSSA payment be increased. That is by far the most direct and quickest way of applying our social resources to the care of those elderly people in need. If the eligibility criteria for CSSA are relaxed in line with the proposals of the Liberal Party, the number of eligible elderly people will increase from the existing 72 400 to 125 000, while the additional costs incurred to our society will only be \$1 billion or so. According to the estimate on reserves and surpluses forecast by the Financial Secretary for the ensuing years, such a commitment is within the means of our society, and one that the people are willing to make. I wonder why the Government is putting forward excuses and procrastinating changes to CSSA for the elderly. I hope the Financial Secretary can give a positive response in this regard.

The Liberal Party will continue its fight to secure the Government's early implementation of our proposal to increase the CSSA rate of payment and relax the eligibility criteria. In addition, this should go hand in hand with the privately-run retirement protection scheme which has to be implemented as

soon as possible, to ensure that "wage earners" will have no need to worry about their living after retirement.

In last year's Budget debate, the Liberal Party had urged the Government to speed up the construction of Route 3 and to improve training for teachers of kindergartens, primary as well as secondary schools. We are pleased to see that a certain amount of work has been done by the Government over the last year. It is hoped that the Government would go on with their work in these matters which are of close concern to the people.

(III) *Consultation with China on future budgets*

According to the Financial Secretary, he had recommended that a designated team of experts be set up under the Sino-British Joint Liaison Group, and the Hong Kong Government would invite them to observe the planning and preparation of the 1996-97 Budget. Also, starting from April 1996, the Chinese Government would be consulted over the 1997-98 Budget.

Let me quote the Financial Secretary as saying that he hoped the Chinese Government would find it a constructive approach with respect to co-operation between the two governments. I would, however, consider that whether such co-operation will in effect be constructive hinges primarily on whether the Chinese and the British Governments could re-establish their mutual trust. If they could not, any co-operation shrouded with suspicion will prove to be fruitless.

I would suggest that, in order to give effect to the right of financial autonomy conferred upon the Hong Kong Special Administrative Region (SAR) by the Basic Law and the spirit of the Chinese Government's non-interference in the domestic affairs of the SAR, this team of experts should mostly make up of Hong Kong people. And, to allay the Chinese Government's suspicion of the British Government, the team should also comprise a handful of economists from China and the British authorities in Hong Kong should recognize the representativeness of the team and provide them with as much assistance and information as possible.

Since the Chief Executive designate of the SAR will have been appointed by the time the 1997-98 Budget is being prepared, I suggest that apart from consulting the Chinese Government over each stage of the preparation process for the Budget, the Chief Executive shall also be involved in the actual preparation work. The team of experts may act as a think-tank to assist the Chief Executive designate to complete all relevant work. As the tenure of the Chief Executive designate has yet to commence, he/she will not be accountable to the Chinese Government. Instead the Chief Executive designate is accountable to the people of Hong Kong to whom he/she owes explanations whenever questions arise.

The proposed arrangements I have outlined above should be able to fully manifest the administration right of the British Government over Hong Kong before 1 July 1997, with due consideration being given to the concern expressed by the Chinese Government over a smooth transition, and to establish the stature of the SAR Chief Executive in the minds of the people of Hong Kong. I hope the Government would consider the said proposals.

Mr President, other Members of the Liberal Party will shortly deliver the comments of the Liberal Party on this Budget in respect of the areas for which they are responsible.

Finally, on behalf of the Liberal Party, I would like to welcome the appointment of Mr Donald TSANG. Mr TSANG is the first ethnic Chinese to become Financial Secretary in the history of Hong Kong who, in the final two years of transition, will have to shoulder heavy responsibilities and will therefore need strong support from society. I have known Mr TSANG for many years and believe that he would adopt an open attitude in soliciting advice. However, I must remind him that Hong Kong is a diverse society whose people will benefit only when the industrial and commercial sectors develop and flourish. Although we now have a huge reserve, it would be quickly exhausted during an economic downturn. "To act prudently and to curb inflation" will be his motto in maintaining the success of Hong Kong. I believe and hope that he would prove equal to his task. And on behalf of the Liberal Party, may I take this opportunity to wish Sir Hamish all the best in his retirement years. I trust that he must be proud of and pleased to see the achievements of Hong Kong today.

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

MR MARTIN LEE (in Cantonese): Mr President, this is Sir Hamish MacLEOD's last Budget in his term as Financial Secretary. Let me first take this opportunity to congratulate Sir Hamish on behalf of the Democratic Party.

Since the introduction of directly elected seats to the Legislative Council, the Council has stopped playing the role as rubber-stamp. Members are given a mandate by the public to monitor the Government. The executive needs to be answerable to the Legislative Council. On the one hand, the Government claims to establish a partnership with the Legislative Council. But on the other hand, it is sticking to the principle of an autocratic executive-led government, barring the representatives of public opinion from participating in decision-making. Just as they did in the past, some of the administrative bureaucrats groomed by the colonial government still think they are on the high horse and they pay no attention to Members' reasonable requests. The resignation of Mr LAU Chin-shek over the Employment (Amendment) Bill speaks for itself. In past debates, some Secretaries have said repeatedly that they would only accept "constructive" views. Whether certain views are constructive or not is, of course, up to them

to decide. This has also reflected deep-rooted bureaucratic authoritarianism in the mentality of some officials.

Among the large number of government officials, Sir Hamish is a leading example in establishing a partnership with Members. We can look at the evolution of the Budget preparation process. After Sir Hamish had assumed office, he gradually started a systematic set of consultation procedures. When he started preparing a Budget, he accepted Members' suggestions. This no doubt signalled the first step in developing a co-operative relationship between the executive and the legislature.

The Democratic Party now has the largest number of directly elected Members in the Legislative Council. We are responsible for conveying public views on the distribution of public resources. The Government must also consider our requests seriously.

I think that only a minority of officials still regard directly elected Members as those who keep on making exorbitant demands, handing out free lunches, running with the herd, doing everything just for more votes and contributing nothing to society. But you will not go along with this view if you look at what the Democratic Party, former United Democrats of Hong Kong and former Meeting Point were doing on the Budgets in the past four years. If the Government is ready to take Members' views seriously, then Members will have to be held politically answerable for policies and they will examine concrete issues in detail before airing their views. Otherwise, in the whole bargaining process, Members will only become quick to criticize and will fail to change government policies and improve the distribution of public resources.

Mr President, in the preparation of the Budget, we could see that both government officials and Members of the Democratic Party were learning together in working out a proper relationship between the executive and the legislature. I think that those officials who are senior to Sir Hamish have yet to note the advantages of such a co-operative partnership. I hope that they can learn from Sir Hamish in the future.

In preparing the Budget, apart from consulting Members, another important task is how to consult the Chinese side.

The Democratic Party agrees that as the 1997-98 Budget which straddles 1997 will affect the Special Administrative Region (SAR) Government, special arrangements must be made regarding its preparation process. We think that it is desirable to set up an expert group to explain the preparation work and procedures to the Chinese side. This should also fall within the ambit of the Sino-British Joint Liaison Group. Such consultation will not involve policy-making and the power of veto because real power should come from the Hong Kong Government and its elected legislature in order to abide by the spirit of "one country, two systems and a high degree of autonomy".

Thus, the actual preparation of the 1997-98 Budget must strictly abide by the Joint Declaration. As this is a matter between the future SAR Government and the present Hong Kong Government, Chinese officials cannot interfere directly. In the past, the Chinese Government had long been thinking that before setting up the SAR, only the Chinese Government could represent the interests of the SAR and interfere with the internal affairs of the future SAR. This would actually be a breach of the Joint Declaration. People of the SAR and the present Hong Kong people are in fact the same people. If there is a smooth transition of the executive, the judiciary and the legislature, there will not be any big difference or any difference before and after 1997. Under these circumstances, the issue of the Chinese Government representing the SAR will not arise. The Democratic party thinks this basic and important principle should never be breached. We think that the preparation work of the Budget should be undertaken by the Chief Executive designate to be announced in 1996 and the Financial Secretary of the Hong Kong Government. If there is a smooth transition of the executive and the Financial Secretary designate, Mr Donald TSANG, and the Financial Secretary designate of the SAR are one and the same person, then the problem can be solved more easily.

Mr President, the Democratic Party is firmly against the idea that under the pretext of sovereignty, all the internal affairs of the SAR should pass through the hands of the Chinese officials, as this would seriously violate the principles of a high degree of autonomy and Hong Kong people ruling Hong Kong. The SAR Government would be bypassed and the autonomy of the future SAR would be undermined.

Speaking on this year's Budget, I would like to look first at the difficulties faced by the Hong Kong society in the 1990s from a macroscopic perspective. Then I will introduce what Members of the Democratic Party will speak on various policies.

Mr President, the key to Hong Kong's success is free competition. Equalitarianism has never gained grounds in the territory. What the public cares most is a fair chance of competition. If only there is work, there will be a chance. They do not blindly follow the footpath of foreign welfare states.

Mr President, the problem is that such motivation for success and enterprise is being dealt a severe blow. Some short-sighted people in the business sector press for the reduction of the cost of production and importing a large number of workers from China. Due to the lack of effective enforcement by the Government, a lot of illegal workers from Southeast Asia are seen working in the service and retailing sectors. Hong Kong people have witnessed how foreign workers have pushed local workers out of the labour market. The original goal of importing workers to make up the shortfall of the labour force has totally changed in nature. If we tune in to radio programmes like "Talkabout", we will be aware of the voice of the grassroots.

Due to economic restructuring and under the policy of labour importation, problems such as unemployment, under-employment, difficulties in switching jobs and age discrimination, have appeared on the scene one after another. I think that if we allow the situation to deteriorate, the dissenting voice will eventually turn into an acute social conflict. When the public loses the chance to compete and make a living, they will naturally call on the Government to expand its responsibility to society in providing more welfare benefits. In the end, pressure on the Government to increase its expenditure on social welfare will rise accordingly.

What the Democratic Party presses for is a more humane and reasonable capitalist society. Thus, we very much go for free competition. To sustain the drive for success, the Government needs to review the policy of labour importation and close the loopholes in its implementation.

Moreover, after a few generations of hard work, Hong Kong people are living in an increasingly affluent society. They should be able to enjoy a better quality of life. In view of society's increased affordability and rising public expectations towards life, active improvements to the public's standard of living are in line with the realistic and pragmatic goal in policy implementation.

Mr President, on behalf of the Democratic Party, I would like to briefly introduce the speeches to be made by fellow Members of the Democratic Party.

Today the following Members will speak:

Dr HUANG Chen-ya will criticize the Government's financial orientation on the macro side. He will also criticize the lack of policy support for the industrial and service sectors, as well as the absence of an employment policy.

Mr Fred LI will mainly discuss the Government's budgetary strategy including the medium range forecast and upper limit of expenditure growth. He will also review the expenditure on this year's social welfare items.

Mr James TO will concentrate on the expenditure items on security, particularly those relating to the Police Force, corruption, illegal immigration and overstaying.

Mr WONG Wai-yin will focus his speech on traffic planning for new towns and cross-border transport infrastructure projects.

And the following Members will speak tomorrow:

Mr CHEUNG Man-kwong will discuss labour importation and the civil service. Together with Mr TIK Chi-yuen and Mr SZETO Wah, Mr CHEUNG will provide in-depth comments on the planning of basic education and the enhancement of the quality of education.

Rev FUNG Chi-wood will analyse the inadequacy of government efforts on the environment with the focus on the expenditure items on environmental protection.

Mr LEE Wing-tat will speak on housing supply, particularly the effort to check rising private property prices.

Mr Albert CHAN will come up with an analysis on those parts of the Budget concerning public works, infrastructure and broadcasting.

Mr Michael HO will speak on the expenditure on medical and nursing services and labour, with particular reference to the training and requirements of nurses.

Dr Conrad LAM will give his views on the expenditure on the public medical services.

Lastly, Dr YEUNG Sum will sum up the Democratic Party's views on the Budget. He will put forward the party's views and angles on the concept of "consensus capitalism" proposed by the Financial Secretary. He will also analyse politics and value relating to the Budget.

Mr President, the Democratic Party hopes that the Government can accept the suggestions and criticisms made by Members in the debate in these two days. In next week's sitting, we will hear response from the Administration, which will further realize the spirit of democratization in the preparation of the Budget. In this way, our commendation and appreciation of the outgoing Financial Secretary would not have been made in vain.

I so submit.

MR HUI YIN-FAT (in Cantonese): Mr President, I would like to describe the Financial Secretary's fourth and last Budget during his tenure as "playing safe and pleasing every party." I do not mean to be fault-finding, and I am not used to criticizing unreasonably, yet I am obliged to give some advice on this plain and prosaic Budget. As the saying goes, "Be the first to show concern and the last to enjoy comfort". A positive approach to managing financial affairs is to prepare in advance for the future economic development and the future needs of the community.

It is widely known that the the Financial Secretary has, over the years, become more and more skillful in packaging and highlighting certain distinctive theme to make the Budget more acceptable to the public. Take the Budget of the next financial year for example, to cover up its uninspiring and short-sighted contents, the Financial Secretary, in addition to quoting Xunzi's philosophy of running the state and putting forward the idea of "concensus capitalism" for the first time, played up successfully the theme that the

Government's expenditure on social welfare would increase substantially. As the representative of the Social Services Functional Constituency in this Council, while I am gratified with the Government's commitment, it is also my duty to let my colleagues in this Council and the public know the truth behind the significant increase in social welfare expenditure.

The recurrent expenditure on social welfare, amounting to some \$12 billion for the next financial year, represents a growth of 13.2% in real terms, and taking into account other items of capital expenditure, the percentage of total spending on social welfare in the overall public expenditure (the so-called "big pie") would break through, undoubtedly, the 7% mark for the first time in history. Although this figure is still way behind those in western countries, its phenomenal size of growth has silenced a good deal of criticisms upon the Government. As a matter of fact, many people from the welfare sector, including myself, cannot but express appreciation of the Financial Secretary's kind-hearted concern.

However, from a long-term and realistic point of view, we may conclude that the current level of spending is still far away from the ideal one (that is, the actual demand). As the Government's expenditure on social welfare has been lagging behind the actual demand, very often, the aggregate shortfalls are so great that many people cannot get the timely services needed, thereby worsening their problems, and the result may be irremediable. Owing to a lack of funds, the preventive service on which the social services sector has laid stress cannot achieve any effects either.

The growth in expenditure on social welfare next year, for example, focuses on services for the elderly, the disabled and family related problems, which are already plans proposed in the *White Paper: Social Welfare into the 1990s and Beyond* and the *Green Paper on Rehabilitation Policies and Services* published in 1991 and 1992 respectively. The Government has made no additional or extra commitment. It is just to make good its promises made in the two papers. Thus, neither should one feel surprised, nor take it as generosity on social welfare.

On the contrary, the administration has not taken seriously or responded promptly to problems arising from rapid changes in the community. For example, due to a longstanding shortage of family social workers, cases are piling up and the quality of services is affected. The Government should fulfil the promise it has made for years and the caseload ratio of each family social worker should be reduced to 1 to 60. Though the Financial Secretary has promised to allocate more funds in the next financial year to create some 90 additional family social worker posts, with the increasing complexity of family problems such as child abuse, child neglect and extramarital affairs and the increasing number of such cases in recent years, the posts created cannot relieve the workload of these social workers. So, any talk about improving the quality of services is nothing but "talk".

The problems of young people misbehaving, committing suicide, abusing drug and being made the scapegoat for triad members in criminal activities have become increasingly complicated and serious. The social services sector asked the Government some 10 years ago to achieve the goal of providing one social worker to every school, so as to strengthen the preventive services and prevent more young people from being led astray. To our disappointment, the Government has ignored the request by both the social services and the education sectors. It did not increase the number of school social workers until the problems were getting out of hand. Even with the provision of 22 additional school social workers in the next year, the goal of one social worker for every school can only be achieved in part. Only those schools with exceptional demand for counselling services are provided with school social worker at such ratio.

I am very glad to see that the Government has allocated a lot of resources in recent years to tackle problems arising from an ageing population. Efforts have been made in satisfying the elderly's needs through the provision of institutional care, primary health care, medical service, housing and other public facilities. However, there is nothing better than enhancing the elderly's skill in taking care of themselves, which is extremely important in helping them to lead a retired life in a positive way, or even contribute to the community in their twilight yet productive years. The Government's performance in this respect has been very disappointing. Earlier this year, it abandoned the Old Age Pension Scheme, a scheme proposed by itself, blighting the hopes of hundreds of thousands of elderly people. These people are not begging for handout from the Government. They just hope that their hard work in the past decades and the dignity with which they made contributions can be recognized and repaid by both the Government and members of the public. Since the Government has decided to implement a Mandatory Provident Fund Scheme, I can say nothing more. I just hope that the amount of the Comprehensive Social Security Assistance payment for the elderly can be increased to \$2,500 per month within this year, and the means test exercise, which is too stringent, should be reviewed so that more elderly people in need can be benefited.

However, the ensuing problem of financial commitment is causing more worries. As the ageing problem of our population is speeding up and demand for youth and family services as well as rehabilitation services for the disabled is on the rise, it seems inevitable that the future expenditure on social welfare will keep on rising as a result of increasing demand. The problem is that the Government has yet to make any specific and long-term financial commitments in this respect. Starting from 1993, in a departure from its past practice, the Government set aside part of the Lotteries Fund, which has been used solely for capital expenditure, to finance the recurrent expenditure of certain welfare services. In the next financial year, the total spending on this alone will amount to \$640 million, representing 42% of the total spending of the Lotteries Fund and outstripping its spending on capital expenditure items. This growing trend arouses a number of worries. Although the Financial Secretary made an one-off injection of \$2.3 billion into the Lotteries Fund in 1993 and the sharing of

proceeds of the Mark Six lottery transferred to the Lotteries Fund was raised significantly by 15% in 1994, creating an impression that the income of the Lotteries Fund would increase substantially, yet this situation can only last up to 1997. As for the financial arrangement thereafter, it is believed that many people are kept in the dark. The Financial Secretary and other government officials concerned just gave us verbal assurance that the Government's financial position is sound and, as a result, recurrent expenditure currently financed by the Lotteries Fund can be included in the General Revenue Account. I am not suggesting that the Government is not trustworthy. After all, wishful thinking is not always borne out by the naked truth. Judging by past experience, expenditure on social welfare is always the first to bear the brunt in an adverse economic circumstance. The Government has been dragging its feet in living up to its promise. In fact, why has the Financial Secretary been reluctant to use the Government's recurrent revenue to finance recurrent expenditure on social welfare when the economic situation is pretty good? What are his problems? I hereby urge the Financial Secretary and his successors to make promptly a long-term and practicable financial arrangement, so as to remove anxieties of non-governmental organizations and the public in this respect.

Mr President, I hope I have made it clear to my colleagues and members of the public that the welfare sector is not insatiable. On the tax burden aspect, in addition to a significant increase in the single-parent family allowance, the Financial Secretary introduced for the first time a new allowance of \$11,000 for a disabled dependant, defined as someone who is eligible to claim an allowance under the Government's Disability Allowance Scheme. To this, I, of course, have no objection. However, due to the limited income level of this kind of families, it is for sure that not many of them can be benefited, and the tax concession will be insignificant. Hence, the term "concession" is only used euphemistically; those people concerned can do nothing but to respond with a wry smile. Since the Financial Secretary realizes the extra financial burden of these unfortunate families, he should instead increase the amount of allowance and assistance, and extend the coverage to benefit people whose dependants are the elderly, chronic patients and the mentally disabled in need of care at home. A more positive approach, which has been a long-term policy supported by the Government, is to render assistance to the disabled and the mentally disabled, so that they can earn their own living and integrate into the community. One of the practical and feasible ways is to provide by way of encouragement tax concession to employers who take in this kind of employees. In the long run, the one to be benefited most is always the Government, since its financial burden in this regard can at least be relieved.

I also welcome the Financial Secretary's proposal of granting the Social Welfare Department about \$2.5 billion to purchase premises as welfare facilities in order to fulfil its performance pledge. As a matter of fact, in recent years, the authority concerned has encountered quite a lot of difficulties and hindrances in finding locations to operate certain kinds of welfare facilities. Nevertheless, sufficient resources should be provided at the same time to address the acute labour shortage problem and to improve the poor service

quality at present so as to cater for the need to develop additional welfare facilities. The Government should learn from past experience that if consideration is only given to the quantity of service with the quality overlooked, it will only get half the results with twice the efforts.

On the other hand, the Social Welfare Department has recently spent some \$6 million to commission a consultant company to review the existing subvention system of non-governmental organizations. By linking the performance of the organization concerned to its funding level, the consultant will also take a look at services provided by various kinds of organizations and simplify the present funding procedures. I, myself, and the Hong Kong Council of Social Service to which I belong should have nothing to object to on this issue, since it has been our goal to strive for improvements in services and flexibility in resources utilization. However, the reviewing procedures and approaches should be open and fair. Though the Director of the Social Welfare Department stressed that the review did not aim at cutting the amount of subvention, it seemed rather suspicious when the authority concerned had excluded the involvement of its long-term partners, the non-governmental organizations, in the process of selecting consultants from the start. Besides, apart from the staffing problem they have been facing, basic facilities and locations of these non-governmental organizations are incomparable to those operated by the Municipal Councils and the Royal Hong Kong Jockey Club. Thus, it will be rather difficult to implement the recommendations of the review if resources are not given to improve the facilities and services of these non-governmental organizations. On the aspect of staffing, I think the Government should follow the example of the Hospital Authority, that is, a monthly cash allowance of up to 16.5% of monthly salary should be provided to staff in general to narrow fringe benefit gap between them and civil servants, so that experienced staff can be retained as a result. In fact, the non-governmental organizations have been losing experienced staff since the setting up of the Hospital Authority. Even in the recruitment of staff required by both sectors, such as nurses and occupational therapists, non-governmental organizations have been reduced to the applicants' second choice. In my opinion, even if the Government is unable to make an overall financial undertaking, there should at least be a plan for schedule implementation by stages.

My President, in conclusion, I think it is most appropriate to summarize the Financial Secretary's work in the past four years by quoting Xunzi's financial philosophy, as the Financial Secretary has done in presenting the Budget, "the way to make a country prosperous is to be prudent in public spending, to improve the well-being of the people and to maintain good reserves." I agree, though, that the way to make a country prosperous is to cut unnecessary expenditure and to reduce the people's tax burden, yet I have reservation on the maintaining of good reserves. We need to look constantly to the future and make long-term investment unceasingly for the needs of future development. Only in this way can the Government show its genuine commitment to the future well-being of the community and set a good example to members of the public. If one can only maintain good reserves, from the

Bible's point of view at least, one is not a good housekeeper. I want to emphasize this: a reasonable and appropriate investment in welfare services is undoubtedly an important factor in maintaining stability of our future community in the long run.

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

DR DAVID LI: Mr President, at the outset, let me say that while I may have policy differences with the Financial Secretary, he is to be congratulated for his dedication to Hong Kong. During his long years of service, Sir Hamish has demonstrated intelligence and integrity. I wish him every success.

Mr President, today's Budget debate is the tenth I have heard as a Legislative Councillor. I will say this — Financial Secretaries have come and gone, but inflation goes on and on.

In 1985, when the late Sir John BREMRIDGE served as Financial Secretary, HK\$100 worth this much. Five years later, under Sir Piers JACOBS, it was worth this much. Today, it is worth half.

Inflation is eroding the purchasing power of hard working people. But the Governor, the Chief Secretary and the Financial Secretary have not suffered so much. Their compensation has increased by 35% more than the average earnings of the people of Hong Kong — people who have to pay their own rent, people who do not have expense accounts, people who even have to pay to maintain their own holiday cottages.

I repeat the call I made two year ago — that the next Financial Secretary's salary be tied to inflation. If the rate of inflation were lowered, the Financial Secretary would receive a raise for a job well done. If the inflation increases, or stays the same, his salary would be left unchanged, to be eaten away by the inflation he has not managed to tame.

Then the Financial Secretary would begin to feel another alarming trend — since 1971, lower income groups have received a decreasing share of disposable income. The Financial Secretary spoke proudly of Hong Kong's wealth. But the "statistics of success" say more about the illusion of averages than the well-being of the people of Hong Kong. US\$21,800 GDP per head? Most of our citizens are not so affluent.

In 1971, lower income groups shared 11.3% of the total disposable income. By 1991, 40% of the households that earned less than HK\$10,000 per month had seen their share drop by a quarter, to 8.3%. But the top 10% had taken an increasing share. By 1991, they were receiving 37.3% of the disposable income. From 1971 to 1991, the Gini coefficient, which measures the relative inequality of income, rose by 13%.

Year by year, the social contract implicit in our free market economy is being eroded. Hong Kong has been a city of opportunity. People believed that those who worked hard could succeed. Is this still true? Is the Government just budgets away from being asked to support these people? If the general population is impoverished by inflation, wealthy individuals and business would face higher taxes as a result of rising demand for state welfare. Hong Kong's attractiveness as a business centre would be seriously damaged if domestic pressures force the territory to weaken its tax advantages.

Our future economic success depends on the working men and women of Hong Kong receiving their fair share of prosperity today, and their belief in the potential of tomorrow. Only our competitiveness as an international centre can deliver that promise.

But does this Budget makes Hong Kong more competitive?

We often celebrate Hong Kong's economic achievements. But think — for the past 10 years, Hong Kong has recorded higher inflation than Singapore, Taiwan and South Korea. And consider this — from 1985 to 1994, Hong Kong's Gross Domestic Product grew more slowly than Singapore's, Taiwan's, and South Korea's.

The Administration pointed to a downward trend in the rate of inflation last year. Congratulations! But in January, Hong Kong's inflation rate was back in double digits. But yet again, this Budget provides no strategy to safeguard our prosperity.

Prosperity through consensus? We are conceding defeat at the hands of inflation. But the Administration does not think so. As one pundit observed: "This Government loves inflation. That's what's given it all those surpluses." While the Financial Secretary was busy enriching the state, was the well-being of the people of Hong Kong improved? Was the framework of future prosperity strengthened? Or was the tool that created the illusion of fiscal prudence undermining the supports of success?

We know why the Administration cannot do anything about inflation. It is the same reason why they cannot do anything about the worrisome decline in the value of the Hong Kong dollar. It is the linked rate. Unfortunately, opportunities to escape the policy straitjacket the link imposes were missed. I can only hope another comes before the economic contradictions inherent in the link overwhelm our prosperity.

As it is, Hong Kong is pricing itself out of the international marketplace. Everyday, the sharp edge of inflation's knife presses harder against Hong Kong's throat. People from around the world will not complain for too long about the high cost of doing business in Hong Kong. They can simply relocate to an economy that offers greater value for money.

The loss of our position as an international business centre would have dire implications. We rely on less than 40% of the workforce to pay salaries tax. Just 2% pay the "standard rate". As our competitiveness withers, should we not wonder where the tax revenue will come from if international business — which also pays profits tax — leaves Hong Kong? Already, some employers are transferring part of their operation to lower-cost centres. If business flees to cheaper pastures, what will become of the surpluses the Administration holds so dear?

Surpluses can become an end in themselves, a savings trophy that allows an administration to appear fiscally prudent. But how much of our Gross Domestic Product should languish unproductively in government coffers? The Basic Law states Hong Kong shall "strive to achieve a fiscal balance". Is over-taxing and under-spending compatible with "fiscal balance"? Is it prudent?

Is it not time to ask: What tax policy should Hong Kong pursue? Should we tax less, or spend more? Why do we consistently fail to meet our spending commitments? What does this negligence cost? Where is the evidence of fiscal discipline being nurtured as an administrative culture?

Surpluses can undermine discipline, engendering a cosy satisfaction, a crippling complacency. They can weaken fiscal restraint. The basic disciplines of budgeting are not being followed. Effective government needs careful, accurate budgeting.

Admittedly, spending forecasts have improved. In 1993 the Administration only under-spend by 2%. In each of the three previous Budget years its record was five times worse. Perhaps the Financial Secretary should also be congratulated on his department's new-found accuracy in predicting surplus. I can only hope that this sets a trend. Last year's forecast was off by 671%. Two years earlier, it was out by a staggering 1 567%. What if it had gone the other way, and Hong Kong had found itself plunged into a deficit position?

A good budget must answer three questions: What can be done; what should be done; and what will be done? Has this Budget asked these questions? Did the Financial Secretary provide any answers? A good budget should paint a vision of fiscal future. But what have we been told? To borrow from Benjamin FRANKLIN: "A little neglect may breed a big mischief". For want of vision, our competitiveness may be lost.

The business community has consistently wanted two things — a wider, fairer tax scheme and lower inflation. My constituency itself has made few requests. But once again, the Finance Functional Constituency is being ignored. Banks would like "Sir Prudent" to stop penalizing prudence. They would like Hong Kong's tax treatment of banks' general provisions for bad and doubtful debts to be brought in line with our regional competitors. Again, the

Government's inaction is victimizing Hong Kong's business, making the territory less able to compete.

My constituency also recommended that Hong Kong introduce a form of group relief. The tax losses of one company in a business group could then be offset against the taxable profits of another.

I hope that the Financial Secretary will correct another distortion of the tax regime. Why does the Administration tax Hong Kong dollar debt securities? Foreign currency debt securities are not subjected to profits tax. Why are investors discouraged from holding debt securities in Hong Kong dollar? Is the Hong Kong dollar not worth anything? Does the Administration want to reduce market liquidity? Does it want to discourage the issue of Hong Kong dollar paper? Or has it simply made yet another taxation oversight?

For once again, there is no reduction in profits tax or stamp duty, and no abolition of estate duty. Again, we heard nothing about privatization. Could Hong Kong not use the capital gains earned on such past investment as the Kowloon-Canton Railway, the Mass Transit Railway Corporation, the Post Office to finance the construction of the infrastructure of competitiveness? Would privatization of some of these public assets not balance the "deficit" this Budget anticipates?

Consensus capitalism? Whose consensus? We all agree that the Government should do what it can to create a fertile environment for capitalism. But capitalism means competition — at home and abroad. Does this Government's new "consensus capitalism" suggest that it believes that Hong Kong is less able to compete? Or is it simply too late for this Administration to do anything?

Consensus should involve the community. It should be based on its past, and its future. Consensus cannot simply be reached behind the Financial Secretary's door, or within this Chamber. It must be forged between employers and employees, between the private and public sectors, between the present and future administrations.

But this "consensus" fails to safeguard our future. The future is China. Yet the Administration is waiting till its last Budget to invite experts from the Chinese Government to observe the planning and the preparation of a budget. Can this Administration assure the people of Hong Kong that it has made every effort to enable the Chinese Government to fully understand the territory's public finances? I think not. I fear not.

I have asked a lot of questions today because this Budget contains so few answers. I ask again: Does this Budget improve the long-term livelihood of the people of Hong Kong? Is it strengthening prosperity? Is it building stability?

Because I cannot answer that it does, I withhold my decision on whether to support the motion pending a response.

MR PANG CHUN-HOI (in Cantonese): Mr President, the Budget this year is the last one prepared by Sir Hamish MacLEOD in his capacity as Financial Secretary. In view of the fact that he has been known for being prudent and he has granted relatively substantial tax concessions last year, I have long been expecting that there will be no relatively large tax concessions this year.

As Hong Kong continues to have brilliant achievements in economic growth, this year's total expenditure is estimated to reach \$169.7 billion, an increase of \$23.6 billion over the previous year. Although the expenditure on social welfare has been given a comparatively large increase, yet the Old Age Pension Scheme (OPS) has been vetoed by the Government all of a sudden, and the payments under the Comprehensive Social Security Assistance (CSSA) Scheme have been symbolically increased in line with inflation by a mere 8.5%. More to that, the Government has shown reluctance to raise old people's CSSA payments substantially. This has aroused profound resentments among Members of this Council and members of the public.

The Financial Secretary estimates that inflation will remain high at 8.5% for the year 1995, but effective measures are yet to be provided. In the past, the Administration blamed inflation on labour shortage. As a result, Sir Hamish expanded the labour importation scheme last year to curb wage rises. The labour sector has all along strongly objected to the way the Government handles the matter. Interference in the labour market by the Administration has made it impossible for the workers to enjoy the fruit of our economic growth. At present, our workers are obviously facing problems in job-seeking or job-switching. This may strain the employer-employee relations and definitely will do no good to the stability of Hong Kong society. I am deeply disappointed that the Administration remains unwilling to change the labour importation policy.

As regards tax concessions, a new allowance of \$11,000 for a disabled dependent is introduced this year. This allowance may be of some help to those relatively better-off families with disabled dependents but it will do absolutely no good to those families which are really in need (that is to say, those families which have no income and in need of CSSA). I believe the original intention of the Financial Secretary was to lessen the burden of those families with disabled dependents but he has to get the priority right and to distinguish which families are the most needy and merit our assistance.

The Financial Secretary plans to spend \$2.5 billion over the next two years on the purchase of premises to accommodate welfare services so as to speed up the implementation of the commitments made in the Governor's policy address. While I welcome this measure, I have to remind the Administration to avoid causing volatility to the property market and pushing up property prices.

Sir Hamish is going to retire very soon. As the Honourable Martin LEE just said, Sir Hamish has, in his capacity as Financial Secretary over the past four years, widely consulted the public and established close ties with Members of this Council to enable the public to reflect their opinions. His attitude in conducting business should be espoused with by Members of this Council. Even though not all our opinions were accepted, at least the Administration no longer "works behind closed door with scant regard to reality". This should be encouraged.

Mr President, these are my remarks.

MR TAM YIU-CHUNG (in Cantonese): Mr President, since Financial Secretary Sir Hamish MacLEOD, who is going to retire, announced his Budget entitled "Prosperity through Consensus" on 1 March, there have been few responses from the community. However, I do not think this means that the public is very satisfied with the Budget. On the contrary, it could mean that the public is totally disappointed with the Financial Secretary or they do not have expectations anymore. Moreover, since the Financial Secretary has indicated that he is leaving, people may think it is useless to express their ideas.

Although the Financial Secretary has quoted the phrase "to be prudent in public spending, to improve the well-being of the people" from Xunzi to describe this year's Budget, the Democratic Alliance for the Betterment of Hong Kong (DAB) thinks that the Budget is prudent in public spending but cannot really improve the livelihood of the public.

The Financial Secretary forecasts that the fiscal reserves of the Administration at 31 July 1997 will stand at an impressive \$151 billion, which exceeds last year's forecast of \$120 billion by 25%. This shows that Hong Kong is in a sound financial position. Under such circumstances, the Administration should offer better tax concessions to those in the lower income group and allocate more resources for social welfare.

First, as regards the tax arrangement pertaining to individuals, the DAB is not satisfied that the Financial Secretary only increases the basic tax allowance to \$79,000 nominally according to the inflation rate. The DAB holds that the basic allowance for 1995-96 should be increased to \$86,000. At the same time, employees aged 60 or above should enjoy an extra allowance of \$20,000 so that they may save up more for their old age. In addition, expenses incurred by employees in taking government approved courses after work should be tax-deductible to a certain extent so as to encourage employees to improve their skills and their knowledge through further studies. In addition, employees' contributions towards any government-approved provident fund schemes should be tax-deductible in order to facilitate the implementation of such schemes.

As to rates, the opinion of the DAB is that the increase to be introduced in the coming year should not exceed the inflation rate. Moreover, as promised last year, the Administration may further lower the upper limit of rates increase of 20% in 1995-96 so as to alleviate the financial burden of the public.

As regards the new tax allowance of \$11,000 for a disabled dependant eligible to claim an allowance under the Government's Disability Allowance Scheme proposed in the Budget, the DAB hopes that this new arrangement may be extended to cover the family members of the chronically ill.

Now, let us turn to social welfare. With such a large amount of surplus, the Financial Secretary only proposes a nominal increase of \$200 each month to the allowance for single-parent families under the Comprehensive Social Security Assistance (CSSA) Scheme and a nominal increase of \$205 each month to the CSSA payments for children. These increases have already been promised in the Governor's policy address made last year. However, in the Budget, not a word has been said by the Financial Secretary with regard to the community-wide request for increasing the standard rate of assistance for the elderly which been repeatedly put forward in motions passed by this Council. During the debate on retirement protection held earlier, the Administration stated that it would respect the decision of this Council. Yet, its present move seems to belie what it has said. The Administration should be ashamed of being so mean.

Apart from the above, the DAB calls on the Government to review and raise the Normal Old Age Allowance and the Higher Old Age Allowance to \$800 each month immediately. The existing unreasonable restriction which provides that recipients of these allowances cannot leave Hong Kong for more than 180 days should also be lifted. These arrangements are meant to reward the elderly for their past contributions to the development of Hong Kong.

To enable the quality of life of those families and individuals in need of assistance to improve at the same pace with the development of the community, the DAB thinks that the Administration should conduct a comprehensive review of the standard rate of various kinds of allowances under the CSSA Scheme and increase the amount of payment to the elderly and healthy children to one-third of the median wage. That means the amount should be raised to \$2,500 in the year 1995-96. The Administration should also relax the eligibility criteria for CSSA applicants so that more needy people can be covered by the Scheme.

At the same time, the Administration should increase the amount of special allowances under the CSSA Scheme, including nursery allowance, meal allowance for school children, and mobility allowance for students travelling to and from their schools. Comprehensive health and social services centre for the elderly should also be set up in every district so that the elderly can join social activities and receive health care and psychological counselling services within the same building.

The DAB also suggests that the Administration should increase the number of home help teams to assist single-parent families, single disabled persons and elderly persons who live alone in taking care of their daily household work. In view of the increasing number of single-parent families the Administration should also provide more emergency nursery services and lower the charges so as to cater for their needs. These arrangements are meant to avoid the recurrence of children falling from their homes while left unattended. There have been several such cases recently.

As for wage-earners, they have to live under great pressure. Those engaged in the manufacturing sector have to cope with the problem posed by industries relocating to China as well as industrial restructuring and to face difficulties in changing jobs. Those in the construction industry are threatened by imported labour and have to face the problem of underemployment. And for those in the service industry, their income and employment opportunity are affected as a result of declining spending power. In addition to all these, the fares and charges of public utilities are also on the rise. All these have combined to exert pressure which is greater than what wage-earners can bear. The gap between the rich and the poor has become wider and wider.

Mr President, on the day when the Budget was announced, the DAB had expressed its worry over the possibility that the Budget would be a prelude to further moves. Events in recent days have proved that our worry does make sense. In order to make it easier for the Budget to be endorsed by this Council, the Financial Secretary has intentionally left out items involving fare increases. However, after the Budget has been published, the Secretary for Transport immediately indicated that the First Registration Tax and licence fees for vehicles would soon be reviewed. A few days ago, the Administration announced that postage rates would be raised too. The DAB is very dissatisfied with the way the Administration has acted.

In conclusion, although this year's Budget is a mild one, we are worried lest it should be a prelude to further moves. Moreover the Administration fails to make proper use of the large amount of surplus. As a result, not much has been done to improve the livelihood of the people, to narrow the gap between the rich and the poor, and to provide more social welfare services.

Mr President, these are my remarks.

MRS SELINA CHOW (in Cantonese): Mr President, in preparing a widely-acclaimed budget, the most important thing is to be able to allocate and make use of resources in an appropriate manner. Otherwise, chronic inequality in allocation will eventually give rise to public grievances and increase the burden on the part of the Administration and the taxpayers. Today, I would like to make some remarks on the allocation of resources by various law enforcement departments which are responsible for security matters.

Over the years, I have been emphasizing the importance of crime prevention. Although the efficacy of prevention may not be apparent or provable by figures, the maintenance of social stability has, indeed, an extremely far-reaching impact on Hong Kong.

Last week, I raised the question of police patrol with the Secretary for Security and the Commissioner of Police in this Council. Those officials who are well aware of the aspirations of the people should know clearly the people's point of view. And I believe that both the shop operators and the residents in the urban areas as well as the New Territories will unanimously ask for more policemen to make their presence visible in the streets. It is because the public believe that the display of armed police presence can effectively deter various kinds of criminal activities, especially in crime black spots. For instance, popular tourist shopping areas like Tsim Sha Tsui, Mongkok and Causeway Bay have become the hunting grounds of the pickpockets; the fact that most of the householders in the housing estates need to go out to work during daytime has attracted the burglars and; the vacated public housing units pending redevelopment have become hiding places where drug addicts can inhale or inject dangerous drugs. All these phenomena call for armed patrolling officers to serve as deterrent and to make it easier or more convenient for the public to seek help.

Every time we voice out the public's aspirations and demands in this respect, the Administration will invariably give us the same high-sounding answers. The excuses may only be: the police are highly professional; the deployment of manpower is in line with the need; the log books are being gradually replaced by beat radios; the Neighbourhood Police Units (NPU) have no practical functions and even the abolition of NPUs can facilitate flexible deployment of manpower and so on. I consider these statements have totally disregarded the opinions and psychological fear of the public. This is also my most severe criticism in respect of the report on police review which still has not been completed after three years. When the Secretary for Security submits this report to the Security Panel next month, I will not mind taking all the trouble to asking the Administration how it is going to review, address and accept the public's views and suggestions. I hope the Administration can give me a clear answer.

Anyway, it is an indisputable fact that the police are experiencing a shortage of patrolling manpower. It is regrettable that the officials were unable to answer my question raised during the briefing session in respect of the Budget last week. As a matter of fact, the answer is very simple. Excluding the marine police manpower, a frontline force of 3210 armed officers are required to satisfy the identified needs or the so-called need for "beat patrol" of various districts, including the manpower for carrying out patrolling and manning report rooms. However, the actual manpower for the year 1995-96 will only be 2 168 officers, which represents a shortfall of 31.9%. One should note that these literal figures are in fact only average figures. If we look at these figures again, we will notice that in New Territories South, New Territories North,

Kowloon West and Hong Kong Island Region, the manpower shortage of certain shifts can even reach 96.9%. It is well known that Kowloon West is being flooded by vice establishments and the residents there are constantly subjected to unnecessary nuisances. In New Territories North and South, there are drastic increases in the number of both private and public housing estates. However, even after a police station has been completed, it is still unable to operate in full-scale. These give rise to a number of problems, with those occurring in Tai Hing, Ma On Shan, Tin Shui Wai and Tseung Kwan O being particularly familiar to us. It is, indeed, imperative for the police to solve these problems promptly. As certain posts in the police station, such as the report room and detention cell, cannot afford to have reduction in manpower, the manpower for patrolling duties has to be cut accordingly. The officials have once remarked that the auxiliary police can make up for the deficiency. But the auxiliary policemen have their own full-time jobs and there will certainly be restrictions on the schedule of deployment. It may also be the main reason for the serious shortage of manpower in certain shifts. All these problems call for immediate solution from the Administration.

Furthermore, the so-called "drink-spikers" and "head-thumpers" have recently been on the prowl who actually threaten the lives and property of the public in broad daylight. I dare not say this kind of phenomenon is attributed to the fact that there are fewer policemen who make their presence "visible" in the streets. However, I believe that many people will agree that if there are enough policemen patrolling the streets, our law and order will definitely be improved and the public will also certainly be more relieved. In fact, the numerous calls have been made by members of the community for restoring the NPUs but were rejected by the police for various reasons. For instance, it was insisted that it was impossible to strictly require the policemen to station at the NPUs for the sake of flexible deployment. Although I understand the reasoning of the police, I absolutely cannot recognize or accept this rationale because it has totally neglected the public's needs as well as the fact that the NPUs can really act as a deterrent.

I would like to propose a compromise solution here which I hope will be seriously considered by the police. I remember that whenever any special events like holidays, carnivals or major festivals take place in London, some mobile NPUs will be set up at the spots where the sightseers gather. The NPUs will be responsible for deploying teams, receiving reports, as well as providing supporting services such as conducting front-line investigation, tracking and making arrests. If in dealing with the crime black spots in Hong Kong the police can take a leaf out of London's book, I am sure this will be proved effective and welcomed by the public.

It is undeniable that since Mr HUI Ki-on assumed the office of Commissioner of Police, the image of the Police Force has been improved and the morale boosted. Besides, the distance between the police and the public is being continuously shortened. But in my opinion, apart from establishing a positive image in the community, the police force should also make proactive

use of the existing mechanism to assist and stimulate the force to play its part properly. Both the District Fight Crime Committees (DFCCs) and the Junior Police Call (JPC) are conceptually meaningful organizations. However, the former really need more resources and manpower support from the Government to be more capable of fully discharging their functions. Of course, the most vital thing is that the Administration must value the views and suggestions put forward by the DFCCs so that the Committees would not become window dressing devices. Obviously, the allocation of only \$10,000 per year as the operating fund is far from adequate. As regards the JPC, it was full of vigour when it was first established. But in recent years, its performance has been losing lustre. In fact, the problems of drug taking by youngsters, drug trafficking, recruitment of students into the triad society and the employment of underage girls in vice establishments and so on have become matters of concern to us nowadays. All these problems can be tackled and prevented through the JPC in a more positive manner.

Mr President, I would like to turn to another topic. We can see Filipino maids engaging in various kinds of non-domestic work everywhere in the streets. Recently we can hear some women airing their grievances in the radio programmes, saying that Filipino maids engaging in hawking, retailing and even the service industry will undoubtedly take away the jobs from local workers and make it increasingly difficult for them to earn a living. The women even expressed their willingness to report what they witnessed. Since the situation is worsening, the Liberal Party suggests that the Administration should make a positive effort to tackle the problem at its root and implement effective measures. We hold that the Administration should provide training to those middle-aged women who have been displaced in the course of economic transformation and refer them to work in the vicinity of their homes. On the other hand, the Immigration Department should deploy more manpower to prosecute the Filipino maids who break the law and repatriate them to their country of domicile immediately. At the same time, those employers who deliberately break the law also have to take responsibility. They should be restricted from applying again for overseas helpers to be hired and brought to Hong Kong. Nevertheless, the above measures should only be implemented after extensive publicity.

Another policy which necessitates change is the one relating to the prosecution and imprisonment of illegal workers. The prisons in Hong Kong have been holding an exceedingly large number of prisoners for a long time, putting unreasonable pressure on the Correctional Services Department as well as imposing an unfair burden on the taxpayers. The Liberal Party suggests that all illegal workers should be repatriated upon arrest. Besides, the Administration should negotiate with the governments of these workers' countries of domicile with a view to cracking down on the "snake-head" activities. Of course, if these workers take part in criminal activities, they should be, like other criminals, liable to criminal sanction and punishment.

In regard to the Hong Kong Government's financial allocation, I have the following opinions:

- (1) Last year, a total of 9 276 illegal immigrants and visitors from China gave birth in Hong Kong. According to the Administration's calculating method, it is conservatively estimated that nearly \$100 million in public funds has been spent on these people. Had the Hong Kong Government taken the appropriate administrative measures, this sum of money could have been used for recruiting more than 700 police officers. In so doing, it would not only raise the power of the police force to the required level, but also reopen the NPUs.
- (2) The Administration should put in more effort to press for the recovery of the \$1 billion the Office of the United Nations High Commissioner for Refugees owes the Hong Kong Government so as to make up for the deficit.
- (3) Although the Hong Kong Government indicated that all the Vietnamese boat people stranded in Hong Kong would be repatriated within next year, it does not mean that Hong Kong no longer need to address this problem. It is, therefore, imperative for the Administration to inform the public of the financial burden Hong Kong will still have to shoulder in respect of this problem and how much longer it will take to have the problem solved thoroughly.

Mr President, due to time constraint, I can only leave the other important issues relating to the allocation of resources for discussion by the Security Panel. Such issues include the resignation and retention of senior police and law enforcement officers, particularly the officers in the Operations Department of the Independent Commission Against Corruption, how to encourage the public to report crime and to co-operate with the police in various aspects, how to co-ordinate various departments in the prevention of domestic violence, the protection of the innocent women and children who have been subjected to abuse and so on.

With these remarks, I support the motion.

MRS PEGGY LAM (in Cantonese): Mr President, the last Budget presented by Sir Hamish MacLEOD as Financial Secretary is a financial management plan characterized by a mixture of prudence, initiatives and attempts at catering for the needs of all. The Budget gives the people of Hong Kong a delightful forecast of the fiscal reserves, but steers clear of the controversial issue of tax adjustments. It also advocates "consensus capitalism" as our principle of public financial management in the modern context. All this shows that, in addition to being prudent, the Financial Secretary is also prepared to take new initiatives.

Having said that, I still have to point out one deficiency of the Budget, namely, the sidestepping of the problems with regard to inflation and the drastic increase in public spending.

I shall compare the Budget to a glass of fruit punch which has been carefully prepared to suit the taste of the customer, set off by richly coloured assorted fruits. It is not only delightfully sweet, but is also very visually appealing. The most obvious visual appeal of the Budget is its promise that huge reserves up to \$151.2 billion will be left to the Special Administration Region (SAR) Government on 31 March 1997. In the initial period after the SAR Government has taken over the helm, this amount of reserves can help clear the uncertainties of the time, thereby enabling it to create an even more prosperous future. Not only this, this amount of reserves will serve as the strongest proof to the world that Hong Kong is confident of its own future.

With what must be described as a nice display of courage and wisdom, the Financial Secretary widely consulted Members of this Council and community groups and explained his purpose in the course of preparing the Budget. At a time when the legislature is already evolving along the path of increasing democratization, the Government should really reach out for public opinions instead of preparing a budget behind closed doors at the risks of running counter to public opinions and thus of being bombarded by Members later on. This can serve a positive purpose, both in terms of better financial management and of reducing political pressure. Of course, in trying to find out how he can still remain in control under political pressure, the Financial Secretary must have political wisdom apart from an eye for figures. Perhaps this is what Sir Hamish MacLEOD has referred to as "consensus capitalism".

The concept put forward by Sir Hamish has given us a clear and delightful message that gone are the days when the Government let the free market operate entirely on its own and simply turned a deaf ear to the people's needs. Nevertheless, this also brings home to us a dilemma faced by the Government in the process of formulating public policies. How is the Government going to play a more active role in the provision of social services without doing any damage to Hong Kong's dynamic market mechanism? And, just how should a consensus be reached?

Another point to note about the Budget is the Financial Secretary's remark that the Governor's annual policy address will make all major policy proposals, and the Budget will only provide the funding necessary for the implementation of the policy commitments set out in the annual policy address. I believe that if such a working arrangement functions well, the public will be better enabled to understand government operation, and can thus express their views at the right time. However, I have to emphasize once again that in the course of preparing the policy address, the Financial Secretary must be fully involved to ensure that each and every policy proposal in the policy address is within the means of Hong Kong and the Government. In other words, we have to hold fast to the principle of living-within-our-means and avoid a situation

under which the Financial Secretary has to follow the Governor to clean things up.

Although the Financial Secretary has devoted a substantial portion of the Budget to the Government's budget strategy, he has left out the most important point about the primary function of the Budget as a means of regulating the pace of economic growth. The Financial Secretary has not set out how the Budget will shape Hong Kong's economic development in the coming year. Is this just oversight or is it because he simply does not want to tell the truth?

The Financial Secretary has emphasized that the Government's recurrent expenditure in the coming year will increase by only 6%, which is just a fraction more than the 5.5% growth in the GDP. His purpose is to convince the people that the Government is not a "spendthrift". But this is only a one-sided account. If we look closely, we will see that the growth in Hong Kong's total public expenditure in the year 1995-1996 will be as high as 9.3% in real terms, and the growth in the Government's recurrent and non-recurrent expenditure will be 7.2% in real terms, while the real growth in public sector expenditure will even reach 21%. We can see that the growth in public spending in the coming year will in fact be very considerable.

An enormous public expenditure will not only stimulate economic growth but will also aggravate inflation. As far as measures against inflation are concerned, this year's Budget has proposed nothing worth mentioning. The only things mentioned by the Financial Secretary which can help reduce inflation are the fall in property prices and a slight expansion of the workforce. These factors cannot really solve the problem once and for all and, strictly speaking, they are not government measures as such. What is even more worrying is that the Government announced shortly after the release of the Budget that it had no intention of introducing any further measures to curb property prices. Actually, every year, I bring up the point that the Government should introduce a mortgage tax allowance for first-time home buyers. But, I am very disappointed that the Government has all along been unwilling to make any commitment to help the sandwich class, and it is even more surprising that the Financial Secretary is not going to make this commitment before he retires. An enormous public expenditure, coupled with the Government's inaction to bring down inflation and property prices, will only make us worry that in the year to come, before we can see the bright side of economic growth, we will have to taste the bitter fruit of inflation.

I do not support some of the tax concessions proposed in the Budget. The significant increase in the child allowance for the third to ninth child is particularly unacceptable. According to Sir Hamish, this is meant to improve the treatment received by the third to ninth child, and will not really encourage people to give birth to more children. I find it hard to agree with him. The family planning principle of "Two is Enough" is a popular trend in the world today. Rather than getting out-of-date, it has become more and more important. As modern society becomes increasingly complex, parents and society as a

whole have to devote more attention and resources to children than ever before. More births may result in inadequate parental care. Not only this, society as a whole will also be heavily burdened. How can the Financial Secretary turn the clock back by offering a bigger tax concession in this respect? Perhaps the Government will argue that such people are only in the minority. But if the Government really thinks so, why has it bothered itself with such mock generosity? I personally think that the Government should totally abolish the tax concession for the third to ninth child, and increase the allowance for the first and second child substantially to \$30,000. Only this can be of real help to the families in Hong Kong.

Moreover, I suggest that the Financial Secretary should raise the allowances for dependent parents and grand-parents to \$30,000 so as to encourage people to look after their parents. On the one hand, the Government and the community are racking their brains, trying to find a solution to the old age retirement problem. But, on the other hand, the Government is doing nothing positive to encourage people to look after their parents. A tax concession is no doubt a feasible solution.

As for the \$11,000 tax allowance provided to families who need to support disabled members, I can describe it as "neither fish nor fowl" only. A disabled person needs more care from his family and yet the allowance for a dependent disabled person is lower than that for a normal child. Why? Furthermore, what families with disabled members need most may not be such a meagre tax concession. The Government should really make use of the resources available to provide more training opportunities and accommodation places for the disabled. Only this can relieve the burden of families with dependent disabled members.

As for estate duty, the existing practice is that the whole of a deceased person's estate becomes taxable if its value exceeds the level below which no duty is payable. This is not fair. Under the present system, an estate of \$5.5 million is tax-free, but a slightly bigger estate of \$6 million is fully taxable. What is the rationale behind that? I think that the Government should consider inflation and follow the example of salaries tax when determining the duty payable. I propose to set \$6.5 million as the level below which no duty is payable. For all estates worth over \$6.5 million, only the portion in excess of \$6.5 million should be taxed. Take an estate of \$7 million as an example (do not think that \$7 million is a very big sum because just a modest flat will already cost \$7 million). For such an estate, only \$500,000 will be taxable. In other words, \$6.5 million is tax-free and only the amount in excess of \$6.5 million is taxable.

The Budget proposes to spend about \$2.5 billion on the purchase of welfare premises from the private sector. This may as well be a feasible means to resolve the problem of inadequate community facilities in old districts. I hope that when apportioning resources, the Government can pay special attention to old districts by, for example, strengthening community facilities for

the elderly and devoting resources to some controversial services such as rehabilitation facilities for the mentally ill, the mentally handicapped and drug addicts. For the secondary property market, \$2.5 billion is quite a substantial injection. The Government must therefore avoid pushing up property prices. It must seek to balance local interests through consultation, and proceed with the whole thing with utmost confidentiality, lest market rumours may upset property prices in the districts concerned.

Another delightful point about the Budget is that after repeated calls for subsidized kindergarten education, the Financial Secretary has finally agreed to go along with the wish of the people by earmarking resources to provide direct help to kindergartens. I hope that the Government can announce the details of subsidization and funds allocation as soon as possible so that this commitment can be put into practice when the new school term commences in September.

On the whole, the Budget is heavily characterized by a tendency to "avoid the difficult and deal with the easy". It does not give any strong guidance on Hong Kong's future economic development. It is rather like a glass of fruit punch: sweet and delicious as it is, it does no good to our health.

I hope that the first Budget prepared by the Financial Secretary designate, Mr Donald TSANG, can put forward concrete guidelines on economic issues with which the people of Hong Kong are most concerned, including inflation, public assistance payments, employment opportunities for middle-aged women and labour.

Lastly, I hope that the Government can negotiate with the Chinese side through the Sino-British Joint Liaison Group concerning the arrangements for a Budget that can straddle 1997. As far as the preparation of such a Budget is concerned, the Government should, in principle, work in conjunction with the future SAR Government, instead of simply consulting it.

Mr President, with these remarks, I support the Appropriation Bill. I also wish Sir Hamish MacLEOD a happy life after his retirement.

MR MARTIN BARROW: Mr President, I wish, firstly, to congratulate the Financial Secretary on this, his last Budget, and to thank him for his overall contribution to Hong Kong. During the past four years, he has kept a steady hand on our financial tiller and he can leave Hong Kong satisfied that our economy and financial strength are in good shape.

An overall philosophy

Years ago, Hong Kong was described as a centre of "laissez faire"; in the early 1980s this description was rebranded as "positive non-interventionism". More recently, it was described as "maximum support, minimum interference" and now we have the Financial Secretary's "consensus capitalism"! I

congratulate him on the introduction of yet another brand name to describe Hong Kong's overall philosophy!

Despite the overall strength which is well illustrated in the Financial Secretary's Budget presentation, I do have some concern that this new brand name could lead to complacency in certain areas. Are we quite certain that all our plans are based on real needs and not on political appeasement of certain sectors?

The Financial Secretary quoted from Xunzi's "On Enriching the State". May I suggest that we should also remember Laozi's Dao De Jing: "When the Government is too intrusive, people lose their spirit; act for the people's benefit; trust them. Leave them alone"!

Mr President, the Joint Declaration reaffirms that the Hong Kong Special Administrative Region will remain a capitalistic economy with a low taxation policy. We should do everything to reinforce this, our greatest strength. This is the philosophy of popular capitalism. Whether or not it is always "consensus capitalism", it is unashamedly for the individual, and stands for the values which have made Hong Kong great.

The regulatory environment

The Financial Secretary will recall my recent question regarding the cost to the private sector of regulatory compliance. That particular question was carefully answered by the Secretary for Financial Services, although of course the thrust of my point related to policy across the board, and not just to those areas directly within his domain. The question would have been answered by the Financial Secretary or the Chief Secretary. In the light of the recent collapse of a bank, it might seem a little unfashionable to express concern about "regulatory overkill", but the points I made need to be considered from the view point of the community as a whole and with regard for the overall well-being of our economy, as the issue of a fair balance in regulation is relevant to all areas of Hong Kong's policy, not just financial services. Hong Kong can be proud of the promotion of free markets and capitalism which have brought so many benefits to the people of Hong Kong. We can be proud, too, of Fortune Magazine's recent description of Hong Kong as the best place in the world to do business. Nevertheless we must be careful to avoid complacency. We must ensure that we continue to look into every nook and cranny to seek out and eliminate any areas of inefficiency and regulatory excess.

One example of my concern was in the Secretary for Financial Services's answer to my question when he referred to the current review of the Companies Ordinance. He implied that this was an example of deregulation. On the contrary, there are indications that this review is likely to be carried out with particular regulatory zeal — even to the extent of attempting to apply Hong Kong company law to those companies incorporated elsewhere. This is not a

principle which has been adopted in other financial centres and would be a serious retrograde step.

Once again, I would like to refer to the good work of the Efficiency Unit, which has made much progress in achieving a more efficient and responsive government. The introduction of performance pledges and greater transparency have been effective steps in the right direction. I would also like to pay an overall tribute to our dedicated and hardworking Civil Service and, in particular, to those senior officials who have recently been promoted or will be soon.

Proposal for a deregulation unit

Let me repeat my specific suggestion that the Government should set up a "Deregulation Unit" under the Efficiency Unit. Like the Financial Secretary, I may be guilty of creating another brand name, as I know some work aspects of the Efficiency Unit are already in that area. I am, however, concerned that the existing unit is being diverted into focusing on the code of access for information, which seems to be outside their original brief.

The Government rightly talks about "customers". This is emphasized in the recent paper entitled "Serving the Community" which provides an excellent summary of the underlying thinking and the specific initiatives of the Government overall and the Efficiency Unit in particular. Although it refers to the partnership of the public and private sectors, there is, in fact, little mention of what is being done to maintain and increase Hong Kong's reputation as being "business friendly", apart from the introduction of trading funds which cover the land and company registries. I hope, incidentally, that as mentioned by Dr the Honourable David LI a moment ago, we are not losing sight of privatization and corporatization initiatives and that the Government will update us on the status of their plans in the area. There is a danger that in focusing on "customers", we are neglecting the business customers who, at the end of the day, provide the engine room for our economic growth.

Why is there the need for specific focus on deregulation? Good regulations serve a vital purpose — they protect our rights, our safety and our environment. They serve to raise our commercial standards. However, unnecessary or over-complicated regulations inhibit growth in both creativity and enterprise, and often result in a waste of time and money. The objective of deregulation is to remove clumsy or outdated regulations, as well as streamlining, simplifying and improving current regulations to ensure that they are working as effectively and efficiently as possible.

Deregulation should help cut costs, and enable businesses to operate more efficiently, to explore new markets and to trade more competitively, particularly now when we are suffering from inflation rates much higher than those of competitors. But let me emphasize that deregulation does not mean the removal or reduction of necessary protection.

Although I am not implying that the issue is of the same complexity as in the United Kingdom or Europe, I recommend that the Government should perhaps review the role of the Deregulation Unit attached to the Department of Trade and Industry in London. I visited that unit two weeks ago and was impressed by their determined approach to encourage deregulation and to develop creative communication with the private sector. What Hong Kong seems to lack is an established communication channel between the private sector and the Efficiency Unit. I was interested to learn that in the United Kingdom no government department can introduce a new form without its minister's approval!

In the United Kingdom, a series of deregulation task forces were set up in various areas of the private sector, under the overall chairmanship of the Right Honourable Francis MAUDE, the former minister responsible for Hong Kong. These task forces came up with no fewer than 800 suggestions for simplifying the regulatory environment! I am not suggesting for one moment that we would come up with such a long list here in Hong Kong, but I am sure that if the Efficiency Unit could establish a dialogue with our many chambers of commerce as well as with other trade bodies, there would be specific suggestions which could be brought forward. Let me give just one example where effective communication is already working in Hong Kong. For the past two years, there has been a quarterly meeting between the hotels and restaurants industry, the Efficiency Unit and several government departments involved in the licensing arrangements for restaurants and hotels. There has been noticeable progress, which should now eradicate what has been, by any description, regulatory overkill and a bureaucratic steeplechase.

To name a section within the Efficiency Unit as a deregulation unit would convey the right focus on the issue within the public and private sector. It would encourage creativity and initiative ensuring that specific ideas, designed to enable Hong Kong to roll back any areas of unnecessary regulatory activity which have taken place over recent years. Sadly, the evidence elsewhere is that regulatory regimes designed to increase safety, protection of the environment and in the other areas often do not achieve in practical terms the level of benefit which would justify their direct and indirect cost. The mighty regulatory engine which has appeared, in some very profound way, in the European Union has completely gone off the rails!

The urge to nanny often seems irresistible and there has been plenty of encouragement from this Council and others to head in that direction. The Financial Secretary has referred, for example, to new legislation in health promotion. I appreciate the sentiment behind those initiatives, but I fear further anti-smoking legislation could lead to another round of nannying.

I sincerely hope the Government will consider my proposal and give the Efficiency Unit the power it needs to remove the hurdles of the bureaucratic steeplechase. The Government may argue that there are plenty of channels for a private sector dialogue with the Government through the various advisory

bodies. However, there is no substitute to pursuing these initiatives with single-minded determination through one body which will focus the attention of everyone concerned. I would emphasize that I am not suggesting any significant increase in resources and I would hope a small deregulation unit could be staffed by one or two people reallocated from other responsibilities.

Inflation

The Financial Secretary has rightly expressed concern about the continued high level. There is now early evidence this year that inflation is on the increase, exacerbated by the recent external movement of exchange rates.

Mr President, this is the seventh Budget debate in which I have raised the issue of Hong Kong's labour shortage. Despite the increase in the size of the workforce referred to by the Financial Secretary, the shortage has remained with us year after year. The Government has continually failed to grasp the nettle and explain to the community why a flexible policy, in line with the policies of our regional competitors, is needed.

The recent attempt to put forward a Private Members' Bill to control imported labour was, however, defeated and would have been so by an even greater margin if all Members had been present. Nevertheless, the Government will have to be ready to strengthen its arguments in the autumn, as clearly there will be continued pressure on the issue. It is important not only to convey the message that the inflationary spiral hurts the very people who benefit in the short term from wage increases, but in addition that Hong Kong must maintain its service standards if it is to retain its status as a great international city for business and tourism. I remain convinced, Mr President, that a more flexible policy on labour supply is in the overall interest of the community.

A limited scheme for imported labour alone is not, of course, the only solution. There must be continued initiatives towards productivity gains as well as towards increasing labour participation. The latter appears to have improved slightly, but is below what could be achieved.

The tourism industry

I am encouraged by the Financial Secretary's reference to the importance of the tourism industry to our economy, and the commitment to solve the issue of future hotel supply. It is the unanimous view of the tourism industry that the Government must take action if Hong Kong is to enjoy continued tourism growth into the next century. What, Mr President, is the point of building a splendid new airport, a magnificent extension to the convention centre and expanding other facilities, if there is no place for our visitors to stay? I hope the Government will take early decisive action to ensure the implementation of the proposals put forward by the Hong Kong Tourist Association and its consultants. With the improving tourism facilities in China and the continued growth of outbound travel from China, together with the pent-up demand for

travel in East Asia, the long-term growth of that industry is assured — if we nurture it properly. Tourism and travel is the world's largest industry and Hong Kong must maintain its share of the long-term growth. We must do everything we possibly can locally to encourage and develop that growth.

There are a few members of the community apparently concerned about the possible negative effects of tourism, as if visitors could somehow overcrowd us. But let us remember that even if the number of visitors to Hong Kong increased from the current 9 million to, say, 20 million of some point in the next century, it will add less than 2% to the total permanent and travelling population in Hong Kong at any one time. With a spread of new Hong Kong hotels and facilities across the territory, such a level of visitors can be sustained and can only bring long-term benefit. In addition, it is important for the Members of this Council to bear in mind that those affected by night flying out of Kai Tak represent only 1/28th of the population of Hong Kong.

Conclusion

In conclusion, Mr President, let me repeat my congratulations to the Financial Secretary. He will leave Hong Kong with our economy in good shape, with reserves projected to reach \$360 billion by the end of the century. I have, however, argued that we should not be complacent and that it is important for the Government to ensure that, under whatever "brand name" as created by his successor, the basic strength and the basic direction which has made Hong Kong successful is not changed. But it would be wrong not to give our support to the Financial Secretary and his colleagues. I wish him every success, as I do to his would-be successor, Mr Donald TSANG.

With these words, I support the motion.

MR LAU WONG-FAT (in Cantonese): Mr President, first of all, let me express my heartfelt congratulations to Sir Hamish MacLEOD, who is about to round off his successful civil service career and make a new start in his life. Sir Hamish's long service in Hong Kong has been marked by many contributions to the territory. I do not intend to repeat the many commendations that Sir Hamish rightly deserves. Yet, I must say that I have been most impressed by one attribute of his. He has remained a modest and approachable gentleman over the years, from the early days when he worked as Tsuen Wan Town Manager to the present time when he works as the Financial Secretary. In apt reflection of his personality, his past three Budgets were, on the whole, quite moderate, marked by the near absence of any drastic measures. And the Budgets were also able to take account of public opinions.

This year's Budget is no exception, though a bit surprisingly, the Financial Secretary has used a quotation from Xunzi's "On Enriching the State", an ancient Chinese classic, to highlight the economic policy upheld by the Hong Kong Government. "To be prudent in public spending, to improve the well-

being of the people and to maintain good reserves" is obviously a sound principle of financial management. The question is whether this can really be achieved. In this respect, the Budget still leaves much to be desired.

Let us first look at the notion of "improving the well-being of the people". Can the people of Hong Kong really become better off? On the subject of tax concessions, the summary of the 1995-1996 Budget prepared by the Information Services Department says somewhat proudly, "The main tax concessions will put \$1.2 billion back into the pockets of taxpayers in 1995-96 and \$7.7 billion up to 1998-99". I believe that taxpayers' feelings about this remark must be mixed because the money thus saved will not go into their pockets or, if it does, it will simply vanish soon afterward. One of the reasons is that the Government has been unable to do anything about the high inflation rate over the years. The Government has projected that the inflation rate for 1995 will be 8.5%. However, since the prices of imported goods have shot up following a slump in the US Dollar and many large-scale infrastructure works are in full swing, Hong Kong will inevitably face a much higher inflation rate. Soaring inflation will force members of the public to spend more on their daily necessities, and will thus eat into their savings and purchasing power. As a result, the \$1.2 billion saved from tax concessions will actually be offset by inflation.

In addition, there is the biggest headache of housing. Property prices have gone down to a certain extent following the anti-speculation measures introduced by the Administration last June. But, this has not benefited the large numbers of people who have to repay mortgage loans because their monthly commitment for this purpose has remained as high as before. And, in recent months, mortgagees are further strained by the repeated upward adjustments of the interest rate. The money saved from tax concession does not go into their pockets.

Mr President, before inflation is effectively curbed and as long as the Administration remains unsympathetic towards the people's heavy burden of mortgage repayment, many people will have to live frugally. The difficult situation faced by the people is best evidenced by the general sluggishness in the retail, catering and taxi trades. That being the case, how possibly can the people become better off? If the Government really wants to improve the well-being of the people, it must strive to combat inflation and help alleviate the people's burden of mortgage repayment. There is, in my view, a workable measure which can improve the well-being of the people — that is, to make mortgage loan interests tax deductible. I first made this suggestion several years ago in the Budget debate and now I still remain convinced that we have to implement this suggestion.

Next comes the principle of prudent public spending. While Hong Kong has a comparatively big reserve, we have to abide by the principle of prudent public spending, particularly at a time when the hand-over is fast approaching and many destabilising factors may affect Hong Kong. As the saying goes: "In

fair weather prepare for foul". I think the Hong Kong Government should be more prudent and moderate in public expenditure over the next few years.

Although the Hong Kong Government has underscored time and again its determination to uphold the living-within-our-means rule of financial management, the way this principle is being applied is obviously too flexible. The Financial Secretary stated, "This most vital of all our principles ensures that over time government spending grows no faster than the economy as a whole." But what does "over time" mean? Two to three years or five to six years? The Financial Secretary has not made this clear.

The growth in public spending has, for three consecutive years, outrun economic growth. And, public spending in the new financial year will exceed \$200 billion for the first time. I hope that the Administration can stop being too open and flexible regarding the definition of "over time". I also hope that in the future the Administration can refrain from continuing to allow public expenditure to increase faster than the economy while claiming that it still adheres to the living-within-our-means principle. Otherwise, the living-within-our-means rule will become a mere misnomer.

Mr President, equally worrying is the Financial Secretary's proposal of significantly increasing the expenditure on social welfare. According to the Budget, this expenditure in the new financial year will be increased drastically by 24% when compared with the figure in the preceding year. No one will oppose or challenge the need for continuously improving our social welfare services. However, since people's attitude toward social welfare is one of "the more the better", and it is thus difficult to take back what has already been provided, a responsible government should really exercise restraint and seek to improve its social welfare services in a gradual manner. A "great leap forward" approach should not be adopted. If the Government does otherwise, our community will have to bear the heavy burden of public expenditure and will face the possible danger of being plunged into the predicaments that welfare states are facing. Should this really happen, what then will be the use for us to keep talking about prudent public spending?

The Financial Secretary has devoted a substantial part of his Budget address to refute the criticisms levelled at the Government's extensive reclamation project. The Financial Secretary, of course, has every right to defend the Government's policy. Yet, since so many academics specializing in the field have expressed considerable reservations and concern about the reclamation project's navigational and environmental impacts, should the Administration dismiss all those dissenting voices simply on the ground of land formation? I think the Government should do more research. It should also review again the feasibility as well as the pros and cons of the whole reclamation project. The findings should then be released. This will surely be more convincing than just standing out to rebut charges hastily.

Mr President, lastly, I would like to talk about the Government's intention of consulting the Chinese Government on the formulation of the 1997-98 Budget. The Budget will span the transfer of sovereignty and Hong Kong will be under Chinese sovereignty during most of the financial year covered by the Budget, which is around nine months. Therefore, the Budget is an extremely important matter which will have a bearing on our smooth transition. It is required that the 1997-98 Budget has to be scrutinized by the Sino-British Joint Liaison Group and found to be in order before it can carry through beyond the year 1997. Of course, the people of Hong Kong will also need to participate in the formulation of the Budget in one way or another.

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

MR JIMMY MCGREGOR: Mr President, I do not intend to examine or comment specifically upon the many important points made in the Financial Secretary's Budget address. I will concentrate on what seems to me to be a most important area of concern and on the circumstances surrounding it. My colleagues will certainly cover the Budget and its salient features many times over. But for the record, let me say at the outset that our economy is strong, resilient and capable of absorbing temporary setbacks without difficulty. It is also true that the nature and shape of our economy is changing also that the creation and distribution of our wealth is expanding and changing and properly so in an economy of such strength. The Financial Secretary has produced a solid, safe Budget which can be supported in all its basic proposals.

The Hong Kong General Chamber of Commerce has welcomed this Budget and the consistent and prudent approach exhibited by the Financial Secretary. The Hong Kong Democratic Foundation broadly agrees but joins me in drawing attention to one glaring and incomprehensible omission about which I will have something to say later in this address.

I congratulate Sir Hamish on a Budget which continues his confident commitment to economic growth and social development so obvious in recent years. This Budget and its proposals maintain the sensible, experienced and careful husbanding of our fiscal resources and a most cautious approach towards changes in policies which have proved so very successful down through the years. The Financial Secretary quotes Xunzi in the third century B. C. as having made a most sensible observation about making a country prosperous.

There have been times however when the attitudes of the Hong Kong Government have been closely identified with the third century B. C. and some of us have wondered from time to time when the Government will progress to the second century B. C., especially in regard to some elements of its policy towards social justice and the development thereof. I will just remind Sir Hamish that Xunzi included in his advice the need to "improve the well-being of the people". Indeed, it seems to me that the basic aim of every government and every system of the Government must be to improve the well-being of the

people. Otherwise what is the purpose in having a Government at all. It does not matter how a Government has been formed or how it is administered but its primary duty is to look after and seek to improve the lives and well-being of the people it governs.

I take it also that Xunzi meant all the people, not some of the people. He must surely have meant those who had nothing as well as those who had a lot. I will come back to this theme shortly.

Because this territory has had the great fortune to have been in the right place at the right time with an economic philosophy and system of the right kind we have prospered mightily over the years. It is customary to applaud the sagacity and ingenuity of our businessmen for the creation of riches and the development of one of the most successful business systems in the history of the world. Such an accolade is of course deserved and our businessmen have shown the world what can be done when skill and hard work are linked to opportunity and the kind of economic system which has not regarded profit as a dirty word.

But it was not businessmen who created the system of the Government which has provided the philosophy, the policies, the procedures, the essential quality, dedication and continuity that created and maintained the institutional and physical infrastructure within which business happily operates. No, it was not business which was the creator of our economic system, but the Hong Kong Government. It was and it is, the Government which has the enormous responsibility for keeping Hong Kong on an even keel at all times, for maintaining both local and international confidence in our economic viability and future, to the extent that companies and people will come here to do business and use our facilities without doubts and qualms of any kind.

Consider the problems which have faced Hong Kong during the last 50 years, the crises almost always caused by external factors, wars, revolutions, upheavals of every kind, the continual changes around Asia transforming colonial territories and countries governed by various forms of dictatorship to more democratic modern and liberal regimes. We have lived through five decades of Asian tribulation and change and through it all, the Hong Kong Government, in my view, has never shifted its ground. It has steadfastly maintained its fundamental policies whilst accepting the need for change and improvement in virtually every facet of government endeavour. It has been by any standard a remarkable performance. Its track record cannot be assailed. The last half century is littered with astonishing achievements sometimes against very great odds. The Government has had to hold the ring in considering the often acrimonious differences between management and labour, between right and left, between those who have and those who have not. Those of us who have had the privilege of serving the people of Hong Kong in this Council and elsewhere must be fully aware of the high comparative quality of this Government and its officers, of their dedication to duty and of their trials and tribulations in seeking accommodation with us, whilst at the same time trying to carry out their duties as they see them.

The point I am labouring is that the Government has the final responsibility for making decisions which will "improve the well-being of the people". In the introduction to his Budget speech, the Financial Secretary spoke about the need to encourage free enterprise and competition whilst promoting equity and assistance for those who need it. He describes equity as a fair deal for everyone and especially for those less able to compete. He also refers to an adequate welfare safety net.

He says nothing however about social security although he expresses concern for the elderly, the disadvantaged, the disabled and the sick. Social security, I assume, is taken care of for those in work through the proposed Mandatory Provident Fund (MPF) scheme.

This scheme will provide something for our workers when they retire in 30 years' time. It will do nothing for those who are old now and who will retire within the next few years. They will continue to be given the tiny old age allowances of \$485 and \$550 per month. These do not reflect social security of any kind and over 400 000 elderly people in Hong Kong receive them. These allowances are a form of welfare, a form of charity from what I have regarded a tight-fisted community. The elderly people who have set aside their pride and applied for these allowances have been given nothing in this Budget that I can see, except disappointment over the failure of the Old Age Pension Scheme (OPS) promised them by the Government and taken from them abruptly and without, in my view, adequate explanation or reason.

This is the glaring omission in the Budget I referred to earlier. The Financial Secretary has produced a first-class Budget, strongly supported by the business sector and by most other sectors, with good reason. But in failing to proceed with the OPS and instead proposing to proceed with the MPF, the Financial Secretary has dashed the hopes and legitimate aspirations of half a million elderly people in Hong Kong. Not a word of explanation or regret to them. Not some carefully worded reference to an alternative support system which would raise their pittance to something more in line with the real cost of living for elderlies and which could be afforded by this very rich and prosperous economy. How can we continue to prosper as an economy and reward some of our citizens with riches beyond their wildest dreams when we also disregard hundreds of thousands of people whose labour helped to make much of the wealth enjoyed by others? I have listened to some of the wealthy sounding off about no free lunches and the need to allow Chinese elderly people to starve in cultural rectitude, and also the rubbish about keeping the very rich out of the social welfare system. These are weak excuses for failure to recognize social liability and the need for social justice.

I therefore want to ask the Financial Secretary and other appropriate senior officers in the Government to begin the process of examining the situation of the elderly people receiving the old age allowances, to determine whether these allowances should be substantially increased with a means test for all such allowances to remove any possibility that the rich will benefit. Such a

study has nothing to do with the Comprehensive Social Security Assistance (CSSA) review which is a different issue altogether.

This may be the last time I have an opportunity to speak directly to the Financial Secretary in this Council on his Budget proposals. He has established a fine record of service and he has done so in a caring and responsible way, conscious of the continually changing balance between economic and social development. In his four years as Financial Secretary, the Government has taken many important steps to improve the life of the people. I submit however that one of the great omissions is the well-being of the half million elderly people who would have been the first recipients of the OPS so strongly promoted by the Government and now apparently abandoned. The Financial Secretary cannot leave things as they stand. The CSSA has nothing to do with those people. Improvement in CSSA allowances later this year or next will not help the half million old age allowance recipients. Yet we are a rich community with huge reserves and much more to come. I urge the Financial Secretary to join with his senior colleagues and his successor to begin the detailed examination I seek. Do it now and Hong Kong people will thank you for it.

I ask my colleagues in this Council also to support my request. The people of Hong Kong will thank them too.

I apologize for speaking so extensively on what is in fact a Budget omission rather than a Budget proposal. But the issue is of tremendous importance to all of us in a community which promotes and believes in equity and justice. I want to thank Sir Hamish finally for his policies of seeking the views of Councillors before making up his mind on his budget proposal. It is a very good example of government by consensus. My best wishes to him in his future activities.

With these hopes and consent, I support the Budget.

DR SAMUEL WONG: Mr President, I endorse this sensible and prudent Budget, particularly at this unique time in our history. Though I have a few comments on the expenditure on works, health, and transport, I would not want those comments to detract in any way from my support of the Budget as a whole.

First of all, works. The Budget speech made several reference to underspending on capital works projects due to delays in reaching agreement with China, resulting in unforeseen surpluses. However, the expenditure must eventually be made. My concern is that a delayed project usually costs more in real terms. I hope there is a firm policy to inform this Council in due course what the actual extra expenditure turns out to be in real terms, so that we know what these delays have cost.

I fully support the provision of extra facilities for inspecting and improving the safety of slopes and retaining walls and for the monitoring of safety on construction sites. Hong Kong is probably unique in its commitment to building on hostile land due to the shortage of space. We therefore require a unique approach to guarding against the risks this entails.

Hong Kong has a unique attachment to money. I would therefore urge the Government, in addition to regulation, to seek to implement "safety with Hong Kong characteristics". For example, sufficient reward for completion of an accident free project might well be cost effective compared with the salaries and upkeep of monitoring teams. Let us use the market as well as regulation to encourage safety.

Next, health. I was pleased to hear of the many improvements in health care, particularly for sufferers of heart disease. I would, however, remind the health administration of the information I gave recently that costs of rehabilitation after some cardiovascular crises have been shown to be as much as 30 times higher on average using traditional western techniques than using certain oriental therapies. I hope that some of the extra funds allocated to the training of nurses will be devoted to reviving such therapies in Hong Kong. Indeed that the whole aspect of cost saving through use of the optimum diagnosis and therapy, particularly through traditional Chinese medicine, will be fully investigated and implemented by the Government.

I am encouraged that the increase in the Health Care and Promotion Fund will lead to more preventive care which is so much more cost effective.

I was, however, disappointed to see no reference to the introduction of quality assurance in the health and hospital service, including as it does by definition, patient satisfaction. Inherent in this is the minimization of those aspects of the service with which no patient could be satisfied, such as hospital induced disease. The introduction of true quality assurance might in the first instance require funds, though in the long term there is no question it would be cost effective, possibly massively so.

Finally, transport. This received little mention in the Budget speech, though I support getting on with projects such as the Duplicate Tsing Yi South Bridge and not allowing political disagreements to jeopardize the future well-being of Hong Kong.

In a previous Budget, the Secretary showed progressiveness, foresight and friendship with the environment by waiving the registration tax on electric vehicles. Since then trials have been performed on a standard taxi converted to electric operation. The results were encouraging, both in performance and cost effectiveness. There is, indeed, now strong evidence that the conversion of diesel vehicle fleets, such as minibuses, taxis or heavily used light transport, using up to 50 battery swapping depots distributed throughout the territory, could give us, by 1998, a cost effective replacement for what is recognized as

the most serious single source of air pollution in Hong Kong. The alternative replacement, petrol vehicles, would be more expensive to run, cause taxi and minibus fares to rise and would still cause massive air pollution, albeit on a reduced scale. I believe the electrification of light diesel vehicles should have received enhanced budget support this year. It is not too late to give it policy support.

Of course, I am aware that the Hong Kong Government is dead scared of being the first to do anything, as can be seen in their failure to introduce telephone voting to improve the miserable voter turnout here. However, the case for the electrification of light diesel vehicles is so compelling that I believe all Members of this Council should do their utmost to persuade the Government to make an exception and actually do something what would be the first in the world and be to the enormous advantage of the Hong Kong people, in both health and cost of living.

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

MRS ELSIE TU: Mr President, there has been no great outcry against this year's Budget, so I take it that most people are satisfied. Today, I do not wish to criticize much that is in the Budget, but will confine my criticism to what failed to appear in the Budget, and which I consider merited mention.

My remarks fall into three main categories, and they concern issues that have been worrying me, because they worry the community.

(a) *Imported labour*

The first is the impact of imported labour on our local workers. The issue of unemployment in Hong Kong was barely mentioned in the Budget speech, yet it is a matter of great concern to a large proportion of the population here. In paragraph 9 of the Budget speech, we were given the same old figures that the Labour Department has been churning our year after year, figures that no one believes. Unemployment was put at 2.1% and underemployed at 1.4%, against the workers' estimates that unemployment is four or five times that figure, while the extent of underemployment is not known, but is believed to be extensive.

For the past 30 years and more, I have interviewed scores of people in my office, and I can say that there have not been so many cases of unemployment and underemployment brought to my notice for at least 20 years. And what I see now in my office is only the tip of the iceberg.

The fact that the Government itself recently introduced retraining of redundant workers for the first time in our history is a clear admission that it is not ignorant of the problem. But what the Government does seem to be ignorant of is the fact that many of those retrained workers cannot be employed,

because some employers prefer imported or illegal immigrant labour. These imported or illegal immigrant workers are cheaper, and they can be denied the benefits which protect local workers by law.

Since the Government repeatedly denies what most of us know to be the truth about the unemployment situation, and since the Government seems unconcerned that workers only in their late thirties and early forties are being denied the right to work, I would like today to ask the Government to set up an investigating team. I have already mentioned this to the Financial Secretary personally and he said he would consider it. I have written to the Secretary for Education and Manpower, but have so far not had the courtesy of a reply. The idea came from some workers who quite fairly suggested that such a team should be set up to find out the true facts as to how and why capable and healthy workers who have not yet reached middle age are already being rejected as too old. The Government itself turns down these workers on the grounds of age. Many of them have been retrained and would be capable of working as cleaners in schools and government hospitals, as waitresses or room attendants in hotels and a host of other jobs now occupied by imported workers. Some would be capable of working on the airport and other manual labour. Some employers looking for cheap labour, however, offer them low wages knowing that the workers cannot accept them, and the employers are then able to report to the Government that they advertised the jobs and local workers did not want them. They can then enter the quota for cheap imported labour.

If the Government would set up an investigating team, both workers and employers could be represented, so that by contact with each other they may understand one another's difficulties. Without mutual understanding there can be no solution to the problem. The title of this Budget, "Prosperity through Consensus", could well be applied in bringing workers and employers together to seek prosperity for both sides. In a future debate already tabled by a colleague, I shall have more to say on this subject. But for the time being I want merely to ask the Government to gather the facts, learn the true situation, and seek a consensus whereby both workers and employers may enjoy the fruits of Hong Kong's prosperity. What the Government cannot afford to do is to close its eyes and pretend the problem does not exist just because the Labour Department statistics do not expose the full picture.

(b) *Housing*

The second issue I would like to raise today concerns housing. This is a subject I raise perennially after the budget speech and the Governor's policy address. The problem is that it never gets settled, so I have to go on repeating it in the hope that eventually it will sink into the minds of those who have the power to get on with the job.

No community can be happy and harmonious when nearly half of its members are living in conditions that in advanced countries would be considered unsuitable for animals to live in. Huge numbers of people live in

tiny rooms in tenements where 50 sq ft serves as home for a family of four at a cost of \$2,000 a month. thousands live in caged bunks worse than prison camps. Tens of thousands live in old public housing estates or government temporary housing areas in conditions that have to be seen to be believed.

I have noticed in the past few years a vast increase in the number of people that suffer from psychiatric disorders. We read daily of serious cases of wife-beating and unimaginable child abuse. We shudder to hear to some appalling, horrifying cases of sexual assault, rape and incest. In Britain, it is against the law to allow male and female children to live in the same room: they have to have separate bedrooms — or at least that was the case when I lived there and no doubt that is still the case. But in Hong Kong whole families live in one room, men and women and children of both sexes. They live in such close and tightly-packed proximity that it would be a miracle if insanity, violence and sexual assault did not occur. In fact, the miracle is that it does not occur more often, and that says much of the decency of the local people in general.

Our housing programmes for low-paid workers are an absolute disgrace, particularly so because we dare to claim that Hong Kong is an economic miracle. The miracle does not include decent housing at affordable rents for the workers who have not yet been reached on the housing waiting list. Young couples cannot afford to get married because they can find no place to live. When is the Government going to realize that the need for low-rent housing is the same critical need as we experienced in the 1950s when the public housing programme commenced? I despair of ever hearing an answer to that question.

(c) *The elderly*

The third point I wish to raise today is that of the elderly, already mentioned by my colleague, Mr Jimmy McGREGOR. This is also a perennial question that I ask after every budget speech and policy address.

In this Budget speech, the Financial Secretary excused the lack of action to give more assistance to the elderly, on the grounds that "expenditure decisions are taken well in advance of the Budget speech" and that "we cannot at the last minute find large recurrent sums". No one has requested that such decisions should be made at the last minute. The Old Age Pension Scheme (OPS) was rejected months ago, and the Government was well aware that it would be rejected even before that. There was plenty of time to deal with the problem of more assistance for the elderly in need, not to mention the very long standing problem of providing singleton housing for those elderly persons who prefer to live alone but at present are pressured to share with others. The Government intended to inject a large sum of money into the OPS, so how is it that money is not available now? A real increase in cash for food for the elderly (above the measly amount now promised) would have cost only a fraction of the amount promised for the OPS. I find no case for delay in paying a higher rate to the elderly who need it. I had hoped that this could be done on 1 April this year,

but delaying tactics have prevented this relief to the elderly. Time after time, their hopes have been dashed with false promises, and still they have to wait.

So, Mr President, while I can support the motion, and will accept the Budget, it falls far short in these matters that are omitted, and I find that regrettable. I now ask for urgent consideration on the three matters I have just pinpointed.

MR EDWARD HO (in Cantonese): Mr President, the title of the Financial Secretary's Budget for 1995-96, his last, is "Prosperity Through Consensus". He also coined the term "consensus capitalism". Just what consensus capitalism is all about will certainly form the subject of many academic debates, and the term may also become the title of his memoirs in the future. But, "Prosperity Through Consensus" may very well be his most important farewell words of wisdom for the people of Hong Kong. It is certainly a message that Members of this Council should take to heart when they think of the interest of the people of Hong Kong.

Let me quote an anonymous Chinese saying: "Harmony is precious". This is not as famous as Xunzi's, but is just as important in these troubled times. Whereas prosperity may be created through consensus, prosperity in itself may not necessarily bring about consensus or harmony. Of necessity, a community has to accommodate diverse interests. These diverse interests bring life and dynamism to a community. But, a community can only make best use of its energy and dynamism when it enjoys harmony. Hence, harmony is the most precious value in any community.

Hong Kong has witnessed over three decades of uninterrupted growth. This has been due to the industry and resourcefulness of its people, to the open-door economic policy of China and to its strategic location in South China. All these factors have been discussed in my previous Budget debate speeches and by economists around the world. What has often been overlooked as a key factor of Hong Kong's success is the harmonious relationship among the various sectors of our community in the past. This is why I do believe that the Financial Secretary's message has come from his heart, through years of experience and his understanding of what has made Hong Kong successful.

Through my contact with many people in our community, both inside and outside of my functional constituency, one impression has come across most strongly: people generally feel that Members of this Council do not have much to do except arguing incessantly and viciously with each other, and with government officials. The saddening scenes in other countries can now be seen in Hong Kong too: personal attacks with rude words and histrionics for effect. And, in some countries, legislators even resort to fisticuffs. All this is intended to attract media attention and increase individual popularity.

Mr President, a community thrives on its diversities, but grave danger may result if these diverse interests were made use of: polarizing and dividing our otherwise harmonious community for political gains. That will do irreparable damage to our community.

Mr President and fellow Members, in the present political climate, it may be naive for me, and the Financial Secretary, to think that consensus politics can still work. But, at least there are two idealists in this Council. We should at least recognize the Financial Secretary's initiative of consulting Members of this Council in the preparation of this annual Budget.

The colour of his printed speech indicates the Financial Secretary's rosy picture of Hong Kong's economic growth in the coming years: an enviable annual GDP growth of 5.5% next year and huge fiscal reserves of \$151 billion at the transfer of sovereignty, to be increased to \$361 billion by 31 March 1999. On the other hand, he has also reminded us of the challenges that lie ahead in the next few years: the ups and downs of China's economy and the world economy will continue to influence Hong Kong immensely. For this reason, we can ill afford complacency. For the same reason, I cannot object to the Financial Secretary's strategy of maintaining a healthy reserve.

While the Financial Secretary's prudent financial management has won the acclaim of many, others have queried whether the Financial Secretary has struck a proper balance between prudent financial management and adequate funding for addressing social problems. We know very well that we still face many social problems. In particular, we have to look after the elderly, and we also have to invest in our infrastructure so that housing can be provided to the homeless, overcrowded households and the residents of caged homes, rooftop structures and hillside squatter huts. In terms of GNP per capita, Hong Kong does better than many other countries. However, in terms of quality of living, Hong Kong compares far less favourably, even with relatively poorer countries.

Our task is to strike a proper balance so that we can solve our acute social problems without changing our society into a welfare society, which stifles hard work and in turn contributions to society. If democracy is an ideal, then that balance is the ideal of democracy.

Physical infrastructure

As usual, I will comment on infrastructure. Investment in the physical infrastructure is vital for the sustained growth of our economy. Although we are told that spending on the infrastructure will not diminish in the coming years, there is nevertheless still a nagging concern. If the poor relationship between the British Government and the Chinese Government persists, there is a real risk that some of the more ambitious but vital projects may be delayed during the transition period, and Container Terminal 9 is one example. Up to now, the financing for the Provisional Airport Authority and Mass Transit Railway has still not been agreed by the two governments. Three rail links

including the important New Territories Northwest Railway are planned to be completed by 2001. But these will remain plans on the drawing board unless the two governments can agree on their works commencement dates.

On various occasions in this Council, I commented on the reclamation projects around Victoria Harbour. Recently, other people in the community have also made comments on the subject, and some even ask the Government to stop any further reclamation to preserve Victoria Harbour. An interesting question, not related to those considerations, is whether our harbour will still be named after Queen Victoria after 1997. Victoria Harbour or not, one thing is certain: the main working harbour has already moved west.

Another point is that we should ensure that the future development of the harbour can continue to enhance the cityscape of Hong Kong. Historically, harbour reclamation in Hong Kong has offered the cheapest and quickest solution to cater for the expansion of our city. The planned reclamation will provide the land much needed for social and economic growth. Another intention of the planned reclamation is to provide more open spaces and community facilities to ease the over-crowding in the Metroplan area. Hence, when planning those reclamations, we must ensure that we will not devote too much land to at-grade or elevated roadways and traffic interchanges, as in the case of the West Kowloon reclamation project. In terms of construction costs, underground roads and interchanges will no doubt be more expensive than their at-grade counterparts. However, the resultant long-term environmental benefits will more than offset the additional cost involved. Moreover, if we sell the noise buffer zones designated along the at-grade roads, the future government will also receive considerable revenue. If the above factors are taken into account when planning the reclamations, the reclamation area will shrink considerably in size.

Industry

The shift of many of our production lines to the Pearl River Delta has led many to discuss its implications for the scale of Hong Kong industries in the future. It is however beyond doubt that given its expertise in product design and marketing, as well as its potentials to become a centre for high-tech, high value-added industries, Hong Kong can and should remain as a centre of industrial activities in the South China region. This would need the right kind of infrastructure support from the Government: in education, in funding research and development, and in making available reasonably priced industrial land for special industries. Tseung Kwan O Industrial Estate Phase I, developed by Hong Kong Industrial Estate Corporation, has already been open. The continued encouraging performance of the Corporation indicates that it is now time to plan for the fourth industrial estate. The Government must also develop a land zoning strategy to allocate low density industrial land for purpose-built factories in the form of industrial parks.

Promotion of service sector

I am glad that following Hong Kong's transformation into an important service centre in the region, the Government has finally recognized the contribution made by the service sector to the economy. Hong Kong's service sector is able to compete with its rivals from other countries because of the quality of service it can offer. But this is increasingly threatened by the rising costs of operation in Hong Kong, due to the acute manpower shortage and unrelenting inflation experienced in the last six years or so.

I welcome the Government's plan to research into how best Hong Kong's service industry can be promoted overseas. Hong Kong has not only set an example to the rest of the world on how to provide a suitable business environment for open and fair competition, but it has also offered many opportunities to consultants around the world to participate in its many infrastructure projects and consultancy studies. Consultants from the United Kingdom and United States have been able to benefit from the intelligence network provided by their respective countries' trade offices and consulates. In marked contrast, the Hong Kong Government has never put in any efforts for the service sector.

In a study conducted in 1993 entitled "Hong Kong 21", the Business and Professionals Federation recommended that the Hong Kong Trade Development Council should extend its services to include the promotion of the service sector. I hope that its proposal can be considered by the Government.

Mr President, this is the farewell budget of Sir Hamish. His term as Financial Secretary has not always been smooth sailing. Since 1991, we have had a much more political and at times stormy Council. That the Financial Secretary has not only managed to keep things going, but has also left us with huge reserves is something which certainly deserves our special recognition. We wish him well on his onward journey, and may he and Lady MacLEOD sail any seas safely, profitably, with complete consensual harmony.

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

DR HUANG CHEN-YA (in Cantonese): Mr President, this is the last Budget presented by Sir Hamish MacLEOD as Financial Secretary, and this is also the last budget debate of this Legislative Council during its current term of office. Therefore, it is a suitable time for an overall assessment.

The Financial Secretary has used the term "consensus capitalism" to describe what we are practising in Hong Kong. When using this term, what he actually has in mind is the emergence in even greater numbers of public appeals in regard to government policies ever since the introduction of directly elected membership into this Council in the year 1991. Since then, because of the addition of democratic input, consensus has become a matter which is no longer

strictly restricted between the Government and the privileged. More democracy has not plunged Hong Kong into chaos and disorder. Quite the contrary, it has prompted the Government to formulate policies that can better look after the well-being of the whole community, rather than just the interests of a small minority.

The self-evident economic achievements of Hong Kong over the past few years have clearly shown that Hong Kong is capable of having more democracy, and more democracy will only serve to reduce social conflicts and narrow the gap between the Government and the people, thus making Hong Kong even more successful. Therefore, the Chinese Government should really agree to amend the Basic Law to allow full-scale direct elections in Hong Kong after 1997 so that the Special Administrative Region Government's financial philosophy can be brought more in line with the consensus of the community.

In fact, I believe that, in the community of Hong Kong, a consensus view about what capitalism should be has long been in existence. This is a consensus that sees capitalism as essentially a system under which the fruits of economic prosperity can be shared by all members of the community. We respect the free market economy, fair competition and success of individuals. However, we do not want a primitive kind of capitalism under which the law of the jungle applies. We do not want to see large numbers of old people and disabled persons languishing in great misery under the bright neon lights of a prosperous Hong Kong, nor do we want to see economic restructuring reducing the incomes of families or even driving them into unemployment.

Under a capitalist system based on sharing, the Government should not behave as if it were a detached bystander. It must provide the support necessary for further improving our economy so that the "cake" to be shared can become bigger to the benefit of all. At the same time, the Government must remedy the shortcomings of the market through positive intervention to reduce the gap between the rich and the poor. It must also ensure that everyone can be given fair and equal access to success, and that even the unfortunate members of our community can share the happiness enjoyed by the rest of the community.

There is still a long way to go before we can achieve this ideal form of capitalism, but we will continue our efforts until our goal is attained.

Mr President, in the following part of my remarks, I will comment on this year's Budget in terms of economic development, and employment and social policies.

(1) *Economic development*

First of all, let me comment on economic development. The economic policy of the Democratic Party is well-defined and positive. We are against monopoly, and it is our view that all enterprises should be given more opportunities for development; we agree that the Government should improve

its regulatory role to promote the long-term development of Hong Kong's economy. We urge the Government to give assistance to the trades in order that Hong Kong can advance towards the goal of high value added activities.

We are of the view that apart from serving to narrow the gap between the rich and the poor, taxation policies should also serve the purpose of promoting the long-term economic development of Hong Kong. We regret that the Financial Secretary has proposed against altering the profits tax. The Democratic Party maintains that a progressive profits tax regime should be adopted. Under such a tax regime, the existing profits tax should be adjusted slightly downward by 0.5% for small and medium-sized enterprises as a kind of encouragement, while the tax rate for highly profitable corporations should be raised by 0.5%.

On economic development, since 1992, the then United Democrats of Hong Kong and I have been urging the Government to formulate a development strategy for the service sector so as to increase productivity, promote higher value added activities and enhance the export of our services. This year, apart from devoting a relatively substantial portion of the Budget to financial services, the Financial Secretary has finally mentioned the need to promote the service sector.

The Democratic Party welcomes the Government's move to promote the service sector. However, we think that the Government's assistance to the service sector as a whole should not be limited to promotion activities. Instead, the Government should draw up a long-term development strategy based on far-sighted research in order to enhance Hong Kong's position as a world class service centre. With the closer ties between China and Hong Kong, we must consider very seriously indeed whether it is possible to maintain or enhance Hong Kong's traditional functions in terms of sales and marketing, port facilities and financing. In the past, the Hong Kong Government adopted a non-intervention attitude with regard to industrial restructuring. Only in recent years did it start to make a last-minute attempt to step up technological development. I do not want the Government to repeat the same mistake with regard to the service sector, and I must therefore caution it against an end-of-pipe approach.

An issue that calls for particular attention is that the existing government machinery is so structured that it caters for industries only. Development of the service sector is not catered for. If we are to further the development of Hong Kong's service sector, we must promptly review the existing government machinery in order to ascertain which government departments are to be responsible for the service sector. Alternatively, a new body may be set up for the purpose.

In regard to support for the industrial sector, the Government's policy of minimum intervention has rendered Hong Kong lagging far behind the other three "Little Dragons" of Asia in terms of industrial development. It was not

until recent years that the Government began to allocate a small amount of money for technological development and research. This year's Budget has proposed to allocate a meagre sum of \$210 million for technological development. This is indeed negligible. We are convinced that if Hong Kong is to maintain its position as a leading manufacturing centre in the region, apart from increasing funds for technological development, the Government should also ensure that the technology so developed can be applied to commerce and industry.

(2) *Employment policy*

Mr President, concerning employment matters, a government that has an employment policy would ask itself: what should be done to help the people overcome the problem of unemployment caused by economic restructuring and the northward shift of our industries? A government that has an employment policy would ask itself: what should be done to ensure that more well-paid jobs are available to the people over the next few years? A government that has an employment policy would ask itself: what should be done to ensure that old people and disabled persons can find suitable jobs? A government that has an employment policy would ask itself very seriously: why are the labour force participation rate and the employment rate so low? Having done so, it would try to do something to improve the employment opportunities for women, middle-aged people and old people. Unfortunately, the Government is concerned only about the labour importation policy, not a local employment policy.

Everyday on the radio, we can hear complaints about difficulties in finding jobs, and falling wages. However, the Government has remained unmoved and continues to content itself with the 2% unemployment rate. The Democratic Party has put forward a number of recommendations on taxation to promote employment opportunities. Unfortunately, the Government has refused to accept them, nor has it put forward any other employment proposals. We strongly urge the Government to formulate a comprehensive employment policy as soon as possible.

(3) *Social policy*

As for social policies, I am going to comment mainly on our tax policy and medical expenditure from the angle of assisting the vulnerable, in order to find out whether members of the public can really have a share of Hong Kong's prosperity.

We have always maintained that Hong Kong as a relatively affluent community should take continuous actions to improve the people's quality of living, and to provide assistance to the needy in order to reduce the inequality in wealth. Therefore, the Democratic Party has recommended to add to the 1995-96 Budget an "additional allowance for working disabled persons" and an "allowance for disabled dependents"; at the same time, we have also

recommended that the single-parent allowance should be raised to the same level as the basic allowance for single persons. This is because we are of the view that the Government has the obligation to make use of tax concessions to encourage more disabled persons to work and to relieve the heavy burden of single-parent families.

This year, the Financial Secretary has made it clear from the very beginning that the Government has special social responsibilities, in particular, towards the disadvantaged, the disabled and the vulnerable. Unfortunately, this principle has not been strictly adhered to because the Financial Secretary has accepted only one of our recommendations, namely, the provision of an additional allowance of \$11,000 for each disabled dependent. However, this amount is smaller than what we have recommended, and thus cannot really relieve the financial burden of the people who have to look after disabled or chronically ill family members.

I would like to reiterate our stand on the issue of rates. The Democratic Party is utterly disappointed that the Financial Secretary has repeatedly ignored the people's wish and refused to lower rates from 5.5% to 5%. According to the Government's estimation, the financial reserves of Hong Kong in the next few years will still be very large. That being the case, why has it refused to make any concession on rates, thereby subjecting the people to the suffering caused by high rentals and exorbitant rates? This is really inconceivable.

Also, with respect to health care services, this year's Budget continues to go in the wrong direction and is unable to come up with any new ideas. Time and again we have stressed that given the continuous ageing of our population, if we are to slow down the rapid increase in medical care expenses, we will have no alternative but to establish a good network of primary health care services that can work well in the prevention and early detection of diseases.

On the early detection of diseases, we have been stressing that the number of health centres for the elderly should be increased to 19 for the reason that the number of elderly people over 60 in Hong Kong will increase substantially in the next 10 years. Only by increasing the number of health centres to 19 and by establishing district-based health care networks can we cater for the health care needs of elderly people. Unfortunately, the Government has so far committed itself to the construction of only two new health centres for the elderly, which means that even when we take into account the one already commissioned as well as the other four promised by the Governor, there will only be seven such centres in total. This is far from enough to meet the needs of elderly people. Furthermore, the Government has promised to build only one new "well-women" clinic, which is far less than what is needed.

To prevent diseases, we must also correct our lifestyles and seek to reduce various pathogenic factors. For a long time already, health education has remained a minor item in our health care system. It has been given scant attention and very limited resources. In the Budget this year, the growth in

recurrent expenditure on health education is only 4.1% in real terms, and the estimated expenditure of \$52 million on health education represents only 2.4% of the estimated allocation to the Department of Health. When compared with the \$17 billion to be allocated to the Hospital Authority, this is simply a drop in the bucket. The Government is also prepared to make an one-off injection of \$80 million to establish a new Health Care and Promotion Fund. This is something given as a supplement, which we certainly welcome. However, it is anticipated that not very much money will indeed be left for health education because part of the \$80 million will be used for treating rare diseases and conducting medical research. The Hospital Authority promotes a "seamless health care system" in its annual report. Unfortunately, as far as primary health care is concerned, we see quite the opposite case in this year's Budget.

Finally, I hope that the Financial Secretary and the Financial Secretary-designate can give some thought to what Xunzi said in another work of his entitled "On Rites", and I quote: "Reduce the excess; supplement the deficient." This means that the government should avoid having too much surplus and make good what is lacking, as a show of respect and affection for the people. Or, we may caution ourselves by referring to what Laozi said: "Hoarding too much creates great losses." This means that having too much reserves will indeed result in heavy losses.

Mr President, these are my remarks.

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

DR PHILIP WONG (in Cantonese): Madam Deputy, after the Financial Secretary had announced the last of his Budgets during his term of office, he invited the representatives of several industrial and commercial organizations to a dinner. As a representative of The Chinese General Chamber of Commerce, Hong Kong, I was also invited. As soon as we took our seats, the Financial Secretary hastily asked for my opinion about his Budget. Since the host was so courteous, I just could not say anything that would make him unhappy. Therefore, I said, "This is the best of your four Budgets." He was very glad and immediately asked his colleague to jot that down. However, what I was actually talking about at that time was that the Budget was excellent in terms of its "packaging". Yet, if we unwrap it, we will find that it either evades or only touches lightly on those issues that are relatively sensitive.

First of all, I would like to talk about the issue of reclamation work. I feel that the comments of the Financial Secretary about the reclamation work have oversimplified the issue. He only points out that reclamation work is necessary because through reclamation of land, the demand for industrial and commercial land can be satisfied. However, he has not mentioned anything about the negative effects on the ecological environment and the sea transport caused by the reclamation work which seems to be never-ending. What the

Financial Secretary has said is hardly convincing since he has failed to make any comprehensive analysis. Victoria Harbour, with its wide expanse of deep and calm waters, has been one of the few magnificent harbours found in the world. It is also the only natural asset of Hong Kong. It has contributed to the wealth and well-being of the people of Hong Kong. This natural and magnificent harbour belongs to the Chinese people and their descendants. However, many experts have pointed out that with the continuing land reclamation works, in particular the large-scale reclamation projects currently under way or under planning, the negative effects are gradually emerging. First, reclamation has narrowed the navigation channels and caused the sea to become rough which, in turn, have made shipping and mid-stream operation more difficult and dangerous. Second, the water quality of the already heavily-polluted harbour has further deteriorated. Third, the beautiful scenery on both sides of Victoria Harbour is marred. We may recall that decades ago, the tram lanes were just adjacent to the harbour. Over the past decades, all the reclaimed land had been used for commercial purposes or for the construction of public facilities. The same is also true of Tsim Sha Tsui East. Although it may appear to be fair since the reclaimed land was put out to tender, the Government is still guilty of damaging a natural and excellent harbour because it reclaimed land for commercial purposes. Now the Government is going to carry out reclamation work in Kowloon Bay and Kowloon Point in order to satisfy the need of individual private organizations. Such a practice is just the same as "officials protecting one another". I hope the Government can respect the opinions of Hong Kong people and an overall assessment be conducted again on the entire project, particularly those parts which have not yet commenced. Information relating to planning should also be submitted to the Sino-British Joint Liaison Group for discussion as soon as possible.

Secondly, I would like to discuss the Strategic Sewage Disposal Scheme. The Government will allocate over \$20 billion for this major scheme which is expected to be completed by 2003. This scheme will also have far-reaching effects on the local economy and the livelihood of Hong Kong people. According to experts, this scheme which plans to dispose of three million tonnes of sewage each day lacks the support of scientific evidence. Moreover, the Government has not conducted an overall assessment of its economic effectiveness. This scheme will also have a variety of unethical sequelae. For example, large amounts of sewage will pollute the Pearl River estuary and the fish breeding grounds along the coast of China. This is obviously a major project which will continue through 1997 and beyond. But the Government has not discussed this issue with the Chinese side in advance while the future Special Administrative Region (SAR) Government will be forced to bear the enormous construction cost and maintenance cost involved. The Government has been widely criticized by the people of Hong Kong for handling the issue in such a way. Yet, the Financial Secretary has refrained from talking about this in his Budget. In fact, if the Government does care about the interests of the people of Hong Kong, it should conduct joint researches and studies with experts from the Chinese side on the economic and technological aspects of the scheme. In such a way, the problem can be readily solved. However, the Government has ignored

criticisms from all sides and proceeded to award several contracts for sewage projects hastily. Such a course of action is indeed open to question.

I would also like to discuss the narrowing of the tax base. The Financial Secretary has further narrowed the tax base of Hong Kong which is already very narrow. It may not be much of a problem when the economy is doing well. However, if there is a downturn in the economy, narrowing of the tax base will adversely affect the stability of government revenue. I recently attended the Governor's Summit Meeting on the Disabled called by Governor Chris PATTEN. Mr James TIEN and Mr Vincent CHENG were also present at the meeting. We heard a disabled person say during the meeting that he hoped one day he should become a taxpayer of Hong Kong. The remark won applause from those present at the meeting. What he meant is that it is a thing to be proud of if one is required to pay tax. In fact, many people in Hong Kong regard the need to pay tax as something of a status symbol. Will the hope of this disabled person be dashed into pieces because the Financial Secretary narrows the tax base? Moreover, will a number of people in Hong Kong feel that they are downgraded as a result? Is this a good thing?

Finally, I want to point out that a budget should contain estimates of both the revenue and the expenditure. However, as regards this Budget, the space devoted to expenditure far outweighs the space devoted to revenue. The Financial Secretary only touches on lightly the issue of revenue and the Government's policies on how to "develop revenue sources", with which the public is most concerned. We cannot help guessing that measures to adjust taxes or fees are coming up soon.

Madam Deputy, a prominent Chinese philosopher, Laozi, said more than two thousand years ago that "Words of truth are not beautiful; beautiful words are not truthful". Packaging is of course important, but the substance is much more so.

With these remarks, I support the motion.

MR LAU WAH-SUM (in Cantonese): Madam Deputy, the Financial Secretary Sir Hamish MacLEOD's final Budget is released at a time when Hong Kong will revert to China in only a little more than two years time. Because of the Sino-British political dispute, the two countries have not been able to improve their relations so far. Therefore, we can hardly expect a forward-looking budget with a long-term planning which has a guiding effect. At present, Hong Kong is still plagued with a number of major unresolved problems such as persistent high inflation, the elderly's problem and so on. The Budget has yet to provide us with any prospect of seeing these problems solved. The followings are some of my opinions for Sir Hamish's and Financial Secretary-designate Mr Donald TSANG's reference. I would like to take this opportunity to wish Mr Donald TSANG every success with his career so that he will lead Hong Kong's economy to an even brighter future.

High Inflation and Linked Exchange Rate

The first problem is high inflation. Over the past few years, our inflation rate has remained at a high level. In his Budget speech this year, the Financial Secretary has given us an impression that there is nothing he can do and no effective measures are in sight. The following comments may not solve the problems thoroughly, but they will definitely help reduce inflation to a certain extent.

It has already been 10 years since the linked exchange rate system was adopted. As a result of the fixed exchange rate of the US dollar, we have been able to enjoy stable currency value and prosperity over the past years. But at the same time, we are aware of the drawbacks of the system. To begin with, we cannot make use of the interest rate to adjust the pressure exerted by inflation. Added to this, the devaluation of the US dollar has further damaged Hong Kong's economy, particularly our import. It is impossible for the Administration to adopt an indifferent attitude now. In my opinion, the Financial Secretary should weigh the pros and cons of the linked exchange rate system and consider making changes. For example, Dr David LI has repeatedly advocated pegging the HK dollar to a basket of foreign currencies to ensure that the HK dollar can float in a stable manner. It is high time we gave serious consideration to this issue. We must not wait until the last moment when numerous shortcomings of the system become evident or until Hong Kong's economy plummets.

Chronic Labour Shortage

We all know that Hong Kong experiences chronic labour shortage. This is because the rate of natural increase in our population has maintained at a low level. Furthermore, increased opportunities for higher education have consequentially deferred the entering of the workforce of this generation into the labour market. For this reason, the Government needs to seriously study how to strengthen our workforce and enhance our productivity to sustain our economic growth. I would like to put forward a few suggestions for the Administration's reference.

To begin with, to make up for the deficiency of our workforce by importing foreign workers is but a short-term solution. The importation of workers will only leave the local workers unprotected. Therefore I hope the Administration can strictly require that all trades and professions should give priority to local workers. However, we learnt from the mass media that there are many workers, particularly the construction workers, who are still being treated unfairly. They have been unable to find any jobs because the employers are trying to find fault with them by making unreasonable demands, hoping that permission will be given to them to import foreign workers. I hope the Administration will only take a look at this problem, but also seriously investigate and address it. Permission for importation of foreign workers will

only be given when the trades and professions in the territory have such a real need.

Secondly, as Hong Kong's industries are undergoing transformation, some workers are facing unemployment or under-employment. This problem is even more serious than the consequences brought about by importing foreign workers. Although the Government has launched a retraining scheme, the result is far from satisfactory. Therefore, the Administration should review the existing scheme and improve the retraining programme to achieve the desired effect so that workers can secure a job after retraining and their productivity can be enhanced. As a matter of fact, there are some jobs such as toll collectors at tunnels and car parks that can be taken up by housewives and the less capable elderly on a part-time basis.

We may as well adopt a two hours per shift system so that housewives, who have to take care of their families, can choose a suitable shift to work. This system will not only enable housewives to join the workforce, but also enable the able-bodied young people to take up work of higher productivity. I learnt from the mass media that there were some people who brought drugs with their Comprehensive Social Security Assistance (CSSA) payments. There is also television coverage that recipients of the CSSA payments generally do not work. But actually are they forbidden to work because of such restriction? I hope the Administration will re-consider allowing these people to work for a couple of hours so as to increase our overall labour productivity.

As far as retirees are concerned, the Administration should not stipulate that certain jobs cannot be taken up by the elderly after their retirement. This is because productivity varies from person to person, and no uniform restriction should be imposed. The Administration must handle this matter flexibly to accommodate different circumstances. For instance, both Mr President and I are over the age of 65, but I firmly believe we take precedence over the ordinary young people as far as productivity is concerned. So why should we be forced to retire? I believe I will not retire until after 70 years old.

Furthermore, I would like to suggest that children born in Hong Kong but being raised in the mainland as well as children born in the mainland to parents who are Hong Kong permanent residents should automatically become permanent residents of Hong Kong in the future. Instead of seeing a massive influx in July 1997, the Administration should work out a solution to allow people aged 16 or above who are capable of work to take up employment in Hong Kong immediately. The Government should allow these people to come to Hong Kong under a special entry quota, without stopping other children from entering Hong Kong. In so doing, the Government can strengthen Hong Kong's workforce on the one hand, and does not need to increase our welfare expenditure on the other.

Impact of Government's Policy on Inflation

Another point is that government charges and pay rises have a direct and leading effect on inflation. Although the Administration often denies that it has produced such a leading effect, the Government's increases have more often than not been taken as a standard by the commercial sector. Over the past few years, government charges have increased by about 10% and it was said that the increase was the same as the inflation rate. But obviously the inflation rate in Hong Kong has maintained at only 8% to 9% over the past few years. I have repeatedly suggested that if we assume the inflation rate to be 8.5%, the increase of government charges should be confined to between 5% and 6%. Only in so doing can we produce a guiding effect on the private sector. If government increases are lower than the inflation rate, the private sector may also adjust their increases to a level below the inflation rate. Although the Administration's revenue may be slightly reduced, it certainly will produce a psychological impact to the effect that most increases will be lower than the existing inflation rate by two to three percentage points, thereby slowly reducing the inflation rate of the coming years.

Public Expenditure

Finally, may I ask the Financial Secretary how he controls the growth of public expenditure in formulating this Budget? We always say that the growth of public expenditure cannot exceed 5.5% of our growth in productivity. However, according to note 1 of Appendix A in page 11 of the Financial Secretary's Budget speech, as well as in page 2 of the Introduction to the Estimates, expenditure of certain organizations, due to their different modes of financing, cannot be included as government expenditure. But what is the rationale behind it? Why can the expenditure of the Mass Transit Railway Corporation (MTRC), the Kowloon-Canton Railway Corporation (KCRC) and the Provisional Airport Authority (PAA) not be included as public expenditure? Everyone knows, I believe, that such expenditure falls into public expenditure, and the growth in such expenditure is one of the major factors that contribute to the persistent high inflation rate. May I ask if expenditure of the MTRC, the KCRC, the airport and other relevant government departments is included in public expenditure, will the rate of increase of these items exceed 5.5% of our economic growth rate? I hope the Financial Secretary can answer my question.

Perhaps I can cite another example. The expenditure of the Post Office is at present included as public expenditure. However, if the Post Office is privatized, its expenditure will no longer be included as public expense according to the current practice. Is that again reasonable? I hope the Financial Secretary can give us a concrete answer.

Decent Livelihood for the Elderly

I would also like to urge the Administration to consider the problem of providing a financially secure old age for the elderly. At present, there are

around 600 000 elderly people in Hong Kong, with 20% of them failing to lead a decent life and requiring public assistance. However, only 13% of the elderly people are eligible for the CSSA payments. I wonder if the eligibility criteria is too harsh? I believe if the criteria is relaxed, about 20% of the elderly people will benefit from the scheme immediately. At the same time, only through raising the CSSA payments to a reasonable level can we ensure that the elderly can lead a financially secure life.

Furthermore, I firmly believe that housing is the foremost problem to the elderly. This explains why we have the problem of people living in narrow bed spaces. I suggested several years ago that the elderly recipients of the CSSA payments be allowed to reside in China. They would only need to come back to Hong Kong once or twice every year just to prove that they are still alive. However, my suggestion has never been accepted. What the Administration did was to gradually extend the leave period to a maximum of 90 or 180 days for the elderly recipients. It should be understood that if the CSSA recipients can only leave Hong Kong for up to 90 or 180 days, they still have to maintain a home in Hong Kong. For this reason, the problem for the elderly will remain unresolved. If the elderly are allowed to reside in China and come back to Hong Kong to report only once or twice a year, they can lead a financially secure life on the CSSA payments in places outside Hong Kong. This will not only enable the elderly to live and work in peace and contentment, but also greatly reduce our expenditure on welfare.

Tax Net

Another thing I would like to discuss is the problem of the tax net. Expanding our tax base has come under discussion for a long time, but over the past couple of years, the taxation policy formulated by the Financial Secretary has been aiming at narrowing instead of widening our tax base. I would like to put forward a proposal here and hope the Financial Secretary or the Financial Secretary-designate will give serious consideration to it. Both the Administration and I believe that sales tax is the best and the most stable tax type with its tax base being the widest. At present, sales taxes are levied in many developing as well as developed countries though the taxes do not come in exactly the same form. I am aware of the fact that there are some people who blindly and vehemently object to the levy of sales tax. But this type of tax has a stable tax base. Within this year, the Administration has to consider the advantages of this tax type in concrete terms and get prepared so that sales tax can be introduced in due course as the prosperity that has been enjoyed by Hong Kong over the past couple of years may not last forever. If we do not make preparations until an economic downturn occurs, we will have to wait several years before this tax type can be introduced.

Finally, I urge for full co-operation, setting aside of prejudice and harmonious co-ordination between the Government and the representatives of the future government of the Special Administrative Region in preparing long-term budgets for the following two years. Apart from carrying out our fiscal

policy thoroughly and maintaining a simple, fair and reasonable tax system, we should also take into account the various problems we will face in entering the 21st century. I firmly believe that for the sake of stability, prosperity, and a smooth transition, Hong Kong people will be delighted to see those experts, who are or will be in charge of Hong Kong's fiscal policy, work together harmoniously to build for them a Hong Kong with a bright future.

With these remarks, I support the motion.

DR TANG SIU-TONG (in Cantonese): Madam Deputy, the guiding principle of this year's Budget, like the previous ones, is to keep expenditure within revenue. Based on this principle, a "cautious but conservative" Budget is drawn up. Despite the estimated deficit of \$2.6 billion, according to past experience and taking into account the expectation that the property market will recover, it is very likely that there will be a surplus at the financial year end. The tax increases and concessions set out in the Budget show that the attitude adopted by the Financial Secretary is as cautious as what we call "still having a helmet on one's head whilst walking under a balcony". As the Government is not trying to claim credit but to avoid making mistakes, while the tax concessions promised in the Budget have not given pleasant surprise to the public, the proposed tax increases have not caused any shock either. It is just as plain as a glass of water; it is like the song "The Autumn Moon Over A Calm Lake". Rather surprisingly, it is the "consensus capitalism" and "consultation with China on the 1997-98 Budget" that arouse public controversy and form the most distinguishing features of the Budget.

In the Budget, the Financial Secretary, Sir Hamish MacLEOD, quoted from Xunzi's writing "On Enriching the State" which reads: "The way to make a country prosperous is to be prudent in public spending, to improve the well-being of the people and to maintain good reserves". With these remarks, he tries to support the Government's cautious approach to fiscal management. As the "housekeeper" of the 6 million people of Hong Kong, the Government has to and, at the same time, is duty-bound to manage the financial affairs of Hong Kong in a proper way so that taxpayers' money can be fully utilized to cater for various needs of the community and the people can partake the fruits of economic growth and enjoy prosperity. I entirely agree that the Government should be prudent in financial management. But prudence is not a synonym of meanness. It is not our hope to see that the Government becomes a miser revelling in enormous fiscal reserves whilst paying no regard to social needs.

The Government expressed its will "to be prudent in public spending, to improve the well-being of the people". For the first part as "to be prudent in public spending", we have seen positive results. But can it really "improve the well-being of the people"? The tax burden on the people has not been significantly increased this year since the Government only increases tobacco duty and fuel duty according to inflation rate. However, with regard to salaries tax which affects the general public most, there is only a 10% increase in the

allowance. Taking into account the increases in salary and inflation rate, the concessions have actually been offset. The public is not very much benefited, nor is the low-income group outside the tax net benefited in any way. The Budget is being flaunted by the Government as being able "to improve the well-being of the people". But how will improvement come by? And how many people will have their well-being improved at the end?

As far as "maintaining good reserves" is concerned, the Government is indeed competent. The Financial Secretary said that fiscal reserves at the end of March 1997 would stand at \$151 billion which was a very reassuring cushion. I am of the view that an aggressive and ambitious government should not only "maintain good reserves" but should also "make good use of reserves". It should appropriately allocate public funds for social welfare, medical care, public housing, education and training as well as other necessary public services so as to improve the living conditions of the people. It is in line with the principle of "taking from people and giving back to people". In this financial year, the total public expenditure amounts to \$203.9 billion. Of which, \$15 billion will be allocated for social welfare, accounting for an increase of 24% in real terms; \$22.1 billion for health, an increase of 7.7% in real terms; \$30.3 billion for education, an increase of 4.9% in real terms; and \$25 billion for housing, an increase of 10.7% in real terms. The overall expenditure in these four areas represents 47% of the total public expenditure. If we just look at the figures, some key expenditure items which affect people's livelihood are adjusted to a certain extent. However, it is still inadequate to cope with the actual situation. I will be coming back to this point in a minute.

The total expenditure of government departments amounts to \$16 billion. Of which, about \$4 billion will be spent on civil servants. When compared with the revised expenditure of 1994-95, it has increased by \$520 million. According to the relevant information, there were altogether 190 000 civil servants in 1992, representing a negative growth of 2.7% in comparison to the previous year. The figure was further reduced to 188 000 in 1993, indicating that the negative growth was contained to 0.7%. The figure went up slightly last year, making a positive growth of 0.6%. This year, the growth rate has increased to 2.3%, making a total of 194 000 civil servants. As to this increase in manpower, the Government claimed that as a result of the incessant demand for more services from the public, the Government has to swell the rank of the civil service. It is very gratifying that the Government undertakes to properly increase the manpower resources required by various departments and enhance services provided to the public. But the point is whether the expansion of the ranks of the civil service is based on actual needs or it is simply because of the presence of redundant staff in the establishment? The Secretary for the Civil Service admitted last week that there were certain people who "hold an office without doing anything" in the civil service. I wonder if the increase of 4 400 civil servants this year is intended to fill this gap. I support the Government's decision to simplify the procedures for assessing the performance of civil servants. But I think all civil servants, regardless of their rank, should be treated equally. Performance assessment should not be directed against civil

servants of lower ranks only. Low-ranking civil servants who are incompetent can be dismissed under the simplified procedure. Likewise, those middle and high-ranking civil servants with poor performance should also be "fired". This is in line with the principle of equality as well as the overall interests of society. A good civil service system is the cornerstone for smooth operation of a government. I do not want to see abuses of power or inequities under the new measures which will weaken the morale of civil servants.

Madam Deputy, I would like to come back to the people's livelihood. First comes the issue of inflation. Many of the Members expressed their views on this issue a moment ago. As usual, there is nothing in the Budget that can help curb the soaring inflation. Whilst the Financial Secretary admitted that inflation was still staying at a high level, he pinned his hopes on natural adjustment as a means to reduce inflation. But the two are, in fact, not compatible with each other. High property prices constitute one of the major factors which push up inflation. The Financial Secretary also admitted that property prices still remained at a high level. However, the Budget clearly indicates that the Government will not take any further measure, at least for the time being, to suppress property prices. It represents a green light for the real estate developers and entices speculators back to the market. Judging from the sale of flats at several locations recently, there seems to be every indication that speculators are coming back. The intent of the Government is rather apparent. If property prices are suppressed, adverse effects will be caused to the property market and the Land Sales Programme, directly reducing the revenue of the treasury.

In addition, the Financial Secretary claimed that growth in the working population would help to curb inflation. The labour sector has been arguing with the Government on the issue of unemployment rate. The labour sector accused the Government of purposely ignoring the problem of underemployment of local workers and failing to provide protection for local workers. I do not doubt the assertion made by the Government in the Budget about the progressive increase in the size of the working population. However, the figures do not show clearly the employment ratio between local and imported workers. If the increase in the working population is boosted by the importation of labour, the problem of underemployment of local workers will be ascertained. Over the past two years, partly due to the delay in the new airport projects, inflation has not risen to a two-digit figure as anticipated. Now with the airport projects going on in full swing, it is predicted that inflation will soar this year. If the Government fails to take pre-emptive measures to curb inflation, the situation will worry us very much.

With regard to social welfare, an additional provision of \$13 billion is not a small amount. However, after studying in detail those items with increased expenditure, I find that they are nothing new and they only serve the purpose of fulfilling some of the commitments the Government made in the past. It is an indisputable fact that the welfare for the elderly is inadequate. In particular, it is most disappointing that the Government fails to improve the welfare of the

elderly and increase the comprehensive social security assistance to the amount of \$2,500 as requested by this Council during the period of vacuum when the Old Age Pension Scheme has been rejected and the Mandatory Provident Fund Scheme is not yet in place. Nonetheless, the Government should be given credit for its undertaking to spend \$2.5 billion purchasing flats in the private sector for setting up nurseries, multi-service centres and home help centres.

As regards education, the expenditure in this area only increases by 4.9% in real terms this year. Such increase is even lower than the growth of the government recurrent expenditure by 1%. The education budget increased by 7.3% in real terms in 1993 but was reduced to 6.5% last year and further reduced to 4.9% this year. This trend shows that the Government is scaling down the expenditure on education. I am not happy about it. For secondary and primary education, there are only slight increases of 2.5% and 3.8% respectively, far less than the increase of 9.4% for tertiary education. This shows manifestly the "top-heavy" unbalanced development of our education. As the Government pays no regard to the importance of elementary education, particularly the details of assistance to be provided to kindergarten education have yet to be published, it will not help to improve the quality of education in general.

As for transport, construction of Route 3 is about to get underway and the construction plan of the North West New Territories Railway has been drawn up. These measures will certainly do a great deal to ease the traffic condition in the north-west of the New Territories. I am really gratified with this.

With respect to health and medical services, the Budget sets out a series of measures to allocate funds for further improving the training of nurses, increasing the number of first-degree places in nursing, employing more health care assistants, setting up the Health Care and Promotion Fund and so on. These measures are most welcome. As far as the Health Care and Promotion Fund is concerned, I hope the Government would state clearly how the fund will be used and whether there will be further injection of funds. Apart from the above new measures, other improvements are quite piecemeal without overall planning. The health care system in Hong Kong is now facing escalating medical cost. If medical cost keeps on rising and the Government does not shoulder more, the burden will then be passed on to the general public. In this regard, I urge the Government to keep the rising medical cost under control and monitor the Hospital Authority to ensure proper allocation of resources so as to improve the quality of medical services.

Madam Deputy, finally, I would like to talk about China's involvement in the preparation of the 1997-98 Budget. On 5 May 1993, I put questions to the Government in this Council about the administrative arrangements for the transfer of duties. On that occasion, regrettably, the then Secretary for Constitutional Affairs, Mr Michael SZE Cho-cheung, just simply answered "the Government will develop plans." If the Government did begin to address this

problem at that time, I believe it would be conducive to a smoother transfer of duties.

It is indisputable that China should be involved in the preparation of the 1997-98 Budget. The main concern should rather be the way in which it is involved. By 1996, the preparatory committee for the formation of the Special Administrative Region (SAR) Government will be set up and the Chief Executive-designate will be elected. I think it is essential for the Hong Kong Government to exchange views with the preparatory committee and the Chief Executive-designate on the drafting of the Budget. And the Budget, upon completion, should be submitted to both China and Britain for examination and negotiation before finalization. I suggest that the preparatory committee and the Chief Executive-designate should be involved mainly because of their relationship with the first SAR Government. If they are involved, it will be easier for the SAR Government to execute the Budget after the transfer of sovereignty. At the same time, the Chief Executive-designate will be able to get more information at an early stage, which will be of great help to him when he prepares the first policy address of the SAR Government.

As 1 July 1997 is drawing closer and closer, arrangements for the transfer of duties are the reality which we cannot evade. If we oppose whatever things China says or does regardless of facts, and even refuse to co-operate with China on matters relating to transitional arrangements, we are being irrational and blind to reality. This will make smooth transition become empty talk. And the ultimate party who is going to suffer will be the 6 million people of Hong Kong. In the interests of Hong Kong, I do not think we should cause any complications to the transitional arrangements.

Madam Deputy, during his four-year service, Sir Hamish significantly increased the provisions for certain items of public expenditure. For example, social welfare has increased by 86%, health care by 61%, education by 54% and infrastructure by 74.7%. Although the increased provisions have not achieved the target of fully meeting demand, there have already been a lot of improvements. To judge the Financial Secretary's overall performance, I think his merits outweigh demerits. Sir Hamish is retiring. This is a loss to the civil service. I would like to wish Sir Hamish a happy life after retirement. I also hope that the Financial Secretary-designate would, like what Sir Hamish has done, be receptive to opinions and endeavour to provide good financial management.

Madam Deputy, these are my remarks.

MR FRED LI (in Cantonese): Madam Deputy, many people have described this year's Budget as moderate. I guess the word "moderate" in essence means "avoidance of mistakes, even at the expense of meritorious performance". In brief, it can be said that over its remaining two years, the Government will just want to ensure that things can run "steady and slow so that it can simply pack

and go." The Financial Secretary's Budget speech on 1 March reflects precisely this very "prudent", or to be more correct, "conservative", attitude of the Government with regard to fiscal management. Right at the beginning of the part on Budget Strategy, the Financial Secretary stated clearly as follows: "First, inevitably, is the need to control government expenditure so that, over time, it grows no faster than the economy as a whole". This is in fact an unchanging golden rule that has formed the basis of the Government's fiscal management policy and is perhaps an exclusive financial knack handed down from one Financial Secretary to another over the years. I wonder if the Financial Secretary-designate, Mr Donald TSANG, has also been handed this bible of financial management.

The Democratic Party has never objected to the Government's adoption of a prudent policy of public spending. However, we do take exception to its rigid adherence to the policy of linking public expenditure with economic growth because our public expenditure policy will then be placed in a most passive position, deprived of any flexibility. As a matter of fact, a sound fiscal policy should not focus only on working out a priority list of expenditure needs in the light of available resources. It should also make arrangements for an appropriate revenue policy that can stimulate economic growth, tap new sources of revenue and set up an equitable taxation system. Although the Financial Secretary has stressed time and again that the Government's fiscal management policy has been well-thought-out and in perfect order, regrettably, the Government has so far failed to give this Council any reasons that can justify its strict adherence to this rule. If many urgently needed social services have to be deferred because our resource allocation has been rendered unnecessarily rigid by an arbitrary policy, should we not all feel puzzled?

Madam Deputy, in the following part of my speech I will turn my attention back to an area I am more concerned about: the Budget's treatment of welfare spending. First, I welcome the Financial Secretary's receptiveness to the Democratic Party's suggestion on introducing a new disabled dependent allowance. However, in so doing, the Government has accepted only one out of the three proposals put forward by us. No wonder that some rehabilitation organizations have criticized the Government for staging a show rather than doing something concrete to help.

In order to provide real assistance to disabled persons, the Democratic Party again urges the Government to accept all its three proposals, especially the one on tax concessions to companies employing disabled persons, so that more companies can be encouraged to take on disabled persons, thus helping them to integrate into society and stand on their own feet. In addition, the Government should increase the rates of disability allowance to provide the recipients with a more secure living.

Concerning the single parent allowance, the Democratic Party has suggested that it should be put on a par with the personal allowance, that is, at the level of \$79,000. However, the Government has offered \$40,000 in return.

Our demand is not at all unreasonable. The expenses of a single parent family are far greater than those of a normal family. A single parent has to look after his or her children and work to earn a living at the same time. Therefore, the single parent tax allowance should be high enough to cater for the extra financial needs of a single parent family.

The Financial Secretary has said that the success of Hong Kong is founded on "consensus capitalism". If this is really the case, why has the Government turned a deaf ear to the demand for an increase in CSSA payments for the elderly to \$2,500 a month, which has the unanimous support of all sectors of the community, including the Liberal Party, the representative of capitalistic interests? What does "consensus" in "consensus capitalism" mean? Although this Council has debated this issue many times, I still have to express my strong dissatisfaction and disappointment.

The Financial Secretary has said that we should not consider the elderly's needs only, but should instead look at the needs of all CSSA recipients. We totally agree. But, the Government has actually been paying lip service as far as CSSA is concerned. In February last year, Mr WONG Wai-yin of the Democratic Party moved a motion on increasing the rates of CSSA payments. The Government replied that we should wait until the findings of the MacPHERSON Report were released. Then, after the publication of the Report, the Administration flatly refused to accept the findings and said they had to wait for the findings of another survey on household expenditure to be released by the end of this year. The issue has dragged on and on and we just do not know what more excuses the Government will come up with after the findings of the latter survey are released. The CSSA recipients have to keep on waiting indefinitely and continue to live in great hardship.

Concerning services for the elderly, the greatest achievement of the Administration this year has been the publication of the Report of the Working Group on Care for the Elderly, and commitments are also made in this year's Budget for the implementation of the Report's recommendations. However, with regard to the development of specific elderly services, we have observed stagnancy or even regression. For example, the emergency out-reaching service will not receive any funding this year. I have approached the Social Welfare Department on this and their reply is that the recommendations of the Report can already adequately replace this service. But, I have talked to many old people and some social workers involved in elderly services, and all of them confirmed the need for the continued provision and expansion of this service.

The Government will increase the number of elderly centre places and it will also expand the out-reaching medical service for the elderly. However, this out-reaching medical service is targeted only at the inmates of elderly homes or convalescent homes. In fact, elderly recipients of CSSA who are living by themselves are the ones most in need of care. In recent years, the suicide problem of elderly people has become very serious and has led to great alarm in the community. The suicidal rate of the elderly has increased because many

single elderly recipients of CSSA, battered by loneliness, poverty and sickness, have resorted to the extreme solution of ending their own lives. With emergency out-reaching service for the elderly, emergency assistance can be provided to single elderly recipients of CSSA to help them tackle their difficulties and frustrations. It is very difficult to provide effective emergency relief to the elderly if we rely only on Estate Liaison Officers. Therefore, the Democratic Party is of the view that the emergency out-reaching service for the elderly should be restored and expanded, and a strategy for long-term development should also be formulated.

Early this year, I moved a motion in this Council to urge the Government to introduce a community-based health care plan for persons aged 60 or above, so that adequate health care services for the elderly can be provided. I suggested that health screening services for the elderly should be provided at least once a year, and that elderly health centre services should be expanded to all the 18 administrative districts in Hong Kong, with one elderly health centre in each. The motion received unanimous support in this Council. However, the Secretary for Health and Welfare failed to give me a concrete reply, and this year's Budget makes no mention of the seven elderly health centres promised by the Governor. It only makes fleeting reference to the commissioning of two health centres. However, even this is only partially correct because one of the two centres mentioned will not be commissioned until the end of March. For the remaining five centres, we simply do not know what has become of them.

I want to remind the Government that all elderly people aspire to a healthy and comfortable life in their twilight years. The Government should take their aspiration seriously and build the remaining elderly health centres as quickly as possible. It should also expand this service to all the 18 administrative districts in Hong Kong for the benefit of all elderly people.

Concerning services for the elderly, the last point I want to talk about is the funding of elderly centres. At present, the Government is responsible only for 80% to 85% of these centres' funding and the rest is provided by the Community Chest. Take 1994-95 as an example. The expenditure of the Community Chest in this aspect is about \$10 million.

The provision of elderly centres, like other services for the elderly, is also a welfare service aimed at looking after the old people. For that reason, the Democratic Party maintains that it is an absolute responsibility of the Government to shoulder all the costs involved. It is not cost-effective at all for the Community Chest to spend as much as \$10 million on these centres because this amount of money should be used to help develop other required welfare services. The Government should therefore provide full funding to elderly centres.

Next, I would like to discuss the problem of child protection and family services. I believe that Members can still remember two recent court cases involving sexual assault and physical abuse of children. In one case, a 77-year-

old suspect was charged with indecently assaulting a nine-year-old girl three times. Although the accused was finally sentenced to several years' imprisonment, he nearly managed to go unpunished. In the other case, a "male nanny" was charged with occasioning grievous bodily harm to a two-year-old boy with a safety-pin. However, the man was given a very light prison sentence of six and a half years only.

Apart from causing a big shock to our community, these two court cases have, most importantly, conveyed a clear message to us that we must review our existing legislation on child protection because it has become obvious that such legislations is full of loopholes. The Government must take immediate actions to review the situation and plug these loopholes. In this respect, I am pleased to learn that the Legal Department will soon submit amendments to the relevant legislation to the Legislative Council.

In a special meeting of the Finance Committee, Mr Ian STRACHAN, the Director of Social Welfare, explained that the Social Welfare Department will employ an additional five social workers and nine clinical psychologists in the Child Protection Services Unit. Mr STRACHAN thought this would solve the ever-increasing problem of child abuse. Not doubt, this is also an improvement of some kind. However, as far as child abuse is concerned, the Government's involvement has so far remained at the level of remedial work, and its work on prevention still leaves much to be desired. I hope the Government can do more in prevention work by allocating more resources to enhance public and family life education. That way, the problem of child abuse will become less serious. Prevention is always better than cure. I hope Mr STRACHAN can understand this principle.

Recently, there have been a lot of news reports on children. Last week, two tragedies occurred, in which two children who were left alone at home fell to death from a height. Immediately after the accidents, the Social Welfare Department urged the public not to leave their children alone at home, lest tragedies causing life-long regret might occur. It is indeed very good that the Social Welfare Department has responded so promptly. However, I still cannot help asking, "Who wants to leave his children alone at home if a choice is available?" Parents have to go out to work to earn a living, and they thus have to rely on child care service to look after their children. Obviously, the present supply of child care service falls far short of demand. In his 1993 Policy Address, the Governor promised to provide an extra 5 600 day nursery places and 1 200 day creche places by 1997. Although this year's Budget plans to provide an extra 1 400 day nursery places and 250 day creche places, there is still a long way to go before reaching the target laid down by the Governor.

Some Social Welfare Department officials have argued that the existing child care service is being under-utilized. They even put the blame on parents for not fully utilizing the service available to minimize the occurrence of accidents. However, we must be aware of a fundamental fallacy in the Department's approach to service provision — the fallacy of juggling with

figures, which has often led it to tell the public how many places and social workers have been added to each service. We should remember that "quantity" needs improvement, and so does "quality". Apart from inadequate publicity on this service, the rigid opening hours of the day nurseries from 8:00 am to 6:00 pm have also made it difficult for working parents to fully utilize the service available. At present, there is only one 24-hour emergency child care centre in Chuk Yuen. If in case of emergency at mid-night, a family living in Tuen Mun need emergency child care service, they will have to bring their children to Chuk Yuen and then go back to Tuen Mun. This indicates that the Government has to lay equal emphasis on both quantity and quality. This in effect means that the opening hours of day nurseries should be extended and their services should be provided in a more flexible manner for the convenience of working parents. Also, more 24-hour emergency child care centres should be established in different districts to provide appropriate emergency child care service to those in need.

Madam Deputy, the Government has stressed there will be a 24.1% increase in welfare spending this year. But, on 17 February this year, the Finance Committee already approved the allocation of \$649.3 million for the purposes of adjusting CSSA payments according to the inflation rate, increasing the standard rates for children by \$250 a month and paying each single parent family a supplement of \$200 a month. Since the effective date of these adjustments is 1 April, the expenditure thus incurred has been included in the 1995-96 Budget. Therefore, the growth in real terms should only be about 19%, in terms of the total spending on social welfare as a key component of public expenditure. In we look at the recurrent expenditure on social welfare, the growth in real terms is only 7%. I hope the Financial Secretary can stop juggling with figures. Instead, he must seriously work out an effective system of resource allocation that can improve both the quality and quantity of existing social services. In this way "to be prudent in public spending, to improve the well-being of the people and to maintain good reserves" can be realized.

Madam Deputy, these are my remarks on this year's Budget.

MRS MIRIAM LAU (in Cantonese): Madam Deputy, this year, the Financial Secretary announces the last Budget during his term of office, and the theme is "Prosperity Through Consensus". To illustrate the steady and conservative fiscal philosophy of the Government, he has quoted Xunzi, an ancient Chinese philosopher, from his work "On enriching the state", which says "The way to make a country prosperous is to be prudent in public spending, to improve the well-being of the people and to maintain good reserves." Basically, the Liberal Party supports the Government's prudent fiscal management policy of living-within-our-means, and also agrees that the growth rate of public spending should not exceed the rate of overall economic growth. However, having said that, we must still ask whether the Government can really live up to the goals of "prudent public spending", "improvement of the well-being of the people" and "maintenance of good reserves"! In recent years, Hong Kong has been enjoying

remarkable annual economic growth, and huge surpluses have been amassed. The Financial Secretary forecasts that the reserves to be handed to the Special Administrative Region Government will be as much as \$150 billion, which is several times greater than what China has asked for. At a time when our reserves are rich, it is of course a good thing to save for a rainy day. But, if we seek to amass huge surpluses by cutting or withholding spendings on necessary projects, how can we possibly "improve the well-being of the people"?

In part attributable to our sustained prosperity, the Government's snowballing reserves have also come from the funds accumulated from delayed infrastructure projects, notably those of the transport infrastructure. The Government has always been conservative and cautious with regard to the expenditure on transport infrastructure projects. This, together with the delays in project implementation, has rendered our transport facilities unable to catch up with economic development, thus leading to a variety of transport problems, the most serious of which is traffic congestion.

In recent years, because of the construction of the new airport, it looks as if the Government has invested more resources in the transport infrastructure. However, most of the resources in question are devoted to airport-related projects and the effect on our transport system as a whole will thus be minimal, if not negligible. Worse still, in this year's Budget, I have noted a negative growth in real terms for expenditure on the transport infrastructure. This upsets me very much, particularly because no other key policy areas have to suffer a negative growth. The incumbent Secretary for the Treasury (who has been appointed the Financial Secretary designate) explained that one of the reasons for the negative growth was that some major projects like the Western Harbour Crossing and Route 3 (Country Park Section) were not covered in the Budget because they were private investment projects. The Liberal Party encourages the Government to consider the introduction of private sector participation in transport infrastructure projects. But, this should give the Government no excuse to evade or even to reduce its responsibility. We maintain that even with private sector participation, the Government is still duty-bound to play an active role so as to enable the public to enjoy more transport facilities at the earliest possible time. The Secretary for Transport has stressed that we should not focus on the figures of just one year, and he has also pointed out time and again that a colossal sum of \$30 billion will be spent on road construction in the next five years. But, further enquiries reveal that only \$5 billion out of the \$30 billion will be spent on road construction in the urban areas, which means a meagre average of \$1 billion a year. The limited resources allocated cannot do much in alleviating the traffic congestion in urban areas, particularly because the programmes concerned are not directed at areas where serious traffic congestion frequently occurs. In the special meeting of the Finance Committee last week, I asked the Secretary for Transport whether the Government had conducted any feasibility study on the provision of flyover bypasses in major areas of traffic congestion. The Secretary replied in the negative, saying that the Government had no intention of doing so. Before the Government finds out whether the congestion in bottleneck areas can be eased

by more flyover bypasses or by other traffic measures, it is irresponsible of it to hit at vehicle owners, hoping that the problem of traffic congestion can be solved by fiscal measures. I hope that the Government can proceed with the study I have just mentioned so that, within practicable limits, flyover bypasses can be provided wherever necessary without delay. I totally disagree with the Secretary for Transport's earlier comment that "more roads mean more traffic". By reasoning in this way, was the Secretary for Transport suggesting that we should shut down the two cross harbour tunnels, in order to get rid of the congestion along the roads on the two sides of the tunnels? Or, if we believe that the great number of vehicles is the result of Hong Kong's prospering economy, perhaps we should really work to bring about a recession. That way, when the number of vehicles decreases, traffic congestion will disappear!

In trying to tackle the traffic congestion in Hong Kong, the Government must adopt a pro-active approach. Many members of the public who have recently expressed their views on the *Report of the Working Party on Measures to Address Traffic Congestion* hope that the Government can build more flyovers. Also, many people think that the Government has not done its best with regard to traffic management measures. To many people's surprise, the Budget this year has not proposed to introduce a drastic increase in vehicle tax. But having no increase now does not mean that the Government has given up the idea. According to the Secretary for Transport, proposed measures to deal with traffic congestion will be announced in two or three months' time. I hope that fiscal measures will not be included in the Government's proposals. Let me warn the Government: If the Government insists on submitting fiscal measures to this Council for approval, I will vote against them.

Actually, as far as ways of tackling traffic congestion are concerned, the Government does have a wide variety of options. In the debate in this Council on 15 February, the Liberal Party proposed several options for the consideration of the Government, and I shall not repeat them now. Today, I want to mention four points only:

(1) *Delay in road construction projects*

In the past, many road construction projects have been delayed for various reasons. For example, the section of Route 7 from Kennedy Town to Aberdeen, the Hunghom Bypass, the Central to Wanchai Bypass, the Eastern Corridor Link and the Central Kowloon Route are all behind schedule; the time tables for some of these projects have not even been finalized. This has not only led to increased construction costs, but has also caused or aggravated traffic congestion, directly or indirectly. With its robust financial position, the Government should really speed up those projects that are already under way, and it should also accord new priority to delayed projects, so that these important transport infrastructure facilities can be completed as soon as possible to facilitate the economic development of Hong Kong. I think that when the Government invests in the transport infrastructure it is also investing in the future development of Hong Kong. This complies with the principle of

"improving the well-being of the people", and is also in line with the aim of "maintaining good reserves".

Next, I want to talk about the Infrastructure Co-ordinating Committee (ICC). Indeed, when it comes to major infrastructure projects, we must communicate with China for the purpose of achieving co-ordination. Unfortunately, as far as we can see, the ICC has not fulfilled its function in this respect. For example, there has not been any signs as to how the North West New Territories Line would connect with the railway network of China; as to whether the Lingdingyang Bridge would be connecting to Tuen Mun or Route 3, we have so far heard only the views of China. It seems that Hong Kong has remained totally silent. I do not want to hear the voice from one side only. I want to see co-operation between both sides so that transport infrastructure projects that affect both China and Hong Kong can proceed with the best possible co-ordination. I hope that the Hong Kong Government can do its best in this respect and step up its co-operation with China.

(2) *Demand for parking spaces*

Traffic congestion is also attributable to the shortage of parking spaces. In the past, it seemed that it was government policy to purposefully limit the supply of parking spaces, probably due to its belief that fewer parking spaces would mean fewer vehicles. Such a belief has been proved absolutely wrong. Faced with worsening traffic congestion and an acute shortage of parking spaces, the Government started to conduct a study on the demand for parking spaces the year before last. However, the study has not yet been completed, and the findings will not be released until July at the soonest. It is really disappointing to see that the Government has been trying to deal with such a pressing problem at such a snail's pace.

Even without conducting any study on the demand for parking spaces, the Government should have known very well that an acute shortage of parking spaces is found in some areas such as Tsing Yi in Kwai Chung, Mongkok and Causeway Bay. So, instead of using the excuse of having to wait for the findings of the study as a "refuge", the Government should really start now to identify additional parking sites in these areas. It is true that the Government has eventually agreed to build the Tsing Yi Duplicate South Bridge, much to the relief of Tsing Yi Island residents who have been tortured long enough by traffic congestion. However, it must be noted that apart from the Tsing Yi Duplicate South Bridge the original Container Terminal No. 9 project also included a large supply of back-up areas for container truck activities and parking. Now, the Duplicate South Bridge problem has been settled. However, no proposals have been put forward to tackle the problem of container truck parking. That is why we can still see widespread illegal parking of container trucks in Kwai Chung and Tsing Yi. In view of the resultant traffic problems, the Government should really work out a satisfactory solution as soon as possible.

I understand that the Mass Transit Railway Corporation (MTRC) has indicated its intention of building a car park next to the Choi Hung station. This is certainly in line with the "Park and Ride" concept proposed by the Liberal Party. However, the proposal has been rejected by the Town Planning Board. I think the Government should really find out why it has been rejected and assist the MTRC in coming up with an improved proposal so that the car park can be completed as soon as possible for the benefit of commuters.

(3) *Sea Transport*

Given Hong Kong's geographical setting, there should still be room for further developments in its sea transport. In recent years, the public has shown decreasing interest in ferries that often "keep them waiting in vain for an hour", and the life of ferry operators has become increasingly difficult as a result. Nevertheless, the recent case of the Tuen Mun catamaran route shows that if vessels are fast enough, the public would still be willing to take them. Since the construction of more roads is constrained by various factors, the Government should fully re-examine the development of sea transport and conduct a detailed study based on the use of large high-speed vessels. This will serve as an attractive alternative for the public.

(4) *Mass transit*

The Liberal Party has always been urging the Government to speed up the development of the mass transit system. It also proposes that the Government should inject more funds into the MTRC and the Kowloon Canton Railway Corporation (KCRC) so as to bring about the early completion of the development programmes involved. As proposed by the Railway Development Strategy, three Category A projects on railway construction, namely, the Western Corridor, the MTR Tseung Kwan O Extension and the East Kowloon Route, will be completed by 2001. Studies on the first two projects have been started respectively by the KCRC and the MTRC. But as to the last one, the East Kowloon Route, nothing has been done yet. In order to ensure the completion of all three projects as scheduled, I hope that preparation work on the East Kowloon Route can start as soon as possible.

As to the Western Corridor, the section from Tuen Mun North to Tuen Mun Town Centre in the Sub-regional Passenger Service project has been downgraded by the Government to a Category B item with a deferred commencement date. This is really disappointing. The construction cost of this section of railway is between \$2 billion and \$3 billion in terms of 1994 prices, a sum which is well within the means of the KCRC. If necessary, the Government can also provide assistance, given its present financial position. What we should do now is to build the whole railway instead of working at it in a piecemeal fashion.

As to the East Kowloon Route, much to the disappointment of the Liberal Party, the Government has proposed that the Ma On Shan railway should link

with Tai Wai only (instead of West Kowloon) and that the KCR should extend only to Tsim Sha Tsui (instead of Hong Kong Island). The Strategy Report does not account clearly for the rationales behind these proposals, but points out that further examination of the means to be adopted and the alignment concerned is necessary. I hope that the Government can explain clearly its decision concerning these proposals, and that the Government can reconsider the proposals to extend the Ma On Shan line to West Kowloon and the KCR line to Hong Kong Island.

The Strategy Report has classified the South Hong Kong Island Line and the West Hong Kong Island Line as Category B projects that have no fixed dates of commencement. It has also rejected the proposal to extend the MTR line to Siu Sai Wan. The Liberal Party finds all this very disappointing. It has been our long-standing belief that the development of an area should always be preceded by transport infrastructure developments. But, more often than not, the Government goes in the opposite direction. If the Government does not want the traffic situation in Hong Kong to deteriorate, it must seriously review its policy direction in this respect.

Madam Deputy, the Government has recently made a proposal aimed at making it compulsory for taxis and minibuses to change the type of fuel they use, from diesel oil to petrol. This has caused grave worry among members of the driving profession, who fear that both their livelihood and the profession as a whole will be seriously affected. Whilst it is important to protect the environment, we must make sure that we do not do this by disregarding all the costs involved. In its contemplation of making it compulsory for commercial vehicles to use petrol as fuel, the Government must carefully assess the costs that the public and the profession have to bear so that a correct balance can be struck. Most importantly, it must examine whether there are any alternatives that can fulfil the needs of environmental protection as well as cost-effectiveness. The Government intends to conduct a consultation exercise on the proposal concerned; it is indeed wise of it to do so. I hope that during the consultation exercise, the Government can listen as much as possible to the views of the profession and the public at large. I also hope that through communication, the doubts and worries of all parties can be removed to make way for a solution acceptable to all the parties concerned. The Government is advised against being bent on going its own way.

Finally, I would like to talk about public transport services for the physically disabled and the elderly. The disabled need to rely on public transport more than normal people if they are to integrate into the community. Although the major public transport companies have already put in place additional facilities of varying degrees of convenience for the disabled, such facilities have still been unable to make public buses fully accessible to them. The Government should really discuss with the bus companies on how to further improve their facilities so that all disabled people can gain access to buses. Apart from simple encouragement, the Government should also consider the

possibility of giving some concrete incentives to the bus companies so that improvements can be made as soon as possible.

On fare concessions to elderly citizens, Kowloon Motor Bus Company (KMB) and China Motor Bus Company (CMB) pursue different policies. CMB does not offer any fare concessions to the elderly on cross harbour buses. This is very much a confusion for the elderly, and has even led to quite a lot of unnecessary disputes between elderly people and bus drivers. When the Government considers CMB's franchise renewal next time, it should really ask CMB to adopt the same fare concession policy as KMB so that uniformity can be achieved.

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

MR CHIM PUI-CHUNG (in Cantonese): Madam Deputy, over the past 34 or 35 years, Hong Kong has had five Financial Secretaries. The first was Sir John James COWPERTHWAITTE whose term of office lasted from 1961 to 1971. He had to deal with two crises, one being the bank run which led to the taking over of the Hang Seng Bank by the Hong Kong Bank. At that time, the purpose of the "take-over" was to render assistance. But now, the Hong Kong Bank holds a 75% stake in the Hang Seng Bank. The other headache for him was the 1967 riot. The second Financial Secretary was Sir Charles Philip HADDON-CAVE who was regarded as a "master of financial managers". During his term of office, Hong Kong was hit by a stock crash in 1974. The third was Sir John Henry BREMRIDGE. During his term of office from 1981 to 1986, talks over Hong Kong's future were held in 1982, and five to six small banks which got into trouble had to be rescued by the Government. The fourth Financial Secretary was Sir Piers JACOBS whose term of office lasted from 1986 to 1991. The worldwide stock crash in 1987 revealed the weakness of the Hong Kong Government in financial control. Of course, for the incumbent Financial Secretary, Sir Hamish MacLEOD, his four-year term of office since 1991 has not been uneventful either. From 4 January last year to the beginning of this year, the stock index of Hong Kong dropped 5 700 points, at a rate of 46%. Fortunately, Hong Kong has always been a blessed land with a Financial Secretary who can bring it good luck, though only the people of Hong Kong themselves will know whether they have really been blessed. Apart from being called a lucky star, the Financial Secretary has been commended by Councillors just now in this Chamber. As a matter of fact, the Financial Secretary has taken a most modest step to consult Members, to try to reach agreements with them before drawing up the Budget. After he has done all this, if we keep on finding fault with the Budget, we will be somewhat too harsh. He has done what he should do. This is the spirit of democracy. Having said that, we still have to look at the following issues.

Firstly, as far as the Budget is concerned, our expenditure should be kept within our revenue. The Budget estimates that our expenditure and deficit this year will be \$169.7 billion and \$2.6 billion respectively. In other words, we

should have a revenue of \$167.1 billion. But I cannot see how we can get a revenue up to this amount. What we have got is a figure only. Does this go against the principle of spending within our means? Nevertheless, this is not entirely the fault of the Financial Secretary. The Governor should also bear some responsibilities. Since the Governor has set out in his policy address how much the Government will have to spend this year, the Financial Secretary is bound to draw up a Budget that makes provision for the spending required. As a result, the public is given an impression that the Financial Secretary has departed from the principle of spending within our means. The majority of the public and the Councillors have all mistaken the Government for a gold mine which provides endless wealth. They want more for social welfare, more for old age allowances and more for practically everything. To cope with these demands, it is always easy to issue postdated cheque, to the delight of the payees and even the public at large. But the question is whether these cheques can be subsequently honoured. Members of the public and Members of this Council should really appreciate the difficulty of the Government because it simply cannot print banknotes — if it can the Hong Kong Dollar will have depreciated significantly. Therefore, we must adopt a pragmatic approach under which we should first identify our community's sources of revenue and then on that basis redistribute it for the common good. If we fail to do this, the industrial and business sectors will be real worried because, after all, who knows how many representatives of the business sector will be able to sit on this Council after the election in September? It is indeed a big question as to whether the new Legislative Council can strike a right balance between all the competing economic interests our community. I would like to take this opportunity to alert the industrial and business sectors before it is too late. I would also like to remind all prospective Councillors who want to fight for the welfare of different classes that they must act impartially and adhere to the principle of spending within our means. As far as I can see, instead of advising the Government on possible sources of revenue, many Members frequently push the Government to incur spending. I believe this is a matter for us to reflect seriously on. In this connection, the most important task for the Financial Secretary is to work out a balanced and stable Budget.

Secondly, the existing tax base of Hong Kong is too narrow. This may produce danger in the long run, when welfare demands and various other claims increase and when the realities are senselessly swept aside in the name of democracy. When this happens, unless we can ensure relatively stable revenue, social instability will result. In view of this, the sales tax just proposed by Mr LAU Wah-sum should really be considered seriously as a highly significant possibility that should not be ignored. Another issue is offshore profits. Since many businessmen and manufacturers have shifted their production lines to the mainland while still benefiting from the favourable logistic support of Hong Kong, the Government should consider making offshore profits taxable. As long as these two problems remain unsolved, serious social problems will emerge in Hong Kong one day.

We must be able to see what the situation will be like in Hong Kong after 1997. In my view, politically speaking, the room for manoeuvre will be minimal since Articles 1 and 12 of the Basic Law stipulate that Hong Kong shall come directly under the People's Central Government. That being the case, the way ahead for Hong Kong is certainly not independence. So, if Hong Kong is to assert influence on political affairs, it can only find its way out by coordinating with the Central Government concerning services or other local affairs. Otherwise, even if we participate in political affairs in Hong Kong, the result may not be good. Economically speaking, Hong Kong is undergoing a drastic transformation which has witnessed a shift of almost our whole economy to the service industries. But, even the service industries are not without hidden problems. Although large numbers of tourists still come to Hong Kong, some medium-sized hotels have been redeveloped for office construction. This will one day produce a shortage of hotel rooms and adverse impacts on the community as a whole when reforms take place. What is left behind is therefore the finance industry, which, undeniably, has given Hong Kong immense attraction as an international financial centre.

With regard to the finance industry, I hope the Government can exercise some caution in respect of its acceptance and promotion of derivative tools and zero-sum tools. This is because the spot market is basically a place for raising capital, or for surplus capital to be turned to better use through investment or limited speculation. The futures market and the derivative market are meant to supplement the spot market. Many people have argued that the futures market can give them flexibility in investment because of its hedging effect. However, we have to bear in mind what hedging is all about. Let me explain by way of an example. Now you have purchased 1 million shares of a stock and you want to sell them but are not able to do so instantly. So, you have to sell short the same number of shares in the futures market to secure the spots in your possession. On the other hand, if you sell short the 1 million shares just mentioned in the spot market but fail to cover the short position, you will have to buy the same number of shares from the futures market. This is called hedging. However, is there any legislation governing such activities in Hong Kong? The answer is no. The law does not require a person to prove his or her possession of shares before he or she can sell short. In this context, the term "hedging" is a virtual misnomer. In other words, what we see is just a zero-sum game going on in various markets. In a zero-sum game, you may win, or you may lose. This is already gambling by nature. Under the Gambling Ordinance of Hong Kong, gambling is illegal. That being the case, why does the Government encourage such kind of activities? The authorities concerned have claimed that they have done nothing to encourage such activities and that they really do not have any other alternatives. This is hardly convincing. If the Government is really interested in getting money from gambling, I suggest that it might as well run a casino on one of the outlying islands. In Macao, though the government's revenue from betting duty has decreased this year, it still stands at about \$4 billion. I think Hong Kong will probably reap a profit of \$10 billion without any difficulty if it is to follow suit.

I urge the Government to be particularly cautious with regard to the stock futures to be launched in March. My concern is caused not just by the example I have just mentioned, but also by the unfair competition that may hit the spot market because the Government is not going to levy any taxes, or stamp duty, on transactions in the stock futures. The stock exchange has been serving Hong Kong for 105 years, and has made many contributions to the finance and securities industries of Hong Kong. Therefore, we must guard our stock exchange against any serious deprivation, blows and possibilities of collapse because if any of these is allowed to occur, Hong Kong's future status as a financial centre and a major stock exchange in the world will be subjected to a serious impact too. The Chinese government does not want Hong Kong to become a political city. Though he was challenged during his recent trip to the United States, director LU Ping still very much hopes to see that Hong Kong's economy and other aspects can function effectively to assist China in its future development. It is also hoped that with better co-operation and co-ordination among all the parties involved, Hong Kong can have a more prosperous economy, in addition to a smooth transition.

Another issue I want to talk about is land. All of us will appreciate that the general economic shape of Hong Kong is tied up with the property market. The Government is determined to curb soaring property prices, but the first package of measures has already dealt a heavy blow to the community as a whole. Hong Kong is a rather strange society, in which some people's incomes as stated in their tax returns are not in proportion with the enormous wealth in their possession. This is a special feature of Hong Kong. One reason for this is that apart from visible sources of income, many people have been able to obtain income from "secret sources", which, among other things, include property and stocks transactions. If the Government relies too heavily on the property market for revenue, another potential risk may result. Recently, some people have expressed reservation about the Government's proposed reclamation works. I do not think there is a surplus of land. It is biased and selfish to make such a claim. If serious impacts are produced on the ecology and sea transport, the Government should be responsible for conducting the required assessments.

Madam Deputy, the last issue is our rapport with China. In future, if Hong Kong is to gain success in the world, it cannot possibly ignore the opinions of the Chinese side on many matters. Therefore, with regard to the preparation of the 1996-97 Budget, it is only understandable that the Hong Kong Government must listen to the views expressed by the Chinese side on behalf of the future Special Administrative Region Government. At the same time, of course, suggestions from other parties should also be taken into consideration. As three quarters of the 1997-98 fiscal year span the transfer of sovereignty, a mutual agreement between China and Hong Kong will be particularly essential. Most Policy Secretaries, I believe, want to remain in office after 1997. This, however, must not be allowed to stop them from doing what their posts require them to do in the run-up 1997, though they must remember at the same time that Hong Kong will not become independent. For that reason, we must reach consensus with the Central Government on all matters, in particular, economic

issues. Such issues are just too important to be used for the purpose of politicking because they directly affect the people's livelihood and their chances to lead a happy and prosperous life.

Finally, I wish Sir Hamish a happy life and all the best after his return to Scotland.

With these remarks, I support the Bill.

THE PRESIDENT resumed the Chair.

DR CONRAD LAM (in Cantonese): Mr President, with concern expressed and efforts made by various parties, the medical and health services of Hong Kong have been improved both qualitatively and quantitatively. There is a gratifying sign that the Government has begun to gradually cast off its "emergency" strategies where "measures are adopted to treat the head when it aches and treat the legs when they hurt". As ties between China and Hong Kong has grown closer, owing to the differences between the medical services and systems in China and Hong Kong, residents of China and Hong Kong will select the medical services available on the other side of the border on the basis of their respective medical needs. The most obvious examples are that Hong Kong residents go to Shenzhen for abortion and that pregnant Chinese women come to Hong Kong to give birth. Hence, when the officials of Hong Kong plan for the provision of medical services, they have to take the Chinese factor, which may be rather substantial in terms of weighting, into account.

A prerequisite for the successful provision of medical and health services is the ability to fully and effectively utilize limited resources. Otherwise, manpower and money will easily be consumed by the increasingly expensive medical technology and services and it will only be too late when we discover that we are not getting value for money. Mr President, today, I will approach this issue from different angles.

Working Relationship between the Department of Health and the Hospital Authority

Under the existing system, the Hospital Authority and the Department of Health each work in their own way. Although there have been communication and co-operation under the co-ordination of the Health and Welfare Branch, there is still some overlapping in their work in respect of planning and the provision of services, which affects the effective deployment of resources. For example, the Health and Medical Development Advisory Committee (HMDAC) whose work is supported by the Health and Welfare Branch and the Medical Service Development Committee under the Hospital Authority both work towards the same objective, that is, to plan the territory's medical services. Recently, the Hospital Authority has made great efforts to develop outreaching

services which emphasize both prevention and cure and it has extended the scope of its services to cover areas other than public hospitals. It has also been said that six treatment centres would be established for drug abusers. This is apparently sharing some of the work of the Department of Health. However, some people query whether the Hospital Authority has overstepped its authority. In fact, public hospital service is only part of the entire health and medical services. Hence, theoretically and operationally, the two committees can be merged, or a Hospital Service Development Committee can be set up under the HMDAC to co-ordinate and plan the public and private hospital services. In so doing, issues concerning hospital services can be considered in a more comprehensive manner and this will facilitate the exchange of operational and work experiences among public and private hospitals so as to improve services. Another example is the medical services provided to AIDS patients. When patients are admitted to public hospitals, they are treated by doctors from the Hospital Authority while patients at the out-patient departments are treated by people from the Hospital Authority and the Department of Health. As regards AIDS patients who attend private hospitals, they will be assisted by the Department of Health when they need assistance. Therefore, I propose to set up an integrated AIDS Clinical Service Unit to co-ordinate medical services provided within and outside the hospital. Not only will this reduce the costs of services, but this will also improve operation and the services provided.

Revision of outdated policies to make resources produce better results

The transformation of the School Medical Scheme is a good example. The objective of the new Scheme is the promotion of health and prevention of disease. The old Scheme was formulated to provide low-cost medical services because there was a lack of medical doctors a few decades ago. The Scheme had been criticized as merely being able to provide minimal out-patient treatment service and it had also been described as "neither fish nor fowl". Since the establishment of the Hospital Authority, a number of reforms have been introduced to the public hospitals. In order to encourage staff members to join the Hospital Authority, the Government has formulated an "especially attractive remuneration" system which even enables staff members to include their pension in their monthly allowance and to collect such amounts in advance. This has made doctors of the medical schools and the Department of Health feel that they have been unfairly treated because they have received different remuneration for the same work. In fact, out of the considerable expenditure of the Hospital Authority, over 80% has been spent on salaries and allowances for its staff. It is necessary for the Government and the Hospital Authority to deliberate whether it is essential to work out a new remuneration package for new staff who join the Hospital Authority, which will be the same as that for the staff of the Department of Health. Besides, the Hospital Authority should consider carefully whether it is necessary to change some of the present conditions of employment. At present, under the "metal rice bowl" system, some employees may lack motivation in their work, and the hospital management is often at a loss as to what it can do to dismiss them. If employees are employed on contract terms, those whose performance is unsatisfactory

would not have their contracts renewed upon expiration. This would help hospitals to select better staff and improve efficiency.

With the advancement of medical technology, a medical doctor's scope of study has considerably widened. Graduates from medical schools have long been required to undergo practical training in hospitals for a year before taking up private practice. Undeniably, the most important experience gained by a medical doctor comes from his work in the hospital. To improve the standard of doctors, the Government should deliberate with people concerned whether it is necessary to prolong the period of practical training for graduates from medical schools from one year to one and a half or two years. Certainly, those with vested interests or those who are reluctant to handle additional work will be opposed to making any reform. However, the most important point is that we should do something for the benefit of Hong Kong as a whole without delay.

Public monitoring helps improve efficiency

If the Hospital Authority and the Department of Health can increase their transparency, the public will have a better understanding of their operation and efficiency and will know whether they can achieve the work targets as set. For example, when the Secretary for Health and Welfare tells us that \$11 million will be spent on shortening the waiting time for a cataract extraction by six months (from 15 months to nine months), we have to ask: Through what process can this target be achieved? (a) Is there an increase in the number of medical doctors; if so, how many doctors have been added? (b) Is there an increase in the number of operation theatres, if so, by how many and what equipment has been added? (c) How many people are now waiting to receive cataract extractions and how many extraction can be performed in a week? (d) Is there any standard guideline for deciding when extractions have to be performed on patients or is the extraction done merely at the sole discretion of the medical doctor concerned? (e) How will the \$11 million be allocated for use? (f) How many additional cataract extractions can be performed with the \$11 million? (g) At present, how does the cost of performing a cataract extraction in a public hospital compare to that in a private hospital? (h) Is the waiting time of nine months the ultimate target of the Government? Before this series of questions are answered, we cannot determine whether the \$11 million will be well spent.

Mr President, provided that there is sufficient transparency, the public can understand whether certain schemes of the Hospital Authority and the Department of Health are worthwhile.

Effective Utilization of Funds

I welcome the Government's proposal to set up a Health Care and Promotion Fund with an injection of \$80 million. I also welcome the concern the Government expresses and the assistance it gives to a small number of patients suffering from rare diseases. However, in his reply to the Health

Service Panel of this Council, Dr YEOH Eng-kiong, Chief Executive of the Hospital Authority, said that he was not aware of any disease which could not be treated in Hong Kong and which had to be treated elsewhere. Therefore, in the long run, the Government can consider allocating money from the fund to train local professionals or install additional equipment required for the treatment of patients suffering from rare diseases. In so doing, not only can the medical technology of Hong Kong be developed, but the patients can also avoid making long and arduous journeys to receive treatment. I suggest that the Government should set up a Health Research Institute to conduct systematic studies on various issues which relate to and affect the health of the people of Hong Kong and to provide the Government with accurate and adequate data so that it can proceed in the right direction when formulating medical and health policies. The research institute can also make proposals to the Government and various bodies as to how various funds can be properly utilized on the basis of the outcome of its studies.

Mr President, not only is it unusual to have the public hospital service separated from the entire framework of public health services, it is not the best approach either. To remedy the situation, besides exercising closer supervision of the Hospital Authority and increasing the transparency of its operation, it is also necessary to consider putting in place a mechanism which will take various levels of health services into account in such an integrated fashion as to make one complementary to another.

These are my remarks.

MR STEVEN POON (in Cantonese): Mr President, this is the fourth Budget presented by the Financial Secretary. Although he has not attempted to give a recapitulation of his work during his term of office, he has outlined the common features of his four Budgets. So, let me also take this opportunity to recapitulate my past comments on his Budgets.

On 26 March 1992, when this Council debated the first Budget presented by Sir Hamish, then Mr MacLEOD, I made two main points.

Firstly, I expressed great concern about the grave inaccuracy of the Medium Range Forecast (MRF) in the Budget. I pointed out on that day that "the MRF in the past Budgets have very little credibility in that they seriously underestimated the accumulation of reserves." I estimated at that time that based on the inaccuracy rates of the Government's MRFs, "the actual reserves by 1997 may reach a staggering \$150 billion", which is twice the \$71.6 billion forecast at that time. In his new Budget, the Financial Secretary forecasts the reserves by 1997 as standing at \$151.3 billion which is exactly the figure I predicted three years ago.

The grave inaccuracy of the MRF can be attributed to three reasons: underestimated recurrent revenue, underestimated non-recurrent revenue and

overestimated non-recurrent expenditure. Recurrent revenue over the past three year has been \$32 billion higher than the forecast made in 1992, 8% wide of the mark; for non-recurrent revenue, it has been \$20 billion higher than the forecast, 51% wide of the mark; for non-recurrent expenditure, it has been \$10 billion lower than the forecast, 7% wide of the mark. These figures demonstrate that the Government has failed to make accurate assessment of the operation of our economy, and substantial improvement has to be made in its forecasts and monitoring of public works programmes.

Effective allocation of financial resources by the Government is possible only with accurate forecasts of financial resources and their applications. In the absence of accurate forecasts, items that should be implemented would be delayed because of an underestimation of financial resources. Development projects may also be wrongly prioritised as a result. In the end, the public will be unable to have the facilities and services that they deserve. In fact, the Government's serious underestimation of our financial reserves has, to a certain extent, entailed or aggravated the Sino-British row over the financial arrangements for the new Airport and the Airport Railway, thus leading to the souring of relations between China and Britain.

During the Budget debates in the past, I repeatedly urged the Government to review the preparation process of the MRF. It is a pity that the Financial Secretary has turned a deaf ear to my request. As a result, the inaccuracy has become greater and greater, thus reducing the Budget to something which is completely void of any sound basis. I hope that the Financial Secretary can suggest, in his reply, some concrete measures to reduce the inaccuracy.

Another point that I raised during the debate on the 1992 Budget was that the increase rate of salaries tax should not exceed the inflation rate. I pointed out that in the past the personal allowance for salaries tax and the tax bands were not adjusted in accordance with the inflation rate. I went on to say that the rate of salaries tax, therefore, had in fact been subjected to annual increases in real terms, thus resulting in a disguised form of tax increase unfair to the lower income groups and the sandwich class.

After looking at his four Budgets, I am glad to say that the spirit of my opinions has been incorporated into the Financial Secretary's proposal on salaries tax. For a household comprising a married couple, if they are making \$300 000 a year and if their income over the past four years has been revised according to the inflation rate, the salaries tax rate for them this year is 6.9%, which is lower than the rate of 11.1% four years ago. For a six-member household (with dependent parents) earning the same level of income, the tax rate for them now is 0.8%, which is lower than the rate of 4.9% four years ago. Therefore, over the past four years, the Financial Secretary has implemented substantial salaries tax concession measures. I believe that we should give recognition to his contribution in this respect.

To keep the rate of salaries tax increase below the inflation rate will not benefit the higher income groups because they have to pay taxes according to the standard tax rate of 15% anyway. However, this is extremely important to the low-income families and the sandwich class. Since their incomes are not high, their financial contributions to society should not be allowed to increase in real terms. I hope that in their replies the Financial Secretary and the FS-designate can undertake not to allow the rate of salaries tax increase to exceed the inflation rate.

Mr President, to treat the low-income groups fairly in terms of taxation is an equitable principle that should underline any government's philosophy of financial management. Ours is a mature society. Although the people have to work hard day in, day out in pursuit of wealth and happiness in life, they still aspire to social justice. In our society today, inequalities of various kinds still abound. So, we need a government with foresight, a government capable of eliminating these inequalities through administrative and fiscal measures.

Caged homes, squatter huts and rooftop structures are the most notable of all inequalities referred to. The residents of these dwellings, who have to live amidst deplorable conditions, are largely neglected by the Government of Hong Kong.

Caged homes are usually found in areas with old buildings. Dilapidated apartments are partitioned into a number of caged homes after a series of subletting and sub-subletting. Tens of people share one single apartment. Each caged home measures a mere four cubic metres in size. Inside a typical caged home, one would bang one's head against the top when standing; one's legs cannot be stretched when one is lying down; and one's feet can only rest on the bed when one is sitting. Even the most basic sanitary fittings are not provided in these premises.

Rooftop structures are erected on the roofs of dilapidated buildings. In the past, living in this type of provisional dwellings as they did, the residents in a way helped ease the pressure on the provision of public housing. Now, however, as Hong Kong enjoys prosperity, the occupants of rooftop structures are denied the fruit of success. Government officials, who adopt a lukewarm attitude towards them, simply ignore their existence.

The appalling conditions in squatter areas are beyond imagination. When it rains, blocked drains and flooding are inevitable. Under the scorching sun in summer, it is sweltering inside the squatter huts. And, such areas, being a refuge for drug addicts, are also crime-infested. What is more, during typhoons, the residents are on tenterhooks as to what will become of them. In the policy address announced last October, the Governor promised that by 1996 all urban squatters on government land would be offered rehousing; however, no mention was made regarding more than 20 000 squatter dwellers on 22 private lots scattered all over Hong Kong Island, Kowloon and the New Territories. The Kowloon Tong Constituency, to which I belong, has three

squatter areas on private lots, namely, Lai Chi Yuen, Hau Wong Temple New Village and Ho Kar Yuen. The residents have repeatedly approached me to express their hopes of early clearance and rehousing. However, the Government keeps letting them down.

Is it fair for an affluent society like Hong Kong to let the residents in these three types of homes sink into oblivion and turn a blind eye to their appalling living conditions? The community of Hong Kong has advanced in maturity and its current financial position is relatively well-off. Given all this, most of the people in Hong Kong will agree that the residents of caged homes, squatter huts and rooftop structures should be treated more fairly. I urge the Government to draw up concrete policies and plans regarding the early clearance of these structures and the early rehousing of the residents. Land and funding should be allocated for this specific purpose. I will be pleased if the Financial Secretary and the Secretary for Housing can give us an outline of a new and equitable policy in their replies.

Mr President, like you and me, the Financial Secretary has lived and worked in Hong Kong for a long time. We have all witnessed the emergence of a prosperous Hong Kong from the post-war rubble. Ours is really a hard-earned prosperity. The people of Hong Kong take pride in their enterprise, self-confidence and optimism towards the future and they aspire strongly to justice and righteousness. Mindful of all this, the Liberal Party aims to strive for equity and rightbousness in the community of Hong Kong. For that reason, we express our utmost dissatisfaction about the Financial Secretary's procrastination over the issue of increasing the Comprehensive Social Security Assistance (CSSA) allowance to \$2 500 for the elderly. Having worked so hard to build up an affluent society, the people of Hong Kong would be more than happy to use the accumulated social resources to give a helping hand to those elderly in need, for they would think that this is a concrete expression of Hong Kong's determination to achieve equity and righteousness. "In a State, pecuniary gain is not to be considered prosperity, but its prosperity will be found in righteousness". I hope that in his reply, the Financial Secretary can give us a concrete undertaking about a prompt increase in CSSA payment for the elderly.

This is Financial Secretary Sir Hamish's last Budget. His contributions should be recognised. He has not only given an example of openness in the financial management of Hong Kong, but has brought to Hong Kong the luck of being prosperous. The Liberal Party and I wish Sir Hamish a happy life after retirement. We also hope that he can make good improvement in his tennis skill.

At the same time, I welcome the appointment of Mr Donald TSANG as the FS-designate, although he is not in attendance today. I believe that he will bring to Hong Kong even greater prosperity and hope that he would bear in mind the philosophy of fiscal management as contained in "The Great Learning" and I quote:

"There is a great course for the production of wealth. Let the producers be many and the consumers few. Let there be activity in the production, and economy in the expenditure. Then the wealth will always be sufficient.

The virtuous man, by means of his wealth, makes himself more distinguished. The vicious man accumulates wealth, at the expense of his life."

I so submit.

MR MARVIN CHEUNG: Mr President, once again the Financial Secretary is to be congratulated on producing an excellent Budget. As usual, he has conducted extensive consultation exercises before drawing up his final proposals to ensure that his Budget is as widely acceptable as possible. Of course, his work is made easy. Our Financial Secretary must find it difficult to learn from experience of his counterparts around the world. For which of them faces the sort of problems that he has to wrestle with each year, such as trying to explain to legislators why he has under-estimated the revenue, why he has been unable to spend all the money voted to him in the previous year and what should be done with the ever mounting reserves? All this is thanks to the good fortune and excellent health of Hong Kong's economy, the envy of the world. But it in no way detracts from the achievements of the Financial Secretary and the professionalism of his colleagues.

I agree with the "steady as you go" approach. It would be a mistake to initiate any major changes so close to the transfer of sovereignty. I also agree wholeheartedly with the Financial Secretary's commitment to maintain the linked exchange rate. Whilst the falling US dollar, caused inter alia by the collapse of the Mexican currency, does create certain problems for us, they are but a small price to pay for the underlying stability which Hong Kong derives from the US dollar link. Stability is especially vital in these sensitive transitional times. We only have to think back to the events immediately preceding the setting up of the linked exchange rate system for a reminder of what damage may be done to our economy by the wide fluctuations in our exchange rate that can be caused by loss of confidence and speculation.

However, I am disappointed that, for salaries taxpayers, there will be no reduction in the marginal tax rate of 20%. Failure, yet again, to reduce this to the standard rate of 15% means that discrimination against the sandwich class taxpayers continues. I urge the Government to consider a programme to eliminate the gap between the highest marginal rate and the standard rate over a period of time starting from next year's Budget.

I have major reservations about government proposals to deal with tax evasion. I note that the Financial Secretary has put forward ideas on combating tax evasion and avoidance in previous Budgets. However, the relevant

legislation tends to be delayed for a long time and several of his proposals have yet to be enacted. This suggests to me that, in these matters, the Government has not properly thought out all the implications before arriving at its stated policy.

The Financial Secretary says that legislation will now be brought forward to require a business "to keep the records necessary to enable all business transactions to be traced, explained and verified through the accounting system". I question the practicality of such legislation or, indeed, its legal effect. Presumably, these measures are aimed at small businesses, particularly those where the majority of transactions are in cash. Is it realistic to expect that a person, hitherto intent on not reporting part of his cash income, will change his ways because of a more specific requirement as to the records to be kept? Furthermore, how could a person already having difficulty in keeping records be expected, all of a sudden, to be able to comply with the new requirements? If enacted, the proposal could prove prohibitively difficult and expensive for the small businessman and outweigh any benefit to the inland revenue which would, in any case, be small.

As I believe that adequate legislation is already in place to require the keeping of books and records, I would urge the Government to consider alternatives to this form of legislation. For example, taxpayers under suspicion might be asked to reconfirm the accuracy of their previous tax returns and be given a chance to declare previously undeclared income. This would then be subjected to the usual interests and penalties under the present law. If tax evasion is proved after the taxpayer reconfirms the accuracy of his returns, the levels of penalties should be increased substantially. Also, custodial sentences, even for a short period, may well be a much stronger deterrent than fines. I would add that, in my opinion, legislation to make the issue of receipts mandatory, as suggested by the Financial Secretary, would be unworkable.

Having never been involved in politics or government before I was appointed to the Legislative Council, I have had the opportunity of learning one or two important lessons over the past three and a half years. The most important lesson of all is the answer to the question: why is it that democracies in Western countries tend to run budget deficits? The answer is simple. Votes are won by increasing public spending and reducing taxes, and votes are lost by cutting expenditure and increasing taxes. The fact is that it is too easy to win political popularity by over-spending and this applies even when the economy is strong and expanding. However, the temptation to spend, even in the light of a high surplus, must be resisted because once expenditure is increased it is impossible to reduce it, even when there is a downturn in the economy. For example, Members will remember the outcry which greeted a small reduction in some social welfare payments about two years ago.

The Financial Secretary has chosen to increase government expenditure in line with the growth in GDP. I consider that this is a sensible policy because it means that the public will benefit in step with the growth of our economy. A

surplus may result due to under-spending, although this should happen less now than before, or thanks to an unexpected increase in revenue, for example stamp duty. But this does not mean that recurrent expenditure should be increased. Whilst effective control should ensure that spending is unlikely to exceed the Budget, there is always the risk that revenue will fall short of estimates because of unforeseen circumstances. If there is a downturn in Hong Kong's economy, and the revenue yield is reduced as a result, it is highly likely that government expenditure will not be reduced because of political pressures. For these reasons, it will always be vital to keep a check on recurrent public expenditure.

Mr President, I conclude these reflections by wishing Sir Hamish well in his retirement and I wish his successor the same good fortune in his term of office. With these comments, I support the motion.

MISS CHRISTINE LOH: Mr President, I doubt that anyone would have begrudged the Financial Secretary his pleasure in presenting a last Budget that contained so much positive news. Our economy is growing, our taxes are falling, we are spending more on social services and yet our reserves will rise to new record levels.

The Financial Secretary rightly made clear that the Government assumes little of the credit for the creation of wealth in Hong Kong. The role of government is limited to that of creating the conditions in which wealth can be created.

But to create those conditions is no small achievement. It is a skill that seems to elude a majority of governments around the world — not least, perhaps, because one of its most important ingredients is a proper degree of modesty on the part of government itself. As the Financial Secretary puts it in his Budget speech: One of the elements central to Hong Kong's success has been "an economy in which the Government knows its place".

I hope, however, the Financial Secretary will not be offended if I take issue with him over a point on which I feel he is taking modesty to excess. I am thinking of his phrase "consensus capitalism", which in his view is the main principle guiding Hong Kong's economic policy over the last 30 years.

I hesitate slightly therefore at the notion of "consensus capitalism". It sounds agreeable enough. Who, after all, is not in favour of either "consensus" or "capitalism"? It is a phrase calculated to sign us all up retrospectively as equal partners in the prosperity of Hong Kong. But was it really like that at the time? Did consensus always prevail over what was the right balance between private profit and social need? I have to say, I think not.

The Government sets much store by consensus, as one source of its legitimacy and authority. Where a consensus is not readily to be found, it will set about constructing one. And, where one cannot be constructed, it will set

about constructing the illusion of one by deciding selectively whom it will consult and what weight it will put on those opinions.

Down Hong Kong's history, there have been powerful lobbies against most of the things that we now think finest and most noble about our society. For example, the introduction of laws to regulate labour and increase factory safety; the extension of free mandatory education for nine years in the 1970s, and even the building of the Mass Transit Railway was controversial at the time.

And, while Sir Hamish has been kind enough to say that his consultations with the legislators were one of the most important parts of his budget preparations, I need scarcely remind anyone here about that controversy over the conferring of more powers and greater legitimacy on this Council, turning it from a decorative assembly to one worthy of consulting.

Although I said that I reserve my views on the notion of "consensus capitalism", I do so in order to endorse more readily another passage in the Financial Secretary's Budget speech, the one in which he reminded us that "small government should not be made an excuse for passive government".

Again, to quote from Sir Hamish: "There are tasks and responsibilities which only a government can perform It is the Government which must provide the bulk of our social and economic infrastructure The Government must provide the leadership".

Mr President, let us be clear about what leadership of that sort means. It means asserting the interests of society as a whole over the interests of particular interests groups. It means asserting long-term well-being over short-term profits. It means taking steps, where possible, to raise the standards and expectations of society. It means enabling as many people as possible to both participate in, and to profit from, economic growth. It means a government which does its best to represent the interests of society, and which is accountable to society for its successes and its failures.

I make these rather obvious points because I am anxious that the Government should carry on giving that leadership, and should carry on, where necessary, defending the interests of society. Such leadership is particularly necessary because while Hong Kong has become a rich society now by world standards, it still has a long way to go in terms of translating those economic gains into quality-of-life gains. There is much that the Government can do in helping to change attitudes, and helping to change priorities, in such a way as to make us a happier and more equitable society, as well as a richer one.

By quality-of-life gains, I mean increases in public assets and public resources — such things as clear air and clean water, country parks and open spaces, a quality education and access to information, good health care, the arts, sports and leisure. It also means a willingness to help individuals to assert their rights to be treated decently and equitably, through laws and regulations against

arbitrary discrimination. In this connection, I urge the Governor to grant consent to my Access to Information Bill, to accept the Honourable Anna WU's Private Member's bill on equal opportunities and to give consideration to the elderly who are not yet so destitute as to qualify under the Comprehensive Social Security Assistance Scheme, but who are in fact living in poverty.

Land reclamation and supply

I like to specifically mention the public resource of open space. It is encouraging to hear the Financial Secretary places so much emphasis on the mix of development planned for the new land being reclaimed from the harbour. The intention, he says, is "to enable people living in congested areas to enjoy a better quality of life without having to uproot themselves from the urban areas".

This is all good, Mr President. But Sir Hamish goes on to say that 72% of the reclaimed land will be used for "open spaces, new roads and other community purposes", and only 27% will be used for commercial and residential development". I suspect there may be less to this assurance than meets the eye.

I find it hard to see why "new roads" should be placed in the same category as "open spaces" in this formula. Are we really being invited to think that new roads do as much as public parks to improve the quality of life of people living in congested areas? They do nothing of the sort. On the contrary, crowded roads filled with polluting vehicles are one of the main factors that lower the quality of life in the congested urban areas.

It would be more useful to know precisely what proportion of the reclaimed land will be used for "open spaces" in the traditional sense — public parks and rest areas that are neither roads, pavements, rubbish dumps, carparks nor the likes of such things. I imagine the figure would be very much less than 72%.

It is difficult to talk about questions of land use and urban planning. Much depends on the supply of new land, of course. I would like to take this opportunity to ask that much more information be made available about the possibilities for land reclamation in the future, and the Government's present plans and intentions.

According to the Financial Secretary, the Government has "no intentions whatsoever of reducing our magnificent harbour to a mere trickle" through reclamation. Nor does the Government have "any intention of flooding the market with huge amounts of new land".

But at the same time, according to Sir Hamish, "We must put ourselves in a position where we can meet future demand". He said that "Not to do so would be short-sighted folly". Naturally, Hong Kong expects no less from its Government. But given the extraordinary important role land supply and land

prices play in the economic development of Hong Kong, this is surely an area that should be opened up rather more to informed public debate.

The Land Commission, and the limits to new land supply fixed in the Joint Declaration, have only a bit more than two years left to run. What sort of policies should guide the supply of new land after that date? How much new land could possibly be supplied to the market? How much more land is it technically and environmentally possible to reclaim, and at what social and economic costs? Without better information about the quantity of land likely to be available in the future, it is hard to say whether we are making the best possible use of the land we have at present.

It is inappropriate to allow such questions to remain essentially administrative matters. The supply of land, the price of land and the use of land are highly political issues. As such, they deserve informed public debate.

Uncertainty

I turn now to a worrying aspect of Sir Hamish's address. He said: "If I were to offer any advice at all to investors, it would be to remind them of Hong Kong's continuous economic expansion since 1961 and of its resilience during the times of political and economic turbulence". He also spoke of the "economic compass which has steered Hong Kong through times of turbulence" in the past.

Perhaps the Financial Secretary did not mean these remarks to be interpreted solely with reference to such turbulence as might sweep Hong Kong either as the consequence of a change of leadership in Peking, or as a consequence of the change of sovereignty in Hong Kong. But when we also take into account his warning that "it is inevitable that, in a period of transition, uncertainties will exist", it is clear, I think, that he had China somewhere in mind.

I only wished Sir Hamish had been more explicit in spelling out what turbulence he thinks might lie ahead of Hong Kong, because there are signs that Peking is not wholly deaf to Hong Kong's legitimate worries.

It seems that no less a person than Mr LI Ruihuan, a leading member of the Politburo, has conceded that China's line towards Hong Kong may have been unnecessarily and damagingly harsh. And if there are indeed people like Mr LI in Peking ready to look beyond whatever self-serving half truths they are fed by some officials and appointed advisers, then we have everything to gain by speaking out frankly about our worries. The main message we need to get across to Peking is about our need to preserve and respect the freedoms enjoyed here.

Perhaps one way of getting that message across is to emphasize the relationship between our freedoms and our prosperity. Hong Kong is now a service economy. Such an economy relies on human skills. It demands agile,

creative minds. It relies upon interaction with the world, upon the free flow of information, of ideas and of people. More important still, it demands a highly developed rule of law. Many of its industries, such as banking, insurance and accountancy, would simply disappear without a secure legal environment.

Without the rule of law, our economy will regress. That would be the worst kind of turbulence, and one against which no quantity of reserves could protect us.

The reserves

For the time being, however, we prosper. We are told that Hong Kong's reserves will stand at \$151 billion shortly before the transfer of sovereignty — a full 25% more than was being officially forecast last year.

It may be churlish to complain about such apparent splendour. But as with land reclamation, it would be useful to know a little bit more about government thinking in that area. Clearly, reserves are necessary as a safeguard against sudden shortfalls in revenue. But when the economy enjoys a succession of good years, as it has this past decade, is it really the job of a government to go on piling up reserves?

We will have reserves far in excess of those agreed between China and Britain; there will be another large sum in the Land Fund for release to the SAR government; and, quite separately, there will be huge reserves in the Exchange Fund which can be used to defend the Hong Kong dollar should turbulence strike there.

To pile up such huge sums of money seems, on the face of it, an odd way for a professedly "small government" to behave; and it would be useful to hear some explicit justification for the Government's right to hold in suspense such a high proportion of the community's wealth. It may seem prudent to have such large sums in reserves; but by the same token, the availability of them is liable to tempt some future government into extravagance or laxity.

I hope that the Administration would consider this in the coming year in the planning of its next Budget. Mr President, I would also like to use this occasion to tell the Financial Secretary that I enjoyed his Budget. I may not have agreed in everything but I enjoyed the way that he has measured his various statements and to explain to us how public finance works in Hong Kong. I wish him well in his retirement.

Mr President, I support the motion.

SUSPENSION OF SITTING

PRESIDENT: We have had 25 speakers already, which means, assuming a full house, 31 tomorrow. And if no other Member wishes to speak, I suspend the sitting until 2.30 pm tomorrow afternoon.

Suspended accordingly at twenty-seven minutes past Seven o'clock.

WRITTEN ANSWER

Annex

Follow-up answer by the Secretary for Housing to Question 11 asked by Miss Emily LAU

More detailed information about water seepage in public rental housing estates which have been occupied for less than three years is listed below.

Table 1

Complaints about water seepage in public rental estates
occupied for less than three years

Number of Complaints Received

<i>Estate</i>	<i>Number of flats</i>	<i>During defects liability period</i>	<i>After defects liability period</i>		<i>Total</i>
		<i>(defects rectified by main contractor)</i>	<i>Repair completed</i>	<i>Repair in progress</i>	
Tung Tau	1 688	253	12	0	265
Wang Tau Hom VII	1 768	18	30	26	74
Tsz Ching	442	11	2	0	13
Pak Tin I	534	18	6	0	24
Lee On	3 632	9	8	0	17
Siu Sai Wan III	2 008	78	30	0	108
Yiu Tung I & II	4 220	166	0	0	166
Ma Hang I	660	96	0	0	96
Sau Mau Ping I	832	39	5	0	44
Hau Tak	2 800	10	2	0	12
Kwong Tin	2 453	193	12	2	207
Kwai Fong East III	442	12	3	2	17
Kwai Hing	765	59	61	4	124
Kwai Shing East I	1 181	2	5	1	8
Tai Wo Hau IV	2 156	104	11	2	117
Cheung Hang III	1 522	3	0	0	3
Lai On	1 438	25	0	0	25
Tin Yiu	8 582	583	156	6	745
Tin Shui	7 785	285	63	1	349
Total	44 908	1 964	406	44	2 414

WRITTEN ANSWER — *continued*

Table 2

Sources of water seepage in public rental
housing estates occupied for less than three years

<i>Sources of water seepage</i>	<i>Number of complaints</i>
Ceiling and internal wall	745 (30.9%)
Window	282 (11.6%)
External wall	45 (1.9%)
Expansion joint	9 (0.4%)
Pipe leakage	812 (33.6%)
Others (floor drains, pipe duct, and so on)	521 (21.6%)
Total	2 414 (100%)

Table 3

Ten public rental estates occupied for less than three years
with the largest number of complaints about water seepage

<i>Estate</i>	<i>Number of flats</i>	<i>Number of complaints</i>	<i>Main contractor</i>
Tin Yiu	8 582	745	Chung Shing Construction Company Limited
Tin Shui	7 785	349	Chung Shing Construction Company Limited
Tung Tau (Redevelopment)	1 688	265	Woon Lee Construction Company
Kwong Tin	2 453	207	International Tak Cheung General Contractor Limited
Yiu Tung I & II	4 220	166	Wan Hin and Company Limited
Kwai Hing	765	124	Yiu Wing Construction Company Limited
Tai Wo Hau IV	2 156	117	Sung Foo Kee Limited
Siu Sai Wan III	2 008	108	Wan Hin and Company Limited
Ma Hang I	660	96	Hsin Cheong Company Limited
Wang Tau Hom VII	1 768	74	Hsin Cheong Company Limited

