

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 27 March 1996

The Council met at half-past Two o'clock

MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE ANDREW WONG WANG-FAT, O.B.E., 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 MARTIN LEE CHU-MING, Q.C., J.P.

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

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

THE HONOURABLE SZETO WAH

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA, M.B.E.

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 HENRY TANG YING-YEN, J.P.

THE HONOURABLE JAMES TO KUN-SUN

DR THE HONOURABLE SAMUEL WONG PING-WAI, M.B.E., F.Eng., 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

THE HONOURABLE CHRISTINE LOH KUNG-WAI

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

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE CHAN KAM-LAM

THE HONOURABLE CHAN WING-CHAN

THE HONOURABLE CHAN YUEN-HAN

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE CHENG YIU-TONG

THE HONOURABLE CHEUNG HON-CHUNG

THE HONOURABLE CHOY KAN-PUI, J.P.

THE HONOURABLE DAVID CHU YU-LIN

THE HONOURABLE ALBERT HO CHUN-YAN

THE HONOURABLE IP KWOK-HIM

THE HONOURABLE LAU CHIN-SHEK

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

DR THE HONOURABLE LAW CHEUNG-KWOK

THE HONOURABLE LAW CHI-KWONG

THE HONOURABLE LEE KAI-MING

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE BRUCE LIU SING-LEE

THE HONOURABLE LO SUK-CHING

THE HONOURABLE MARGARET NG

THE HONOURABLE NGAN KAM-CHUEN

THE HONOURABLE SIN CHUNG-KAI

THE HONOURABLE TSANG KIN-SHING

DR THE HONOURABLE JOHN TSE WING-LING

THE HONOURABLE MRS ELIZABETH WONG CHIEN CHI-LIEN, C.B.E.,
I.S.O., J.P.

THE HONOURABLE LAWRENCE YUM SIN-LING

MEMBERS ABSENT:

THE HONOURABLE PAUL CHENG MING-FUN

DR THE HONOURABLE ANTHONY CHEUNG BING-LEUNG

THE HONOURABLE MOK YING-FAN

PUBLIC OFFICERS ATTENDING:

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

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

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

ATTORNEY GENERAL

MR MICHAEL SUEN MING-YEUNG, C.B.E., J.P.
SECRETARY FOR HOME AFFAIRS

MR CHAU TAK-HAY, C.B.E., J.P.
SECRETARY FOR RECREATION AND CULTURE

MR HAIDER HATIM TYEBJEE BARMA, I.S.O., J.P.
SECRETARY FOR TRANSPORT

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

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

MRS KATHERINE FOK LO SHIU-CHING, O.B.E., J.P.
SECRETARY FOR HEALTH AND WELFARE

MR JOSEPH WONG WING-PING, J.P.
SECRETARY FOR EDUCATION AND MANPOWER

MR PETER LAI HING-LING, J.P.
SECRETARY FOR SECURITY

MR BOWEN LEUNG PO-WING, J.P.
SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS

MR KWONG KI-CHI, J.P.
SECRETARY FOR THE TREASURY

MR LEO KWAN WING-WAH, J.P.
SECRETARY FOR ECONOMIC SERVICES

CLERKS IN ATTENDANCE:

MR RICKY FUNG CHOI-CHEUNG, SECRETARY GENERAL

MR LAW KAM-SANG, DEPUTY SECRETARY GENERAL

MISS PAULINE NG MAN-WAH, ASSISTANT SECRETARY GENERAL

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

PAPERS

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

Subject

Subsidiary Legislation	<i>L.N. No.</i>
Magistrates Ordinance (Amendment of Fourth Schedule) Order 1996	131/96
Companies Ordinance (Amendment of Eighth Schedule) (No. 2) Order 1996	135/96
Official Languages (Alteration of Text) (Travel Agents Ordinance) Order 1996.....	136/96
Hawker (Permitted Place) Declaration 1996	137/96
Official Languages (Authentic Chinese Text) (Dogs and Cats Ordinance) Order	(C) 21/96
Official Languages (Authentic Chinese Text) (Legislative Council (Powers and Privileges) Ordinance) Order	(C) 22/96
Official Languages (Authentic Chinese Text) (Travel Agents Ordinance) Order.....	(C) 23/96
Official Languages (Authentic Chinese Text) (Ferry Services Ordinance) Order	(C) 24/96
Official Languages (Correction of Text) Order 1996.....	139/96
Fire Service (Installation Contractors) (Amendment) Regulation 1996	140/96

Timber Stores (Amendment) Regulation 1996.....	141/96
Securities (Exchange - Traded Stock Options) (Amendment) (No. 2) Rules 1996	142/96
Waste Disposal (Amendment) Ordinance 1995 (14 of 1995) (Commencement) Notice 1996.....	143/96
Official Languages (Authentic Chinese Text) (District Boards Ordinance) Order	(C) 25/96
Official Languages (Authentic Chinese Text) (Animals and Plants (Protection of Endangered Species) Ordinance) Order.....	(C) 26/96

Sessional Papers 1995-96

- No. 68 — Secretary for Home Affairs Incorporated Statement of
Accounts for the year ended 31 March 1995
- No. 69 — The Legislative Council Commission
Annual Report 1994-1995

Miscellaneous

White Paper on the Annual Report on Hong Kong 1995 to Parliament

Initial Report of the United Kingdom of Great Britain and Northern Ireland
in respect of Hong Kong under Article 44 of the Convention on the Rights
of the Child

WRITTEN ANSWERS TO QUESTIONS**Hospital Authority Staff Costs**

1. **MR HOWARD YOUNG** asked: *Will the Government inform this Council of:*

- (a) *the proportion of staff costs in respect of all medical doctors in the Hospital Authority (HA), including those remaining on civil service terms, to the total expenditure of the HA in the current and previous two financial years; and*
- (b) *the proportion of staff costs in respect of medical doctors in the general surgical departments of the hospitals under the management of the HA to the total financial provision allocated to these departments in the current and previous two financial years?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, the proportion of staff cost in respect of all medical doctors to the total expenditure of the Hospital Authority are 20.5% in 1993-94, 21.4% in 1994-95 and 21.9% in 1995-96. Although the Authority has decentralized financial planning and budgetary management, not all public hospitals have apportioned staff costs to the level of individual clinical departments or operating units. The requested information about medical staff cost in the general surgical departments of public hospitals compared with their total financial provision is thus not available.

Ex gratia Payment for Fishermen Affected by Dredging

2. **MR TSANG KIN-SHING** asked (in Chinese): *In recent years, dredging works undertaken in Hong Kong waters have caused substantial reductions in fish catches and this has affected the livelihood of local fishermen. In this connection, will the Government inform this Council:*

- (a) *how the criteria for granting ex gratia payment to the affected fishermen are set;*

- (b) *whether those in the trade have been consulted widely before setting the criteria; if so, what are the details;*
- (c) *how the Government will handle those fishermen who are dissatisfied with the amount of ex gratia payment granted to them; and*
- (d) *whether it will consider increasing the ex gratia payment; if not, why not?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) the criteria currently used for calculating and granting *ex gratia* allowances to fishermen affected by reclamation, dredging and dumping projects were approved by the Finance Committee of the Legislative Council in May 1993. The basis for calculating the amount of *ex gratia* payment was the notional value of three years' catch in the affected area. The notional value of catch was determined by the Director of Agriculture and Fisheries based on the fishing port survey conducted in 1989-91 and the Fish Marketing Organization (FMO)'s fish price index, which is updated annually. Those affected fishermen owning vessels of more than 15 m in length were also eligible for *ex gratia* payment;
- (b) the trade was not specifically consulted on the criteria mentioned in (a) above, but in proposing the criteria, the Administration had taken into consideration fishermen's concerns as expressed at the Fishermen Liaison Meetings held in August and November 1992. The Administration also explained the criteria to the Legislative Council Lands and Works Panel in April 1993. Members were generally supportive of the criteria. This said, we also consulted 40 fishermen associations by questionnaire from December 1993 to February 1994. The outcome of the consultation helped us work out the detailed vetting criteria for processing claims from affected fishermen owning vessels of more than 15 m in length;

- (c) fishermen who are dissatisfied with *ex gratia* payments may appeal to an Appeal Board. The Appeal Board's role is to examine whether the amounts have been determined in accordance with the approved criteria, having regard to any new or additional information or evidence provided by the appellants or the relevant government departments; and
- (d) we have recently commissioned a consultancy study on fisheries resources and fishing operations in Hong Kong waters. The findings of the study will enable us to, among other things, review the existing basis for payment of *ex gratia* allowances to the affected fishermen. Pending the completion of the study, we can only base the calculation of *ex gratia* allowances payable to affected fishermen on the 1989-91 survey and FMO's fish price index.

Membership of Advisory Committees

3. **DR ANTHONY CHEUNG** asked (in Chinese): *Will the Government inform this Council:*

- (a) *of the number of government advisory committees at the central level which are chaired by members of political parties (or political groups) and the proportion of the chairmanship of these advisory committees held by each political party (or political group);*
- (b) *of the number of members of these advisory committees who are affiliated with political parties (or political groups) and the proportion of the members of these advisory committees who are members of each political party (or political group); and*
- (c) *what is the current policy regarding the appointment of persons affiliated with political parties (or political groups) as members of these advisory committees; and whether there is any limit on the proportion of such members in the composition of these advisory committees?*

SECRETARY FOR HOME AFFAIRS: Mr President, the personal information of members of advisory boards and committees is provided by the concerned individuals on a voluntary basis. There is also no established definition of a political party or political group. The Government therefore does not have comprehensive record of the political affiliations of members of advisory bodies. Based on information supplied, our answers to the questions are as follows:

- (a) there are at present six individuals with political affiliations who are chairmen of government advisory boards and committees at the central level. A breakdown of their affiliations to each political party or political group as reported by the individuals is as follows:

<i>Political Parties/Groups</i>	<i>No. of Individuals</i>
Democratic Alliance for the Betterment of Hong Kong	1
Democratic Party	1
Liberal Democratic Federation	2
Liberal Party	2

- (b) there are at present 21 individuals with political affiliations who are serving on government advisory boards and committees at central level. A breakdown of their affiliations to each political party or political group as reported by the individuals is as follows:

<i>Political Parties/Groups</i>	<i>No. of Individuals</i>
Association for Democracy and People's Livelihood	4
Democratic Alliance for the Betterment of Hong Kong	6
Democratic Party	4

<i>Political Parties/Groups</i>	<i>No. of Individuals</i>
Hong Kong Civic Association	1
Liberal Democratic Federation	2
Liberal Party	2
New Hong Kong Alliance	2

- (c) Appointments to advisory boards and committees are made on the basis of the merits of the individuals concerned taking account of their personal ability, expertise, experience, integrity, commitment to public service and their overall suitability for appointment. Our objective is to ensure that the best available persons capable of meeting the specific needs of the concerned advisory bodies are appointed.

Guidelines for Outdoor Extra-curricular Activities

4. **MR CHOY KAN-PUI** asked (in Chinese): *A group of teachers and students from the Fung Yiu King Memorial Secondary School in Ma On Shan, Sha Tin encountered a hill fire when they were hiking in the Pak Sin Leng Country Park, which resulted in over 10 casualties. In this connection, will the Government inform this Council:*

- (a) *whether the Education Department (ED) has a comprehensive set of guidelines for organising extra-curricular activities; if so, whether the guidelines contain safety and contingency measures; and*
- (b) *whether the ED will consider citing the acts of the teachers who sacrificed their lives to save the students in this incident as a role model in its future promotion of civic education?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President,

- (a) The ED issues a school circular annually to all schools advising them on the general safety precautions including administrative procedures in organizing outdoor activities to ensure the safety of students. The ED also issues information pamphlets containing specific guidelines on safety precautions and measures to cope with emergencies on subject related outdoor activities such as physical education, geography and biology.

Following the recent hill fire tragedy, the ED has set in train a review of guidelines to schools on outdoor extra-curricular activities. A working group is being formed to examine the matter comprehensively and to produce fuller guidelines with additional practical information to help school heads and teachers plan and conduct such activities. We aim to have these guidelines ready before the next school year.

- (b) This tragic incident has touched everyone in the community. The ED has taken and will continue to take every opportunity, on formal and informal occasions, to commend the two teachers who sacrificed their lives as well as those who demonstrated bravery in the hill fire. We have also erected the "Spring Breeze Pavilion" to commemorate the incident and to salute the teachers and students who helped one another selflessly in the hill fire. We hope that students will learn and benefit from their example to care for others and to face and deal with adversities in life with courage.

In addition, we are introducing a set of new Guidelines on Civic Education in schools in September 1996 which will highlight a set of core values and beliefs such as courage, mutuality, kindness, benevolence and contribution to the betterment of mankind.

Illegal Conversion of Marked Oil

5. **MRS MIRIAM LAU** asked (in Chinese): *Despite the transformation of local industries and the relocation of manufacturing processes to China in recent years, there has been an upsurge in the amount of imported industrial diesel oil (commonly known as "marked diesel oil") from 1.46 billion litres in 1990-91 to 3.54 billion litres in 1994-95. Moreover, there has been an increase in the number of diesel-fuelled vehicles but the amount of imported vehicle diesel oil has dropped from 760 million litres in 1990-91 to 720 million litres in 1994-95. In view of this, will the Government inform this Council:*

- (a) of the reasons for the above phenomenon;*
- (b) what is the situation regarding the illegal conversion of marked diesel oil to diesel oil for use by vehicles;*
- (c) what is the sulphur content of marked diesel oil as compared with that of vehicle diesel oil, and to what extent the use of marked diesel oil has contributed to air pollution in the territory; and*
- (d) whether the decrease in the amount of imported vehicle diesel oil is in any way related to the illegal use of marked diesel oil and the fact that container trucks and lorries have brought in diesel oil from China; whether it has assessed the amount of diesel oil imported in this manner and its impact on the quality of air in the territory; and whether it will consider adopting measures to reduce the amount of diesel oil brought in by container trucks and lorries from China?*

SECRETARY FOR THE TREASURY: Mr President,

- (a) Industrial diesel oil (marked oil) is not imported directly into Hong Kong but is blended in Hong Kong by adding marker and colouring substances (for revenue protection reasons) to diesel oil. The amount of marked oil blended in Hong Kong rose from 1.44 billion litres in 1990-91 to 2.52 billion litres in 1994-95. The increase could be attributed to the following factors:

- (i) there were a number of large-scale infrastructural projects which commenced during the period, for example, the Airport Core Programme projects. These resulted in an increase in the demand for marked oil; and
- (ii) in 1992, the Government granted full exemption of diesel fuel duty to franchised bus companies which have since been allowed to use marked oil for their buses. This has also increased the demand for marked oil.

Largely because of (ii) above, there has been a reduction in the amount of vehicle diesel oil used. This has not been offset sufficiently by the increase in the number of diesel-fuelled vehicles (mainly as a result of the increase in transportation business between Hong Kong and China) as drivers could fill their vehicles with vehicle diesel oil whilst in China.

- (b) The Customs and Excise Department has stepped up enforcement action to tackle the problem of illicit use of diesel oil. The amount of diesel oil thus seized (excluding seizure of smuggled vehicle diesel oil) increased from 65 000 litres in 1993-94 to 700 000 litres in 1994-95. For the first 11 months of 1995-96, the amount seized further increased to 1.2 million litres. We have earmarked funds in 1996-97 to set up two additional investigation and enforcement teams, comprising 13 officers, in the department to further strengthen enforcement action in this area, and to tackle the smuggling of vehicle diesel oil from other places into Hong Kong.
- (c) The sulphur contents of marked oil and vehicle diesel oil are limited by law to not more than 0.5% and 0.2% respectively. In fact, the sulphur content of marked oil currently sold in Hong Kong is well below 0.5% (typically being 0.35% only), and some major oil suppliers adopt the 0.2% sulphur content standard for both types of diesel oil. As far as sulphur content is concerned, the impact of the illegal use of marked oil for vehicular purposes on air quality is not significant. This is borne out by the relatively low and stable ambient sulphur dioxide levels recorded by the Environmental Protection Department.

- (d) (i) We have explained the factors affecting the use of vehicle diesel oil in (a) above.
- (ii) We have not assessed the amount of vehicle diesel oil imported by drivers of cross-border vehicles from China. However, the types of vehicle diesel oil used in China and Hong Kong are similar in terms of sulphur content. There is no evidence to show that the use of such diesel oil from China by cross-border vehicles is having a significant effect, as far as sulphur dioxide level is concerned, on the air quality of Hong Kong; and
- (iii) There is a limit to the amount of vehicle diesel oil which can be brought in from China by individual types of goods vehicles as stipulated in the Dutiable Commodities Regulations (Cap. 109 sub. leg.). The limits are set based on the cylinder capacity of the vehicles. We have no plan to lower the limits which would otherwise affect cross-border traffic operation. However, the Customs and Excise Department has stepped up its enforcement action against the smuggling of vehicle diesel oil into Hong Kong.

Surrender of Public Housing Units

6. **MR HENRY TANG** asked (in Chinese): *With regard to the problem of public housing tenants failing to surrender their flats after they have moved out, will the Government inform this Council:*

- (a) *of the number of tenants who have surrendered their flats to the Housing Department (HD) for reasons of emigration, as well as the number of flats recovered by the HD upon discovering that the tenants have emigrated but failed to surrender their flats, in the past three years;*

- (b) *how does the HD come to know that the tenants have emigrated;*
- (c) *whether tenants can transfer their tenancy to their relatives; if so, what are the criteria, and how many tenants have successfully transferred their tenancy to their relatives in the past three years; and*
- (d) *how many tenants have sublet their flats in breach of the tenancy agreement in the past three years, and what is the punishment normally imposed by the HD on such tenants?*

SECRETARY FOR HOUSING: Mr President, during the three years up to 29 February 1996, 335 flats were surrendered voluntarily by tenants before emigration, and another 109 flats were recovered from tenants who had emigrated but failed to surrender them.

The Housing Department regularly inspects tenants' flats to check on occupancy. Estate staff may also learn about a tenant's emigration from checking his rent payment, use of utility services, or through complaints from neighbours.

The Housing Authority's tenancy agreement specifies that public housing tenancies are non-transferable except with the permission of the Director of Housing. The Director will consider allowing transfer of tenancy where the principal tenant:

- (a) passes away; or
- (b) emigrates from Hong Kong, leaving part of his family behind; or
- (c) rents two public rental units as a result of large family size, and surrenders one of these units after receiving subsidized home ownership assistance, leaving some household members in the remaining public rental unit.

In any of the above cases, the new principal tenant must be an authorized member in the original tenancy agreement. The tenancy will normally be transferred to:

- (i) the tenant's spouse; or
- (ii) in the absence of a spouse, to a married child; or
- (iii) if all the children in the household are unmarried, to one of them who is over 18 years of age.

During the three years up to 29 February 1996, there have been 12 822 such cases of tenancy transfer.

Subletting is strictly prohibited in the tenancy agreement. During the three years up to 29 February 1996, 136 cases of subletting were discovered, resulting in action taken to recover the flats concerned. If the flats are found to be occupied by unregistered persons, action will be taken to terminate the tenancies.

Order at Sports Events

7. **MR CHIM PUI-CHUNG** asked (in Chinese): *Regarding the conflict amongst spectators, players and the management staff of a soccer club at the Hong Kong Stadium on 12 January 1996, will the Government inform this Council:*

- (a) *how the police handle incidents of soccer fans or spectators using foul language cursing or insulting the players or management staff of soccer clubs inside a stadium; and*
- (b) *how the police classify a complaint about such an incident lodged by the players or management staff of a soccer club where a third party has indicated willingness to give evidence?*

SECRETARY FOR SECURITY: Mr President, the answer to the two parts of the question is as follows:

- (a) Police officers are deployed to the stadium during sporting and cultural events to maintain law and order and to preserve public peace. The police will decide whether an act is likely to cause a breach of the peace in the context of each incident and having regard to prevailing circumstances. Barracking of soccer players or management staff of soccer clubs by spectators is a common phenomenon throughout the world and is tolerated as long as it will not cause a breach of the peace. The police will take appropriate action, such as cautioning the spectators concerned, when such barracking is likely to cause a breach of the peace.
- (b) Each complaint will be investigated and classified according to the circumstances of the case, including statements made by the involved parties and independent witnesses.

Modular Curriculum and Mastery Learning Programme

8. **DR ANTHONY CHEUNG** asked (in Chinese): *The Education Commission Report No. 4 published in 1990 recommended that two projects about school curriculum should be undertaken to examine "the feasibility of introducing a Modular Curriculum at the junior secondary level" and "the feasibility of introducing a Mastery Learning programme" respectively. The recommendations were subsequently accepted by the Government and the relevant posts required to carry out the studies were created within the Curriculum Development Institute of the Education Department (ED). In this connection, will the Government inform this Council:*

- (a) *of the number, rank and date of the creation of such posts;*
- (b) *whether researches or experimentation relating to these two projects have been carried out by the ED since the creation of such posts; if so, when were they carried out and what were the objectives, contents and findings of such researches and*

experimentation;

- (c) whether the ED has compiled any reports on the researches and experimentation mentioned above; if so, whether the ED has published such reports;*
- (d) whether the ED has reached any conclusion with regard to the feasibility and desirability of the two projects mentioned above; if not, when a conclusion will be reached, and what criteria will be taken into account in making the decision; and*
- (e) what follow-up actions will be taken on these two projects in the next two years?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, Modular Curriculum is a theory about reorganizing a curriculum into smaller teaching and learning units called modules, to facilitate addition, deletion, integration or relocation in the curriculum to meet the needs of students. A curriculum module is intact in itself, with clear objectives, defined contents and specified teaching strategies and methods of assessment. There are core modules for all students, extended modules for the more able and remedial modules for the less able students. With the proliferation of knowledge in subjects, optional modules can be developed to supplement the core modules instead of creating new subjects.

Mastery Learning is a theory about teaching and learning that is closely tied to a set of instructional strategies. In a Mastery Learning Programme, the concepts and materials to be learned are defined and divided into sequential learning units, each with specified learning objectives and steps. These objectives are arranged in order of increasing complexity and difficulty. A diagnostic test is administered at the end of each unit to establish whether students have mastered the content or not, and to identify the areas in which they experienced difficulty. The aim is to ensure that all students will acquire the necessary foundation knowledge at each unit before moving on to the next units.

- (a) Two units, each with one Principal Curriculum Officer and one Senior Curriculum Officer, were established in October 1992 to conduct studies on Modular Curriculum and Mastery Learning respectively.

(b) and (c)

Details on researches and experiments conducted so far are summarized below.

Modular Curriculum

The Modular Curriculum Unit has developed and tried out a number of modules in selected schools at upper primary to junior secondary levels to enhance students' study skills and assist them in their learning. All the completed projects covering subject areas like Social Studies and Library, EPA and Physical Education have been well received by teachers. These modules have been made available to interested schools for use after successful trial runs. Other ongoing projects due for completion in August 1996 cover subject areas like Language, Humanities, Mathematics, Science, and two modules for special schools. The general feedback so far is very favourable. If the experiments are successful, these modules will also be made available to interested schools.

The Modular Curriculum Unit submitted two progress reports to the Curriculum Development Council (CDC) in February 1993 and March 1994 respectively. It will make a further report in April 1996.

Mastery Learning

The Mastery Learning Unit conducted a pilot study in the 1992-93 and 1993-94 school years in Primary 3 Mathematics in selected schools. The findings showed that Mastery Learning has improved the students' level of achievement in Mathematics. The findings of the pilot project were published at a curriculum conference in May 1995. In parallel, Mastery Learning materials on 15 Mathematics

units have been developed and are available to primary schools interested in adopting the Mastery Learning approach. The experience of these schools will support research in this area.

In 1993-94, a research on the effect of Mastery Learning in Chinese Language was conducted at secondary level in two schools with academically less able students. The findings indicating students' improvement were presented to the CDC in March 1995.

An opinion survey on Mastery Learning was conducted in August 1995 among teachers in 18 primary schools. The survey findings which showed overwhelming support will be presented to the CDC in April 1996.

(d) and (e)

A number of research projects are planned for the next two years. The Modular Curriculum Unit will establish a core and extended curriculum for Secondary I to V Mathematics, revise the subject syllabuses for Secondary I to III Integrated Science, Computer Studies and Physical Education. The Mastery Learning Unit will develop more learning materials and conduct further studies on subject areas like Chinese and Science at junior secondary level. The Education Department expects to arrive at a conclusion on the feasibility and desirability of these two curriculum innovations upon the completion of the above work.

Semi-private Bed Pilot Scheme

9. **MR CHAN KAM-LAM** asked (in Chinese): *As the operation of private hospitals has been affected to a certain extent since the implementation of the semi-private rooms pilot scheme in some public hospitals, will the Government inform this Council:*

- (a) *what is the response to the pilot scheme since its implementation, and whether the Government will further extend the scheme to all public hospitals; and*
- (b) *whether it has assessed the impact of the scheme on private*

hospitals; if so, what are the findings; if not, whether it will conduct such an assessment?

SECRETARY FOR HEALTH AND WELFARE: Mr President, the semi-private bed pilot scheme currently operates a total of 65 beds in Ruttonjee, Tsan Yuk, Grantham and Pok Oi Hospitals. The occupancy rate for the past 12 months has averaged about 70% and patient satisfaction has been high.

We will be conducting a comprehensive review of the pilot scheme towards the end of this year to determine what role semi-private beds have in the public hospital system. The review will include an assessment of the appropriate level of fees, the number of beds to be introduced and the location/type of hospitals where any future beds should be provided. It will also assess the impact of semi-private beds on private hospitals.

Co-operation in Combating Cross-border Crimes

10. **MR AMBROSE LAU** asked (in Chinese): *With regard to the increasing co-operation between law enforcement officers in Hong Kong and their counterparts in China in combatting cross-border crimes, will the Government inform this Council:*

- (a) of the number of visits by local law enforcement officers to China to testify in court and their respective ranks in the past three years;*
- (b) of the number of visits by Chinese law enforcement officers to the territory to testify in court and their respective ranks in the past three years; and*
- (c) whether, given the different legal systems in force in China and Hong Kong, the two governments have jointly organised exchange visits or short-term training courses so as to enable the law enforcement officers of the two places to understand the structure and operation of each other's legal system; if so, what are the details (including such information as the rank of the participants and the number of activities held and so on); if not, whether consideration will be given to organising these activities with the Chinese Government on a joint basis?*

SECRETARY FOR SECURITY: Mr President, in general, we maintain close co-operation with the Chinese authorities in the fight against cross-border crimes. Under the Border Liaison Channel, our police, immigration and customs officers have almost daily contacts with their counterparts to exchange information on cross-border issues like illegal immigration and smuggling. In addition, the Royal Hong Kong Police Force maintains close liaison with the People's Republic of China (PRC) Ministry of Public Security through the Interpol channel on cross-border criminal matters. Two Chinese Liaison Officers have stationed in Hong Kong since February 1993. They act as a supplement to the Interpol liaison system and have been particularly helpful in police liaison with Chinese provinces other than Guangdong. The Independent Commission Against Corruption (ICAC) also maintains close co-operation with the Guangdong Provincial People's Procuratorate on anti-corruption matters.

The specific answer to the three parts of the question is as follows:

- (a) So far, no Hong Kong law enforcement officer has visited China to give evidence in PRC courts, since no such request was made by the Chinese authorities.
- (b) Similarly, no Chinese law enforcement officer has visited Hong Kong to testify in our courts, since (we understand) it is not the Chinese practice to allow PSB officers to testify in courts outside China.
- (c) There are a large number of exchange visits, liaison and review meetings, and training courses/seminars organized by both sides to enable the law enforcement officers of the two places to understand the structure and operation of each other's system. Participants in these activities include officers at all levels ranging from heads of department to rank and file officers. Statistics of such activities, excluding routine daily contacts through the Border Liaison Channel, for the police, Customs and Excise Department, Immigration Department and ICAC in the past three years are set out below:

		<i>No. of Occasions</i>		
	<i>Activities</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>
(i)	Visits by Chinese law enforcement officers to Hong Kong including liaison and review meetings in Hong Kong	96	110	163
(ii)	Visits by Hong Kong law enforcement officers to China including liaison and review meetings in China	95	110	117
(iii)	Training courses/seminars in China	11	6	6
(iv)	Training courses/seminars in Hong Kong	115	76	127

Frequency Reduction of Inner Harbour Ferry Services

11. **MR LEUNG YIU-CHUNG** asked (in Chinese): *When this Council considered the application for fare increase by the Hongkong and Yaumati Ferry Company Limited (HYF) in January this year, HYF indicated that if the application was not approved, HYF would reduce the frequency of some of its ferry routes. The application was eventually approved by this Council. However, it has been reported recently that HYF is planning to reduce by half the frequency of its three inner harbour ferry routes. In this connection, will the Government inform this Council:*

- (a) *whether it is aware of HYF's plan to reduce the frequency of these routes when submitting HYF's application for fare increase to this Council for consideration;*

- (b) *whether HYF's move to reduce the frequency of these routes constitutes a breach of the agreement reached with the Government when HYF was granted the franchise;*
- (c) *whether it will consult this Council when considering if HYF's application for a reduction in the frequency of these routes should be approved; if not, why not; and whether it will take appropriate measures to safeguard the interests of the public in the event of a reduction of the frequency of these routes; and*
- (d) *how it will ensure that similar situations will not recur in the future?*

SECRETARY FOR TRANSPORT: Mr President,

- (a) As part of the company's ongoing programme to adjust services in response to changes in passenger demand and to optimize the use of resources, Hongkong and Yaumati Ferry Company Limited (HYF) submitted the following proposals to the Administration in October 1995:
 - (i) to modify the frequency of the Jordan Road - Central ferry service from 10-15 minutes to 15-20 minutes;
 - (ii) to adjust the operational hours of the North Point - Kowloon City, North Point - Hung Hom and Wan Chai - Hung Hom services from between 6 am and 10 pm to between 7 am and 8 pm.

The Administration was aware of these proposals at the time when HYF's fare increase application was being considered. Following consultation with the relevant district boards, the proposal at (i) was implemented on 1 March 1996, while a decision on the proposal at (ii) has yet to be taken.

- (b) HYF is required to provide services in accordance with the schedules of services authorized by the Commissioner for Transport. Under the Ferry Services Ordinance, HYF may seek to amend the frequency of its ferry services. The authority for any adjustment rests with the Commissioner for Transport.

(c) and (d)

The Legislative Council is not consulted on operational matters such as changes in ferry services timetables.

In assessing any service adjustment proposal from ferry franchisees, the Commissioner for Transport will take into account passenger demand and consult the district boards concerned before taking a decision.

Waste Separation

12. **MRS ELIZABETH WONG** asked: *Will the Government inform this Council:*

- (a) *whether, in the interest of protecting the environment, it is the Government's policy to ask the public to separate waste by different types prior to its collection; and*
- (b) *whether any measures have been put in place to facilitate the public to obtain information from the relevant government department regarding the disposal of certain poisonous substances and chemicals kept at home?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) It is government policy to encourage the public to separate recyclable materials from non-recyclable waste. The Government's overall objective of waste management is to reduce waste at source, to promote reuse and recycling and to ensure that what remains is disposed of in an environmentally cost-effective manner; separation of waste will facilitate this objective. To this end, the Environmental Protection Department has introduced a hotline service (Tel. No. 2755 2750) to advise the public on the setting up of waste collection schemes to recover recyclable materials such as waste paper and aluminium cans. A pamphlet containing details on how to organize a waste paper separation and collection scheme in residential building and office premises has also been printed for distribution to the public.

To further promote waste reduction, a consultancy study commissioned by the Environmental Protection Department has recently recommended a number of waste reduction initiatives, including separate collection schemes for recyclable materials. We will consult interested parties on these recommendations next month to enable us to formulate a waste reduction plan for Hong Kong for further consultation with the public later in the year.

- (b) Most poisonous substances and chemicals kept at home are used for household cleaning, insect and rodent control or used in consumable products such as paints and batteries. Empty containers of these chemicals and used batteries usually contain only a small quantity of residue and can be disposed of together with other household waste. In the rare circumstances where the public needs assistance for the disposal of a larger quantity of surplus or expired products containing poisonous substances or chemicals, they can contact the Environmental Protection Department for advice through its telephone enquiry service (Tel. No. 2755 5462).

State of Local Fishing Industry

13. **DR LAW CHEUNG-KWOK** asked (in Chinese): *Will the Government inform this Council:*

- (a) of the contribution of the fishing industry to the territory's economy as a whole;*
- (b) of the general development of the local fishing industry in recent years;*
- (c) of its policy on the provision of subsidies to the industry; and*
- (d) whether it has looked into the reasons why there is an absence of enterprise operating commercial fishing fleet on a large scale in the territory?*

SECRETARY FOR ECONOMIC SERVICES: Mr President,

- (a) The fishing industry makes an important contribution to Hong Kong's economy in maintaining a steady supply of fresh marine fish to local consumers. In 1995, it produced an estimated 195 000 tonnes of fisheries produce valued at \$2,150 million. Of this, about 123 000 tonnes were landed in Hong Kong, satisfying about 70% of local consumption of marine fish. A portion of the premium fish and processed products derived from the industry's catch are exported, earning some \$1,200 million in 1995. The industry employs some 15 000 local workers and contributes to providing employment in ancillary sectors servicing the fishing industry, such as fish wholesale and retail marketing, fishing vessel construction and repair, fuel and fishing gear supply, ice manufacturing, cold storage and other victualling services.

-
- (b) In recent years, Hong Kong's fishing fleet has become more modern, with the addition of vessels of improved design equipped with more powerful engines and more modern navigational aids, fish finding devices and mechanical gear. This has enabled local fishermen to extend their operations further afield in the region. Hong Kong's total capture fisheries production has been maintained at about 200 000 tonnes a year over the past five years. Some 90% of the catch is captured outside Hong Kong.
 - (c) The Government's policy towards the fishing industry is to promote the development of the industry and the sustainable use of fisheries resources, with a view to maintaining a steady supply of fresh marine fish for local consumers. This policy is implemented through the provision of technical assistance and support services, such as fishing vessel design; loans and vocational training for fishermen to improve productivity and wholesale fish markets. The industry does not receive subsidies. As further contributions to the long-term sustainable development of the fishing industry, the Government has commissioned a consultancy study on fisheries resources, is establishing marine parks and reserves and will soon begin deployment of artificial reefs. The Government also participates in regional forums and liaises with neighbouring countries with a view to promoting effective management of fisheries resources and control of destructive fishing practices.
 - (d) Being affected by the weather and the uncertainty of consistently good catches, fishing is generally perceived to be a business with an unsteady income and therefore a relatively less attractive home for the capital of major investors than many of the other business opportunities available in Hong Kong. Individual Hong Kong fishermen have nonetheless become better entrepreneurs. Many have moved from operating small inshore vessels to large and sophisticated trawlers fishing in distant waters and operate their vessels in groups to achieve more productive returns.

Implementation of Personal Data (Privacy) Ordinance

14. **MR IP KWOK-HIM** asked (in Chinese): *Since the Personal Data (Privacy) Ordinance (the Ordinance) will come into effect shortly, will the Government inform this Council:*

- (a) how the Ordinance will be implemented by government departments;*
- (b) what measures it will adopt before the Ordinance comes into effect to assist private and public organisations in observing the Ordinance; and*
- (c) whether the existing land search procedure in the Land Registry will contravene the Ordinance; if so, what measures the relevant authorities will take to address this problem?*

SECRETARY FOR HOME AFFAIRS: Mr President,

- (a) Since 1988, data users in both the public and private sectors have been invited to comply with the government issued Data Protection Principles and Guidelines. The Ordinance is based on these data protection principles. Hence, government departments should already be familiar with the basic requirements in this area. Following enactment of the Ordinance last year, all Policy Secretaries and Heads of Departments were asked to prepare for compliance with its provisions. The Home Affairs Branch has been assisting Departments and Policy Branches to do this through the provision of direct advice, briefings, a government-wide seminar for officers directly involved in the work concerned and the distribution of guidance materials (details are given in part (b) below).

- (b) The Home Affairs Branch is actively promoting awareness and understanding of the Ordinance among data users, in both the private and public sectors. In October 1995, a leaflet was produced introducing the key provisions of the Ordinance to data users. To date, some 60 000 copies of this leaflet have been distributed. A poster campaign promoting compliance with the data protection principles of the Ordinance was launched on 17 February 1996 and some 60 000 copies of the posters have been distributed up to the present time. A detailed guide for data users on the requirements of the Ordinance with respect to data subject access and correction has also recently been produced. Distribution of the guide began on 20 March 1996. Other such material will be produced as necessary to assist data users to comply with the Ordinance. The Home Affairs Branch is also giving guidance on compliance with the Ordinance in response to specific enquiries from data users.
- (c) Principle 3 in Schedule 1 of the Ordinance requires that, unless the data subject has consented otherwise, personal data shall only be used for the purpose for which the data was collected or a directly related purpose. Clearly, one of the purposes for collecting the personal data in the Land Registry, like any other public register, is in order that members of the public may search through the data. Hence, having a land search procedure is not in itself a contravention of the Ordinance.

Dog Keeping in Public Housing Estates

15. **MR FRED LI** asked (in Chinese): *With regard to a recent unfortunate incident in which an infant girl was bitten to death by a dog in a public housing estate, will the Government inform this Council:*

- (a) *of the estimated number of public housing estate tenants who are in breach of the rule stipulated in the tenancy agreement forbidding*

the keeping of dogs;

- (b) of the number of public housing estate tenants who were issued warnings by the Housing Department (HD) or who had their tenancy agreements terminated in the past two years owing to a breach of the rule;*
- (c) whether there are staff in the public housing estate offices of the HD who are specifically assigned to enforce the rule; and*
- (d) whether, in addition to the termination of the tenancy agreement of the offending tenants, the HD will take other measures to strictly enforce the rule; if not, why not?*

SECRETARY FOR HOUSING: Mr President, as at February 1996, the HD was handling about 200 households keeping dogs and took enforcement action in every case. Between April 1994 and February 1996, the department issued warnings to about 2 630 households for breaking the rule. In two of these cases, the tenancies were terminated. Other tenants disposed of their dogs on the advice of the HD.

Enforcement action is taken by housing estate staff as part of their normal duties.

The HD is tightening up enforcement action. With effect from April 1996, only one written warning will be served on an offending tenant requiring him to dispose of the dog within 14 days, failing which his tenancy will be terminated.

Smoking in No-smoking Area Prosecutions

16. **DR JOHN TSE** asked (in Chinese): *According to existing legislation, public places such as public light buses, cinemas and lifts are designated as no-smoking areas. In this regard, will the Government inform this Council:*

- (a) *of the number of people who were charged with smoking in no-smoking areas, as well as the number of those who were prosecuted, in each of the past three years;*
- (b) *of the highest, lowest and average penalties imposed by the court for smoking in no-smoking areas in the past three years;*
- (c) *whether the Government will consider stepping up prosecution as well as imposing heavier penalties; and*
- (d) *what long-term measures does the Government have to protect the rights of non-smokers, in particular against the effect of passive smoking in offices?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, the primary responsibility for enforcement in designated no-smoking areas rests with the managers of these areas. The Administration prosecutes cases which are referred to it by the managers. It would not be an effective use of public resources for government staff to be responsible for frontline enforcement as well.

According to the information available to us, the number of people prosecuted for smoking in no smoking areas in 1993, 1994 and 1995 were 115, 2 648 and 1 809 respectively. The number of convictions were 49, 1 832 and 1 337 respectively. The minimum fines for the three years were \$50, \$10 and \$50 respectively, whereas the maximum fines were \$400, \$1,200 and \$1,000 respectively. On average, the fine imposed were in the region of \$400, \$430 and \$700 respectively. These figures do not include cases which occurred in land transport carriers other than Mass Transit Railway and Kowloon-Canton Railway, as statistics regarding those other transport carriers, such as minibuses, taxis, and so on are not available.

The Smoking (Public Health) Ordinance prescribes a maximum fine of \$5,000 for smoking in a designated no-smoking area. This level is still considered appropriate.

The Administration has been progressively increasing the number of

no-smoking areas. These now include all forms of public transport, cinemas, theatres, concert halls and places of public entertainment. Restaurants are not required to set aside a no-smoking area, but must display a sign informing customers whether or not such an area exists.

Where the wholesale designation of premises as statutory no-smoking areas is considered not practicable for the time being, the managers of such premises are encouraged to set aside such areas administratively (that is, without statutory power to enforce). The Smoking (Public Health) (Amendment) Bill 1996, which will be introduced into the Legislative Council shortly, will expand on this by giving the managers of restaurants, banks and retail premises the power to designate and enforce their own statutory no-smoking areas. The designation of such areas will therefore depend on managers being persuaded to do so by their patrons. Managers who designate no-smoking areas in this way are then more likely to diligently enforce smoking prohibitions than if controls had been unwillingly imposed on them.

As regards passive smoking, the Government and a number of other Hong Kong employers last year signed the Smoke-free Workplace Charter drawn up by the Hong Kong Council on Smoking and Health. Starting from 1 April 1996, all government workplaces, including both office and non-office environments, will become smoke-free. We hope that this will set an example for other employers to follow.

Good Manufacturing Practice for Drug Manufacturers

17. **MISS EMILY LAU** asked (in Chinese): *In line with what is done in the World Health Organisation and the neighbouring countries, the Pharmacy and Poisons Board now requires local drugs manufacturers to implement by stages the Good Manufacturing Practice (GMP). In this connection, will the Government inform this Council:*

- (a) *how it will monitor the implementation of the GMP by local drugs manufacturers;*
- (b) *of the present standards adopted by the relevant government departments in the manufacture of drugs, and whether the*

Department of Health and the Hospital Authority have any plan to adopt the GMP; and

- (c) *whether the Central Pharmaceutical Manufactory, which will be completed shortly in Chai Wan, will be equipped with the necessary facilities and apparatus for implementing the GMP; and what other measures have been taken by the Government to complement the implementation of the GMP?*

SECRETARY FOR HEALTH AND WELFARE: Mr President,

- (a) Implementation of GMP by local drug manufacturers will be monitored by the Forensic Pharmacy Division of the Department of Health. "Hong Kong Good Manufacturing Practices Guidelines for Pharmaceutical Products 1995" and an "Implementation Programme of Good Manufacturing Practices in Hong Kong" were issued to all local pharmaceutical manufacturers in December 1995, providing details of the stages of implementation of GMP as stipulated by the Pharmacy and Poisons Board. Briefing sessions have been organized for the industry and the implementation of GMP has been imposed as one of the conditions for renewal of licence. Authorized pharmacist inspectors will make regular inspections of manufacturers to ensure that the requirements are complied with.
- (b) The manufacture of pharmaceutical products by the Department of Health conforms with the requirements, including GMP, stipulated by the Pharmacy and Poisons Board. The pharmacies of Housing Authority hospitals are mainly involved in compounding and mixing of pharmaceuticals, and sterile preparations are mostly purchased in bulk. Requirements as stipulated in the Pharmacy and Poisons Regulations and the standards in the British Pharmacopoeia are strictly adhered to.
- (c) The Central Pharmaceutical Manufactory in Chai Wan has been designed and is being constructed and equipped with the necessary

facilities for implementing GMP. To facilitate such implementation, training, including overseas attachments, has been provided to staff on the principles and practice of GMP.

Overloading of China-Hong Kong Ferries

18. **MR WONG WAI-YIN** asked (in Chinese): *Will the Government inform this Council:*

- (a) *of the number of complaints received by the Government about overloading of passenger ferries plying between China and Hong Kong over the past three years;*
- (b) *whether there have been any passenger ferry companies prosecuted by the Government arising from such complaints; if so, will the Government provide a list showing the dates of such prosecutions, the names of the companies prosecuted and the penalties imposed; if not, why not; and*
- (c) *what measures will the Government adopt to prevent the overloading of passenger ferries plying between China and Hong Kong?*

SECRETARY FOR TRANSPORT: Mr President,

- (a) We have received four complaints since January 1993.
- (b) Following a complaint received on 20 July 1993, the offending master of a ferry operated by China Merchant Development Company Limited was prosecuted for carrying six passengers in excess of its permitted capacity of 100. He was fined \$4,000.

Following another complaint received on 4 February 1996, the master of a ferry operated by Chu Kong Shipping Company Limited has been charged for carrying 21 passengers in excess of its permitted capacity of 354. Court proceedings are continuing.

Both these complaints were lodged by passengers on board by mobile telephone while the ferries were on their way to Hong Kong. As regards the two other complaints lodged, there was insufficient evidence to pursue them.

- (c) The Marine Department conduct surprise checks on a random basis on ferries departing for and arriving from China. For example, in February 1996, staff of the Department carried out 18 surprise checks but found no case of overloading. Such spot checks will continue.

The Director of Marine has also issued a letter on 14 February 1996 to all shipping companies operating ferry services between Hong Kong and China asking them to remind their masters that it is an offence to exceed the certified capacity of the vessel.

Legislative Control on Internet Pornography

19. **MR CHEUNG HON-CHUNG** asked (in Chinese): *It was reported that on 1 February this year, the United States Congress passed an amendment to the Telecommunication Act prohibiting the communication of pornographic and objectionable information through the Internet. The amendment prescribes that offenders are liable to a fine of US\$250,000 and imprisonment for two years. In this connection, will the Government inform this Council whether:*

- (a) *there is any plan to amend or introduce legislation to prohibit the communication of pornographic and objectionable information through the Internet in the territory and to impose penalty on offenders; if so, what are the details; if not, why not; and*
- (b) *a mechanism will be established to monitor computer networks in the territory in order to trace the sources of pornographic and objectionable information; if so, what are the details; if not, why not?*

SECRETARY FOR RECREATION AND CULTURE: Mr President, the Government is studying the feasibility of possible measures which may be taken to regulate obscene and indecent materials on the Internet. It has not yet reached any conclusions, including whether or not monitoring should be introduced.

Regulation of VOD

20. **MRS MIRIAM LAU** asked (in Chinese): *It was learnt that Hongkong Telecom revealed early last year that it was planning to launch video-on-demand (VOD) services in July this year (this has now been postponed to mid-1997). However, it was not until February this year that the Government released the consultation paper on VOD programmes as well as other multimedia services, which included a proposal on how to regulate such services. In this connection, will the Government inform this Council:*

- (a) *why the proposed regulatory measures were made known to investors at such a late stage, and whether the delay was due to the Government's lack of a comprehensive policy on interactive multimedia services; and*
- (b) *whether it will, in the long run, draw a distinction between television programmes and other on-line screen-based multimedia services, so that a fair and comprehensive package of regulatory measures can be formulated for various multimedia services?*

SECRETARY FOR RECREATION AND CULTURE: Mr President,

- (a) Although Hongkong Telecom announced plans for a range of interactive multimedia services early last year, it did not complete trials until September. It would not have been sensible to develop a comprehensive policy on interactive multimedia services before examining the results of trials, given that such services were not widely available elsewhere. It became clear from the trials that

some multimedia services, notably VOD, cross the traditional boundary between broadcasting and telecommunications and we therefore needed to consider the policy and practical implications of different regulatory approaches before publishing proposals for comment.

- (b) As indicated in our consultation paper on *Regulation of Video on Demand*, we do intend to draw a distinction between those services which comprise television-type programmes, which will be regulated under the Television Ordinance under a new category of VOD programme service licence, and all other services, which would be treated as forms of electronic publishing, subject only to relevant Hong Kong laws, such as those dealing with libel and obscene and indecent material. We do not propose to formulate any specific regulatory measures for interactive multimedia services which do not comprise television-type programming. We plan to introduce legislation to regulate VOD programme services towards the end of the current Legislative Council session, or early in the next.

PRESIDENT: Honourable Members may recall that at the last sitting on 13 March 1996, I intervened during a debate, to the effect that no accusations of cheating and lying may be made or implied. I instructed the Clerk to omit the offensive words from Hansard. Subsequently at the same sitting during the same debate, I reinstated the offensive words in Hansard and said "words said in this Council should best not be deleted" as, on balance, the words used did not warrant deletion.

Following my intervention, I received a letter from a Member, asking me to clarify our Standing Orders concerning the use of offensive and insulting language, and how it can be discouraged, if not totally eliminated.

Offensive and insulting language is regarded as unparliamentary language, which means language that should not be used in parliamentary proceedings, and, in the case of Hong Kong, the proceedings of this Council and its committees. Standing Order 31(4) says that it shall be out of order to use offensive and insulting language about Members of the Council. Standing Order 31(5) says that a Member shall not impute improper motives to another Member. Such objectionable language may fall into two kinds, one which reflects derogatorily on the character of other Members, and the other which is straightforward profane, abusive and indecent. I shall rule both kinds of language out of order.

Although these Standing Orders explicitly cover offensive and insulting language used by Members of this Council about other Members, and do not cover persons other than Members, I would, and I am sure Members would also, regard straightforward profane, abusive and indecent expressions spoken in Council about persons who are not Members of this Council as equally unparliamentary, that is, not fitting to the proceedings of this Council. I shall rule that these constitute disorder, and if uttered, rule them out of order.

In the event that a Member of this Council inadvertently uses in his or her speech language which is objectionable, I shall request him or her to rephrase that part of his or her speech that I regard as unparliamentary. If the Member concerned failed to take heed of such request, or failed to rephrase it in such a way as to make it unobjectionable, I would have to order that the relevant part of his or her speech be withdrawn forthwith, or an apology be offered. If my order were not observed, I would regard such conduct as grossly disorderly and order the Member to withdraw immediately from the Council for the remainder of the sitting, under Standing Order 34. I hope the occasion for me to invoke Standing Order 34 will not arise.

May I add that under Standing Order 4C, the term "Member" includes designated public officers.

May I just reassure Honourable Members, especially the Member who has written to me, that I will not permit, and I trust the Council will not permit, any

Member of this Council to use unparliamentary language, so as to preserve the integrity of our debates, and the dignity of this Council.

BILL

Second Reading of Bill

APPROPRIATION BILL 1996

Resumption of debate on Second Reading which was moved on 6 March 1996

PRESIDENT: Under Standing Order 27, each Member has a maximum of 15 minutes for his or her speech. I may direct a Member speaking in excess of the specified time to discontinue his or her speech. But as two resolutions will be moved tomorrow afternoon which may involve fairly long debates, I will call up to 35 Members to speak today.

DR DAVID LI: Mr President, three weeks ago, the first Hong Kong-born Financial Secretary presented his maiden Budget. The Financial Secretary and his colleagues should deserve commendation for their efforts. Indeed, this Budget has been enthusiastically greeted by the media, by the business community — including my constituency — and by Members of this Council.

Look at the cover of this Budget — a deep corporate jade set off by gold type. Did the Financial Secretary mean to make the people of Hong Kong think of popular retailer Marks and Spencer's packaging? Did the Administration intend to suggest that Hong Kong adopt Saint Michael's corporate line: "Quality, Value and Service Worldwide"?

No revelation there. But just inside the cover, minutes into his speech,

the Financial Secretary announced a revolutionary change in the way the Administration considers its Budget. I quote: "I believe that the time has come to give the services sector the place it deserves in our economic policies".

In fact, what was defined as "selling our skills, our creativity, our enterprise, our professionalism and our reputation for integrity" has provided the largest portion of our Gross Domestic Product (GDP) since as far back as 1980. By 1982, service industries employed more people than the manufacturing sector. In 1996, the Administration finally took notice?

Nevertheless, this change is admirable. The Financial Secretary sets a precedent that will serve Hong Kong well in the future. He is courageous, because he suggests that the Administration might begin to address the policy oversights that stretch back 15 years.

Indeed, many initiatives have won applause. In particular, my constituency welcomes the formal tax exemption of income derived from offshore funds and share-trading profits derived by non-resident investors. The waiving of stamp duty for market makers on stock transactions for the purpose of hedging options was also warmly greeted.

It all sounded good as part of this excellent lesson in the basic economics of budgeting. The Financial Secretary advised us that meatier subjects had been left to supplementary texts. But as many have noted upon reading the Addendum titled "The Services Sector Support and Promotion", the bones that have been laid out are rather bare. My constituency looks forward to more details —particularly about the proposed Mortgage Corporation.

It is essential that the interests of the entire financial sector be adequately represented on the Working Party to ensure that the right questions are asked, and that the complete answers are obtained. If the Mortgage Corporation is to have the co-operation and support of the financial sector, we must be fully consulted.

In the meantime, my constituency has a few suggestions. The reduced tax rate on interest income and trading profits derived from certain debt instruments was much appreciated. But they have suggested that the Financial Secretary could make this measure even more effective by extending its

eligibility to private-sector debt issues with a maturity of three to five years. This would then benefit more than 70% of such issues, effectively promoting and widening our debt market.

As this Council is aware, Hong Kong lags behind our regional competitors as a centre for debt issues. The Financial Secretary should work closely with the Hong Kong Monetary Authority, and the financial sector, to ensure that Hong Kong can compete — and beat — other regional centres as an international financial centre. I strongly urge the Financial Secretary to take a hard look at our tax regime. He could begin by further reducing estate duty to stem capital outflows.

The financial sector is not alone in its reliance on technology to deliver the most sophisticated of services. In this regard, I urge the Financial Secretary to reconsider the assessment of depreciation allowances as "over generous". If the allowance for computers and related equipment were raised to 100% in the first year, Hong Kong could match the allowance offered by Singapore. This would provide further incentive to industries targeted by the Financial Secretary's bold plans for high-tech development, and send a clear message that Hong Kong encourages high-tech investment.

It is good that the Financial Secretary has not ignored the basics of service — the attitude of our frontline staff. I was fascinated to read about "A Culture of Service and Quality". The Addendum notes that the Government "intends to provide more awards to recognize courtesy and excellence in the delivery of service, and to promote a service culture".

On 11 March 1995, as I prepared a response to last year's Budget, my office sent a fax to the Public Relations Branch of the Royal Hong Kong Police Force. Several days later, I received this post card, acknowledging receipt of my fax. One year later, I am still waiting for a response to my question. The Administration could begin its efforts by promoting a service culture within its own ranks. Was this not a "performance pledge" we heard back in 1992?

While the Administration may have been less than forthcoming about the specifics of its initiatives for the service sector, it was brutally honest in its appraisal of the prospects for the unemployed. The Financial Secretary said it was "unlikely that the unemployment rate will revert quickly to the very low levels to which we are accustomed".

Is this Administration admitting that the prosperity we are said to be building is not for everyone? This will not come as news to many. Since 1971 lower income groups have received a smaller and smaller share of disposable income. Between the third quarter of 1994 and the third quarter of 1995, the number of people earning less than HK\$5,000 a month — the lowest income bracket measured by the Government — rose by almost 17%. The Administration seems to be happy for the very rich to get richer. Alas, the poor are only getting poorer.

Does this sound like a land of opportunity? Is this a city where people can believe that, if they work hard, they will prosper? I think not.

It is not surprising then, that representatives of the Administration have referred, on different occasions, to a "feel-bad factor". I am afraid that what we should be addressing is something far more serious — a "do-bad factor".

Sadly, I am sure that few of Hong Kong's young people could recognize the grammatical error I have just made. They suffer a malady that wastes away our competitiveness, and destroys their prospects for meaningful employment — "speak bad". The standard of written and spoken English continues to deteriorate, matched only by a decline in the standards of Cantonese and Putonghua.

The Administration should heed its own sensible lessons in basic economics: "The level of unemployment will continue to depend primarily on labour supply". Why then has Administration after Administration failed to invest adequately in education, in training and retraining? Despite a request for an additional HK\$300 million to be spent on retraining, the unemployed were offered little else but hope. I quote: "I believe that the better economic prospects that I am forecasting will bring a gradual improvement." Fair enough. But, as many in my constituency are asking, are these growth projections as painfully realistic as the assessment of job prospects?

In the last quarter of 1995, the economy of Hong Kong grew at a rate of just 3.1%. In 1995, every quarter saw economic growth drop by close to one percentage point. Based on this trend, how does the Administration arrive at an

average growth rate of 5% in 1996? Was this growth rate picked simply because it supports rising levels of public expenditure?

How can the Administration plan its Budget if growth forecasts are not founded on solid assumptions? Building castles in the air does more than cloud the issues — it threatens to cast a long shadow over our future.

The Administration now consumes 18% of GDP. If growth slowed below the predicted rate, if revenue followed the decline in growth, how much would spending rise as a percentage of our GDP? Would we breach the 20% barrier?

Would it not be prudent to err on the side of caution? Would it not be provident to ensure spending is kept in line with the growth by being more realistic? What if growth falters? Will we stumble into a second deficit?

A sunrise can look very much like a sunset. As the people of Hong Kong prepare for a new era, it is high time that we took a candid look ahead. Only then can we begin building our prosperous future.

The Financial Secretary has made a good start. He has identified the issues and given the service sector the attention it has long been due. As a result, his plans aim to maintain and improve the competitiveness of Hong Kong. Yet many of the initiatives that have been disclosed are merely intentions. They require concrete actions. I believe the keystone of our future prosperity has been laid. What we have seen of the outline has been good. With my constituency, I await the detailed plans.

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

MR ALLEN LEE (in Cantonese): Mr President, "Building Our Prosperous

Future" is really the wish of everybody, especially when we have to face the handover of sovereignty in 1997 after experiencing last year's economic slowdown. We certainly hope that the economy will turn around so that the standard of living of Hong Kong people can further be raised. However, to make our wish come true, I think at this critical moment, it is most important that the Financial Secretary should be a man of vision, being able to see the risks and opportunities in the economic development of Hong Kong. He should also return the wealth to the people when there is adequate finance.

In the Budget for the coming year, the Financial Secretary has repeatedly expressed an optimistic outlook on our economic development. As the Financial Secretary who regards Hong Kong as the focal point, this is a good thing. However, he also has an unshirkable duty to frankly disclose to the public the reasons for our unsatisfactory economic performance over the past year and why he can make such an optimistic assessment at this very moment. As we all know, our economic growth was falling throughout the past year, dropping to 3.1% in the fourth quarter from 6.1% in the first quarter, and the average economic growth rate for the whole year was 4.6%. This is not an omen of prosperity.

The Financial Secretary has not made any review of the downturn trend of our economy, but indulges in the wishful thinking that the growing economies in Europe, America and Asia can give an impetus to ours in the coming year. I have visited a number of countries over the past two months and noted that their economic developments are not as good as what the Financial Secretary has expected. No signs of economic recovery have been detected in various countries in Europe. In regard to the United States and Japan, a 2% or 3% growth would be deemed as a blessing.

We have another big worry in our trade environment this year and that is the Most Favoured Nation (MFN) status granted annually to China by the United States. The great threat of losing the MFN status arises from a number of causes, apart from the human rights issue in which the authorities concerned in the United States consider that China has not made any improvement, the colossal United States-China trade deficit which has reached \$35 billion, and the

recent crisis over the Taiwan Straits, the United States has also threatened that if the intellectual property issue remained unresolved, it would impose sanctions against China.

In case China loses its MFN status, according to the latest assessment by the Hong Kong Government, our economic growth will at least fall by one-half, that is a decrease of 2.1% to 3%. What is most worrying is not only the dramatic fall in our trade value or re-export value, but also the prospect that 61 000 to 89 000 people in our labour force will lose their jobs. In other words, our unemployed population may even double with the unemployment rate surging to a record high of 6%. Therefore, I think that we have to make greater efforts in retaining China's MFN status and that Hong Kong is going to face a serious crisis as long as the economic slowdown issue remains unresolved.

Under the circumstances, what visible and credible evidence can the Financial Secretary produce to convince us of his forecast that Hong Kong can achieve a 5% growth rate in the coming year? Today is already 27 March, and the first quarter will soon come to an end. When delivering his reply, will the Financial Secretary inform us of the economic conditions in the first quarter?

In order to enhance our economic power, I think that within the ability of the Government, there is still room for improvement in taxation. First of all, the profits tax should be reduced. According to a rough estimation, a half percentage point reduction in the profits tax will lead to a loss of about \$800 million in revenue, but compared with the government reserves which amount to hundreds of billions dollars, this is but a drop in the ocean. Moreover, by taking the measure of throwing a sprat to catch a mackerel, more capital will be attracted to Hong Kong. I hope that after listening to the views of all sectors, the Financial Secretary will consider introducing such an amendment of his own accord.

At present, the Hong Kong Government has adequate finance. Statistics indicate that we will have \$150 billion in our reserve fund by 31 March 1997. However, the Government does not have the slightest intention to let the people of Hong Kong share the fruit of this huge financial success. On the contrary, it has repeatedly played games in various government charges by making upward adjustments time and again. Is it true that even the Financial Secretary does not know economics and so he said that raising government charges had nothing to

do with people's livelihood? How can we set our hearts at ease after hearing such a remark? The Liberal Party holds that if the Government wants to take the lead to raise charges, there will have to be some good reasons because charges should not be allowed to increase incessantly, adding to the burden on the general public.

The Liberal Party has all along been urging the Government to stimulate the economy, but the Government has turned a deaf ear to own appeal, nor does the Budget say a single word about the proposal of building a large number of public housing for sale which can resolve the housing problem, increase employment and stimulate the economy at the same time. In a letter to the Members, the Secretary for the Treasury, Mr KWONG Ki-chi, remarked that the Budget has attained the desired effect in every respect. As a matter of fact, his remark fails to conform with reality. Prior to the release of the Budget, Mr KWONG and the Financial Secretary repeatedly threatened that the Government would increase taxes if charges were frozen, but such threats could not scare anybody.

The increase in personal tax allowances proposed in the Budget can meet the needs of the general public and is one the measures of returning the wealth to the people. The Liberal Party considers this proposal worthy of support. The Financial Secretary has pointed out that the Hong Kong Government has huge reserves, but government charges and levies still keep on increasing instead of reducing. The Financial Secretary said that as Hong Kong was currently facing various uncertainties, he would not lower the level of fiscal reserves. But he has not taken any measure to stimulate the economy or improve people's livelihood. What exactly does the Financial Secretary intend to do with the colossal reserves? Does the Financial Secretary consider that the scenario of the general public facing increase in various government charges while the Government is sitting on huge reserves just fit in with his ideal strategy of prudent financial management? I think the Financial Secretary owes the general public a frank and satisfactory explanation.

We are happy that the Government has acceded to the request of the Liberal Party to revise current rules so as to permit the elderly who move to China to continue to receive Comprehensive Social Security Assistance (CSSA) standard rates and long-term supplements. Although the Financial Secretary has introduced for the elderly a special grant of \$320 a year for social and recreational activities, a special allowance of \$200, and has adjusted the elderly's CSSA payment to \$1,935 per month to keep pace with inflation, yet the Liberal

Party thinks that the Government has still not given proper care to these elderly people who have contributed to the prosperity of Hong Kong. Over the past two years, the Liberal Party has been urging the Government to raise the elderly's CSSA payment to \$2,500 a month in 1995. We will continue to fight for a higher CSSA payment for the elderly so that they can enjoy their twilight years. However, we feel that it is inappropriate to oppose the whole Budget just because of this single item or to put forward other conditions in exchange for this.

With regard to the preparation of the 1997-98 Budget, I think we must take into account the fact that the situation will be quite different from what it is now, because the sovereignty under the British Hong Kong Governments only covers the first three months of the Budget, whereas the remaining nine months will fall within the sovereignty of the future Hong Kong Special Administrative Region (SAR). Therefore, not only China and Hong Kong have to co-operate closely in carrying out the work concerned, the participation of the Chief Executive designate is also very important. I reckon that the Chief Executive designate will be selected in the fourth quarter of this year, which is only three to six months away from the promulgation of the Budget. Nevertheless, I am of the opinion that it is essential for the Chief Executive designate to get involved in the preparation of the Budget. I believe when it is about time to start compiling the 1997-98 Budget, basically we should know whether our economic performance during 1996-97 can attain the forecast 5% growth rate. By that time the Government should have set its policies and considered taking measures to stimulate the economy.

Mr President, there are some 400 days to go before the handover of sovereignty. In the foreseeable future the Preparatory Committee (PC) has to determine what the first SAR should do. One very important mission of the PC is to take measures to ensure that Hong Kong will have a smooth transition and safeguard our long-term economic development. Although some people are sceptical about the work of the PC, I believe that every PC member is aware of his or her own responsibilities. As 1997 is approaching, the transition of Hong Kong and the performance of the SAR Government after its formation is very important to each and every person in Hong Kong. The formulation of policies and the compilation of the Budget are just two items of a great variety of work. If we still face all transition matters with an attitude of distrust, we will only waste precious time on some meaningless arguments. We should bear in mind that what Hong Kong people like to see most is the future SAR Government safeguarding our interests and our long-term economic development. I am not

sceptical about the mission of the SAR Government.

Mr President, these are my remarks.

MR MARTIN LEE (in Cantonese): Mr President, I will firstly give an overall comment on this year's Budget and then focus on how to prepare the 1997-98 Budget.

In preparing the Budget, the Financial Secretary, Mr Donald TSANG, has followed the practice of his predecessor, Mr Hamish MacLEOD, by consulting Members belonging to different parties as well as those not affiliated to any party so that the allocation of public resources will conform more closely with public interests. The above practice, which has become an effective measure in recent years, has gained the acceptance of this Council and the public at large, and has resulted in much improvement in many areas of the Budget. The Democratic Party would like to express its appreciation for this.

At present, the Legislative Council is constituted by election, the Government cannot influence the voting of this Council through official and appointed Members as it had done so in the past. Thus, the only way to obtain the support of this Council is to adequately solicit the views of Members before formulating policies.

We can see that from 1991 to 1995, parliamentary political parties had become increasingly mature in Hong Kong and so we have been putting forward reasonable proposals based on the needs of our society over the past few years. I consider that the inclusion of this Council in the Budget preparation process by the Government is the best example of maintaining communication between the executive and the legislature in future.

In the 1996-97 Budget, the Government has accepted some proposals put forward by the Democratic Party such as assisting the development of our services sector, raising the personal basic tax allowances, introducing a personal training allowance and injecting funds into the Employees Retraining Board. However, some other items closely related to people's livelihood fail to get adequate funding. The most glaring examples are the inadequate standard rate received by the elderly under the Comprehensive Social Security Assistance Scheme, the acute shortage of care and attention places and the stagnancy in the development of major transport infrastructure projects.

In regard to the expenditure under various policy areas, for two consecutive days starting from today, the Democratic Party's spokesmen for the policies concerned will analyse in detail various existing problems in the hope that government officials, after listening to our views, will give us a positive response in their replies on 3 April so as to secure the greatest consensus with this Council for the Budget.

Mr President, with some 400 days left before the handover of sovereignty, the preparation of the 1997-98 Budget is no longer just a resource allocation problem, but it has also become a political issue. I believe that both this Council and the public at large are equally concerned about how the 1997-98 Budget should be prepared and scrutinized.

Before discussing this issue, we have to clearly establish the political basis for preparing the Budget. According to the Sino-British Joint Declaration and the Basic Law, Budget preparation is an internal matter of Hong Kong which has nothing to do with national defence or foreign affairs. Thus, the Hong Kong Government and the Special Administrative Region (SAR) Government should have adequate autonomy to prepare the Budget and allocate public resources. Besides, only the Government and this Council understand most deeply the needs of our society and will not create such laughingstock as "getting killed in a car crash".

In regard to the 1997- 98 Budget, the issue can be considered in two aspects, the first is Budget preparation, and the second is Budget scrutiny.

1. *Preparation of the Budget*

The Sino-British Joint Liaison Group (JLG) has recently decided that the 1997-98 Budget should be drawn up by the Hong Kong Government, and then submitted to the Expert Group under the JLG for adoption and a meeting would be called once a month. What Hong Kong people are most concerned is whether this arrangement is a kind of consultation or granting the Chinese side the power of veto. If discussion can only be continued after the Expert Group reaches a consensus, it will mean that the Chinese side is in fact allowed to

participate in the preparation of the Budget through the JLG. I hope that the Financial Secretary would give a clear reply regarding this point on 3 April.

The meddling of the Budget preparation through the JLG by the Chinese side is in fact an act of intervention in the internal affairs of Hong Kong. As we all know, Chinese officials have been making a lot of noises in the past few years, accusing the Hong Kong Government of spendthriftiness and remarking that the result will be "getting killed in a car crash". What an inauspicious remark. If they turn their remarks into action and exert direct influence on the preparation of Hong Kong's Budget, a very bad precedent will be set, undermining the "high degree of autonomy" of Hong Kong and stripping the future SAR Government of its power.

Here I would like to state clearly that the Chinese side cannot represent the SAR Government. From the Hong Kong people's point of view, officials of the current Hong Kong Government or the future SAR Government are all Hong Kong people, the handover of work is just like the left hand passing things to the right hand, actually there is no need for the so-called "experts" of the JLG to meddle in the matter.

2. *Scrutiny of the Budget*

Soon after the Preparatory Committee (PC) adopted a resolution last week to set up a provisional legislature, Chinese officials stated that the 1997-98 Budget should be scrutinized and amended by the provisional legislature. This indicates China not only wants to take part in the preparation of the Budget, but also intends to scrutinize the Budget through the provisional legislature, which is its "puppet" organ. What are the reasons for all these?

Mr President, the "puppet" PC is responsible for setting up a 400-member "puppet" Selection Committee, which in turn will select a "puppet" provisional legislature of 60 members. This provisional legislature intends to scrutinize the

Budget immediately after the formation of the SAR Government. Whether they represent the Hong Kong people or the Beijing officials, we know what's what. The provisional legislature is an "illegal" organization, and its formation violates the Joint Declaration and the Basic Law. But China arbitrarily imposes it on Hong Kong people and prepares the public for its formation. Mr President, the current Legislative Council has already been fully-elected, but the Chinese side intends to arbitrarily dismantle it and then use the "puppets" who are appointed in disguise to exercise the power of the Legislative Council. Under the principle of "we take the initiative", how can the spirit of "a high degree of autonomy and Hong Kong people ruling Hong Kong" survive? If the SAR Government is stripped entirely of its power and everything is in the firm grip of China, what prospect does "one country, two systems" have?

Mr President, the "leftist" policy adopted by the Chinese Communist Party in the past has already brought much harm to China, including the tension in the Taiwan Straits resulting from the recent policy towards Taiwan and the military exercises. The current policy towards Hong Kong is heavily leftist. At this critical moment, if China does not stop itself from going "left", the concept of "one country, two systems" will vanish into thin air and this will not do Hong Kong and China any good. Thus, I hope that the Chinese leaders will think twice.

Mr President, these are my remarks.

MR IP KWOK-HIM (in Cantonese): Mr President, the Financial Secretary has skilfully used his "grafting" techniques to compile the various income and expenditure items of the Government into a Budget ever produced by a local Chinese in the history of Hong Kong. Though lacking surprises, the Budget can be graded as mediocre.

The gist of the lengthy Budget which runs into tens of thousands of words is expressed in its title highlighting "develop the economy and improve people's livelihood". The objective is great and forward-looking. Regrettably, after

scrutinizing its contents, we will find that the objective is just a castle in the air. The measures to develop the economy proposed in the Budget can hardly produce instant results whereas the proposals to improve people's livelihood can neither really raise the living standard of the elderly nor narrow the gap between the rich and the poor. Thus, the Democratic Alliance for the Betterment of Hong Kong (DAB) thinks that this Budget can only be deemed as bringing "no wind, no rain nor sunshine".

"No wind, no rain" refers to the proposals by the Financial Secretary to raise the personal tax allowance, reduce other taxes, increase public assistance payment, implement the Comprehensive Social Security Assistance (CSSA) Scheme, develop technological facilities, establish the fourth industrial estate and so forth. As such measures will benefit most of our salary earners, people in the industrial and business sector as well as helpless elderly people, they certainly will not attract bitter criticism from the media, and can also cleverly induce various major political parties not to vote against the Budget. However, after examining carefully various proposals, the beneficiaries will come to realize that the future days are not bright and sunny. Hong Kong people still have to try to cope with the current overcast days as it is apparent that the proposed measures can only proceed slowly.

On the subject of "develop the economy", the Financial Secretary has painted a very beautiful picture by pledging to set up a science park, develop the second industrial technology centre and establish the fourth industrial estate. However, the picture can serve little purpose other than being used for appreciation and decoration. As a matter of fact, these proposals are long-term planning with financial commitments straddling 1997, offering no specific benefit to Hong Kong industries which are in urgent need of maintaining their competitiveness in export trade. The Budget also fails to put forth any effective measures to improve the plight of the manufacturing sector.

Mr President, the Government proposed to inject another \$300 million into the Employees Retraining Fund. The DAB holds that the funding is only "a drop in the bucket", utterly inadequate to resolve the problems arising from our unemployed workers. The Government should find additional sources of regular income for the Employees Retraining Board to meet the demand for retraining by our community.

On the subject of "improve people's livelihood", the DAB has put forth

"sharing prosperity and tiding over difficulties together" as a slogan of its political platform. In the face of our current economic depression, high unemployment rate and uncertain investment environment, the Budget can only be regarded as providing "superficial solutions". The allocations for some expenditure items have only been slightly adjusted to keep in line with inflation, still lagging behind the objective of actually improving people's livelihood and raising the standard of living of the general public.

The Financial Secretary proposed to raise the personal tax allowance to \$90,000 and that is still falling behind the \$94,000 allowance recommended by the DAB. Most regrettably, rates have not been reduced in the light of the sluggish economy; on the contrary, revaluation may be conducted on an annual basis with the possibility that rates may be increased every year, adding to the burden on the public. The DAB insists that the Government should alleviate the burden of rates on the public by lowering the rateable value so as to provide a living environment where people can live and work in peace and contentment.

As regards public assistance payment, although a series of proposals to tackle the problems in relation to elderly people have been raised in the Budget, yet no adjustment has been made to the old age allowance which benefit the old people in a most direct way. The special grant of \$320 a year for social activities and the Chinese New Year lucky money of \$200 are only introduced for the elderly as a gesture. Here I cannot help reminding the Financial Secretary that the social activities grant is of no use to old people who have mobility problem, and I wonder how the \$200 Chinese New Year lucky money, which breaks down to about a dozen dollars per month, can improve the livelihood of the elderly. Thus, the DAB reiterates that the Government should raise the old age allowance to \$800 so that all elderly people aged 65 and above can directly benefit from it.

The DAB has all along been urging the Government to raise the CSSA standard rate to at least one third of the median wage, that is \$2,733. Although the Financial Secretary also proposed to raise such payment, yet the proposed rate of increase, when compared with the DAB's proposal, seems to be too conservative. The DAB has always stressed that the Government should look squarely at the wide gap between the rich and the poor that is existing in our society and devise a comprehensive strategy to help the poor accordingly. My colleague the Honourable Miss CHAN Yuen-han will focus on this area in her

speech to be delivered later. Four other Members from the DAB will also speak on the Budget. My colleague the Honourable CHAN Kam-lam will speak on the rates issue, the Honourable CHEUNG Hon-chung will talk about transport matters, the Honourable NGAN Kam-chuen will speak on the expenditure of the Regional Council and urban renewal, the Honourable CHAN Wing-chan will touch on labour relations whereas I myself will focus on constitutional affairs, civil service expenditure and transition arrangements, education and environmental issues.

First of all, I would like to talk about constitutional affairs. The Government will update, review and summarize our voters' data before 1 July 1997 and then systematically keep and store the data concerned. This should be beyond reproach. However, if the Government spends its resources on studying those election modes which will not be used again after 1997, such as the nine newly created functional constituencies, and harbour the naive belief that these election modes which contravene the Basic Law will continue to be used after 1997, it will just be a waste of public fund.

In regard to the six new posts that will be created for the Constitutional Affairs Branch in the second half of this year, two duties of the posts concerned are: focus on rendering assistance to the Special Administrative Region Preparatory Committee to conduct transition work and co-operating with the Chief Executive-designate. This is a very positive attitude. The DAB hopes that the Government will make good use of these additional resources and energetically strengthen its co-operation with the Chinese side. Unfortunately, the Governor has recently criticized the provisional legislature in an extraordinarily high profile, giving rise to new Sino-British arguments, intensifying their contradictions and causing tension once again in the Sino-British relations which have already been easing. This is what we Hong Kong people do not especially like to see.

In relation to civil service expenditure, we are very delighted to learn that the Government will increase the funding for civil service training by 17% in the coming year to provide putonghua training for more civil servants and run more courses on Chinese writing and China affairs.

I must emphasize that Hong Kong has an excellent Civil Service. With the handover of the sovereignty of Hong Kong only some 400 days away, it is vitally important to maintain the stability of our Civil Service and the civil service system, strengthen civil service training to help civil servants go through a smooth transition. The Government should continue to go after this objective with sincerity.

In regard to education expenditure, it is disappointing that the Government continues to spend a great amount of resources on tertiary education, raising the allocation for tertiary education from \$2.97 billion in 1990-91 to \$10 billion as budgeted for the coming year, an increase of 236.5%. It far exceeds the proportion of allocation for basic education for the same period. The above policy reflects that the Government attaches great importance to tertiary education but neglects basic education, and fails to balance the development of basic and tertiary education.

Here I would like to bring up specifically the issue of high cost of university education. According to the reply given by a government official to a question raised by a Member of this Council, the cost borne by the Government on educating a university student amounts to \$202,000 last year which is double the cost for 1990-91. Under the government policy of gradual cost recovery, tertiary education fee will surge dramatically with rising cost, and the Government estimates that the degree course fee will increase to \$37,350 in the coming year. The DAB hopes that when considering resources allocation for tertiary education, the authorities concerned would follow the principle of increasing efficiency and reducing wastes so that sending children to university will not become a heavy burden for families in general.

Enhancing the Chinese and English language ability of students, speeding up the construction of new schools in areas which lack school places, and redeveloping primary and secondary schools with deplorable learning environment are items of top priority in the resources allocation for basic education.

As the spokesman for the Environmental Affairs Committee of the DAB, I and my political group are especially concerned about the progress of work in

relation to solid wastes disposal and centralized incineration facility. According to the departmental expenditure estimate of the Environmental Protection Department, the total expenditure on solid wastes disposal will increase by 13% in the coming year. The Government has finalized the consultant report on solid wastes disposal and will consult the public on various recommendations proposed in the report in the coming two months. Although the recommendations have yet to be released, it should be noted that the newly developed landfills will only last for 30 years and so the Government should formulate as soon as possible a long-term strategy on solid wastes disposal.

The plan to construct a centralized incineration facility to handle medical wastes and animal carcasses has proceeded slowly. For some six years from 1989 up to the present, the plan is still in the "theorizing stage". The Government should speed up the review process so that medical wastes which affect public health can be properly handled at an early date.

The DAB welcomes any measure which can improve the quality of our environment but feels quite perturbed about the sewage treatment methods proposed by the international consultancy commissioned by the Government last year in relation to the Strategic Sewage Disposal Scheme. According to our understanding, when the consultancy explained the nine sewage treatment options to the Legislative Council last year, there was in fact no preference for any of the options. After the public consultation period ended and before making a formal promulgation, the Government has requested for funds to conduct environmental assessment on the waters surrounding Lamma Island in accordance with the primary level chemical treatment programme. This is a rash move. The DAB hopes that the Government can give a detailed account of the actual progress of the Strategic Sewage Disposal Scheme. The DAB reiterates its position that our sewage has to go through a higher level of treatment process before being discharged to the open sea. Without the support of additional information, the DAB has reservations about approving funding for conducting the above-mentioned environmental assessment.

In regard to the compilation of the 1997-98 Budget, the DAB is pleased to

learn that the Hong Kong Government and the Chinese side have reached a consensus to jointly compile the Budget through the Sino-British Joint Liaison Group. We hope that the Budget will focus on the interests of Hong Kong people so that Hong Kong may continue to flourish .

Mr President, these are my remarks.

DR PHILIP WONG (in Cantonese): Mr President, first of all, I have to declare my interest: I am one of the advisers on the Chinese side of the Budget Expert Group under the Sino-British Joint Liaison Group. However, what I am going to say today does not represent the views of the Chinese side in the Expert Group; I am only expressing my personal views in the capacity of a Legislative Council Member.

There are arguments, compromises, balances and games of figures in the production of the last Budget compiled solely by the Hong Kong Government under British rule. Someone has asked me, at this critical moment when Hong Kong is about to be returned to China, whether the Financial Secretary "has done something bad out of good intention"? I feel that when considering a person or a matter, we should not look at it from a subjective, emotional or short-sighted angle, instead we have to take a more objective, rational, long-term and comprehensive viewpoint. Thus, I believe the Financial Secretary will agree that I should not share any honour nor bear any responsibility in regard to this Budget.

First of all, I have reservations about further narrowing the already narrow tax net of Hong Kong and increasing the current expenditure of the Government. As we all know, profits tax and taxes relating to land and properties constitute the main source of revenue for the government coffers. Although the Financial Secretary has made no mention of narrowing the tax net, yet in the views of experts, the annual loss of billions of dollars in taxes will inevitably affect the existing fiscal revenue base, narrowing the tax net in effect. Subsequent to the

substantial reduction of taxes in the preceding two fiscal years, the Financial Secretary may have to continue "to do something" under the pressure of party politics, but I really cannot see what good what he has done will do to the overall economic development and the stability of our fiscal income. Moreover, some unnecessary troubles may be left to the future Special Administrative Region (SAR) Government. In fact, many Hong Kong people are proud of being able to pay taxes. When I attended the summit for the disabled held by the Governor last year, I heard the participants express this conviction. One disabled person said he hoped that he could become a Hong Kong taxpayer one day. Even a disabled person in dire need of community care will feel proud of being able to pay taxes, let alone the able-bodied. Has the Financial Secretary thought of whether those people who lose their eligibility to pay taxes because of this narrowing of the tax net will feel proud of themselves?

Secondly, the growth in public expenditure accumulated over the years has been quite substantial, and its growth rate in the coming year is still greater than that of the GDP. The direct expenditure on social welfare, in particular, has increased by nearly 70% in real terms in five years, and yet this expenditure for the current year will again dramatically increase by 20.8% when compared with the estimated final figure for the previous year. If the indirect expenditure on medical and health is taken into account, welfare expenditure will amount to about 20% of the total public expenditure, which inevitably should cause concern. It is beyond reproach that assistance should be given to the old, the weak and the disabled who really need such help. But I am of the opinion that the main job of the Government is to "provide relief" rather than "alleviate poverty". In other words, the emphasis should be put on improving the structure of welfare expenditure by spending the limited resources on areas which really need them and on people who need them most. It is because "poverty" is in fact a very subjective and emotional concept. I think no one will raise objection to the Government for providing relief to those helpless people who cannot survive on their own. But if a person refuses to stand on his own feet and insists on getting assistance from the community just to improve his living conditions, then the

case may not be convincing. May I ask whether a person who has to work very hard for a monthly wage of several thousand dollars will feel that it is fair for a family of four to receive over \$10,000 a month in public assistance payment under the Comprehensive Social Security Assistance Scheme? Furthermore, it will be hard to maintain low tax rates after increasing welfare expenditure, the ultimate price is raising taxes or bearing a deficit. Besides, as a ceiling is set for total government expenditure, the only alternative will be to reduce as far as possible the expenditure on the economy, infrastructure, education and so forth, thus impeding our economic development. If we take a look at certain Western nations, they have already been badly battered by huge welfare expenses and the situation is getting out of control. Should we not draw a lesson from them?

Britain introduced opium to China more than 100 years ago and as a result, China lost Hong Kong. Who, as a Chinese, would not regard this as a great insult? Now when the British are about to withdraw from Hong Kong, they suddenly increase welfare expenditure substantially with the main objective of gradually transforming Hong Kong into a "welfare society". To improve living conditions and the quality of life through self-reliance, hard work and fair competition is a traditional idea of the Chinese. When the British are about to leave, they strongly advocate the "new concept" of reaping without sowing : as the society becomes affluent, the society should take care of you. May I ask what effect will be caused to the general public, young people in particular, by constantly instilling and spreading this kind of idea? I think that this "new concept", no matter how beautifully packaged, would do even more harm to hinder the progress of society than opium and can be deemed as a kind of "spiritual opium". When our economic performance is not too bad or when we can look forward to better days ahead, the harmful effects of this "new concept" may not be too apparent. However, once our traditional values have fallen apart or become blurred, there is a much greater chance of social unrest in case we encounter economic recession or political disturbance. I believe that the Financial Secretary does not mean to undermine Hong Kong people's hardworking tradition, but really intends to do something good for Hong Kong.

I think he will be aggrieved if his intention is questioned by Hong Kong people. During the last 400 days or so before the handover of the sovereignty of Hong Kong, we not only have to boost the national self-respect of Hong Kong people, but have to enhance the promotion of traditional Chinese virtues so as to encourage Hong Kong people to create a better future through unity and joint endeavours. FAN Zhong-yan, a great minister of the Song Dynasty, made a good remark, "We should be worrying before people in the whole world feel worried and we should only be happy after all people feel happy." The late American President John KENNEDY also said, "Ask not what the country can do for you; ask what you can do for the country." I hope and believe that the team-designate of the SAR Government will certainly have the courage and ability to provide the right remedy by fostering in our society the practice of working hard and promoting the spirit of exerting one's best efforts while they use public resources to lay a solid foundation for our economy so as to safeguard and consolidate Hong Kong's position as an international financial centre and to make greater contribution to China in marching towards the 21st century.

I was hoping that the Financial Secretary would devote a small part of his speech to talking about the philosophy of financial management and fiscal measures adopted by the Government over the past years, whether the desired effects had been achieved and what experience and lessons could be summed up and drawn. Somewhat regrettably, I did not hear any such review in his speech.

Mr President, these are my remarks.

DR LAW CHEUNG-KWOK (in Cantonese): Mr President, the Budget prepared by the Financial Secretary, Mr Donald TSANG, carries a special meaning for it is the first Budget that has ever been compiled by a Chinese since Hong Kong was established as a port, and so the Hong Kong Association for Democracy and People's Livelihood (ADPL) naturally holds higher expectations of it than those previous ones. The ADPL is of the opinion that the Financial Secretary has achieved a definite breakthrough in the Budget. If we consider the many background factors against which the Budget is prepared, we should feel that the breakthrough is all the more valuable. First of all, with very weak consumption and high unemployment, government revenue is decreasing and

people are finding it hard to make a living. Under the circumstances, he still has to face the improper request from various sectors for taking short-term measures to stimulate the economy. Secondly, since the Financial Secretary Mr Donald TSANG has to face the first fully-elected Legislative Council, he has to bear greater pressure from the democratic assembly. Thirdly, this first Budget compiled by Mr TSANG as the first Chinese Financial Secretary happens to be the last Budget prepared solely by the Hong Kong Government. Fourthly, the Financial Secretary has to faithfully observe the "secret agreement" with the Chinese side and has to bear such political pressure as "getting killed in a car crash". Against the above background, we opine that the one who prepares the Budget will easily incur blame and become the target of public criticism. Mr TSANG should be commended and recognized for being able to bring certain colours and a breakthrough to the Budget despite so much pressure.

Areas worthy of commendation

The Financial Secretary raises the tax allowance for dependent parents and grandparents and proposes to introduce a new allowance for maintaining a dependent sibling, manifesting the value attached to family relations by the Chinese community. He also introduces a specific deduction for attending training courses which can help improve the quality of our human resources by encouraging working people to pursue further studies. Irrespective of whether the above concessions are adequate in terms of money, such proposals, nonetheless, have added a touch of Chinese sentiment to the Budget. Moreover, the Financial Secretary has the courage to look forward to our future economic development by putting forward a document on the strategy to support and promote the services sector. Action programmes are proposed for various sectors to outline the future development blueprint for Hong Kong. The outlook has become broader, and this is a breakthrough as well as an improvement.

These are the areas in the Budget which, in the opinion of the ADPL, are

worthy of commendation.

The poverty problem has been overlooked

Although the Budget has outlined the future development of Hong Kong, the policies proposed are not specific enough. More importantly, while looking forward to the future, the Financial Secretary has overlooked a rather serious problem currently existing in Hong Kong and that is the poverty problem. Our per capita GDP now ranks among the top in the world, but there are still a large number of poor people in our community and the gap between the rich and the poor continues to widen. I do not intend to dwell on the poverty problem here, yet I have to raise one point: the Government has the duty to ensure a fairer distribution of the wealth created in our society, and one of the key administrative tools of the Government is the tax regime and the taxation method.

A comprehensive review of our tax regime should be conducted

The ADPL is dissatisfied that the Budget has not proposed the formation of a tax regime review committee. The Hong Kong Government has all along been maintaining a low, simple and predictable tax regime which is deemed as one of the seven heavenly virtues by the Financial Secretary. The simple tax regime previously played an important role in our economic take-off, but it is also one of the reasons contributing to the extremely uneven distribution of wealth in Hong Kong. Besides, our narrow tax base is also not a healthy phenomenon.

The ADPL urges the Government to set up a tax regime review committee to conduct a comprehensive review of our tax regime. The ADPL proposes that the Government should adopt a moderate progressive tax system in regard to both profits tax and salaries tax, so that more revenue can be raised from big enterprises and high-income employees to fund spending relating to people's livelihood where necessary.

The ADPL thinks that as a short-term adjustment, profits tax should be raised to 17.5%. In the long term, the ADPL holds the view that a moderate progressive tax system should be adopted. For example, companies with profits below \$5 million should continue to be taxed at the rate of 16.5% while a higher tax rate of 18.5% could be introduced for those earning more than \$5 million in profits. The level of profits tax is currently too low. We estimate that increasing the progressive tax rate by 1% can raise more money for the Government to enable it to put more resources in those areas which need greater expenditure and to improve the livelihood of poor people. The ADPL would like to emphasize that increasing the rate of profits tax by 1% would not give rise to any serious adverse effect on the business environment of Hong Kong. It is because in comparison with our competitors and neighbouring areas, our level of profits tax is still very low. Profits tax in China stands at 33%, Malaysia, Indonesia and Thailand 30%, Singapore 26% whereas Hong Kong stands at 16.5% only! The gap is very big indeed. We disagree that raising the rate of profits tax by 1% would scare off investors. In 1992-93, the Government raised the level of profits tax by 1% and at that time the business sector also predicted that investors would be scared off. However, the prediction was subsequently proved to be untrue, indicating that certain spokesmen for the business sector used to make an overstatement just to frighten people. When making investments in Hong Kong, investors will certainly take into consideration various important factors, including political stability, a sound legal system, a healthy financial system, reasonable rents and adequate manpower resources. The level of profits tax is not the most important factor.

Besides, in regard to taxation, the ADPL requests the introduction of "tax allowance for expenditure on mortgage interest of self-occupied premises" so as to encourage more people to purchase their own homes by alleviating the burden on people who acquire their self-occupied properties through mortgages. On the other hand, we propose that the Government should consider introducing a sales tax on luxury items such as yachts, expensive watches and jewellery.

More vigorous actions should be taken to combat tax evasion and avoidance

Another aspect, which we think is also the most important, is that the Government should take more vigorous measures to combat tax evasion and avoidance. The ADPL opines that there are still many loopholes in the Inland Revenue Ordinance through which individuals and big enterprises can "legally avoid taxes", and serious cases of understating income in tax return also exist in

some professional services where cash is used in transaction. Since the law does not have adequate deterrent effect, and the Inland Revenue Department is not actively applying the law concerned, tax evasion becomes increasingly rampant. In the last fiscal year the Government also made public its investigations on tax evasion cases. It was found that unreported income totalled \$6.3 billion (The ADPL thinks that the actual figure should far exceed this very low estimation) and \$1.7 billion were successfully recovered in back taxes and penalties, reflecting that our tax evasion problem has been very serious in Hong Kong. As a result of serious tax evasion, government revenue would decrease and so would the expenditure on some essential items. As a matter of fact, law-abiding individuals and companies which pay full taxes would also feel aggrieved at tax evasion.

At present, there are only 250 investigation and field audit staff responsible for collecting back taxes, and it is planned that eight additional staff will be recruited in the coming fiscal year. The ADPL considers the above figure far from adequate. The Government has often emphasized the effectiveness of its tax enforcement staff, stating that for each additional dollar spent, eight dollars will be recovered as back taxes. We hope that the Government will substantially increase the manpower of its tax enforcement staff, for this is an excellent measure which will not do any harm at all.

Comments on industrial policy

The Financial Secretary, Mr Donald TSANG, has devoted quite a large part of his Budget to outlining the future development blueprint for Hong Kong. With regard to the declining manufacturing industry, he remarked that "we have to support our manufacturing sector in its drive to compete in the high-value added and high-technology marketplace of the next century." As a matter of fact, it is already too late to put forward this proposal when our manufacturing sector has now shrunk to less than 10% of our economy. Nevertheless, we hope that the more vigorous industrial policy adopted by the Government can make some breakthroughs.

Due to the time constraint, I would not dwell on the more technical problems of the science park, yet I would like to make some observations. We think that in the first place, the science park should strengthen its ties with tertiary institutions and other research organizations so as to promote scientific research by universities on subjects relating to commercial needs. Secondly, we hope that technology companies in Hong Kong would co-operate with research

organizations in China to adopt a mode of operation that is beneficial to both places. Thirdly, the Government should take the initiative to invite some internationally reputed technology companies to take part in the construction of the science park so as to raise the effectiveness and reputation of the Hong Kong science park. Fourthly, throughout the development process of the science park, reviews should constantly be conducted with a view to revising the operation policy.

Infrastructure and transport

On the other hand, I would also like to talk about the seriously inadequate fundings for infrastructure and transport facilities as proposed in the Budget. The ADPL is disappointed that the infrastructure and transport problems have not been given due regard in the Budget. Out of the total public expenditure of about \$230 billion, infrastructure expenditure accounts for less than \$28 billion, a reduction of 5.3 % in real terms compared with the previous fiscal year, and transport expenditure has decreased by 9.1% in real terms. The Government explained that it was because the expenditure on transport projects relating to the Airport Core Programme has already passed its peak. The ADPL finds this explanation unconvincing and thinks that infrastructure expenditure is of vital importance. Apart from the new airport, there are a large number of projects waiting to be "launched".

With a huge population living in a small territory, one long-term land transport development strategy for Hong Kong is to strengthen the construction of the mass transit system. The Government has all along been using administrative measure to control the number of vehicles, private vehicles in particular, but this is afterall a stop-gap measure which fails to get to the root of the problem. The proper strategy is to vigorously develop a comprehensive and advanced mass transit system, and actively encourage people to use public transport. Thus, the ADPL urges the Government to finalize and commence the following projects as soon as possible: Western Corridor Project, MTR Tseung Kwan O and Island West Extensions, KCR Ma On Shan Line, Lantau Island Port Development Project and so forth. Moreover, the ADPL also calls on the Government to construct the second highway linking Tuen Mun and the urban area, and extend the KCR to Wan Chai. Finally, the Government should inject an additional \$6 billion into the MTRC so as to alleviate the pressure of annual fare increase on the public.

On the other hand, as Hong Kong is flourishing economically, the

environment for economic activities is also expanding, as a result there is a natural increase in private vehicles. According to the policy address delivered by the Governor last year, there are only 44 private vehicles for each 1 000 people in Hong Kong whilst, in comparison, for each 1 000 people there are 106 vehicles in Singapore, 291 vehicles in Japan and 565 vehicles in the United States. However, for each kilometer of road in Hong Kong there are already 163 vehicles, whereas the corresponding figures for Singapore, Japan and the United States are 102, 32 and 23 respectively. The Hong Kong Government always says that there are too many vehicles. But the conclusion which I drew from the above comparisons indicates that there are in fact too few roads, but not too many vehicles in Hong Kong.

Later this afternoon and also tomorrow, other ADPL legislators will express the position of the ADPL on other areas of the Budget. The Honourable Bruce LIU will discuss about the parts concerning welfare and education, the Honourable MOK Ying-fan will comment on medical and health and the environment whereas the Honourable Frederick FUNG will talk about housing.

These are my remarks. Thank you.

MR NGAI SHIU-KIT (in Cantonese): Mr President, the Budget of the crucial year in the later part of the transition period should have at least three special historic objectives: the first objective is to maintain the financial stability of the Hong Kong Government and not to create any extra burden for the future Special Administrative Region (SAR) Government; the second is to promote further economic development; and the third is to improve people's livelihood by making life better for everybody. All these three equally important major objectives are essential to the long-term well-being of Hong Kong.

The Financial Secretary has given a beautiful and nice title to the 1996-97 Budget: "Building our prosperous future". But what are its specific contents? I am going to assess the first Budget prepared by Mr Donald TSANG in accordance with the above-mentioned three major objectives.

First of all, "living within our means" and "maintaining a balanced account" are principles adopted by the Hong Kong Government as its financial

management strategy to ensure that the Government maintains sound financial ability and abundant fiscal reserves. Superficially, Mr Donald TSANG seems to have stuck to these financial management principles and he dare not deviate from them, however, what we actually see is entirely different. We can see that the public expenditure estimate for the coming year is as high as \$227.6 billion, which is 18 % of our Gross Domestic Product (GDP), an increase of 7.6% in real terms and is higher than the forecast economic growth rate of 5%. When faced with public criticisms, the Government still uses the same excuse that public expenditure, over time, should grow at a rate no faster than the economy. However, could the Financial Secretary give us a specific answer as to how many years does the Government mean when it says "over time"? I have checked the Budgets for the past 10 years and found that with the exception of two fiscal years 1987-88 and 1994-95, public expenditure did grow at a faster rate than the economy of the corresponding period in the other eight years. Thus, we can see that expenditure inflation has gradually become a trend in government spending with the snowball getting increasingly bigger. It is likely that this heavy burden will have to be shouldered by the future SAR Government.

In reducing salaries tax, this relatively stable source of revenue, the Financial Secretary has allowed the percentage of our working population outside the tax net to suddenly surge up to 60% from the original 46%. With the tax base getting narrower, government revenue will come under the shadow of instability. In case of an economic slowdown, the danger will become all the more obvious. The reduction in salaries tax runs counter to the principle of "prudent financial management".

In the past, Hong Kong acquired wealth and stability through vigorously developing its economy, creating new wealth and then sharing the fruit of its economic success with the people. This is the consensus of Hong Kong people. Let us take a look at the administrative philosophy of the Financial Secretary. Social welfare accounts for 10.1% of the recurrent expenditure of the Government in the coming year, and the accumulated increase in this area over the past five years has already reached 70%. On the other hand, economic projects and infrastructure items only constitute 5.3% and 5.6% respectively of

the total expenditure. The Financial Secretary has pledged to promote our economic development. But judging from the overall allocation of resources, may I ask how can the competitiveness of Hong Kong be enhanced? How can the lives of Hong Kong people be improved?

I recall that when Mr Donald TSANG first took up the post of the Secretary for the Treasury, he had won much applause by launching criticisms on those people who supported the giving of free lunches in a speech entitled "The Silence of the Lamb". However, the Financial Secretary of today somehow only focuses on the immediate needs by dramatically increasing expenditure on welfare, and just takes some superficial measures to tackle the economic problem which concerns the long-term development of Hong Kong. It seems that Mr TSANG has been tamed by political tricks and becomes a "lamb to be slaughtered".

The second objective is to promote Hong Kong's economic development. Last year we went through a difficult year. Our economic growth fell to 4.6% and was the lowest among the 10 economies in Southeast Asia. The Financial Secretary, however, described our economic conditions as still good, trying to avoid the economic problems facing Hong Kong by burying his head in the sand. He even made an optimistic forecast that there would be a 5% real growth in our economy in the coming year. If we analyze carefully the forecast on GDP in the coming year, we will find that the growth will be mainly led by public sector expenditure whereas the growth and recovery of the private sector will still be sluggish. This is an extremely unhealthy trend. Furthermore, whilst the United States is still trying to make things difficult for China in the extension of its most-favoured-nation status, the economic prospects for Hong Kong in the coming year remain grim. Thus, it is better for Government to deal with the situation cautiously by adopting a prudent and relatively thrifty method in managing its finance.

One of the main themes of this year's Budget is to "develop the economy". The Financial Secretary talked at great length about our future economic development plan with the view of further developing Hong Kong into a world-class service centre. He also indicated that the Government would not give up the manufacturing sector. We are happy to hear that. However, if we want Hong Kong to stay in the forefront among the top economies in the world,

we must give full play to our own unique merits when drawing up the future development blueprint. As we all know, the economies of Hong Kong and China have already integrated with each other and in the foreseeable future, the China factor will remain the greatest impetus to sustain the economic development of Hong Kong. Regrettably, the subject of China-Hong Kong economic development is touched on lightly with just a few words throughout the whole Budget. Nothing has been said about infrastructural planning, technological co-operation, tax arrangements and so on between the two places. This is really a great demerit.

Mr President, the manufacturing sector helps our economy to achieve a balanced development and serves to stabilize employment. Although the Financial Secretary has repeatedly commended the manufacturing sector in the Budget for its contributions to our economy in the past, yet the Government previously merely allowed the manufacturing sector to run its course. It is only in recent years that the Government has gradually changed its attitude and recognizes that the manufacturing sector should move towards high-technology and high-value added operations. However, what the Government undertakes to do are mostly verbal pledges. The Financial Secretary indicated that the Government has agreed to build the science park. As a matter of fact, I had strongly advocated for such a plan in the 1980s when I was a member of the Industry Development Board. I have to wait for 10 years before the plan was approved in principle. With regard to the second industrial technology centre and the fourth industrial estate, these two old items are still under planning. In no way should they be regarded as meritorious achievements by the Financial Secretary to assist the manufacturing sector. Although the Budget also proposes to set up a Small and Medium Enterprises Committee, its main targets are companies in the services sector. It is not yet known how factories in the manufacturing sector will benefit from it.

Promoting services is one of the key points of this year's Budget. Hong Kong must consolidate its position as an international financial centre. The further development of the services sector is, to a certain extent, providing better services for the manufacturing sector; and so the two sectors should proceed simultaneously. Thus, while putting in more resources to promote services, the Government should not neglect the need of and attention to the manufacturing sector, nor should it reduce the existing scanty support given to the

manufacturing sector.

The last objective — improving people's livelihood — is closely linked with the people. With regard to the unemployment problem which is worrying the general public, it seems that the Financial Secretary has failed to offer any solution other than proposing to inject another \$300 million into the Employees Retraining Board and expanding the Job Matching Programme. Nevertheless, the Financial Secretary still predicted that the unemployment rate would not come down quickly. If the Government does not change its short-sighted measure of "treating symptoms but not the disease", the shadow of unemployment will continue to loom over Hong Kong. The Government should strive to promote our industrial, commercial and economic development, enhance our competitive edge and create more employment opportunities, for these are the proper ways to improve people's livelihood.

In conclusion, the Financial Secretary is just following established rules in his financial management and I do not see any breakthrough. Thus, the "maiden work" of Mr Donald TSANG is merely mediocre, neither good nor bad.

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

MR HOWARD YOUNG (in Cantonese): Mr President, I would like to give my views on this year's Budget. First of all, I would like to speak on the tourism industry. This year's Budget has favourable policies the tourism sector welcomes as well as unfavourable ones that the tourism sector does not want to hear.

Air Passenger Departure Tax

The increase of the Air Passenger Departure Tax to \$100 is over 10 times the rate of inflation. True that it is now more in line with the level charged by other places in the region, but we have lost the good reputation for having the lowest departure tax in the region. The increase to \$100 has not received unanimous support from our industry. Though the increase to \$100 is less than the world's highest rate of \$150, which we levied two years ago, it is considered too much by some people in our industry.

However, the majority of people in the travel and tourism industry will put

up with this increase provided that it is not a signal that the tax will rise to the previous shockingly high level. In the long run and as a matter of principle, the tax to be collected ought to be an airport service charge rather than a departure tax. When it started at \$20, it was then an airport service charge, not a tax for the Government's general revenue. What was collected was used to develop tourism-related items. Not only is the concept of an airport service charge advocated and accepted by the aviation sector and the IATA but it also conforms to the Government's "user pays" principle. An airport service charge may be used to improve airport services or other airport-related services. In any case ethically and as a matter of principle, it is somewhat unfair to tax some 10 million visiting tourists to subsidize some 2.5 million local outbound travellers because the former, while enjoying the services provided by the airport, do not enjoy the social services provided out of general revenue.

Moreover, to increase efficiency, the Government should consider the use of vending machines or facilities for the sale of departure tax coupons at the airport and other places, including the two future Airport Railway Hong Kong and Kowloon check-in terminals, not just at designated hotels. The present system whereby the departure tax is collected by airlines "for convenience" is wrong. It slows down the normal check-in procedure and lowers the level of service provided by airlines for their customers, increasing the queuing time of air passengers.

Tourism Development Fund

The tourism industry welcomes the support from the Government in funding the Visitor and Tourism Study led by the Hong Kong Tourist Association (HKTA). We know that \$50 million is not a large sum, yet it is at least a good start. Though Hong Kong ranks first among tourist destinations in Asia, in the face of intense competition today, we must arm ourselves for the future. By "we" I mean not only different sectors directly involved in tourism but also the services sector indirectly related to tourism. These sectors also need support from the Government and the public.

The Hong Kong economy has transformed its focus from manufacturing-oriented to service-oriented. Efforts made by the HKTA abroad to promote and encourage investments in new tourist attractions in Hong Kong should receive encouragement and support. For example, we hope to see an

ocean liner centre or venue for world expo-type exhibitions in the future. Or we want to have some new tourist attractions such as movies. These will all increase our tourist resources and should be encouraged and supported. Only in this way can we make tourism the greatest source of our foreign exchange earnings in the near future. I also hope that the Government can, and will try its best to, encourage the HKTA to prepare feasibility reports so as to attract investments in more tourist projects.

Hotels

The hotel industry is a vital part of tourism. But it has never received adequate attention from the Government. The Refurbishment Allowance will enable hotel owners to renovate their hotels to maintain service quality and standards. We need to keep this up, as tourists' expenses on hotel accommodation and on food and drinks in the hotels account for 30% of their total expenses, just second to what they spend on shopping. If hotels maintain a high standard, visitors to Hong Kong will feel that they are getting good value for money and will come again.

It is, however, disappointing that the Financial Secretary did not listen to the hotel sector's strong demand for a lower alcohol duty or at least a duty ceiling. We have received many reports that tourists from overseas often complained that liquors of the same international brands are more expensive in Hong Kong hotels than in the hotels where they stay in neighbouring regions. This will cause some tourists to have a misconception and to conclude that all other things in Hong Kong are more expensive than in other places.

Recreation and Broadcasting

Regarding recreation and culture, I wish to talk about the royalties paid by television stations. TVB and ATV are at present facing unprecedented competition from, among others, Cable TV and Satellite TV. The so-called "royalties" do not reflect the actual situation. With the advance in technology

and other forms of similar media and entertainment, the concept that the two free TV stations should pay royalties for using "limited public resources" in the form of airwaves is outdated. In reality, the TV stations must pay their royalties first and then profits tax if they make a profit. This system is unfair to them because it may result in double taxation.

I earnestly call on the Government to reconsider in its next Budget, or through a review of the television market, whether an environment should be created so that the two TV stations would be willing to invest in high quality programming to benefit both the stations and the public. Profits should not be the only consideration as is the case now when profits tax is collected from one station but royalties are collected from the other two stations, one of which is actually losing money. The "movie city" which I mentioned as a new tourist attraction in Hong Kong in the future could perhaps be changed into a "movie/TV city". But under the current circumstances, what incentives do the TV stations have to invest in such a project?

Elderly Health Centres

The Health Department listed service objectives for elderly health centres under the General Revenue Account expenditure schedule in the 1994 and 1995 Budgets. Unfortunately, the objectives were not achieved in those two years. It seems that these objectives were not even mentioned this year. It turned out that the objectives were not achieved in 1995. According to the Government's plan, each elderly health centre could take care of 2 300 people each year. So the two centres which opened last year should be able to take care of a total of 4 600 people. The Government already accepted the reality last year and estimated that they would be used by only 3 800 people. It turned out that only 2 031 elderly people visited the centres throughout the year.

It seems that the Government has not learned from the unsuccessful experience in the last two years. It just thinks that the elderly people do not realize the importance of preventing diseases. But should there be a review to

find out if the existing services are not attractive? Some members of the Liberal Party have studied how these centres operate. They have found the services inadequate and proposed reforms. But the Government seems to have turned a deaf ear to them. We can see that when these elderly health centres conduct a check-up for old people, they find such common diseases as obesity, cataract, diabetes, poor hearing and incontinence. But people from the medical sector have warned that heart disease may take the place of cancer as Hong Kong's Number One killer. Why has the check-up failed to unveil hidden diseases commonly found among old people such as too much fat in the blood and occlusion of blood vessels in the heart? The crux of the problem is that the check-up is not an in-depth one. The elderly do not consider it necessary to pay for such a superficial examination.

The Government has deployed resources and manpower to help old people prevent diseases but its direction is open to question. It may turn out to be a waste of resources. The Government only knows that it should adhere to its schedule and open a total of seven elderly health centres by 1997 without considering whether these resources are properly spent. It might result in a situation where the more elderly health centres there are, the more resources will be wasted. The Budget is presented to this Council for approval of appropriation. So we have reason to ask the Government to review whether resources are properly used. The Liberal Party wants to state emphatically here again that what we want are not seven elderly health centres where the staff will be so "leisurely" that they can do their knitting. The Government must conduct a comprehensive review of the services provided by the existing elderly health centres so that they really meet the needs of the elderly and everything is put to the best use.

Investment in Public Medical Resources

The Hospital Authority's success in improving the quality of public hospital services is obvious to all. Nevertheless we also see that improved services are not in line with the charging system. The greatest contradiction under the prevailing system is that the rich are attracted to public hospitals to share those limited medical resources intended for poor patients while poor patients have to bear the pressure brought about by itemized charging.

Unless the Government tells us that it is prepared to meet the demand for public medical resources unreservedly, it must review its position on public medical services and decide how to use the limited resources to take care of the poor to a larger extent so as to lighten their burden. This is the attitude that the Government should adopt.

The Services Sector: Support and Promotion

Finally I wish to talk about supporting and promoting the services sector. A breakthrough in this Budget is its strong emphasis on the importance of the local services industry. Before that the Government had carried out a lot of consultation. For example, the Hong Kong Coalition of Service Industries offered many suggestions. Now we see many industries being included in the Government's Action Agendas. There are over 10 of them, including air transport, banking and computer services. I think all the key areas have been mentioned. Everyone knows that these are areas for development because they account for 80% of our Gross National Product (GNP). The Government has also pledged support. But I think the Government should not only pledge support but also take positive action.

Actually, the Hong Kong Coalition of Service Industries paid a visit to China in the last two days. It was only yesterday that they returned. I learned at a meeting of the State Planning Commission yesterday morning that China also attaches great importance to the services sector. Now the services sector only accounts for 30% of China's GNP, lagging far behind Hong Kong. But they have made a plan and set the target to be achieved in 2010. It is a 15-year long-term plan. Of course our economic system is different from China's. The Chinese economy has been fully controlled both at the macro and micro levels. China has only recently relaxed its control and focused on the macro aspect. We are not advocating control and regulation by the Hong Kong Government. But the Hong Kong Government often said in the past that positive non-intervention is the best way. I believe that when it comes to the services sector, a review might be needed to determine whether positive and appropriate intervention is the best way.

DR HUANG CHEN-YA (in Cantonese): Mr President, the Democratic Party will judge the Budget by two major principles: whether the Government's proposals can enhance employment and take care of the old and weak? In regard to enhancing employment, this time the Government no longer looks on our economic recession with folded arms, but has made some strategic proposals to develop the services sector. Since I joined the Legislative Council in 1991, on behalf of the United Democrats of Hong Kong and the Democratic Party, I have been urging the Government to formulate policy to support the services sector. Today I am happy to see that the Government has eventually moved towards the right direction by strengthening training for the services sector and promoting the development of services. The former policy can help workers in the manufacturing sector to successfully adapt themselves to our economic transformation and reduce mismatch of jobs. The latter policy can increase employment opportunities and cut down unemployment by absorbing displaced workers from the manufacturing sector.

However, there is still a lethal blind spot in the current strategy adopted by the Government towards the services sector. Apart from the Financial Services Branch, there is no government department responsible for promoting the services sector. For example, the tourist industry is the responsibility of the Economic Services Branch, but other related services such as hotels, television and entertainment, sports and the retail industry, are under different departments or none at all. As a matter of fact, even if there is a responsible department, the function is carried out in the form of monitoring, rather than promoting the development of the services concerned. Thus, the Government should re-organize its structure as soon as possible to ensure that there is a Policy Secretary responsible for the development of the services sector.

The Hong Kong Government has all along firmly believed that the market is all mighty and so the Government should stick to the policy of positive non-intervention. But in reality during the past 10 years or so, most manufacturers only knew how to relocate their factories to places outside Hong Kong, but never actively considered developing creative products or increasing the added value of their products. For a long time, various manufacturers in Hong Kong have been beset by the shortage of skilled workers and the reliance on imported parts. But year in and year out, market mechanism has failed to resolve the problem through its own operation, nor has the Government taken any remedial measure to cope with such market disorder.

The Government is convinced that excessive intervention will stifle the vitality of the market, but by now it should also realize that the policy of active non-intervention is actually, tantamount to looking on somebody's trouble with indifference and is equally irresponsible. Be it infrastructure construction, manpower training, support or monitoring system, everything must follow closely the needs of the market in order to be effective, and should not be implemented without any target or any regard to economic effectiveness. Manufacturing is not stagnant, but the Government must work hand in hand with the market to find out the position of our manufacturing sector in the international market as well as its relative advantage, and then put in resources and implement manpower training according to strategy. Other colleagues from the Democratic Party will look at these issues in greater detail later.

The unemployment rate in 1995 was the highest in the past 10 years, wage increase for 1996 is also generally low and fails to keep pace with inflation. In the face of rising demand for new technology and higher skills, wage earners have to constantly upgrade their skills in order to keep their jobs or raise their income. The era of sticking to one job for life or having one skill for a lifetime's adequate use is gone for ever. Thus, the Government should give encouragement and provide convenient channels through which people can continue to pursue further studies to upgrade their skills. We are happy that the Financial Secretary has accepted our two proposals of injecting funds into the Employees Retraining Fund and introducing tax allowance for personal studies. However, these measures are still inadequate, more programmes should be introduced in next year's Budget, including encouraging enterprises to train their staff and offering more in-service training courses on new skills for employees.

In recent years, the Government seems to have realized that education is in fact a kind of economic investment. Regrettably, with regard to other issues such as health care and welfare, a relatively long-term and macroscopic outlook is still lacking, and so the Government has repeatedly been trapped in the vicious circle of saving costs superficially, but transferring costs in reality and increasing costs eventually. Let me give some explanation. Most services provided by the Government ask for a fee increase, on the face of it, this will increase revenue to the government coffers, but the consequence is that as more people will get into hardship, there will be a greater demand for social welfare. For instance, restricting the Fire Services Department's expenditure on ambulance service will only result in deterioration of patients' condition because of a delay in getting emergency treatment; and restricting the Department of Health's expenditure on

the elderly and woman health centres as well as the expenditure on other preventive medical services will result in more people becoming sick. All these will lead to a great surge in hospital expenditure. I hope that the Government will not try to save a little only to lose a lot. In an attempt to cut down the expenditure of individual departments or shift the cost to the general public, the Government will eventually increase its own cost, for public expenditure may increase as a result of cost reduction, and a small reduction may lead to a big increase.

Another principle by which the Democratic Party assesses the Budget is people's livelihood, care for the old and weak in particular. We welcome the increase in personal tax allowance, child allowance, dependent parent allowance and so forth which are close to the demand of the Democratic Party. The Government is especially commendable for accepting that personal tax allowance should be adjusted upwards in accordance with inflation and real economic growth so that the public can share the economic success of Hong Kong. The allowance introduced by the Financial Secretary for maintaining a dependent sibling serves to enhance family ties and is worthy of our support. Regrettably, we are disappointed that the Budget still fails to meet the needs of the community in regard to the Comprehensive Social Security Assistance (CSSA) Scheme and services for the elderly.

According to a telephone survey conducted by the Democratic Party, 90% of the respondents opined that the CSSA payment of \$1,950 was inadequate, and the majority of complaints which I received at residents' meetings were also related to dissatisfaction with the CSSA payment.

The existing family system in Hong Kong is core-type, with a large number of single elderly people and an aging population. In the past the Government has never formulated any family policy, nor has it ever encouraged or helped families to take care of the old and weak. Subsequent to the economic transformation, it has become increasingly difficult for the elderly and the disabled to earn their own living by finding a job. Even after the implementation of the retirement protection scheme, it may take years before the scheme becomes effective. Thus, the Government must step up its care for the elderly and the disabled. However, welfare for the old and weak is the most disappointing. I am really worried whether the Financial Secretary dares not give more positive responses to our proposals on caring for the old and weak

because of the threats from a number of Beijing officials.

What is more worrying is that the 1997-98 Budget may just ignore the old and weak. This is not alarmist talk, for Beijing is interfering with the preparation of the Budget by taking the job into its own hands in an open manner. The remark of "getting killed in a car crash" by Beijing officials who think that Hong Kong's welfare is excessively high has fully revealed their total disregard of the hardship of Hong Kong people and ignorance of the need of our community. Moreover, several Preparatory Committee members have just revealed their mentality of "seeking only to fill up the government coffers but ignoring the hardship of poor people". We are really worried that well-being of the elderly people will be sacrificed and become a tribute by the British Hong Kong Government when kneeling down to make concessions.

According to the Sino-British Joint Declaration and the Basic Law, the Hong Kong Special Administrative Region (SAR) can manage its own financial affairs, including allocating financial resources, and compiling the Budget and final accounts. Thus, the compilation of the 1997-98 Budget should be a matter between the SAR Government and the existing Government. However, Chinese officials announced through the Sino-British Joint Liaison Group (JLG) that officials of the Hong Kong Government had to hold monthly meeting with the Expert Group under the JLG to jointly prepare the 1997-98 Budget, and that consensus had to be achieved on every item before discussion on the next item could commence. Later they further indicated that the provisional legislature would have the right to revise the Budget. Undoubtedly, Beijing intends to completely control our Budget through the above measures, with the Chinese side taking care of everything from discussion, compilation to decision-making. Would not the pledges of "Hong Kong people ruling Hong Kong" and "one country, two systems" become idle theorizing?

The current time schedule of the Budget indicates that the compilation of the part relating to expenditure estimates will not commence until round about September 1996 whereas the part on revenue will be prepared early next year. Thus, if the team-designate of the SAR Government such as the Chief Executive and the Financial Secretary can be selected in June 1996 as scheduled, the SAR Government should have sufficient time to jointly prepare the Budget for the coming year with the current Government and have it passed by the Legislative Council in March. This is a "three compliance" arrangement which absolutely complies with the law, with reason and with fairness. Why is it that Beijing

insists on "three contraventions" — contravening the Basic Law, common sense and public sentiment — by arbitrarily changing the procedures and time schedule of the Budget and by passing the Budget in a piece-meal manner?

Have Beijing officials ever thought of the undesirable consequences they will bring to our society by their unbridled interventions in all the affairs of Hong Kong? If the Chinese and British Governments fail to reach a consensus and complete the Budget on time, clouds of uncertainty and instability will cover our sky. Our good reputation for sound financial management will be destroyed in a moment and the confidence of the general public and international investors will also be seriously undermined. Moreover, if the tax regime and expenditure proposals passed by the Legislative Council early next year can be changed at will by the provisional legislature, this kind of system by which government laws can be changed at any time will surely confuse the public and drive investors away from Hong Kong. Thus, the above measure will only deal a heavy blow to our economy. Beijing officials have time and again stressed the need to maintain the prosperity and stability of Hong Kong, to attract people who have left to return to Hong Kong and to attract overseas investors back to Hong Kong. However, what they say is contradictory to what they do. May I ask what are they really up to? Will they not be satisfied until they have completely destroyed the confidence of Hong Kong people?

Here I would like to remind both the Chinese and British Governments that the tolerance of Hong Kong people has already reached the critical point. If the 1997-98 Budget fails to get a smooth passage or becomes fragmented, the stability of our community will be put to a stern trial. I also have to tell the Hong Kong Government that we will not accept any Budget that betrays the people, and that the Financial Secretary should maintain a high degree of transparency with regard to the preparation of next year's Budget to ensure that the interests of Hong Kong people will not be betrayed.

These are my remarks.

MR LAU CHIN-SHEK (in Cantonese): Mr President, my honourable colleagues will speak with eloquence these two days to request that more things should be included in the Budget. But I wish to point out a fact and that is the Financial Secretary, who is facing me in his seat, may not be able to respond to

all our opinions and requests. Even if there are a lot of things that he wants to do or undertake, I believe the Hong Kong Government's Budget at this point of time, just like other things in Hong Kong, is subject to increasing intervention from the Chinese side. The overlord has come. Budgets to be prepared by the Financial Secretary in the future will inevitably be influenced by the Chinese side!

As a matter of fact, though described as a "complete Donald TSANG's Budget", it dare not make any real improvement in the quality of social welfare because of the inevitably pressure brought about by the Chinese side's theory of "getting killed in a car crash". The increase in welfare expenditure is only a reflection of an increase in the number of people in need of welfare rather than a reflection of better quality of service and assistance. Moreover, though the Hong Kong Government has fiscal reserves of \$150 billion, the first Chinese Financial Secretary, being restricted by the Basic Law, dare not spend part of the reserves on improving social welfare. As a result, "only limited rice can be prepared with limited grains". Thus the increase in social welfare expenditure falls far behind people's demand.

That the Chinese side has poked its nose into the compilation of the Budget in transition under the pretext of acting on behalf of the future Hong Kong Special Administrative Region Government is a severe infringement of the principle of "Hong Kong people ruling Hong Kong" and "a high degree of autonomy". What is even more worrying is the Chinese side's understanding of capitalism that less welfare work should be done and that only capitalists should be allowed to make money while the grassroots should not share the fruit of prosperity. The Hong Kong Government has all along been very conservative in handling public expenditure. With intervention from the Chinese side now, it can be perceived that future Budgets will be increasingly retrogressive and more unfavourable to the grassroots!

I went to Taiwan last week to observe their elections. I could see that the

four presidential candidates all emphasized greater care to the underprivileged people in their platforms on social issues. Actually both Taiwan and Hong Kong are among the four little dragons in Asia. Why is it that there is far less disparity between the rich and the poor in Taiwan than in Hong Kong? How come there are still so many people who think that it will not be capitalism if more welfare work is done? Who would have thought that the Chinese side's understanding of capitalism under "one country, two systems" is not to improve the lives of people at the grassroots level but to strive to oppose increasing social welfare? Other things apart, this alone will simply cause one to view the Chinese side's understanding of "one country, two systems" with great helplessness!

In any event, it should absolutely — I repeat, absolutely — be up to Hong Kong people to decide what kind of Budget and what kind of welfare system they want!

Mr President, these are my remarks. Thank you.

MR ERIC LI (in Cantonese): Mr President,

Speaking the same language and displaying thoughtfulness

As expected, the first Chinese Financial Secretary has not let people down. He showed his political wisdom in his debut in this Council. Giving full play to his asset of "speaking the same language" as this Council, he summarized in Chinese what Members and major political parties want to hear: proposed tax concessions and expenditure increases.

These strong political messages have added "extra" colours to the Budget, which originally intended only as a blueprint "specially for managing public finances". No wonder some commentators have likened the Budget to the

Financial Secretary's "policy" address. The Governor has withdrawn to the backstage and painstakingly arranged for a Chinese official to go up the stage to play the leading role. He has even tailor-made their scripts and parts for this Council, making them completely suited to the local political taste and atmosphere. On the one hand, the Budget is aimed at pleasing the Legislative Council, which is almost unanimously speaking for the interests of the grassroots workers already. On the other hand, it speaks for the Chinese side by asking the Government to practise thrift in managing its finances. The "display of thoughtfulness" by the Budget is evident at a time when there is too narrow a political space.

Guarding against shortsightedness with politics in command

Judging by the actual circumstances, I think the Budget has "put politics in command". In all fairness, this is not meant to be derogatory. Undoubtedly any Member of this Council with a little conscience must know that the Financial Secretary has done all he can in preparing the Budget with the hope that this last Budget under British rule will be passed by this Council, "scared yet unhurt". However, undue attention to satisfying political demands primarily aimed at securing the current ballots will easily lead to shortsightedness. Actually many Western democratic states have provided adequate warning that if politics is put in command, it will certainly result in the overall long-term economic interests being neglected in bitterness. I am deeply convinced that Hong Kong's economic miracle is attributable to the civil servants' faithfulness to their posts and maintenance of "political neutrality without other considerations" over the years, without which a stable environment most favourable for investment could not have been created. So I suggest that in view of the current environment, an eighth virtue should be appended to the Financial Secretary's "seven virtues" to serve as a constant reminder: "guarding against shortsightedness due to politics in command".

Sluggish economy caused by relinquishing strengths for weaknesses

What most Members find acceptable are naturally the drastic reductions in salaries tax and the downward adjustments of stamp duty rates for transactions of low-value flats. Of course tax concessions will prove very popular. In the meantime, however, the proportion of the Government's recurrent expenditure

rose from 72% in 1994-95 to 77% in 1995-96. It will even rise abruptly to a record high of 87% according to the 1996-97 Budget. These expenditure increases still fail to satisfy a small number of avaricious Members. But how can the Financial Secretary detach himself from the "economic reality", effecting a number of tax concessions and, at the same time, increasing recurrent expenditure considerably to "politically satisfy" Members while still being able to live within our means to maintain a surplus Budget? The trick mainly lies in the way in which the accounts for infrastructure investments are handled.

According to information provided by the Government, transfers to different funds dropped from 27% in 1994-95 to 21% in 1995-96 and will even drop to a record low of 10% in the 1996-97 Budget. There is a sharp contrast between these figures and the rapid growth in recurrent expenditure. The Government's tendency to "relinquish strengths for weaknesses" and "emphasize services while neglecting construction" in recent years is self-evident. Infrastructure is the economic lifeline of developing areas. Only by increasing investment constantly can economic capacity and competitiveness be renewed. The maintenance of rapid economic growth has been one of the key factors contributing to Hong Kong's consistent ability to continuously enhance its competitiveness.

Empty slot in accounts serves as refuge window

Actually it is not that the Government does not have relevant development plans. To be more specific and in all fairness, the lack of mutual trust between China and Britain is the principal cause of delays in many major infrastructure projects. For those projects valued over \$100 billion such as the northwestern rail link, the second airport runway, a number of new MTRC development plans and container terminal expansion projects, there have been no specific schedules for them up to now. This has indirectly provided an excuse for the Government. Though the Government knows clearly that these projects "will be undertaken eventually", it has chosen not to make any allowance in the Budget (not even in the five-year medium range forecast). This "artificial empty slot in the accounts" is a "refuge window" through which the Government may escape

easily at a time when it may be facing the greatest obstacle in history to the adoption of the Budget.

At a meeting of the Economic Sub-group of the Preparatory Committee a few days ago, I urged the Chinese side to strive actively for an early decision on the schedules for these extremely important infrastructure projects. Even if no agreement can be reached on the actual date of construction or prices, there should at least be discussion on how to reserve appropriate "allocations by installment" so that the Budget may give a "true and fair" picture of the overall financial situation. This will enable the Government to constantly adhere to the stringent principle of living within our means in financial management. I also hope that the Financial Secretary will disclose in details to this Council in his concluding speech how many infrastructure projects would require immediate allocations in the next five years according to the original development plans in the absence of the transition question, what the total allocations would be each year and whether they would affect the deficit or surplus status of the Budget. Though the Government may resort to sophistry and argue that the Budget is prepared on a cash flow basis, as a responsible government, it would be hard to clear itself of such suspicion as "cover-up and trickery" in the accounts.

Market development and manpower training

Under the heading "economic development", the Financial Secretary explained at great length the Government's recognition of the major trend of economic transformation in Hong Kong. He affirmed that "small government" can still give positive support to the local economy strategically, helping the services sector to develop markets and train people. This is a breakthrough under the policy of non-intervention consistently practised by the Government. What is more, it has apparently changed the Government's near "hostile" attitude towards local businessmen after the "political reform battle". There is great significance in the long-term co-operation between the Financial Secretary and the business sector. This is also the most insightful and positive part of the Budget.

I wish to express my particular appreciation of the positive response of the Budget to some of the proposals put forward by the accounting profession:

1. The Trade Development Council will make use of its present experience and overseas network to publicize what conduces to Hong Kong's competitiveness, such as the low tax rate, and actively promote the local services sector. This is a change from the Trade Development Council's practice in the past of promoting local industries alone, which would easily mislead people overseas into thinking that Hong Kong is still a cheap manufacturing workshop.
2. The Government has accepted proposals to effect a number of technical amendments to the tax law, including raising the depreciation rate of hotel refurbishment, exempting part of the proceeds arising from offshore investment in Hong Kong by overseas funds from taxation and freeing non-residents from being taxed for their earnings from local stock transactions.
3. An additional field audit team will be established to step up action against tax evasion.

Nevertheless, just like Members' political platforms, definite policy proposals should be more than mere gestures. They have to be implemented. Most of those announced in the Budget are ideas and plans still under deliberation. There are only some negligible sums which can be used immediately for investment, namely \$50 million each for the Services Support Fund and Tourism Development Fund. It is clear that this Council must observe and monitor them closely for a long time to find out whether these well-thought-out and carefully-packaged plans will prove successful in the future.

To really "develop the economy" is no easy task. One can invent all sorts of names if one chooses to provide some short-term incentives. Long-term benefits can only be reaped by building a good foundation. To invest in infrastructure, establish a long-term partnership with the business sector locally

and safeguard as well as support explicitly Hong Kong's economic interests overseas are things that must be carried out continuously without interruption. The training of human resources, in particular, should start with basic education. A first-rate education system is the most fundamental investment project especially for the services sector. That the Budget this year has failed to make further plans to strengthen overall investment in education is a fly in the ointment in terms of the co-ordination of proposals.

Stabilizing the tax base to reduce risks

The choice between expenditure and investment is determined by whether the policy-maker is far-sighted or not and how he assesses the effectiveness and urgency of the returns. But whether it is a commitment for recurrent expenditure or one for long-term investment, it is "easy to make but hard to withdraw". To continue to live within our means and to maintain balanced accounts, it is clearly important that the Government need to have a firm foundation where revenue is generated.

Since the early 1980s and for over 10 years I have been commenting on the Government's Budget. The narrowing of the tax base has always received my close attention. I wish to remind the Government again this year not to relax its vigilance despite the huge reserves. The continuous narrowing of the tax net over the last few years has increased the instability of revenue from taxation and further planted a long-term financial risk.

There is no doubt that Hong Kong's economy has still been able to maintain its growth in recent years. Wages have increased at an especially fast rate. But taxpayers only constitute 40% of the working population. The 200 000 people with the highest incomes, that is about 6%, contribute to three-quarters of the salaries tax collected. I believe such generous allowances with such a small tax base and such a progressive tax system are rarely found in this world. The Financial Secretary cannot but guard against uncertainty while increasing the proportion of recurrent expenditure considerably. I think even if it is necessary to give back money to the people by means of tax concessions, the basic consideration should be to stabilize the tax base so as to reduce the political risk that might arise from the need to widen the tax net in the future. In order that a Budget may be described as fairer and more objective, it should let more people pay less tax rather than yield to the demand of the most politically

powerful opinion stratum.

Making money in harmony and enhancing our prospects

It is the hope of Hong Kong people that the Financial Secretary will co-operate sincerely with China to change the "fate" of the 1997-98 Budget, destined to be "shortsighted". But everyone knows very clearly no matter what the Budget to be prepared by the present Government is like and no matter how it is welcomed by the Legislative Council, neither the Government nor this Council can shape the fate of the Budget in the latter nine months. The debate going on in this Council now is only a gesture of thanks to the Financial Secretary. There is no such thing at all as to whether the Budget for the whole year will be passed or not. What will be passed after the debate is only a lump sum for the overall expenditure as well as legislative amendments for individual revenue items. After 1 July 1997 the future Special Administrative Region (SAR) Government will be able to exercise complete control over its finances, being free to give out or take back money. Regarding expenditure, even if this Council passes the Appropriation Bill intact, the future SAR Government may choose not to use the appropriation. Or the provisional legislature may refuse allocations for items passed by the Finance Committee. In the event of inadequate allocations, the future SAR Government may make supplementary provisions at any time. Regarding revenue, since legislative amendments are not subject to time restraints, the future SAR Government can restore, repeal or further amend the legislation concerned at any time. So any dispute over the choice of words or any dispute out of personal feelings is really meaningless.

That the Budget for the transition period should be "prepared through co-operation" between the Chinese and British sides will be welcomed by all. Co-operation and consensus not only means that government bodies will receive their appropriations smoothly and thus can maintain normal operation but also indicates that all relevant basic policies in public finances and in other financial areas will undergo a smooth transition. There will be no need to examine each one of them again, thus preventing major uncertainties. At any point of time before 1997, it will be hard to distinguish whether the Chinese Government or the British Government "should be the host". But on the question of administration, it is clear "who should rank first and who next". Under the major premise of "Hong Kong people ruling Hong Kong", the Budget should be

guided by the thinking of Hong Kong people. Participation by this Council should not be denied before 1997, whilst there is no guarantee that the SAR Government and the provisional legislature will not express their opinions after 1997. Some of the political slogans by both sides apart, it is clear that neither side should say that whoever examines the Budget should be the host or that I should be the host because I will have nine months of the year, a longer period. Instead, we should strive for a Budget which will be prepared jointly with neither side acting as the host. There should be fewer words and more actions. Every endeavour should be made to sell the Budget to this Council in March 1997. Inevitably it will have to go through the provisional legislature again in July 1997. Next year's Budget will have to overcome three barriers. If it fails to overcome even the first one, it will "follow the same old disastrous road" as the political reform proposal and end up in the tracks being dismantled.

On the other hand, if the Hong Kong Government co-operates sincerely with the Chinese side, an early decision will be made on a number of major long-term plans. This will enhance the prospects for Hong Kong people and create harmony in which money may be made. This will be the best present that the Financial Secretary in transition can give to Hong Kong people next year.

Mr President, these are my remarks.

MR LAU WONG-FAT (in Cantonese): Mr President, as far as I can recall, the Budget prepared by the Financial Secretary, Mr Donald TSANG, is one which has received criticism from evidently fewer people during my 10-odd years of service in the Legislative Council. The recent tension between both sides of the Taiwan Straits may have diverted public attention, but the main reason should be that comparatively speaking, the present Budget commends itself better to the public. Mr TSANG followed the practice of his predecessor, Sir Hamish MacLEOD, by making extensive consultations with Members of this Council from different parties before the formulation of the Budget. Of course this has increased the popularity of the Budget. I believe another factor is that the Financial Secretary, being the first Chinese to take up this post, has injected the moral principle of family relations and care into his first Budget. This has

naturally made it more acceptable.

The Budget reflects the Financial Secretary's high sensitivity to the needs of the community and his rich imagination. The safety of elderly people who live alone was threatened by the piercing cold front which attacked Hong Kong during the Lunar New Year. Taking good advice readily, the Financial Secretary has added something new to the Budget and taken some improvement measures. Moreover, he has introduced a new tax allowance for maintaining a brother or sister, a deduction for attending training courses and a reduction in the First Registration Tax for purchase of a new car to replace an old one. These concessions have scored extra marks for the Budget. Though there is criticism that these measures are small favours and are more gestures than real actions, there is a saying, "Do not refrain from doing it because it is a small deed of kindness." I think the relevant proposals ought to be applauded.

Mr President, it is clear that the Budget is fairly successful in gaining public support and in meeting the demands of major political parties. But it does not mean that there is nothing worrying in the Budget. Though the Government repeatedly stresses the principle of living within our means, what it does seems to be more and more unconvincing. The increases in expenditure exceeded economic growth in three of the four financial years since 1993. According to the medium range forecast in the Budget, the growth in the Government's expenditure will also exceed economic growth in 1997-98.

The shield used by the Government is: The principle of living within our means is to ensure that expenditure, over time, should grow at a rate no faster than the economy. Evidently the question lies in what is meant by "over time". One year, two years or eight years, 10 years? I noted in last year's Budget debate that the principle of living within our means would easily become trickery if "over time" was not defined. I agree that it would be unrealistic to demand that the Government's expenditure growth should not exceed economic growth each year. Similarly it would be unacceptable if the Government were so free to interpret the limits of "over time" that expenditure growth would not exceed economic growth. I think the Administration has to clarify this question and lay down a more stringent criterion for the relationship between expenditure and economic growth.

Mr President, the slogan of this year's Budget is "Building our prosperous future". I believe no one will oppose this objective. Similarly I believe no one will object that there is a need for the Government to continue to improve social welfare. However, the pace of improvement in social welfare should not go unchecked. Following a 24% increase in social welfare expenditure last year, there is a further increase of 20.8% this year. The increase has been shockingly high. With its existing financial resources, it should not be a big problem for Hong Kong to bear a little more social welfare expenditure. But once the high growth in expenditure becomes a trend, it will be hard to reverse it. Once welfarism emerges, it will be hard to backtrack. To criticize the Government for spending too much on welfare will definitely be unpopular. However, Members who are responsible should not keep quiet for the sake of getting votes. A government which is responsible should even pay greater attention to Hong Kong's long-term interests and turn to a more steady and progressive way to improve social welfare.

The Budget has proposed some tax concessions which are welcomed by people. But the much neglected families with a middle or upper middle income in Hong Kong should not find them comforting. Taking into consideration the prevailing consumption level here, those families with a monthly income of tens of thousand dollars cannot be considered well off. While they need to pay comparatively more taxes, their well-being is seldom looked after. They are entitled neither to public housing and home ownership scheme flats nor housing loan for the sandwich class. As a result, their expenditure on housing, mortgage payment in particular, has always been their greatest burden. If we are to classify them, they only belong to a higher level group within the sandwich class. Very often their financial situation after deduction of their living expenses is not as good as those families receiving financial assistance in housing from the Government. We may say that this group of people are not fairly treated. So I feel that the Government should at least give them an "allowance for mortgage payment" to lighten their burden and relieve their disgruntledness.

The Financial Secretary has refused forthright to grant an allowance for expenditure on mortgage interest or a tax concession to first-time home buyers on grounds which are not very convincing. He is only concerned about how much less tax revenue would be collected rather than whether such an allowance or concession is necessary or fair. According to the Financial Secretary, if all the suggestions on tax relief for housing-related expenditure were accepted, the total

cost to the Government in terms of loss of tax revenue could be as high as \$17.5 billion over a period of five years. I do not know how the Financial Secretary arrived at this figure but I think this would certainly be an extreme case. This is somewhat little short of alarmist talk. It must be pointed out that no one expects that a number of tax relief proposals will be implemented at the same time. The Government may choose to implement one of them, for example, a concession to first-time home buyers. If the authorities still considered the cost to be too high, they might lower the extent of the concession or limit the concession to a certain income group. It is a technical question how to define first-time home buyers, but I believe it is not difficult to find a more satisfactory solution. In short, as long as the Government has the will, an arrangement that is fair and practicable can be mapped out.

Mr President, finally I would like to talk about roads in the New Territories. The Government has built many roads in the New Territories in recent years, and they have contributed a lot to improving traffic between the New Territories and urban areas. But there are still many roads in the New Territories which were built a long time ago, for example, Sha Tau Kok Road, Fan Kam Road and Kam Tin Road. These narrow roads with an outdated design have proved inadequate in the face of rapidly increasing traffic in the New Territories. The level of safety for vehicles using the roads has dropped considerably and serious traffic accidents often happen. There is indeed a need for the Government to make a special allocation as soon as possible to improve the design, widen the roads or add more lanes to be in keeping with the development of the whole traffic network in the New Territories.

Mr President, these are my remarks.

DR LEONG CHE-HUNG: Mr President, may I also join the colleagues who have congratulated the Financial Secretary on his maiden speech. He has delivered, in my mind, an innovative and visionary speech in spite of pressure from so many directions which I am sure could settle the minds of people in Hong Kong for a stable and prosperous economy for the future.

But regrettably, he has not gone far enough to allay the worry of the ordinary man on the street in his day to day needs. I would therefore, with your indulgence, Mr President, be focusing my comment on areas of inadequacies for the elderlies and for the health care services. In doing so, I express the views of myself and those of my constituents. Hopefully improvements could be forthcoming in the mean time and that I could get the assurance from the

Financial Secretary himself and the relevant Secretaries to take these views on board when organizing the budget for 1997-98 which I do hope will not be too political and hopefully, if accepted, will not be refused by the Special Administrative Region Government, as such would well be against the wish and the interests of Hong Kong people.

A secure old age

No doubt the care of the elderlies have taken the lion's share, this year, of increase in the Budget, amounting to \$102 billion. Truly, the Financial Secretary is handing out money to the senior citizens: there is a 12% increase in standard rate of public assistance for elderly living in a family, there are some \$200 "lai see", some \$320 for social and recreational activities, and they are entitled to all these even if they live on the other side of the border.

But is distributing out money alone that our senior citizens are after? Will a few dollars tie them over the cold spells of recent month when the warmth they require goes more than just an extra blanket, but should come from concerns and care this society could offer them especially to those who are living alone. Mr President, the current cold spell did not, as the Director of Health put it, directly cause the death of some of our dear grannies. Yet, it has brought us face to face with the facts that these old folks need constant care and concern which this affluent society ashamedly has not sufficiently provided. Mr President, let me put it to you and this Council that the generous 100% increase in our home help teams in the past six years of up to 126 by now does little to help in the service of our some 600 000 elderlies.

Nor is building more infirmaries, care and attention homes, and old age homes the solution. The Government and society must understand that many old folks like everybody else prefer to be living in their normal environment, to be with their friends and family, not in an institute.

The problem is obvious. There has been no overall policies for the elderlies. One might argue that in 1993, a Working Group was established under the Governor to study the plight of the aged. But with respect, this Working Group was given the task to identify shortcomings and plug the loopholes. But how about an overall direction for the care of the aged, and an efficient co-ordination and implementation of all the recommendations for the good of our elderly who could not afford to wait?

Health care for the elderly

Mr President, in the health care for the elderly, the Financial Secretary again with respect has not fared any better in the Budget. In response to the fact that prevention is better than cure, elderly health care centres were set up. Currently there are two in position and some five more are in the pipeline. Each is charged with providing health education and screening for diseases for the old people aged 65 and above. Regrettably it is the case of "too little and too late". If the Government were to be genuine in preventing and screening for early diseases, the process should be started well before 65, for by that age the diseases of old age would have already been so advanced that expensive hospital treatment might be needed. Furthermore, the ratio of one centre for some 100 000 elderlies is obviously inadequate. Ironically, the existing centres have shown very low attendance rate — only 2 031 have taken up the service in 1995. Analysis showed that most old folks are not aware of such service, signifying poor publicity. Furthermore, the sites chosen are not exactly easy to access for the potential clients they aim to serve. Our health officials will no doubt use the excuse claiming that "it is the usual belief of the elderly that one should only see a doctor when they are ill". Yet experience will show that any health check-up organized by grassroots and kai fong organizations attract overwhelming response from our elderlies. Mr President, the sincerity of the Administration is therefore called into doubt.

Primary health care

Let me now turn to the Budget for health care. Mr President, some 13.8% of the recurrent public expenditure in 1996-97 is devoted to health care — a total of something like \$22.59 billion. Many have called for more. The problem however extends much more than just the amount itself.

It has been a well-known fact, fully accepted within and outside the medical profession, that a well-run primary health care service keeps patients out of hospital. Effective primary health care becomes therefore an efficient gate keeper to hospital service. In 1991, the Working Party on Primary Health Care established under the Health and Welfare Branch gave 102 recommendations

which are all accepted by Governor in Council. Amongst others, it suggested that general out-patient clinics should be developed into a family medicine type of clinic and to have staff trained for family medicine practice. To effectively co-ordinate preventive, curative and rehabilitative services provided by various bodies in a district, a District Health Centre is proposed. One such centre was then established in Ngau Tau Kok with great publicity and fanfare. The concept was deemed successful and has shown its worth as claimed by the Department of Health. Yet, years down the line, only one such centre stood alone. No further developments are in sight. Has there been a change in policy within the Government in the development of primary health care, or has the resources allocation exercise been bent in favour of funding to inspect insecticide contaminated vegetable or analyze "mad cow" infected beef? This Council deserves to know and demands an explanation and an answer.

Public health training

Needless to say, to properly develop primary health care, to properly develop community-based medicine, there must be adequate facilities for training staff. For decades, students of public health and community medicine have to go overseas, mainly to Singapore, for such advanced studies. It is high time that Hong Kong should consider the establishment of a School for Public Health — a school that is independent of the two universities, a school that will provide public health and community medicine training programmes for doctors, nurses and all interested health care workers alike under one roof.

Meagre health promotion budget

Mr President, a few minutes ago, I was reasserting that the only way to prevent illness in the aged is to provide them with education and screening when they were young. Regrettably, the allocation for public health education leaves much to be desired. If taking out oral health education, a mere \$45.8 million is to be so allocated to cater for health promotion on all health-related issues including the promotion programmes for chronic illness and AIDS. Furthermore, the amount of increase over these years are nothing to be excited about.

Oral health being neglected

Let me now turn to say something on dental care — another essential element of total health. Mr President, a glance at the Budget gives observers the impression that oral health is either too good in Hong Kong or that the Government has not considered dental health as part of an important health care project. In any case, it has been conveniently forgotten.

To wit, out of a total of \$22,590 million allocated to the overall health care expenditure, only some \$517 million was earmarked for the care of the oral cavity (a mere 2.3%). Ironically, some 49% of this embarrassing amount is to honour the contractual obligation of dental care provision for civil servants, and another 21% designated for the Prince Philip Dental Hospital for dentistry teaching. What pitifully remains for the care of the public is hardly worth considering and further amplifies the lack of concern the Government has in the promotion of oral health and the prevention of dental diseases for the not so affordable public!

Regrettably, this peanut size budget has become a convention with little or no change for the past decade. Surprisingly, in the past, it has neither raised a hair, nor a ripple within the Government, amongst most legislators, nor even within the dental profession!

For years, the Government has constantly refrained from reacting to the call for provision of limited public dental care, claiming that the best policy is to promote oral health education, after which the public should realize the need for regular dental check-up at private dentists. Yet in a recent report, only 11% of the middle-age and 2% of elderlies went for regular dental check-up.

Does this signify ineffective oral health education? Or does this actually signify that a high percentage of the population could not afford private dental care? After all, there are some 420 000 on old age allowances and 130 000 cases on public assistance — all would need some form of public-funded dental care.

No doubt the Government will come to the rescue that these less well off public are entitled to full reimbursement. Ironically the take-up rate is a bare 2% last year. This should come as no surprise for it takes over a week to get an appointment, the patients have to pay up front which they could ill afford, and there is a substantial time lag for reclaiming reimbursement.

Lack of dental policy

The bug bear must be the lack of an effective and workable dental policy. Nor is there a proper machinery to bring such about.

The hierarchy of dental care in the Department of Health stops at a senior dental consultant, who has to double up as an administrator and as a professional dental surgeon. Is it fair to demand him to single-mindedly deal with dental policy and service development?

Furthermore, the Dental Subcommittee of the Health and Medical Development Advisory Committee, which is supposed to be the advisers of the Government on dental development, has not come forth with any new direction since its last report in 1991.

Mr President, for years the dental profession has remained dormant, putting all the faith in the Government's directive to provide a good dental care for Hong Kong. They can tolerate no more! Early this week, for the first time, the Hong Kong Dental Association representing over 80% of the practising dentists broke ground, blatantly expressed to the public their dissatisfaction and made proposals to the Government. In essence, they demand that public dental service be provided at least to those receiving Comprehensive Social Security Allowance and those elderlies on Old Age Allowance. They insist that public dental care should also be provided to all those classified as "special needs group" as pledged by the Government. Such service should be for all disabled persons, and those with disabling oral diseases or special medical conditions; not just 2 100 cases — a figure which we believe is plucked from the air. Regrettably, there is still no available statistics on the size of the "special needs group", not to say the actual extent of oral health care needs within them. We expect some response from the Administration to this suggestion by the profession.

Hospital Authority and health care financing

Much has been asked about whether the Budget for the Hospital Authority (HA), that is, a budget of \$19 billion, is enough? Let me put it to you, Mr President, it would be difficult to define what is enough. We have seen political parties coming open to say that health care budget is not enough and that we

should have more doctors and nurses in the HA. We have seen others criticize that HA budget is too big. Yet, camp beds are already appearing, waiting lists are extending, symbolizing that the budget still could not catch up with the increasing public need.

To subsidize ever-enlarging health care needs using the taxpayers' coffers amounts to providing an unlimited needs using a finite means. This will never do. It is high time for the Government to make a political decision on which aspects of health care are to be designated as welfare for which the Government fully or maximally subsidizes; and which aspects of health care are considered as services for which the patient would have to pay. By such means, the Government can ensure that a properly allocated budget could cater for all those who genuinely need subsidized service.

Hong Kong has for decades been doing well on a time-honoured dual health care system: a heavily subsidized public service and a user-pay private service. By declaring that certain aspects of health care are not welfare will ensure that such time honoured dual system be kept alive. On the other hand, if health care is considered entirely as welfare, the exodus of patients from the private to the public sector will continue until the private sector will shrivel from hunger and the public sector will succumb to over zealous indigestion.

The community and the political parties should be made aware that they have to determine how far they would like heavily subsidized health care service to be extended. Total heavily subsidized health care will no doubt kill the private sector and lower the standard of public service by increasing their load. The tragedy that socialized medicine has brought to countries which practised it speaks foul for the system which Hong Kong can do without!

The Government and the community must come together to keep the high standard of health care afloat. The profession will be glad to act as a catalyst.

Finally, Mr President, we are most disappointed that tax on cigarettes is increased by a small percentage which only means to say that there is a lack of determination of the Government to fight the tobacco industry and to promote health targets. Mr President, with respect to yourself, although you may well be a long-term smoker, any time you stop smoking it will improve your health in the future.

With those remarks, I support the motion.

MR AMBROSE LAU (in Cantonese): Mr President, the Financial Secretary's 1996-97 Budget has a fairly attractive theme: "Building Our Prosperous Future". Its actual content, however, is disappointing because the number game in the Budget is against the robust financial management principle of living within our means. Instead of proposing specific and effective measures to promote the economy, it will lead to a too rapid growth in public expenditure. Such a financial policy will prove to be a major obstacle to Hong Kong's economic development and can only provide "symptomatic treatment rather than a root cure" in improving people's livelihood in the long run.

Not only has the financial management principle of "living within our means" always proved effective in Hong Kong, it is also an eternal truth. It was specifically stated in *The Book of Rites* of the Spring and Autumn Period: "In managing the state's finances, the Chief Minister lives within their means by considering the gain or loss in the year". The Chief Minister, who was the head of the six Ministers in the old days, already followed the financial policy of living within their means based on the annual economic growth. Regrettably, the 1996-97 Budget has not been able to implement this eternal truth.

The Financial Secretary has really done a superb job by being able to come up with a budget with a small surplus of \$1.6 billion despite narrowing the tax base on the one hand and increasing public expenditure considerably on the other. The secret, however, of achieving a surplus when the expenditure is so high is to play tricks with numbers — the number game is turning the actual situation of "living beyond one's means" into "living within one's means".

The secret of the number game is found in two aspects. Firstly, the Government has transferred an estimated income of \$4.7 billion from land sales, which should have been included in 1995-96, to the 1996-97 Budget. As a result, this Budget has an "extra income" of \$4.7 billion. According to the revised estimates by the Government, the forecast for 1995-96 was that the income from land sales should total \$42.9 billion. The Hong Kong Government Gazette of 16 February, however, reported that there was only an income of \$22.9 billion from land sales in the first three quarters of 1995-96. In other words, the income from land sales in the fourth quarter should be as high as \$20 billion, \$9.3 billion more than the average quarterly income of \$10.7 billion. So half of this income (\$4.7 billion) will go to the Government and through a clever scheduling of land sales, there will be an "extra income" of \$4.7 billion in 1996-97. Secondly, the Government has reduced the expenditure on infrastructure and transport projects in the next year. As a result, expenditure from the Capital Works Reserve Fund has dropped considerably from the March estimate of \$42.7 billion last year to the latest estimate of \$35.9 billion. This has immediately saved \$6.8 billion for the Government. By so doing, it is of course easy to turn a budget which should have a deficit of \$9.9 billion into one which has a surplus of \$1.6 billion. The "Chief Ministers" of all ages could not but acclaim it as the acme of perfection.

When the numbers used in the game are restored, we can see that this Budget, which appears to have a surplus but has an actual deficit, is against the principle of living within our means. It is very clear what such living beyond our means would cause and what financial burden it would bring to the future government.

Of the 10 policy areas in the Budget, there is an increase in expenditure of 16.4% on housing, 20.2% on community and external affairs and 20.8% on social welfare. Such an excessively rapid expenditure growth would have a serious negative impact on developing the economy and improving people's livelihood in the long run. Expenditure on housing will rise considerably to \$26.8 billion. But I find one thing strange. The Housing Department has changed its public housing policy of "giving primary attention to rental housing and using sales of housing units as a supplement". If the increase in housing expenditure is intended to build more Home Ownership Scheme units while reducing the supply of public housing units, how long will the 100 000-odd low-income people who are on the public housing Waiting List have to wait before the policy of "improving people's livelihood" is realized? Such public housing policy and housing expenditure reflect a lack of attention to the overall needs of the

community and economic development.

There will be an increase of \$3.4 billion in the expenditure on community and external affairs over the previous year. That the Financial Secretary should spend some \$3 billion more in building recreational facilities during a slackening of the economy means that he fails to make good use of cost-effective construction to achieve the goal of "developing the economy".

There will be an increase of 20.8% in the expenditure on social welfare over the previous year to \$19.05 billion. Compared with countries in Europe and America such as the United States, per capita welfare expenditure in Hong Kong is only one third of that of the United States. However, if housing subsidy for nearly half of the local population living in public housing is included, per capita welfare expenditure in Hong Kong will be much higher than that of the United States. While there has been an average annual increase of 4% in real terms in welfare expenditure in the United States during the last few years, there has been an increase of 65% in real terms in welfare expenditure in Hong Kong during the last five years. What is more, there will be a further increase of over 20% in the new year. That means the expenditure will almost double in a matter of six years. This average annual cumulative increase of 12% in real teams is three times the rate in the United States. Then as has been noted by the Director of Social Welfare, in a few years Hong Kong will catch up with or even surpass First World countries in welfare. If this were to be the case, Hong Kong would follow the same old disastrous road of Western "welfare states", where a too heavy welfare burden has stifled and destroyed economic development.

Of course people hope that there will be more social welfare each year. But there is so little land with so many people in Hong Kong, which also lacks natural resources. Hong Kong just does not have any of the favourable economic conditions of a vast territory and abundant resources, which are enjoyed by countries in Europe and America. Thus Hong Kong people need to make up for the lack of natural resources by working hard and practising thrift.

According to Adam SMITH in *The Wealth of Nations*, "A nation has the labour of its people as its source of wealth". He also says if more is spent on maintaining the non-productive part, less is spent on maintaining the productive part. As a result, wealth will inevitably diminish. This Budget has violated the aforesaid taboo. The Financial Secretary is spending a lot on the non-productive part such as administrative cost for new organizations as well as

more social workers and social welfare. But he has not proposed any effective and specific measure to increase production and develop the economy.

MO Di said, "By consolidating the foundation in using wealth, you will have greater wealth." "Consolidating the foundation" means stimulating production and increasing wealth. But the Financial Secretary has played a high sounding tune of "promoting the economy" while actually acting contrary to "consolidating the foundation in using wealth". The Budget has narrowed the tax base considerably, dealing an even heavier blow at the foundation of financial income in Hong Kong. In the long run, there will be a huge public expenditure. Nevertheless, the "foundation" that makes up the Treasury's source cannot be consolidated. This will only provide "symptomatic treatment rather than a root cure" in improving people's livelihood in the long run.

The essence of "consolidating the foundation" is more than stabilizing and broadening the tax base. What is even more important is to stimulate production and develop the economy. The Budget has painted a very beautiful picture of developing the economy. For example, there will be a science park, a fourth industrial estate and a second industrial technology centre. However, the Budget for the new year has not made any allocation for these projects. This is called paying only lip-service. According to the Budget, recurrent expenditure on the economy has only risen by 2.5% while there is a negative growth of as much as 17% in the expenditure on infrastructure and transport. I think this is "weakening the foundation" instead of "consolidating the foundation". If there were inadequate funds for economic development and great lags in infrastructure and transport projects, how could we talk about "developing the economy"?

At the approach of 1997 when there are political and economic instabilities, there is an even greater need for the Government to adhere to the robust financial management principle of "living within our means". In "consolidating the foundation in using wealth", the Government should see far and map out strategies to develop the economy, making special efforts to help the local manufacturing sector to get out of their plight. Regrettably, the Financial Secretary, while increasing expenditure and narrowing the tax base considerably, has failed to propose effective measures to "develop the economy". He has only put forward limited measures to support the services sector. What is more, he has failed to bring about a successful upgrading of the local industrial sector and transformation of the manufacturing sector. The Honourable CHOY Kan-pui will speak on behalf of the Hong Kong Progressive Alliance (HKPA) to give a detailed analysis of other parts of the Budget. It is the hope of the HKPA that

the Government will not resort to empty talk when it comes to "developing the economy" and that it will adhere to the principle of "living within our means" when it comes to "improving people's livelihood". Only by so doing can it help the local economy to develop and serve the long-term interests of Hong Kong people.

Mr President, these are my remarks.

MR EDWARD HO (in Cantonese): Mr President, although it is not until now that the position of Financial Secretary is taken by a Chinese, I am still proud of Mr Donald TSANG. This year's Budget is the last one for Hong Kong under British sovereignty. When we hold the Budget debate again next year, it will be a few months before Hong Kong becomes a Special Administrative Region (SAR) of China. Thus the Budget this year is definitely affected by this fact.

I am not prepared to predict if Mr Donald TSANG will become the future SAR Financial Secretary. But evidently this is his first Budget and the last for the Hong Kong Government under British rule. So he has tried very hard to please people at each stratum. He paints a rosy picture of the economy in the coming year. He also predicts that the SAR Government will have a substantial sum as fiscal reserves, which will stand at \$150 billion on 31 March 1997 and at \$365 billion by March 2000. This sum has not included the US\$507 million from the Exchange Fund. Like the Financial Secretary, I also want to say that "these are impressive figures indeed".

Undoubtedly the Budget this year has commended itself fairly well to the Hong Kong community. But Mr President, why is it that he is not applauded by more Members today?

It is mainly attributable to the rise in unemployment, the evident downturn in retail business and the consistently high level of inflation, which were our greatest concerns last year. We hope the Financial Secretary's prediction that GDP this year will be rising from last year's rock bottom will come true. But few will be as optimistic as he is because we saw the economic regression last year. Many companies even had to declare bankruptcy. However, probably the Financial Secretary was so busy with his work for the last nine months that he had no time to stroll around the streets. So I think he did not see many shops close their doors. There were so many shops closing down that we doubt

whether this year's economy will change for the better. Mr President, of course we hope that his prediction will prove accurate.

We welcome additional Government funding for the Employees Retraining Board to increase employment opportunities. Our immediate priority is to provide opportunities for the unemployed to get back to work. The most important thing is that the skills taught in the retraining programmes are suited to the needs of Hong Kong, which is undergoing economic transformation.

As far as I know, the Government is conducting a survey on Hong Kong's competitiveness. I wish to express my approval of this project because Hong Kong's survival and success is determined by its competitiveness. If we can maintain our competitiveness in the world market, we will be able to retain and create employment opportunities.

I am very disappointed again this year when it comes to infrastructure. Since the Government started the Airport Core Programme, it has not acted positively again to provide resources to improve our infrastructure. It is true that there are intentions. The Financial Secretary has noted in his speech that the Government should continue to improve our physical infrastructure to sustain trade and economic growth. He has also noted that we should continue to plan for the three rail links, build more container terminals, develop the second runway at Chek Lap Kok and carry out a series of projects favourable to the business sector. It is a pity that these projects will be nothing more than intentions if the Government does not provide any funding for them in the Budget.

We are also disturbed by the fact that for four years in a row the expenditure on government works programmes has been lower than the estimated target. Last year's estimated expenditure was \$29 billion, 24% less than the target of \$36 billion. We must continue to make actual investment in infrastructure because the programmes we start now will not bear fruit until four to five years later. What we failed to do in the past has resulted in our problems today. For example, the lack of land for building houses has resulted in the housing problem in recent years. The lack of roads for trunk routes has resulted in traffic congestion troubling people living in rural areas today. All these are attributable to our failure in the past to start the necessary programmes in time.

Talking about infrastructure, I have to mention again a subject that I have repeatedly raised: How can local professionals benefit from public works programmes? How can experience be gained or technology be transferred from them? I agree that we should recruit the best people at the best price under the principle of fair competition. But when most programmes are undertaken by overseas consultants with no transfer of technology, local professionals will never be able to acquire more professional expertise and experience from the programmes. This will put them at a disadvantage for ever and is against the interests of the local community. I think in contracting works programmes, Hong Kong should give priority to engineering consultant firms which are joint ventures between local and overseas partners.

When the local press reported that a major new airport project was awarded to a famous British engineering firm, the British firm claimed that there would be co-operation with two Hong Kong companies. But as far as I know, eventually the two companies only had token participation in the project. They were used for public relations purposes without actual participation.

Mr President, local professionals welcome overseas professionals who come to work here and exchange technology. But technology exchange is not a one-way process. Professionals in Hong Kong demand a chance to work with and even compete fairly with their counterparts from overseas.

The Financial Secretary has stressed the importance of the services sector in the Budget and has likened it to the second revolution. He has discussed at great length the suggestions made by the Task Force on Services Promotion, which was set up by his predecessor, Sir Hamish MacLEOD. We should welcome this correct focus on the services sector. I hope that the action agendas put forward by the Task Force will receive actual support from the Government and are not just a series of suggestions. The Financial Secretary has often said "We must do more to" in his speech. I hope he will change it into "We will allocate resources in support of these programmes".

I am glad that the Government has decided to build the fourth industrial estate. Actually I stressed the need for it during last year's Budget debate. The Hong Kong Industrial Estates Corporation sold 23 hectares of land last year,

which is very encouraging. This shows that if we provide a suitable environment, the manufacturing sector, high-tech manufacturing in particular, can still be a major part of the backbone of our economy. So I am especially happy that a science park and a second industrial technology centre will be set up to introduce technology-based businesses to Hong Kong.

Finally, Mr President, I wish to respond to the Financial Secretary's goal of creating a business-friendly environment. First of all, I think the Government should streamline its procedure to scrutinize building developments. I have repeatedly raised this issue in the Legislative Council, so I do not want to waste my colleagues' time here. I hope that I will have a chance to discuss this issue in details with the Secretary for Planning, Environment and Lands.

I would also like to discuss an issue related to the Housing Authority and Housing Department. The Housing Authority and Housing Department are responsible for managing the housing accommodation for half of the local population. No matter how good their performance is, it is an extremely huge task for a government body. There is clearly a need to conduct a thorough review on whether the Housing Department's work should be divided. Should we review the need to privatize estate management in the long run? As the Financial Secretary said, if permitted by market conditions, the Government should seek opportunities to shift some of its business to private bodies.

Mr President, I noted at the beginning of my speech that this Budget will be the last Budget for a full year for the Hong Kong Government under British rule. I firmly believe that the lack of financial support for many important and necessary projects is attributable to a greater or lesser extent to the poor relationship between the future suzerain and the existing colonial government. I welcome the Financial Secretary's unequivocal pledge to strengthen co-operation with the Chinese side in preparing the 1997-98 Budget. I hope such co-operation will extend to different levels in the Government. The SAR, which will enjoy a high degree of autonomy, should also have the right to determine and prepare its Budget. I think the "Chinese side" should mean the future SAR Chief Executive and team-designate of the SAR Government. I would like to express my hope here that the Chief Executive and administrative team-designate of the Hong Kong SAR will be selected as soon as possible this year so that the Budget next year will be a "through" Budget.

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

MR LEE WING-TAT (in Cantonese): Mr President, the first Budget published by the Financial Secretary, Mr Donald TSANG, has been well-received by the public in many aspects. On salaries tax, single-parent allowance and children allowance, he is able to alleviate the tax burden on the people and achieve the objective of returning wealth to the people. While the old political power is giving place to the new, the Financial Secretary, Mr Donald TSANG, can still present a budget which alleviates the people's tax burden, maintains a growth in social welfare and provides a surplus, despite increasing difficulties in the political situation and financial management as a result of some unjustifiable interference from the Chinese side. It is indeed commendable and deserves praises from me as well as from my constituency.

Mr President, I am going to focus my discussion on the housing issue.

Mr President, the Long Term Housing Strategy (LTHS) published in 1987 and the existing production figures have failed to meet the need of the people. There have been nearly 10 debates on this issue by this Council over the past four years. My colleagues in this Council and I have reached a consensus on the problems arising from the LTHS. These problems include:

- (i) The 1987 strategy of "focusing on the provision of private flats" was wrong.
- (ii) The Government has underestimated the demand for rental housing, thereby putting off indefinitely the problem of those applicants on the Waiting List which was originally expected to be solved by 1997. Not only that there will be 150 000 families on the Waiting List in 1997, but there will still be 100 000 families on the Waiting List by 2000.
- (iii) There is a short supply of public housing and private land by the Government, and so the Waiting List for public housing becomes longer and longer. Owing to inadequate supply of private land, property prices had risen drastically between 1990 and 1994 to such an extent that they became unaffordable to the people. There was an opportunity for speculators to take advantage of the inadequate

supply to fuel high property prices.

Mr President, the Report of the Task Force on Land Supply and Property Prices published in June 1994 made a series of recommendations such as increasing the supply of land and housing units, introducing counter-speculation measures and setting up a Housing Branch. Many of these recommendations have been implemented. But after implementation of these recommendations, there has still been no rapid rise in the supply of public and private housing, whilst the prices of private flats have clearly gone up again after a year's standstill.

Mr President, as far as public housing is concerned, the Housing Branch has only insisted on a production of 141 000 rental housing units and 150 000 home ownership scheme flats within six years between 1995 and 2001. Both figures still fail to meet the people's housing need. This can be shown by an average waiting time of seven years at present and an average waiting time of five years even five years later, that is, in 2001. For home ownership scheme flats, oversubscription is often very serious. This shows clearly that the Housing Branch's work in this aspect is still disappointing. The Housing Branch has also admitted in public that there will still be actual demand from 60 000 applicants on the Waiting List in 2001. The Secretary for Housing, Mr Dominic WONG, did hear the unanimous call of the Members and the public for additional grant of land for housing construction. Why does Mr WONG still insist on building only 141 000 rental housing units in the next six years, turning a deaf ear and a blind eye to the hardships of the people? Other than "bureaucratic" and "hard-hearted", I cannot find other adjectives to describe such attitude.

Additional supply of land for public rental housing does not need the approval of the Sino-British Land Commission and it takes a much shorter time than building home ownership scheme flats and private housing.

The situation in the supply of private flats is even worse. Only 22 000 flats were provided in the private sector in 1995 and 19 800 flats are expected for 1996, much less than the Housing Branch's expected target of 30 000 flats annually on average.

Half of the new supply of private flats comes from new grant of land and the other half probably comes from redevelopment of old districts. As regards redevelopment of old districts, the number of flats in redeveloped areas has

dropped year by year because most of the potential prime sites have gradually been used up and the question concerning compensation for land resumption is very complicated. A simple way to maintain a supply of 30 000 private flats per year is to grant more new land.

But it was strange that in reply to Members' questions at a special meeting of the Finance Committee, the Secretary for Housing, Mr Dominic WONG, said that a review would be made two years later so as to decide on any additional supply of private land. There is in fact a common understanding and consensus in the community that the supply of private flats is declining greatly. Why do we have to wait for two years before granting additional supply of land? The Democratic Party and I think that additional supply of private land and domestic flats are long-term and basic methods to alleviate the consistent rise in property prices in the private sector. In our opinion, if supply is adequate, there will actually be no need to introduce those so-called counter-speculation measures. The Housing Branch "sits passively to await its doom" in dealing with the re-spiralling of property prices, a problem of immediate concern to the people. This will force many political parties and members of the public to ask the Housing Branch again to reconsider those counter-speculation measures. So I wonder whether the Housing Branch is giving full play to the functions it should perform.

I hope that when the Secretary for Housing, Mr Dominic WONG, gives his reply on 3 April, he will say definitely whether he still insists on producing 141 000 public rental housing units in the next six years and how he is going to increase the short-term supply of land and supply of flats in the private sector.

Mr President, the Honourable James TO recently proposed to increase the compensation for those affected by urban redevelopment. The Housing Branch then talked to the press informally, saying that such a change might bring a halt to or slow down urban redevelopment. Without any revision of the compensation in the past two years, the supply of flats in the urban redevelopment programmes have already slowed down for various reasons. The Housing Branch is simply looking for a scapegoat for its failure to maintain the production target of 30 000 private flats per year.

Mr President, in the shadow of the failure in the 1987 LTHS, another review on the LTHS between 2001 and 2006 has commenced. But unfortunately, the Housing Branch has not learnt from the past lesson, nor has it

dealt with this review in an open and encouraging way. In all respects, it is "doing things in a black box" and "inclining towards the business sector". This makes Members and the public have little confidence in this review right from the beginning.

Mr President, at the outset, the Secretary for Housing, Mr Dominic WONG, excluded, in a rather bureaucratic manner, grassroots members and elected Members from the Steering Group set up for the LTHS Review. In his opinion, of the six non-official members, five coming from the real estate and business sectors would provide independent views without their interests getting involved. I believe this is also another big political joke this year. As a result of severe criticism and pressure from the Democratic Party, Mr WONG then only appointed one additional member with grassroots background to sit on this Steering Group.

The Democratic Party and I have been asking Mr WONG to make the Steering Group's papers available to this Council, so that all Members can take part in this discussion on LTHS at an earlier time and more systematically. As we can see from previous consultations on government policies, the broad principles and pattern of government policies had already been formed when the consultation papers were published. Thus we can exert influence on the policy only during this period when the consultation paper is being drafted. Besides, the Government has always adopted a practice of withholding massive information. Therefore, if we can get hold of the information from the Steering Group, we will be able to have a more comprehensive understanding of the problems and the direction of different policy options.

The Legislative Council Panel on Housing and the House Committee have agreed in principle to support my request for such information. I am waiting for a reply from the Chief Secretary.

On behalf of the Democratic Party, I reiterate my position that, in the public interests, I will consider applying the Powers and Privileges Ordinance to compel the Secretary for Housing to submit the information to this Council in case the Government refuses to do so.

Mr President, in his first policy address in 1993, the Governor committed to rehouse all the people living in squatter huts on urban Crown land by the end

of March 1996. This target has already been attained by and large. I congratulate the Governor on the full attainment of his first committed target in respect of housing. But there are many residents living in squatter huts on combined public and private land and resettlement of these residents is still something very remote. The Government should seek a proper solution to this specific problem, otherwise, squatters with poor living environment and sanitation will continue to exist in the urban areas. Another problem related to squatter huts is that some unscrupulous owners or agents have sold the huts at a high price, cheating the buyers into believing that the huts carry a right to rehousing upon clearance by the Government. I suggest the Immigration Department distribute to each new immigrant on arrival a leaflet, together with other information, explaining how to apply for public housing in a legal and formal way so as to avoid deception into buying squatter huts. On the other hand, in fact the Government has not included all rooftop structures in the clearance and rehousing programme and keeps on paying no heed to this Council's request for freezing registration and working out long-term solutions to the problem of rooftop structures. These places, which might gradually become urban slum areas, is another time bomb in our community.

On temporary housing, after the conflict about retaining 13 temporary housing areas, the Housing Department has dealt with the rehousing of temporary housing residents in a more practicable and flexible way. It is praiseworthy and I hope the Housing Department will continue in a pragmatic attitude to offer the temporary housing residents different options in the types of units.

Mr President, the number of new immigrants coming to Hong Kong has been increased to 150 each day. A government official once remarked that these new immigrants will not push up the housing demand in Hong Kong. I suspect whether this official who said such thing has any common sense.

Apart from a small number of well-off new immigrants, most of those who come for family union will live with their families in the temporary housing areas or public housing estates as unauthorized tenants. I believe elected Members from constituencies where there are temporary housing areas will know about this. Recently, many temporary housing residents, who originally lived in units where each one gets 50 to 60 sq ft, have to put up with 45 sq ft to accommodate four or five persons, after the arrival of their wives and children from China. This is something common almost in all constituencies. Perhaps some new immigrants may live with their families in private flats, but in congested cubicles. In fact, these new immigrants and their family members will, over time, give rise to new housing demand. Hong Kong has not yet conducted any systematic

longer-term study on housing demand arising from new immigrants. I suggest that the Housing Branch and the Planning Department should jointly study and look into this aspect and take into account this rapidly increasing new demand in public housing programmes.

Mr President, behind Hong Kong's prosperity, there are still some 3 000 single persons living in extremely congested bedspace apartments in old areas and leading a miserable life disgracing humanity. This is a disgrace to Hong Kong. The enacted Bedspace Apartments Ordinance cannot solve this problem thoroughly. It has actually caused more hardships to these bedspace tenants because some landlords have forcibly recovered possession of their premises in view of operational difficulties. With inadequate support and slow response from the Home Affairs Department, these landlords have nothing to fear.

Mr President, the Financial Secretary's proposal to reduce the stamp duty of home buyers produces just a moderate effect. For a buyer who buys a flat valued at \$3.5 million, he can only save a stamp duty of \$26,000. In addition, the proposed method is so extraordinary that it might not benefit those who buy flats at certain prices. The Democratic Party still thinks that tax relief for first-time home buyers is the most straightforward method. Meanwhile, the Financial Secretary has proposed to set up a mortgage corporation. This is worth studying. On the one hand, this may reduce the banks' over-concentration of capital on mortgage loans; on the other hand, whilst the banks in Hong Kong have adopted a rather negative attitude towards mortgage of over-ten-year-old flats, a mortgage corporation might play a more positive role and thereby activate the old property market. As there are many premises in the old property market, this measure will increase the supply of private flats and promote purchases and sales as a whole, thereby giving the landlords more options.

Mr President, so far since the War, housing problem in Hong Kong has remained unsolved. Lord MacLEHOSE's 10-year housing programme in 1972, Sir David WILSON's LTHS in 1987 and the present Governor Mr PATTEN have given Hong Kong people a dream for acquiring a comfortable home, but this dream has never been realized. We developed public housing 10 years earlier than Singapore, but our existing housing problem is still very serious. I hope we will not only change our housing production policy but also have greater reform and changes in the institutions which enforce the LTHS. On the reform

of the Housing Authority, I believe there will be more extensive discussion in our community after the submission of a Private Member's Bill by the Honourable Bruce LIU and me.

Mr President, these are my remarks.

MISS CHAN YUEN-HAN (in Cantonese): Mr President, judging by the theme of "Building Our Prosperous Future" of the 1996-97 Budget, it is evident that the Government also agrees that we need to make greater efforts to improve people's livelihood. As a matter of fact, there has been a consistently high unemployment rate in Hong Kong over the past year. The heavy burden of trying to make a living has left many people at the middle and lower strata breathless. The cold spell a month or so ago showed us that despite the apparent prosperity of our community, we cannot ignore the plight of a group of people who are unable to help themselves. Does the 1996-97 Budget truly reflect the Government's sincerity to improve people's livelihood?

Disparity between the rich and the poor and uneven distribution

Despite Hong Kong's impressive economic achievements, there is a disparity between the rich and the poor, thus resulting in a sharp contrast. Moreover, the disparity has become greater and greater. The Gini Coefficient, which reflects such a disparity, rose from the situation 0.41 in 1971 to 0.48 in 1991. This is higher than 0.35, which is generally the situation in Western countries. It is clear from the figures in the World Bank's World Development Report 1995 that among the 24 regions with the highest economic level, the most uneven distribution is found in Hong Kong. When we look again at the 20% families with the highest income in Hong Kong, their earnings account for 52.8% of the total income. The earnings of the 20% families with the lowest income only account for 4.3% of the total income, the lowest among the 24 regions. We can tell from this that there is a very great disparity. The rates of unemployment and underemployment have stood high since last year. It was 2.5% early last year and 3.6% in the middle of the year. It was still as high as 3.1% at the end of last year, which was the peak season for employment. Generally speaking a 3% unemployment rate in Hong Kong is a sign that the situation has reached a critical point. Apart from the unemployed and the semi-unemployed, let us look also at the rest who are employed. How do they fare? Instead of getting a pay adjustment to offset inflation, they are confronted with negative growth in their

wages. The situation is very serious.

There are now more and more companies cutting pay or fringe benefits or offering negative welfare. After I have presented such a picture, I wish to call on the Government as well as some fellow Members of this Council who are unfamiliar with the situation of the grassroots to take a look at the standard of living of the grassroots people. Though the local economy continues to grow with impressive achievements, the standard of living of the grassroots people, especially those at the lower stratum, has been declining. Moreover, it is declining at an ever faster rate. So there is an increasing disparity between the rich and the poor and the problem of poverty is aggravating. If we are to review the effectiveness of the safety net in Hong Kong, we will have many questions. Some fellow Members of this Council have just said that a local four-member household will receive \$10,270 under the Comprehensive Social Security Assistance (CSSA) Scheme. Mr President, as a matter of fact, the head of such a household cannot go to work at all and must use the \$10,270 to pay for the rent and medical expenses for special diseases. Take for example a single person with two children and an elderly person. Let me be honest. The Government is so thrifty now that it will only give \$10,270 to a four-member household, \$1,960 to an elderly person and some \$1,600 to a jobless person. Actually the small sum that the Government, using such a formula, has come up with is rather inadequate. Some Hong Kong people say that \$10,270 is already a large sum, more than the income of many people. I totally agree with them. This reflects that the rate for CSSA has reached \$10,270 but that the income for many people has stood at the some \$5,000 or \$6,000 level. What is the problem then? This shows that the problem of disparity between the rich and the poor is very serious and that the poor are leading a very difficult life. So I think the Government should help the unemployed to go back to the human resources market. We need to formulate a whole package of policies to support the poor. The Government should help the socially weak to prevent more and more people from falling into poverty and thus being forced into the safety net of social security.

Mr President, I wish to stress that if the Government continues to neglect the poverty issue, there will be even more people being forced to receive CSSA. This will produce a snowball effect. Who will eventually have to bear the consequence? It will be the whole community. We might cry out even more loudly then, asking why we should pay such amount of money for so many poor people. It is my opinion that if the poverty problem is not solved now, the

whole community will have to bear an even heavier burden in the future. This is something we will not want to see.

The elderly

The number of elderly persons is rising continuously in Hong Kong. Only a few of them have retirement protection. Most of them have no financial income after retirement. The lack of social services has made their lives even more difficult. Thus they can only live a very frugal existence or look for a job despite their old age.

What has the Budget this year offered in regard to CSSA payment to the elderly? If we take away the inflation factor, there is no increase in real terms at all. Of course we should welcome the Government's plan to abolish the 180-day absence restriction imposed on elderly persons receiving CSSA payment. This is also what we have been fighting for. Apart from this, the increase on the books is merely a response to the accumulative demand for services revealed by the reviews of social welfare developments in the last five years. Adequate facilities and resources have not been provided for elderly persons living alone who are in great need of help. The elderly persons would have barely enough to eat with this meagre CSSA payment of some \$1,900 given to them. This group of people living in isolation from the community, especially those who live alone in private buildings, are already hard up on a normal day. If they fall ill (Mr President, I think you know that elderly persons are especially prone to illness), the situation will be even worse. They will have to wait for a long time for an appointment at government outpatient clinics. Moreover, they are always worried about revisions in relevant medical charges. They are concerned that charges will be pegged to cost and that there might even be itemized charging.

In a nutshell, it is sad that the 1996-97 Budget has given evidently inadequate attention to the elderly. I think that the Government should bring the CSSA payment to elderly persons up to one third of the current median wage, that the existing policy about the disability allowance and old age allowance offsetting each other should be abandoned, that the old age allowance should be

increased and that elderly persons receiving the old age allowance should, like those receiving CSSA payment, be allowed to be away from Hong Kong without restriction. Moreover, a comprehensive community support service for the elderly should be developed. I feel that in order to truly solve the problem of elderly people, the Government must be practical and realistic and bring up the retirement plan for the elderly for discussion again. I wish to warn the Government here that if we do not implement a pension scheme today, then when the population of those aged 65 rises from 560 000 now to nearly 1 million in 2001, the whole community will be confronted with an even more serious problem of elderly people. If the Government does not implement a pension scheme now, the future Hong Kong Special Administrative Region Government will be left with a heavier burden.

The unemployed people

Hong Kong is undergoing an economic transformation. People at the grassroots level who lack competitiveness have been displaced and thrown out of the labour market continuously. In the face of high unemployment, some workers from the manufacturing, building, services and transportation sectors were among the first to be affected. Most of them have a low education standard and a low skills level. It is mentioned in the Budget that the Government will give proper attention to the unemployed and the low-income group. However, no overall strategy or effective measures have been proposed to solve the problem. There are now nearly 100 000 people who have lost their jobs as a result of the economic transformation and the Government's improper policy. Some of them are already under the threat of permanent unemployment. Tens of thousands of people have been thrown out of the labour market in the last year or so because of unemployment. That means these people are not included in the base when we now calculate the number of unemployed people. What the jobless people want is not relief from the Government but a chance to go back to the labour market. So it is hoped that the Government will help them go back to the labour market. However, the CSSA Scheme cannot provide a root cure to the problem. The Government should set up an unemployment assistance fund immediately to provide the jobless with a short-term emergency assistance to help them to tide over the difficult situation and go back to the labour market. Moreover, I would like to ask the Government to offer tax concessions to employers who recruit workers who have undergone retraining so as to promote employment and encourage workers to find jobs to support themselves.

Women in poverty

Middle-aged people, women in particular, are the hardest hit by unemployment due to the economic transformation. Women have always received very unfair treatment in the community. They have all along been regarded as a reserve force in the labour market. Many women at the grassroots level have been eliminated during the economic transformation and forced to stay home or accept jobs with very low wages. This has resulted in a serious poverty problem confronting women. What is more, the problem is already aggravating. I think the Government should actively promote the consciousness of equality between the sexes. In addition to legislation passed last year against sex discrimination, there should be legislation prohibiting discrimination as to age and family responsibility in order to protect the interests of women and employees. Moreover, existing measures to provide child care service and social security should be improved to eradicate poverty among women.

New immigrants

Mr President, I would also like to talk about the problem of new immigrants. The Governor said in his policy address last October that new immigrants from China and other places should be taken care of to ensure that they can enjoy existing welfare services. There are now 150 new immigrants coming here from the Mainland every day. New immigrants are new members of the local community. Being new to the territory, they need our help badly. I would like to request the Government to allocate resources to run courses to help new immigrants settle in. Though the Government has done something, a lot of work remains to be done to meet the need. Employment, education and housing are problems that they need to solve. I think the Government should help them integrate into the community and tide them over, lest social problems should arise as they find themselves strangers in Hong Kong.

Mr President, the foregoing are my views on the 1996-97 Budget in the welfare aspect. I hope that the Government will adopt a long-term approach to solving the problems confronting the grassroots people regarding employment, illness and other livelihood issues at a time when there is growing polarization in the community and when the economy is undergoing a transformation. If these problems are not solved today, I am worried that they may become a factor leading to social instability. I hope that this Budget will propose a reasonable

policy giving greater justice and care to the grassroots so as to tide people at this level over, safeguard the livelihood of the socially disadvantaged and help to free them from poverty.

I wish to stress that no one with healthy hair will want to have favus on the head. If everyone can lead a stable life, there will be no need for people to receive CSSA payment and tell those around that there are difficulties. Everyone has dignity. The purpose of telling their plight to the community is to draw the attention of all sectors in the community to the grassroots people and those in poverty. They are doing this because they have encountered real difficulties. So we certainly hope that the Government will have a policy to help the poor and socially disadvantaged so that they will be really free from poverty.

Mr President, these are my remarks.

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

MISS EMILY LAU (in Cantonese): Mr Deputy, I rise to speak in support of the Financial Secretary's Budget.

Mr Deputy, many of my colleagues have just spoken in praise of the Financial Secretary. They have noted that this is a Budget prepared by the first Chinese Financial Secretary of Hong Kong under colonial rule. The same remark has been made by many members of the public. There is an implication that they have given credit to the Financial Secretary on sentimental grounds because we are all of the yellow race and are Chinese. A Budget prepared by the first Chinese Financial Secretary will be given several score of marks regardless of its content. We understand such a sentiment because we have not had a Chinese Financial Secretary for many years. But to do the Financial Secretary justice, we do look at the content rather than the race and the complexion. I believe that many members of the public and many of my colleagues in this Council, even if they put aside the sentiment for the first Chinese Financial Secretary, consider this Budget a well-balanced one, which is the fruit of consultations with different parties by the Financial Secretary following his predecessor's practice. Thus many colleagues are in support of it. Of course, there are people making suggestions as well as criticisms. But generally speaking, I believe that my honourable colleagues and the public

consider this Budget at least passable. But people may differ on how many marks it should get.

Some people have described this Budget as "trivial" and said that the Financial Secretary cannot give full play to his abilities. I do not think this is a fair remark because the Financial Secretary is under a lot of political and other pressure. I believe there is no need for me to say it. The Financial Secretary also knows that it is not merely a question of whether this Budget has been well prepared. There are now people, including those from the Preparatory Committee, who want to take over his position. There are people who even wish the Financial Secretary to do a bad job so that it will be vetoed and so that there will be good reason to "expel" him from the ring. We Members of this Council are therefore aware of the pressure on the Financial Secretary and the other Policy Secretaries. Some people made many remarks like a mad dog a few days ago, asking the Secretaries to state their position on many issues and saying that even if they were appointed Secretaries of the Hong Kong Special Administrative Region (SAR) in the future, they would have to resign from their posts first. This would result in a complete vacuum at the top level within the Government. Thus when some of my colleagues talked about next year's Budget just now, they sounded as if the Secretaries were nonexistent and regarded this Budget as their last Budget. I do not agree with this. Nor do I know who will pen the Budget then. Towards the end of the year we will see the birth of the Chief Executive designate, who will then appoint the Policy Secretaries designate. But if they were required to resign from their posts first, then I would not know who is going to take up this task.

Mr Deputy, I am fairly satisfied with the revenue proposals made by the Financial Secretary in this Budget. So I will concentrate on the expenditure issues. I recall that after the Governor, Mr PATTEN, had delivered his fourth policy address last year, he held a consultative meeting with the public. (The number of such meetings had dropped continuously from four to one. It is not known whether there will be any chance of holding such a meeting this year.) One member of the public asked him then, "Mr Governor, if you were to give some advice to the Chief Executive designate, what major issues would you tell him to pay attention to upon assuming office?" The Governor then replied that attention should be given to three things: housing, education and infrastructure. I fully agree with it. Of course the Chief Executive of the future SAR must pay

attention to these things. But this was what immediately occurred to me then: Is it because the colonial government has been underperforming in all these areas that the future Chief Executive must pay attention to them? When the Honourable LEE Wing-tat gave an account of housing issues just now, I shared his view in many aspects. When I cast my vote, I do not always take the same position as the Democratic Party. I have my own views. But I fully agree with the Democratic Party's views when it comes to housing. The Secretary for Housing is also aware of my point of view.

Regarding the provision of public housing, there are still 160 000 people on the Waiting List. Perhaps not everyone is eligible, but a large number of people are now living in an appalling environment. They are waiting to be resettled in public housing. Moreover, I strongly support the Home Ownership Scheme. However, there are many people who cannot afford a flat they want to own. Private housing is very expensive. There are a lot of people who have no way at all to buy a comparatively more decent private flat. So the Government has failed to meet such a basic need of the people over the years. The Government has been telling us a bad job was done in respect of land supply a few years ago. This is serious maladministration. I hope that the Secretary for Housing will tell us in his response next week that there is now a mechanism to prevent such a mistake from happening again and that there will be co-ordination in different respects between existing private and public housing plans in the next few years so that the plans may be carried out. Otherwise, this would be very unfair to the public because housing is Hong Kong people's greatest enemy and must be dealt with by the Government.

About education, I believe many Members favour more expenditure on this area because it is a very important long-term investment. This view has my full support. I also agree with some fellow Members who asked whether we have spent too much on tertiary education, especially on the teaching staff. They admitted at last week's meeting of the Finance Committee that the salaries of the teaching staff in local universities are among the highest in the world because they are pegged to civil servants' pay scale. The salaries of our civil servants are also among the highest in the world. I am glad to have heard recently that the Government would review the remuneration of university teaching staff. I believe that the remuneration of civil servants should also be reviewed. So there is some fat which must be squeezed out. I support such a move by the Government. I will give my full support to the Government.

I think the Government should also spend more money on basic education, language education in particular. Mr Deputy, I believe that the Financial Secretary is well aware of the current situation. The views of many people from the business sector have also been heard. They feel that university graduates today are poor both in Chinese and in English. Everyone is disappointed at this. How can we compete with other countries, for example, our neighbour Singapore? How can we remain an international city? Our university graduates cannot even write a simple letter in English. Nor can they produce a fluent one in Chinese. So I hope that the Government can try its best to find a way out and a direction in language education. I feel that what we have always heard and seen are actually probing attempts. No direction has been found yet.

Regarding infrastructure, Mr Deputy, the Financial Secretary has noted in the Budget that there is a so-called underspending of \$4.5 billion from the Capital Works Reserve Fund this year. This is indeed very alarming because there is usually only a lack of funds in countries in the whole world and yet there is underspending of several billion dollars in Hong Kong. He has said that of the \$4.5 billion, underspending of \$3 billion is a result of a slippage in capital works. But he has also noted that there is no need to worry because the situation has improved. Underspending has been reduced from 30% two years ago to the current 12%. Though it is only 12%, I am very unhappy because the former Secretary for Works, Mr R.J. BLAKE, told us that many things had been done. So both the computers and the human brains have been used but to no avail. I hope that the Financial Secretary will spur his colleagues on because it is noted in the document he has provided us that only 53 of 136 projects were launched according to schedule. There were 36 projects which were implemented within the financial year but they were already behind schedule. There was a delay in 47 projects but he says 30 new projects have been added and so should at least make up for some of the losses. But we hope that under the leadership of the Financial Secretary and the Chief Secretary, all departments involved in the projects should do their best to prevent underspending, especially when the Governor thinks that our infrastructure is so poor.

I must mention road excavation, which is my greatest concern, when I talk about capital works. I am glad that the Secretary for Transport is here. It is a pity that the Secretary for Works is absent from today's meeting. There are 60 000 holes dug up in our roads each year. But regarding the estimated expenditure, I do not know if the Financial Secretary is aware that the Highways Department expects the number of complaints about road maintenance to rise

from 4 334 last year to 4 800 this year. The Secretary for Transport should be aware of this because I also raised this question at the Finance Committee meeting last week. I wanted to know if something had gone wrong because more complaints are expected! Why would there be more complaints? The Government itself has given an answer. The increase is attributable to more work as well as more performance pledges. If you know so well that the number of complaints will increase, you should aim at performance which will give rise to no complaint instead of doing nothing and being indifferent to the increase of 500 complaints. I think the Government has room for improvement in this area.

The Government recently told us that it cannot punish those concerned for delay in excavation work because the date of completion was not known. Since it was not known when the work would be completed, no penalty could be meted out even if the work was not completed. But I want government officials to take a look at the work sites on the streets. Perhaps the Honourable Edward HO is also interested. There is in fact a notice for each project saying when it will be completed. So the date of completion is actually made known to people. It is already written on the notice, together with a telephone number. This makes things easy then! How come a penalty cannot be meted out? I do not know why government officials gave us that answer last week. Actually the completion date is clearly stated on the notice. I hope that the Financial Secretary, Secretary for Works and Secretary for Transport will study this issue because excavation work affects Hong Kong's economy. Everyone knows that traffic congestion will result in a waste of money. Each minute is worth thousands of dollars. So I hope that the Financial Secretary will request all departments concerned to act decisively to make irresponsible contractors do their best instead of tolerating them.

Mr Deputy, I wish to change my topic and talk about the Security Department, which comes within the jurisdiction of the Secretary for Security. The Government is unwilling to tell us the work of the Security Department. The only thing that we have been told is that the department has 456 people, some being members of the disciplined services and some being clerical staff. But the Government is unwilling to disclose what the department does and other related matters. Many of my colleagues from the Democratic Party, other colleagues and I are very angry. How can we allocate funds to it if we know nothing about its work? I am a lowly person whose words carry no weight. But the Honourable James TO has planned to propose an amendment. I am glad to have heard recently that the Government will arrange for a meeting to enable

us to understand the work of the department. I see eye to eye with Mr TO. Though we have expressed support for the Budget, I hope we will not be forced to change our position when we cast our votes next Wednesday. What the Government is doing makes us Members feel that we cannot fulfill our responsibility of monitoring the work of the Government. So I hope the Government will consider letting us know about the work of the Security Department before 3 April.

The Daya Bay nuclear power plant, which is of interest to everyone, is another work under the responsibility of the Security Branch. This Budget proposes a \$2.7 million allocation to the Electrical and Mechanical Services Department (EMSD) for recruitment of full-time staff to give technical support to the Government. I have mentioned to the Secretary for Security that they are technical staff but not nuclear power experts. In view of the fact that Hong Kong is such a prosperous place and that people are so scared of the Daya Bay nuclear power plant, we should absolutely consider recruiting some nuclear power engineers or experts to work together with EMSD staff. But the Secretary for Security was absent from the Finance Committee meeting last week. Perhaps he had not thought that any Member would ask about the Daya Bay nuclear power plant. I hope that the whole Government will consider whether there is a need to recruit one or two nuclear power experts who will work with EMSD staff. I am worried that if we have no one who knows nuclear power, the Government will accept whatever information is provided by China Light or the Daya Bay nuclear power plant. May I ask if EMSD staff have full knowledge of nuclear power? So I hope that the Government will actively consider my suggestion.

Mr Deputy, I wish to talk about the question of human rights and freedom. At last week's meeting of the Finance Committee, we asked the Judiciary Administrator what training have judges received and what research have they done in connection with human rights and freedom. According to the follow-up reply I have just received, the research team seldom touched on human rights and freedom. Mr Deputy, you are also aware of recent remarks by some judges that the Bill of Rights Ordinance is a can of worms causing chaos to the local judicial system. Some officials in China have also said something to that effect. So I think the Government should actively consider allocating more resources in this respect so that our judges may read about decided cases on human rights around the world. Moreover, we also hope that there will be more reference books on

human rights in the Judiciary's library.

Talking about human rights and freedom, I must note that very little progress has been made in amending legislation relating to freedom of the press. I hope that the Government will proceed as quickly as possible. Though the Secretary for Home Affairs, who is responsible for co-ordination this work, is not here, we hope that the proposals already submitted to the Sino-British Joint Liaison Group or Law Reform Commission will be submitted to the Legislative Council as soon as possible. It is hoped that something can be done before the transfer of sovereignty next year.

About the freedom of information, Mr Deputy, we hope that the Government will make a policy decision as soon as possible as to what government information will be put on the Internet, the so-called "Net". We discussed this matter with the Attorney General and the Director of Information Services at a meeting of the Finance Committee. What they have done is fragmentary without co-ordination. Meanwhile the Secretary for Home Affairs said that no policy has been formulated yet but that individual departments would respond to it by themselves. Some information has been put on the Net but some has not. For example, press releases and speeches are found on the Net. I hope that the Government will make a decision as soon as possible and allocate funds for this.

Finally, Mr Deputy, I want to say something about next year's Budget. I do not agree with other colleagues who regard the current one as the last Budget. I think next year's Budget will be the last one. I understand that of course there should be discussion with the Government. I also hope that there will be discussion with the "team" of the Chief Executive designate. But I hope that there will be no vacuum at the top level. I also hope that it will really be "Hong Kong people ruling Hong Kong".

Mr Deputy, I would like to congratulate the Financial Secretary on his Budget. I also hope that the Secretary for Security will help him so that we will vote happily to support the Financial Secretary next week.

Thank you, Mr Deputy.

MR CHOY KAN-PUI (in Cantonese): Mr Deputy, the Financial Secretary said in moving the Second Reading of the Appropriation Bill 1996 that he was very proud and very privileged to present this Budget. As for me, I am also very excited because this is the first time I have joined a debate on the Government's Budget.

Before I prepared my speech for today, I took into account the valuable views given to me by some district board members and people interested in the matter. Besides expressing my humble opinions, I further hope to bring some of the voices from the grassroots level to the central authorities.

It is commendable that the Financial Secretary adopted an open, co-operative and sincere attitude by making initial consultations with Members of the Legislative Council before preparing this Budget. Though not all my proposals were accepted, I am convinced that it was only after very careful consideration that the Financial Secretary produced this excellent piece of work.

I think the Financial Secretary adopted a more optimistic attitude when he looked ahead and talked about the economic developments in 1996-97. An optimistic forecast may bring joy to the public but may also leave them with an illusion. I am not a pessimist. Nor do I lack confidence in the Government or the Financial Secretary. On the contrary, I have full confidence in Hong Kong's future.

Nevertheless, as forecast by the Financial Secretary, it seems unlikely that the unemployment rate will revert quickly to the very low levels to which we are more accustomed. Moreover, in the face of last year's economic slowdown and control over operating costs, employees in general were given very unsatisfactory pay rises. Some found themselves remaining where they had been. Some found the percentage increase lower than inflation while some others earned less than before for various reasons. The consumer market was quiet when people in general lacked purchasing power. I am worried that this situation will continue for a while. Nevertheless, the Financial Secretary has forecast a major growth in consumer spending to 4% in real terms for 1996 as a whole. I hope that my fears are imaginary. Meanwhile, I further hope that the growth will exceed 4%.

Taking into consideration various objective factors and the tax concessions

proposed by the Financial Secretary, I agree that the consumer market should see a change for the better in the second half of 1996.

Though in preparing the Budget the Financial Secretary already took into account China's Most Favoured Nation treatment in the United States market, it seems that he has failed to give timely consideration to the relations between Taiwan and the Mainland, which suddenly became tense recently.

Mr Deputy, on tax concessions, everyone will look at salaries tax first because this has the most direct impact on taxpayers. Compared with the concessions in 1994-95, the proposal this year is especially mild. Though it is a mild proposal, it is a good one after all because it can still benefit 95% of the taxpayers by lightening their tax burden. It is a pity that we only know in a sweeping way that about 95% of the taxpayers will benefit. The Financial Secretary has not told us clearly and specifically how many people will get out of the tax net and how many people will have to pay tax at the standard rate.

However, the proposed allowance for a taxpayer maintaining a brother or sister and the proposed deduction for taxpayers attending training courses are commendable. The former would help maintain family relations. But it is a pity that the number of siblings is restricted to one only. Some people who have to take care of several siblings all alone may not enjoy full concessions. Anyway, it is already a good start. I hope the Government will introduce further improvements next year.

On the question of relieving the burden of home buyers, the Hong Kong Progressive Alliance has expressed great disappointment at the Financial Secretary's refusal to grant an allowance for expenditure on mortgage interest and tax concessions to first-time home buyers. The Sha Tin District Board, to which I belong, put forward suggestions on this issue on numerous occasions over the years but none of them were accepted in the end. It is somewhat a pity.

Though the Financial Secretary has proposed to reduce the Stamp Duty on flats valued at below \$3.5 million, it would by no means be as good as an allowance for expenditure on mortgage interest and tax concessions to first-time home buyers. Of course, if all three measures were to be implemented at the same time, they would complement each other.

Furthermore, I am not opposed to the Government's advocacy to encourage and help the middle and lower strata to purchase homes. But I certainly do not hope that this will be an excuse for gradually building fewer rental housing units for those in need.

On the charging of rates, the Financial Secretary seems to have the same basic viewpoint as his predecessor. So I also hope that during this year's revaluation the Government, like the former Financial Secretary, will set an acceptable ceiling on the rates increase as a concessionary measure.

Mr Deputy, I appreciate the tax concessions and supportive measures proposed by the Financial Secretary to stimulate different sectors. I am especially appreciative of the fact that he has listened to the advice of most Members and allocated funds to develop our technical know-how and human resources so as to improve our competitiveness. What is even more laudable is that the Financial Secretary has not taken personal credit for these initiatives. Instead, he has stressed that Members of this Council should get the credit. Though it is still too early to say how effective the measures will be, I hope very much that they can achieve the Financial Secretary's desired aim of benefiting everyone in the community instead of merely increasing investors' profit margin.

I wish to talk about what the Financial Secretary has described as the safety net. Despite adjustments in the Comprehensive Social Security Assistance (CSSA) payments, opinions still differ as to whether they are adequate. However the adjustments are very limited. I doubt very much whether they can improve the quality of life of the needy. Nevertheless, a little increase is better than none.

I think we are all disappointed that there is no mention of CSSA payment to the elderly in the Budget. Nevertheless, the two new allowances are highly

original. However, if we assume that it costs an elderly person \$80 to join an outdoor trip, the allowance for social and recreational activities will limit an elderly person to one such activity every three months in a year. So I think it would be best to increase the amount to \$480 each year.

The Financial Secretary has merely touched on lightly the death of elderly persons during the cold spell in Hong Kong last month. We hope very much that the Government will allocate resources to set up professionally trained elderly outreach teams. Though there is no mention of such a service in the Budget, if the Government is sincere, it can be included in next month's follow-up study on services for the elderly.

Mr Deputy, *The Services Sector: Support and Promotion* is a lengthy document, but it actually contains very limited supportive measures. Of all the service industries which will receive the so-called support and promotion, actually only tourism and financial services will benefit from tax concessions and allocations. It seems that the other service industries are not so well treated.

Mr Deputy, though our present Financial Secretary is not a foreigner, he is after all a "human being" like us. He is not "Wong Tai Sin" who will "answer every prayer". I believe it is impossible to make the Budget 100% acceptable to everyone. It is unrealistic even to harbour such an expectation.

Mr Deputy, these are my remarks in support of the Bill.

MRS ELIZABETH WONG: Thank you, Mr Deputy, may I congratulate the Financial Secretary on his maiden Budget. My congratulations are not founded on his Chinese ethnicity largely, but founded on my belief that he has been as circumspect and as caring as he could.

His focus:

- on the importance of adherence to family values;
- on the promotion of Hong Kong's service industry;

- on the continuing need to improve welfare to protect the interests of those who are vulnerable;

are worthy of our support and they all indicate to me that he has tried to listen to the voice of the people; that his direction for the future is not blurred by impaired vision; and that he has a heart, no matter how small his heart is.

So I think, undoubtedly, the Financial Secretary's first Budget is a success.

But, it is still a qualified success, since final judgement on the success of his Budget must be given only after the successful implementation of the various schemes and innovations announced in his Budget and also the future funding of areas which he has either unwittingly omitted or deliberately ignored this time round.

The success of service industry cannot be achieved without having the necessary infrastructure or manpower resources. This requires people with education, with creativity and with articulation and knowledge of modern communication and technology. All these are inseparable from Hong Kong's artistic endeavour.

Arts

Yet one grievous area of omission is in the field of promotion of the arts. There is no funding to set up a Film Commission. Despite energetic probing on other aspects of funding of the arts, I have drawn a blank from Finance Committee meetings, from all the written questions which were dismissed by what can best be described as cavalier answers designed to confuse rather than to illuminate the mind. Here, I would like to say that I do not mind being educated by the brilliant minds of bureaucrats, but I do mind being either dismissed or ignored altogether.

Whilst I am gratified by the 20.7% increase in the recurrent funding to the Arts Development Council, I have yet to find out the Government's intention or commitment towards funding the five-year strategic plan of the Council and whether the sundry proposals therein are included or excluded from the current funding proposals and whether we need indeed a special branch, a different branch, for recreation and culture and the service industry. The former was part of an earlier recommendation of the Consumer Council. I look forward to the Government's reply to this.

Welfare

Turning now to welfare, I am pleased to hear from the briefings given by the Secretary for Health and Welfare and the Director of Social Welfare, that they are devising a co-ordinated approach involving networking volunteers and professionals alike to reach out to and benefit the needy groups in society in times of urgency. Credit must go to the Government for responding so quickly to calls from the community.

But, I have also received *cri-de-coeur* appeals from the welfare sector. In particular, it has been put to me that the poor are getting poorer.

Take for example the comparison of Modified Standard Rates with Monthly Per Capita Expenditures of Comprehensive Social Security Assistance (CSSA) recipients with the lowest 5% Income Group.

It is ridiculous to suggest that the CSSA clients have more to spend than their counterpart not on CSSA. This discrepancy is all the more blatant if we take the Government's own figures, that is to say, we take an elderly family member on the CSSA at (\$1,077 per month) as against (\$1,440) of a non-CSSA family. How can we say, how dare we say, that the poor have money to spare?

Furthermore, that a single person who is a CSSA client spends only \$688 a month (that is 45%) of total expenditure on food illustrates to me that there must be some imaginative gyrations in the mathematical calculations.

There is no doubt, that the figures on food are selected from scientific calculations based on dietary needs as calculated by the Government. I am not challenging that.

But, what I am challenging and suggesting is that human beings do not buy food according to scientific calculations. It might well be that to keep a person healthy, a person needs x grammes of meat a day. But the poor CSSA client

cannot go to the market and simply purchase only that amount of meat a day. If he did, I doubt if the shopkeeper would sell it to him.

So I call for a degree of compassion in the Government's calculation that the CSSA should recognize the human aspect of behaviour. We do not eat according to scientific calculations. We are not machines. We are human beings and I suggest that the real aspects of human behaviour should be recognized in calculating the subsistence amounts which might mean a slightly higher increase.

Far from being criticizing the Government simply for the sake of criticizing the Government without suggesting at the same time some concrete measures for future implementation, I would like to say something on health. As regards health, it is suggested that elderly people generally have free medical service if they are on the CSSA. It is true if they use the public health service. But many of them do not use the public health service because of the long queue. They visit the herbalist. They visit the Chinese medical practitioner. It is therefore reasonable to suggest that the CSSA clients should be granted a special health allowance or whatever you call it, to allow them to visit private doctors and Chinese medical practitioners outside the public health system, and this is in keeping with promoting primary health care in general. In this respect, I suggest for the Government's consideration that a monthly allowance of \$320 for an elderly person would not be unreasonable. This suggestion, I might add, is compatible with the Government's own intention to promote Chinese medicine in Hong Kong. This will be generally welcomed by the recipients, Chinese practitioners, private practitioners, and so on. I look forward to the Government's response to this.

I think we all welcome the proposal from the Government that those on the CSSA are allowed to receive payment of benefits while they visit China and the 180-day absence rule is lifted for them.

However, the same does not apply to those receiving the non-means tested Old Age Allowance. I understand that this is because CSSA has been under

review and the Old Age Allowance has not.

I recall with deep regret that the brilliant Old Age Pension scheme devised by the Government has been permanently shelved. I in lieu call for a review of the Old Age Allowance and the various interlinking for lots of fees and structures and I also look forward to the Government's response to this.

Without wishing to go over the many points raised by my honourable colleagues who have spoken before me, for example, subjects on the need to amend the legislation to protect Hong Kong's freedom of speech and also the consideration of the abolition of royalties by the TV stations, I would like to add that undertakings in the Budget will be empty rhetoric, or worse still, broken promises, unless all these undertakings are accompanied by urgent action for implementation and unless the deficiencies are made good in the future. Statements of intent will be illusory unless accompanied by earnestness on the part of the executive-led Government to improve the lot of the vulnerable people in our midst.

In supporting the Financial Secretary's Budget this year without reservation, I hope next year the Financial Secretary will continue to listen to the voice of Hong Kong people and have an even bigger heart in designing his 1997-98 draft Budget. Remember also the phrase "no taxation without representation". I wish the Financial Secretary even better luck next year.

Thank you, Mr Deputy.

THE PRESIDENT resumed the Chair.

MR FRED LI (in Cantonese): Mr President, since we are getting closer to the day of transfer of sovereignty over Hong Kong to China, we can say that this year's Budget is produced amid "tottering rain". On the one hand, a fully-elected Legislative Council has stepped up its monitoring of the Government and asked for more allocations in livelihood matters and those affecting the general interests, thus creating pressure on the Government that the Budget might be vetoed. On the other hand, some Chinese officials have spoken of "getting killed in a car crash", noting that Hong Kong's welfare expenditure has been growing too fast.

While the words are still ringing in our ears, it seems that Mr Donald TSANG's first Budget is merely one conforming to convention, trying to balance the demands from all quarters. I believe people outside have regarded this Budget with mixed reception. I still think what the Government does to solve the problem of disparity between the poor and the rich and to meet the demands of the grassroots is barely satisfactory. The Government has given us the impression that it is hesitant to move forward.

Mr President, on behalf of the Democratic Party I am going to speak on two areas, namely consumers' rights and social welfare.

The Consumer Council has done a lot of work for the purpose of protecting and maintaining consumers' rights in recent years. For example, the Consumer Legal Action Fund was set up in November 1994 and an Information and Education Resource Centre will be set up in 1996-97. Moreover, the Consumer Council has completed a series of studies on market competition policies during the last two years. The Democratic Party welcomes any suggestions favourable to consumers. It is the Democratic Party's opinion that only by opening up the market under the principle of fair competition can a wider choice be offered to consumers and their interests can be safeguarded. But the Democratic Party is still critical of the Consumer Council, which will not be able to protect consumers' interests effectively with an additional allocation of \$2 million next year.

We think that the Consumer Council should receive funding from capital subvention to study market competition. This will contribute greatly to safeguarding consumers' rights. It is a pity that the \$3.5 million allocation in the last two years for the studies has been used up. Moreover, I cannot find in the expenditure estimates any allocation to be made this year or next year to conduct relevant studies. The Democratic Party will persistently ask the Government for more resources so that funds will continue to be available for different studies on market competition to promote protection of consumers.

This Council held a motion debate on the problem of the disparity between the rich and the poor in Hong Kong in June 1993. I noted in my speech then that the average employee was earning about \$6,000 to \$7,000. There are still a

large number of employees who normally earn \$6,000 to \$7,000 today in 1996. But the accumulative inflation in Hong Kong has reached 29% in the last three years. In reality the rate of pay rise of the working population cannot catch up with inflation at all. That is why we can see in the new Budget that 60% of the working population do not need to pay tax. Figures showed that the salaries tax from 10% of the taxpayers with the highest income accounted for 56% of the Inland Revenue Department's revenue from this source in 1992-93. This rose to 60% in 1993-94. We can infer from this trend that less than 40% of tax is currently collected from over 90% of the local working population. The tax concessions proposed this time simply cannot solve the problem of uneven distribution between the rich and the poor. They are of no help at all to the lower stratum in particular because they are not within the tax net.

Moreover, according to government statistics, a worker's average monthly income among all the selected trades in March 1995 was \$9,300. This is a figure provided by the Government. Those whose income is below this amount account for about 70% of the working population. This reflects that over half of the working population cannot achieve the "average" income. That is to say despite the generally affluent economic situation in Hong Kong, the income of most people is actually still on the low side.

Let us look again at those recipients of Comprehensive Social Security Assistance (CSSA) who are nearly in abject poverty. There were 110 000 of them in 1993. This number rose to nearly 170 000 last year. Moreover, the Government has estimated that the number of CSSA recipients will exceed 200 000 in 1996-97. How can the Government turn a blind eye to the plight of such a large group of people in abject poverty? The Government used to determine the baseline for social security and assistance on the basis of 5% of those people with the lowest income in Hong Kong. By doing so, the Government actually only created and stabilized poverty in Hong Kong

MR CHIM PUI-CHUNG (in Cantonese): Mr President, we have only 14 people now. There are indeed too few people.

PRESIDENT: Mr LI, please resume your seat. I direct that Members be summoned to the Chamber, and in the meantime, I will suspend the sitting.

A quorum was then formed.

PRESIDENT: Council will now resume. Mr Fred LI, you have 11 minutes. Please continue your speech.

MR FRED LI (in Cantonese): I should thank Mr CHIM Pui-chung for letting me have a larger audience. Talking about CSSA again, there are more and more CSSA recipients. When the Government draws a comparison by looking at 5% of the people with the lowest income, it has actually stabilized and created poverty rather than making improvement. I think the Government should review the relevant social policies to ease the problem of serious uneven distribution between the rich and the poor behind the prosperity in Hong Kong.

Many people are concerned that according to the Budget this year, there will be an increase of 14.7% in real terms in our welfare expenditure over the previous year. It seems to be a big increase. But in fact a large part of the increased spending will be used to fulfill commitments in some plans made in the past. About CSSA payments, we have even found that there will be no increase in real terms at all in the basic rate for elderly persons living alone. We met representatives of relevant elderly service organizations and some elderly persons to seek their views during the Budget consultations.

Regarding services for the elderly, those organizations are very concerned about the number of places in care and attention homes. There will only be 8 285 places in 1996-97. According to estimates by the Government's five-year welfare service plan, there will be a demand for 10 365 places in care and attention homes in 1996-97. So even if we take into account the 1 200 bought places, there will still be a shortage of 880 places. There are currently some 13 000 people on the waiting list for care and attention homes. If the number

increases at the same rate, many elderly persons will not be able to be admitted to care and attention homes before they die.

The situation of homes for the elderly is even worse. There will be an increase of only 343 places this year. Compared with the demand for 9 146 places according to the five-year plan, there will be a shortage of as many as 2 176 places, nearly 24%. Many of those who died because of the cold weather during the Chinese New Year were elderly persons who had been living alone and who had fallen ill. If they had been admitted to a care and attention home or a home for the elderly earlier, problems in this area which indirectly led to such tragedies could have been avoided.

Moreover, it is not clearly stated in the Budget that the social centres for the elderly will be fully funded by the Government. The organizations we contacted told us that the Government is responsible for 80% of the funding now but then the Community Chest does not have enough money to bear the remaining 20% funding. These organizations are very worried that some centres may not be able to survive in the long run. Furthermore, a social centre for the elderly cannot do better with its current establishment because there are only one SWA (social welfare assistant), one welfare worker, one clerk and one labourer. It can still cope with the work under the present arrangement of accepting only 300 people. But the Government is now asking the centres to have open registration. So some of them may have a membership of 600 to 700 or even 1 000. There will simply be inadequate human resources to provide services to the elderly.

Besides, those organizations suggested to us that the age for using health centres for the elderly should be lowered to 55. They also thought the requirements for applying to the \$200 million Elderly Service Development Fund too harsh.

I think the Budget this year has failed in the area of caring for the invalid. There is a serious shortage of half-way houses and long-stay care homes for ex-mental patients, as well as hostels for both the moderately and severely mentally handicapped. The Government may say this is a question of identifying the right locations. Since the proper sites cannot be identified, many of the

planned facilities cannot be completed according to schedule. But I do not believe that it would be so difficult to identify the right locations if the Government actually reserved land for the building of such facilities as early as the land planning stage. It is indeed very ironic that the Government does not have enough land for the elderly and the invalid while it has so much land for auction each year!

About CSSA, the increase proposed by the Government is very far from what the Democratic Party has demanded. Generally speaking the Government has not responded to our demand that CSSA payment to elderly persons living alone should be increased to \$2,700. There is only a slight increase of 7%. The elderly persons we contacted told us clearly that the standard rate of about \$2,000 are simply inadequate. I earnestly ask the Government official who has said that \$1,000-odd is enough to demonstrate personally whether such an amount is enough for a month's expenses.

I would like to make a statement to the Government here: The Democratic Party will definitely request the Government in the Legislative Council to explain in details how this standard rate is arrived at. Regarding the new \$320 grant for social and recreational activities, elderly persons will have to submit applications for reimbursement. The processing of these applications will require a large amount of human and other resources. Moreover, these activities will be restricted to those held by social centres for the elderly. This will greatly reduce the flexibility to be enjoyed by elderly persons in participating in social activities. So we suggest that the Government should simply include the \$320 in the standard rates for elderly persons.

Mr President, these are my remarks.

MRS MIRIAM LAU (in Cantonese): Mr President, the Financial Secretary said when he presented his Budget that being a hundred per cent "local made" Financial Secretary, he felt proud and privileged in front of the first fully-elected Legislative Council. I do not intend to throw cold water on the Financial Secretary, but as a matter of fact I am disappointed at his first Budget.

The Financial Secretary used "Building our prosperous future" as the title of his first Budget. But if the eight-character Chinese title is applied to the area

of transport, which is closely linked to the general public, I do not see how the Government can build a prosperous future by promoting the economy and improving people's livelihood.

Talking about the performance indicators of the land transport services in the Addendum to the Budget, the Financial Secretary begins by noting that the land transport services sector contributed nearly 2.8% of the Gross Domestic Product (GDP) in 1994. Of course the result of economic activities generated by the transport sector has contributed a far higher percentage of GDP. Whenever the Government refers to the daily congestion at the two cross-harbour tunnels, it will cite astronomical economic losses. So we can see how important land transport is.

Though the land transport services sector holds the balance in our economy, the Government still adopts a short-sighted attitude. What is more, it has become more and more short-sighted. The Government's estimated expenditure on transport infrastructure is about \$9.5 billion in 1996-97. It represents a 9.1% decrease in real terms over the revised estimate for 1995-96 and accounts for only 0.7% of GDP. However, there are moderate and even substantial increases in real terms in the expenditure for most of the other policy area groups. I am not jealous of the extra resources allocated to other policy area groups. I only want to protest against the unreasonable cut in transport expenditure.

Of course not every policy area must have an increase in expenditure every year. An occasional decrease is understandable. But it will be very puzzling if there is a decrease in three consecutive years. The estimated expenditure on transport infrastructure in 1995-96 was \$11.2 billion. It was already a 5% decrease in real terms over 1994-95. There is a further reduction of \$1.6 billion based on the revised estimate. In other words, the Government has been reducing its expenditure on transport infrastructure since 1995 and will continue to do so until 1997, three years in a row.

The Government has attributed the decrease in public expenditure on infrastructure to the peaking off of expenditure on transport projects related to the new airport. No matter how good the facilities of the new airport are and how sophisticated the connection network with the outside transport is, I want to ask the Government whether congestion in areas like Central, Tsim Sha Tsui and Sham Shui Po and the lack of parking spaces in areas like Yau Ma Tei, Tsim Sha

Tsui, Mong Kok, Eastern District and Kwun Tong can be ignored as long as there is smooth traffic across the Tsing Ma Bridge.

Regarding land transport services, one of the performance indicators used by the Government is that Hong Kong has the busiest roads in the world, registering a vehicle density of 274 vehicles per kilometre of road. But there is no further elaboration that the average vehicle speed in Hong Kong, Kowloon and the New Territories will be further reduced. Take for example Hong Kong Island. The speed is expected to drop from 20.3 km per hour in 1994 to 18 kilometres in 1996. Moreover, according to the findings of a study on the demand for parking spaces, the shortage of overnight and daytime parking spaces for goods vehicles will increase from 76 000 and 37 000 in 1994 to 140 000 and 63 000 in 2001 respectively. This calls for urgent initiatives by the Government to improve the situation. But what has the Government done?

It is an objective reality that there is a large population with a large number of vehicles in Hong Kong, which has a small territory. But it cannot be an excuse for failure to solve the problem of road congestion properly.

The Government's expenditure on transport infrastructure has always fallen behind economic development. Public expenditure on transport infrastructure only accounted for 3% of total public expenditure on average in the period between 1985 and 1990, but the GDP had already doubled in the same period. The Government did not increase its expenditure in the 1990s in line with the good economic growth to make up for the low expenditure in transport infrastructure in the late 1980s. Even when there was an increase, it was due to the Airport Core Programme projects. Once the airport projects was peaking off, the Government immediately reduced its expenditure in this area.

That the Government is mean over transport infrastructure is attributable to some extent to its conviction that building more roads will create more traffic, which will in turn aggravate congestion. The Government used to think that the number of vehicles would decrease if no car parks were built. Such thinking has proved to be totally wrong. Though the Government did not build car parks, the number of vehicles still rose continuously. This has resulted in a serious shortage of parking spaces today. To solve the problem of traffic congestion in Hong Kong, the Government must continue to develop new roads and consider building flyovers and bypasses in old areas. I recall that when the Government sought public opinions on measures to ease traffic congestion two years ago,

Members of this Council and many people held that the Government should build more flyovers and roads. It is a pity that there was no positive response from the Government in last year's Budget as well as this year's.

Of course, we cannot merely rely on building roads to solve the traffic congestion problem. Traffic management is also very important. Let us look around the world at places where there is similar traffic congestion such as Singapore, Tokyo, Bangkok and Sydney. These places have all been studying the introduction of new electronic technology to improve traffic flow and reduce congestion. Take for example the ANTTS in Singapore and the VICS in Tokyo. However, it seems that Hong Kong is making very little progress in this area and few resources have been injected. Take for example the installation of a traffic information display at Tuen Mun Road. There has been more talking than what has actually been done. This system was launched a few years ago but only 60% will be completed in 1996. Another example is the installation of a traffic control and closed-circuit television monitoring system in Sha Tin. Only 20% is expected to be completed in 1996. If the projects concerned were completed earlier, they would definitely help ease traffic. The Government should study the experience of foreign countries and introduce proper new technology and facilities as soon as possible so as to improve traffic flow and make life easy for drivers. This would be far more practical and more popular than the electronic road pricing scheme.

While reducing its expenditure on transport infrastructure, the Government can and should of course seek participation by the private sector. But the Government seems to be indecisive in this aspect. There has been no participation by the private sector in the development of transport infrastructure in recent years except the Western Harbour Crossing and Route 3 (country park section). There was a proposal about building a rail link between Ma On Shan and West Kowloon made by a consortium to the Government a few years ago. There was another proposal by a consortium to build a rail link between Central and South District. But the Government rejected all these proposals one after another. If these proposals were implemented, residents in Ma On Shan would be able to travel to and from West Kowloon by rail in 1997 instead of waiting for a rail link to Tai Wai in 2001. Similarly, residents in South District would not have to be caught in a traffic jams at the Aberdeen Tunnel every day.

Of course the Government cannot rely on the private sector entirely. Take for example parking spaces. The existing problem is attributable to the

Government's reliance to a large extent on the private sector for the provision of parking spaces over the past. Actually the Government should take the lead in easing the shortage of parking spaces for goods vehicles, container trucks and other vehicles. It should initiate the planning and construction of multi-storey car parks instead of putting the responsibility on private developers. Suitable sites can be found in reclaimed land in West Kowloon and Hung Hom Bay. The Government has control over the new land. There is absolutely no reason for the Government to shirk its responsibility. I do not want to hear the Government say after selling all the reclaimed land that no land is available for building car parks. Moreover, if no consortium in the private sector is interested in investing in Route 16 between Sha Tin and West Kowloon, the Government should undertake the project instead of making further procrastination.

Mr President, the Government has put much emphasis on the contribution made by the transport services sector to transport services. There is also great reliance by members of the public on services provided by the private sector. But it is a pity that some Members of this Council have repeatedly issued a message to the private sector that private organizations should be denied reasonable returns while providing quality services. They even think that the Legislative Council should make business decisions for the boards of directors. If such a trend persists and continues to develop, how can the Government ensure continued investment by the transport services sector to improve efficiency of their services and hence make an even greater contribution?

Mr President, I would like to turn to the revenue part.

The Financial Secretary has announced an increase in fuel duty by 9%. This increase will deal a direct blow at the transport services sector and people's livelihood. I have held a consultative meeting with the transport services sector on the Budget and found unanimous opposition to the increase in fuel duty. People in the taxi trade (including taxi owners and drivers) have all reflected to me that despite permission by Honourable Members of this Council to increase taxi fares in early February, the economic recession has caused taxi turnovers to remain stagnant while operating costs have continued to rise. This latest announcement by the Government of an increase in fuel duty is undoubtedly another heavy blow which will further reduce taxi drivers' income.

Actually the increase in fuel duty by the Government will only lead to an

even greater difference between the prices of auto diesel oil and industrial diesel oil. When operating costs are rising continuously and the burden of livelihood is getting heavier and heavier, there is a growing temptation for drivers to use industrial diesel oil illegally.

I must stress that I am absolutely against the illegal use of industrial diesel oil by the transport services sector. At the same time I do not want to see people from the sector to be forced to break the law in order to feed themselves. If the Government wants to increase revenue by raising fuel duty, I would dare to predict that the Government might lose more revenue instead of generating more revenue.

The continuous drop in the import of auto diesel oil in the last few years may have reduced the Government's revenue from this source. If the Government tries to make up for the loss by increasing fuel duty, it is undoubtedly a move to make law-abiding drivers to bear the consequence of those who break the law and it is unfair.

If the Government considers the increase in fuel duty a prohibitive measure to reduce the number of vehicles on the road, such a traffic management measure is even more unfair to professional drivers. As means of public transport, taxis and public light buses are simply different from private cars. The increase in fuel duty will only increase their operating costs. It will not make them operate less on the road. So the increase in fuel duty will only increase the pressure on taxis and public light buses to raise fares. As "the wool still comes from the sheep", the increase in costs will eventually be shifted to members of the public.

The drivers themselves will be immediate victims because an application for a fare increase is based on the prevailing fuel price. Take for example the taxi fare increase in February this year. The application was based on last year's fuel price. But petrol companies later raised the price of diesel oil three times, in December last year and January and February this year respectively on the grounds of rising costs. If we also include the increase in fuel duty by the Government, there will be four increases in diesel oil price within four months. Petrol companies "unanimously" lowered the price of diesel oil by 40 cents per litre last week. The decrease was enough to offset the increases on the previous

three occasions. But taxi drivers would not feel too happy because the decrease this time was a response by three petrol companies to a competitor's price cut. Moreover, the petrol companies have stressed that owing to the continuous rise in the cost of diesel oil recently, they have been losing several million dollars every day since the price cut. That means the petrol companies may "unanimously" increase the diesel oil price substantially at any time.

Neither taxi drivers nor the Government can control the fluctuating fuel price. It is up to the petrol companies to decide whether to increase or decrease the price. However, the Government has control over whether there should be an increase in fuel duty. I have just noted that the fare increase was not followed by a reasonable adjustment in taxi drivers' income. If there is an increase in fuel duty, it will only be borne by the drivers, whose livelihood will be further affected. Similarly, an increase in fuel price will lead to rising costs for public light buses, especially green mini buses, which are subject to restrictions. But operators may not be able to adjust the fares immediately to make up for the loss. I hope the Government understands that the increase in fuel duty is not merely targeted at private car owners' pockets. It will actually affect the livelihood of professional drivers and eventually those of others in the community. The Government will not forget that it exempted those franchised bus companies from fuel duty a few years ago to relieve their pressure to increase bus fares. But taxis and public light buses, which also serve the public, were not given any preferential treatment.

Mr President, by increasing welfare and reducing taxation, we can improve people's livelihood immediately. But we cannot improve the economy in a day. Only by taking a broad and long-term view and investing in the future can we effect improvements in the economy in the long run. Economic development is closely linked to transport. Only by having an efficient transport system can we further promote our economy and improve people's livelihood.

Mr President, these are my remarks.

DR YEUNG SUM (in Cantonese): Mr President, several Members from the Democratic Party have discussed social welfare expenditure in depth. My speech will focus mainly on welfare services for the elderly.

For years the Government has basically been implementing a policy called

"community care" to provide services for the elderly. The principle of this policy is worthy of our support. However, many problems have arisen since its implementation.

First of all, there has been a problem in the ability to provide care in the family. Since many women have to go out to work to make a living, they find their ability to provide family care inadequate. Women have experienced increasing pressure on their livelihood because they have to go out to work to make a living and at the same time take care of the old and weak in the family. There is one thing which deserves even greater attention from the Government. It is believed that the lower birth rate in recent years will aggravate women's burden of taking care of the elderly persons in the family. So the "community care" policy should be aimed at improving community support services and strengthening the ability to provide family care.

Moreover, the phenomenon of an ageing society has emerged in Hong Kong. Elderly persons constitute an ever increasing percentage of the local population. In recent years, elderly persons over 60 years of age have accounted for over 10% of the whole population. It is evident that the growth in our elderly population is inevitable. But can social welfare services in Hong Kong cope with the demand for elderly services?

Mr President, according to the Budget, Government expenditure on welfare services for the elderly will increase by 17%. While such an expenditure is still far from meeting the demand for elderly services, there are Members who think that the Financial Secretary intends to steer Hong Kong in the direction of a welfare state. This point is open to question.

The increase of 17% in expenditure on welfare services for the elderly is mainly due to a higher elderly population and a greater demand for elderly services. For the sake of humanity and social stability, there is a need to increase expenditure on elderly services. What calls for criticism is rather the percentage increase which fails to catch up with the demand for services. Traditionally social welfare in Hong Kong has always depended on the value of self-reliance and the function of family care. But many social studies in Hong Kong in recent years have found that mere reliance on individuals' efforts and family care is not enough to meet the demand for elderly services. To safeguard the interests of the elderly and to repay the elderly for the contributions they made to the community during their younger days, I think the Government should review the policy of elderly services and the principle of allocations.

Mr President, in the face of the ageing trend in Hong Kong, I think social welfare services in Hong Kong should aim at a greater commitment by the Government in elderly services in addition to bringing into play individuals' efforts and the ability to provide family care. Only by enhancing the Government's commitment and role in providing elderly services can "community care" be mobilized. I believe everyone knows what is meant by "the cleverest housewife cannot cook a meal without rice".

Mr President, I wish to make a few suggestions on improving the existing services for the elderly.

Firstly, about hostel services, there are currently some 13 000 elderly persons waiting for places in care and attention homes. There will be an increase of only 951 places next year. Despite the increase, it is still far behind the number of people on the waiting list. I request that the Government should undertake to increase the number of places in care and attention homes as soon as possible to ease the serious shortage of places.

The Governor undertook to provide 1 400 beds in infirmaries in his 1993 policy address. But it is strange that there is no mention of it in this Budget. The Government should allocate more funds to fulfill the Governor's pledge in 1993 as soon as possible.

Secondly, the health of elderly persons has always been neglected at the community level. I suggest that the Government should increase the number of elderly health centres to strengthen primary health care. Prevention is better than cure. There is a need to set up an elderly health centre in each administrative district. There are now four elderly health centres. I believe there should be an additional 15 such centres to improve the health of elderly persons in their districts.

Thirdly, a community support network should be set up. Now both the Social Welfare Department and Housing Department have a list of elderly persons in each district, especially those who live alone. It is regrettable that some elderly persons died during the cold spell during the Lunar New Year. I suggest that the Government should set up an inter-departmental group at the

community level so that through co-operation between the Government and voluntary bodies there will be constant contact with and concern for elderly persons living alone in the district. I hope that such a community support network will be in operation all the time and not just a temporary show.

Fourthly, outreach services for the elderly should be strengthened. It is totally unacceptable that there are only two elderly outreach teams in the face of increasing demand for elderly services. I suggest that the Government should allocate more resources to strengthen outreach services for the elderly. I wish to point out specifically that most elderly persons living alone are not recipients of services provided by social centres for the elderly. Thus there is an urgent need to strengthen outreach services for the elderly.

Fifthly, more help bells should be set up for the elderly. The Panel on Welfare Services has discussed in details the inadequacy of the Housing Department's help bells for the elderly. I request that the Government should solve the resources problem promptly so that those elderly persons who are in need may have this emergency call service as soon as possible.

Finally, Mr President, I cannot but mention again increasing the Comprehensive Social Security Assistance (CSSA) standard rate for the elderly. At present elderly persons who are in need are entitled to the standard rate of only some \$1,900. Such a CSSA level makes it impossible for elderly persons in need to live a dignified life. I reiterate that the Government should increase the CSSA rates to \$2,700.

Moreover, the Government should also increase the CSSA payment for single elderly persons. It is unacceptable that the Government has refused to increase the payment by citing the household expenditure of 5% of the families with the lowest income in the community. The question that the Government should ask is whether the CSSA amount received by single elderly persons enables them to live a dignified life. It should not have rejected the reasonable demand for higher CSSA payment for single elderly persons by adopting such approach as "comparing the poor with the poor".

Mr President, my speech has been entirely focused on welfare services for the elderly. I hope that the Government will look at services for the elderly in

perspective. The traditional culture and support system have failed to enable elderly persons to live a dignified life. Apart from individuals' efforts and family support, the Government's role in welfare commitment is inevitable. It is difficult to expect the Financial Secretary to revise expenditure on welfare services for the elderly substantially. But I still insist on requesting that during the Government's response, the official concerned may respond in a positive manner. Only by so doing can there be hope that welfare services for the elderly will be further improved, and a chance for the community to show real respect for the elderly.

Mr President, it is commendable that the Financial Secretary provided extensive opportunities for airing views and consulted Members in preparing the Budget. I hope that the Financial Secretary will also consider our suggestions on improving elderly services.

Mr President, these are my remarks.

MISS CHRISTINE LOH: Mr President, in general, I support the Financial Secretary's Budget. I would, however, like to highlight four areas which I believe need further attention from this Council.

I will first deal with the financial markets and the Exchange Fund, then land revenue, followed by the Comprehensive Social Security Assistance (CSSA) review, and concluding with physical and human infrastructure building. I would not touch upon my two areas of interest, namely, women's rights and the arts, since the Honourable Miss CHAN Yuen-han and the Honourable Mrs Elizabeth WONG have already touched upon them today.

Financial markets - linked exchange rate

The first area I want to touch upon as regards the financial markets is the linked exchange rate. The Financial Secretary says that the Government's commitment "to the linked exchange rate at its current parity is absolute", and that it will "not allow speculators to undermine the stability of our financial system".

That may sound reasonable enough. But I would like the Secretary for Financial Services to, nevertheless, refresh this Council's memory of the original concept of using the currency board model of maintaining the peg. As I understand it, the peg was designed as a self-balancing mechanism that did not need any active intervention by the Government.

However, over the years, discretionary mechanisms for intervention were introduced. These mechanisms are the Liquidity Adjustment Facility and from 1990, the issuance of Exchange Fund bills and notes.

I believe these mechanisms represent a policy departure from what was originally conceived regarding the peg. If they do represent such a departure, I wonder whether they had in fact been adequately debated in public. A useful place to go over this matter is at the Financial Services Panel.

For now, Mr President, allow me to make a few observations.

Firstly, the Secretary is likely to argue that these interventionist mechanisms are necessary tools to maintain currency stability and manage interbank liquidity. But, surely, confidence in the currency board mechanism depends on the fact that it is automatic and not discretionary. The whole point about the peg is to maintain the Hong Kong Dollar and US Dollar at a fixed exchange rate range. I would certainly like the Secretary to justify why it is necessary to so undermine the peg system by having these interventionist mechanisms.

Secondly, the issue of the maintenance of the peg is bound up with the role of the Hong Kong Monetary Authority (HKMA). Let me say at the outset that I am not doubting the HKMA's ability and professionalism. I only wish to approach this subject from the point of public policy and how the public interests could be best served.

The HKMA admits that it has "consciously and deliberately" built up for itself a mechanism for monetary management, similar to those used by central banks engaged in discretionary monetary management. I suggest that the

Financial Services Panel invite experts to discuss whether Hong Kong will be best served by having such an approach, or whether in the long term, we will be better served by having a transparent currency board model for the peg.

Financial markets - repurchase agreements

The second area as regards financial markets I want to mention is that of the numerous repurchase agreements to — as the Financial Secretary puts it — "increase the liquidity of each party's official reserves".

The HKMA has entered into agreements with a number of Asian central banks, Mr President, including the People's Bank of China, for mutual repurchase arrangements to defend their respective currencies. I would like the Secretary for Financial Services to explain the appropriateness of these arrangements for Hong Kong. Could he explain what benefit Hong Kong gains from such agreements when the Hong Kong Dollar is pegged to the US Dollar?

Could the Secretary confirm whether such agreements, because they impose obligations on the HKMA, could result in the assets of the Exchange Fund being used for purposes which do not benefit Hong Kong?

Exchange fund

Another area that concerns me is the management of Hong Kong's fiscal reserves, which by the year 2000, are estimated to exceed HK\$365 billion. My first question is why the Government feels it ought to accumulate such an astronomical amount of reserves? I do not believe we have ever been given a clear explanation. Accumulating such an obscene amount of money is economically inefficient. So, please, give us an answer next week.

Furthermore, I question whether the HKMA should also manage this money in addition to its currency-related duties. Why not, Mr President, you may ask? Well, this money represents the accumulated savings of the Government, and therefore, of the people. Should it not, therefore, be managed

separately from funds that have the purpose of maintaining exchange rate stability? I would like the Secretary for Financial Services again to respond to this next week.

As a start, he might like to confirm that there is already legal and accounting separation. I am not sure from information released that this is the case. But I would like him to go further, if he could, by assuring us that there is no possibility of that money ever being used for currency management purposes in a perceived emergency.

Further, the investment performance in the management of the Government's savings should be reported in a totally transparent manner, so that performance can be adequately monitored. This may be difficult as long as the funds are managed by the Exchange Fund because different considerations may apply to currency-related issues. But, even here, I would like to see much more transparency.

HKMA - Commercial Activities

Lastly in this area, Mr President, could the Financial Secretary advise why the HKMA should be engaged in commercial ventures? I am referring to the HKMA's recent acquisition of a printing business in order to print not only banknotes but also passports for the future Special Administrative Region (SAR) Government. Mr President, should the HKMA enter into what is essentially a business venture — indeed, any business venture? I look forward to a response next week.

Land revenue

The second broad area I wish to raise is the Government's land policy. The Government derives a major portion of its revenue from land, including premium on new land, modification on existing leases, property rates and taxes, stamp duty and rental. If we also include the amount transferred to the Land Fund, which will revert to the SAR Government next year, then land-related revenues may exceed what is derived from profits tax.

It is often said, including in this Council, that the Government has a high land price policy. The Government uses land to raise a substantial part of its revenue each year. It has even been said that land-related revenues are really a form of taxation.

The effect of such a policy is that Crown land is released in a controlled manner at auctions with reserved prices posted. It appears that the Chinese Government supports a high land price policy since it has agreed that until 30 June 1997, the annual area of land release be limited to 50 hectares except for that granted for public housing.

It does not appear to me that the high land price policy is adequately debated when the social and economic implications are far-reaching. For example, land prices are higher, and less land is available, for residential and business needs. Anti-speculation administrative measures can have negative effects; with fewer units built, leading to higher prices, and more speculation in the future. Furthermore, the Government has to provide extensive public housing as a compensating effect because people cannot afford to buy private accommodation.

It may be that Hong Kong people accept such a policy rather than be taxed by other means, but they have never been asked, Mr President. I would certainly like to see the Government being more forthcoming about its policy, and for this Council to take the lead in stimulating greater public awareness and debate. Perhaps the Housing Panel can take this issue up in the near future.

A trend of widening social inequality

I would like now to move on to Hong Kong's effort in building a social safety net for its people. The Financial Secretary takes great pains in spelling out Hong Kong's public finance philosophy. Within those parameters, perhaps he has done as much as he could in this current Budget in revising upwards CSSA payments, and in providing for the elderly. Expenditure on social welfare certainly has the largest share of the pie in this Budget. It is always possible to argue that a bit more money can be found here and there to improve social assistance even more for particularly deprived groups. But that will not be enough in the long run.

What really worries me is, in the long term, there is the trend of widening social inequality. Not everyone has benefitted from Hong Kong's stunning economic take-off over the last decade from a major manufacturing centre to an international financial and service centre. The gap between the rich and the poor has not narrowed, if anything, it seems, to have widened. The fact that our Gross Domestic Product (GDP) now exceeds those of Britain, Australia and Canada means nothing to those living in poverty. To them, the frequent government incantation of how well Hong Kong is doing in GDP terms is totally meaningless, if not insulting.

The Honourable Miss CHAN Yuen-han has reminded us of some facts in her speech just now. The highest 20% of household income occupies 50% of total income. At the other end of the scale, our lowest 20% household earners, are the lowest income earners among the top 24 developed countries. That is to say, among the rich countries of the world, the disparity in wealth between the rich and the poor is most acute in Hong Kong. Mr President, this is nothing to be proud of.

So, where do we go from here then? The Government as a whole is not unaware of the widening gap. It proposed the Old Age Pension Scheme, which regrettably had to be abandoned because the community as a whole was not ready for it. We now have an as yet to be worked out the Mandatory Provident Fund Scheme, which will take a decade or so before its benefits will be felt. In the meantime, we are left with tinkering with the CSSA Scheme.

The stability of the community could well be affected in the long term if we do not address how to put in place a better social safety net. There is no magic solution. This problem will continue to be at the top of the policy, and political, agenda for the next decade. We will not be able to agree on the way forward unless government officials, social workers, politicians and our businessmen as well as billionaires sit together to hammer out a new social contract.

I include Hong Kong's businessmen and billionaires because they will continue to command influence with the Chinese leadership and the future SAR Government. They seem to fear that Hong Kong is becoming a western-style

welfare state when nothing is further from the truth. Nevertheless, they must be invited to actively participate in discussion on working out a better safety net for those in need. The subject is both vast and complex. There is a role for this Council to bring together people in this important debate.

Physical vs human infrastructure

Lastly, I wish to touch upon the building of physical and human infrastructure. I am not in favour of building Container Terminals 10 and 11 for environmental as well as for economic reasons. It will further degrade our environment which is already under severe stress. There is also a danger of over-building terminal facilities. I would not go into more details because I have already done so at the last debate on harbour reclamation.

I agree with the Financial Secretary that we should invest in human infrastructure. I am aware that the Government intends to implement all the recommendations in the Education Commission No. 6 Report on language proficiency. But that is just one area that needs addressing. What is most urgent is to improve the quality of primary education as a whole. Hong Kong has already put significant resources into tertiary education over the years. It is now time to remedy primary education. This is where the community can derive the best value for money in terms of human investment.

Mr President, I am afraid that if primary education is not given top priority, it will take too long before it gets the public attention it deserves. I suggest that the Secretary for Education and Manpower host a one-day public forum on primary education so that all stakeholders — including teachers, students, parents and politicians — can participate to identify problems and solutions. This will help to raise primary education as a key policy area requiring swift and decisive action.

As a last point, I also suggest that this Council do what it can on youth-related issues. Right now, several Panels cover such matters. I would like to suggest to Members that we hold an annual one-day public hearing on all youth related issues, education, health and environment, so on and so forth. It will help us focus better on the issue. I will discuss this further with the House Chairman and hope to bring forward a proposal for discussion to the House in the near future. I look forward to this Council's support.

Mr President, I support the motion.

MR ANDREW CHENG (in Cantonese): Mr President, on behalf of the Democratic Party, I will focus my speech on the policies on broadcasting, recreation and culture, alleviating the difficulties of home buyers and assisting the development of the services sector.

Mr President, when colleagues are beginning to get bored today, I would like to draw our attention to the issue of Chinese newspaper supplement (such as these in my hands) pornography and take a more concentrated, that is microscopic, approach to see whether the Recreation and Culture Branch (RCB) has, over the years, cared about the interests of our youths, our younger generation. Objectionable contents in Chinese newspaper supplements are on an upward trend, as evidenced by the ones I am now holding which are vivid in both picture and words. Statistics reveal that there were 142 complaints in 1995, representing an increase of 131 cases over that of 1994.

Mr President, the Democratic Party considers that the Television and Entertainment Licensing Authority (TELA) should take more stringent action to stop the spreading of pornography in this regard. This should include setting up a task force to monitor pornographic contents of newspapers and to increase its prosecution and inspection staff. Over the years, TELA has impressed us as overly passive, only taking specific action in response to complaints. Its powers are in many ways restricted by existing laws. We often say that TELA is suffering from congenital deficiency and acquired malnourishment. It is congenitally deficient because the laws do not give it adequate statutory power and always rely on the Customs and police to do the prosecution. Acquired malnourishment, on the other hand, is a result of scarce resources which compel it to apply to Legislative Council for provisions to increase manpower only when problems arise. Currently we have only 16 overseers and senior foremen to cover the whole territory. In fact, the Commissioner for Television and Entertainment Licensing (CTEL) did admit at individual meetings with us that the problem has become very serious and that the resources are limited.

Yet regrettably, Mr President, at the special meeting of the Financial Committee held last week, the Secretary for Recreation and Culture (SRC) turned down the Democratic Party's proposal sarcastically. For instance, in view of the anticipated underspending of some \$30 million under the block vote for the RCB due to the planned transfer of the Music Office to the Urban Council in 1996-97, we proposed to use this money to create several teams of overseers and senior foremen. According to our understanding, to add five overseers or senior foremen to a team requires only \$950,000. The SRC, however, responded to our proposal by saying that the idea of "a police city" and "literary persecution" would not be compatible with the platform of the Democratic Party. These remarks give me the impression that the SRC is unable to get hold of the spirit of legislation. As a result, governmental control of obscene articles and objectionable publications has for many years failed to proceed effectively. The Government has muddled freedom of publication with control of obscene articles and even uses freedom of speech as a pretext to evade responsibility. The result is that our newsstands have a phenomenon which is unique in the whole world.

PRESIDENT: Mr CHENG, please resume your seat. I think you have made your point and I think you can put your illustration away now.

After Mr CHENG had put away the illustration

PRESIDENT: Please continue, Mr CHENG.

MR ANDREW CHENG (in Cantonese): The newspapers and obscene publications I just put away are an obnoxious sight of Hong Kong. Foreign visitors may observe a large number of pornographic publications at our newsstands and even notice contents of adult magazines in our Category I publications. Mr President, I am not opposed to adults reading adult magazines. I am only upholding the spirit of existing legislation to protect our youngsters under the age of 18, with a view to forcing the Government to realize how

serious the problem has become. If the Government still decide against using a portion of the existing \$15 million surplus to actively reform TELA; if the SRC continues to address the problem with his present attitude, Mr President, it will be very much to the regret of the Democratic Party.

Having commented on this specific run-wild policy of the RCB, I would now like to talk about the policies on recreation and culture policies in general. Mr President, the performance of RCB in the past few years has constantly been under public criticism. Although a new official has assumed office this year, we are unable to find a set of entirely bright and new proposals for the Branch in the Budget. The proposed block allocation for the RCB stands at about \$82 million this year, representing a negative growth of 2.5% over the \$84 million for 1995-96. On the other hand, the Government has an underspending of some \$36 million originally earmarked for the Music Office as a result of the Office being taken over by the Urban Council in August 1995. Nevertheless, the Government has not taken the opportunity to adjust the policy orientation of the Branch, nor has it tried to strengthen its functions in respect of culture, broadcasting, recreation and sport, as well as to introduce new items and services. This is what the Democratic Party concerns most about and considers very regrettable.

First of all, the "Film Commission" long anticipated by the film industry has died in the womb. It was actually at the beginning of this year that the RCB declared loudly that this would definitely be done. Yet like the Comprehensive Broadcasting Bill, the proposal has never materialized. In place of this proposal, the Government undertakes to appropriate \$50 million to promote the services sector of Hong Kong. But I want to ask, Mr President, of this \$50 million devoted to the promotion of the entire services sector of Hong Kong, how much will go to the film industry? Furthermore, the many problems vexing the industry, such as those regarding film shooting, leasing of locations for outdoor scenes and overseas sales of films have yet to be dealt with. Regrettably, the Administration has failed to set up any body with specific responsibility to tackle these problems!

Moreover, despite an allocation of \$56 million to the Arts Development Council to support cultural and arts activities for the current year, \$40 million of which has been assigned to five major performing troupes. How much is left for other local cultural groups of smaller sizes? Mr President, certainly the

Government can say boldly and forcefully that the full responsibility for cultural and arts promotion already lies with the Arts Development Council, and the RCB should not be blamed! However, this attitude is tantamount to abandoning an infant and let it survive or die of its own course. As a matter of fact, the Arts Development Council estimates that it requires \$130 million for 1996-97. The present allocation, therefore, can merely support the large performing troupes but is inadequate to cover the development of other smaller groups!

What has disappointed us most, Mr President, is the broadcasting policy. The Government asserted in the past that the RCB would formulate a set of comprehensive broadcasting laws for Hong Kong. It even boldly claimed to make Hong Kong the broadcasting hub of Asia. Yet in face of rapid development in the broadcasting environment, the Government has not spent a single cent to carry out studies on strategic development of the industry for the next five or 10 years. The Comprehensive Broadcasting Bill that it has promised to introduce a long time ago has died in the womb. Current year provisions in respect of broadcasting is merely increased by a negligible 3.1%, and there is no mention at all in the Budget of the need to commission a consulting firm to look into the industry's future development. It can be imagined that the RCB will commit the same mistake again in formulating its future broadcasting policy and fall behind technology development. As regards the only public service radio, we cannot find any proposal regarding its development in the Budget. Moreover, there is not a word on such issues as privatization of RTHK, establishing a public service channel or even the transitional arrangement of RTHK. In terms of promoting the development of the broadcasting industry of Hong Kong, the broadcasting policy as reflected in the Budget is still conservative and unambitious!

Mr President, airing my grumbles with the policies on recreation and culture, I would like to talk about the Democratic Party's views on alleviating the burden on home buyers. The Financial Secretary's proposal in this regard is also disappointing. First, about the rates charged, the Government continues to ignore the Democratic Party's proposal to reduce the current percentage of rates charged. All along, we have hoped that the Government will give us a correct and positive response. Of the revenue generated from rates, about 40% is for general use, and the remaining 60% for the Urban Council and Regional Council. According to the estimates by the Financial Secretary, financial reserve will reach \$150.2 billion in 1996-97, and \$320 billion in 1997-98. At the same time, the financial position of the Urban Council is very healthy. Under such

circumstances, the Government is indeed financially capable of reducing the percentage of rates charged from 5.5% to 5%. Nevertheless, not only has the Financial Secretary failed to heed public opinion to cut rates, but he has even gone further to consider shortening the rateable value assessment cycle. This will add to the burden of the public. The Financial Secretary proposes to reassess the rateable value on a yearly basis instead of every three years. We are worried that this change will increase the financial burden on sandwich class home buyers. As pointed out by the Rating and Valuation Department, people will have to pay a higher rate should the rateable value be reassessed on a yearly basis.

The Financial Secretary emphasizes that rates is an important item of progressive tax. Apparently he is trying to explain that rates increase will not affect the general public. However, I think that his message is misleading. The present rates levying method does not contain any progressive element, for progressiveness means that people having higher income and asset value will have to pay a higher proportion of tax. Nevertheless, taxpayers are subject to the same percentage of rates charged, irrespective of the value of their assets. Moreover, the proposed ceiling of increase is more favourable to people with more valuable assets. In view of this, the Democratic Party has strong reservation about the Financial Secretary's proposal to revise the rate reassessment period.

To alleviate the burden on first time home buyers, the Democratic Party suggested introducing a tax allowance for first time home buying families, with a view to lessening the burden on the sandwich class incurred from interest payments for their mortgaged properties in the first five years. Regrettably, the Government has not accepted our suggestion. In his Budget, the Financial Secretary only proposes to reduce the stamp duty on properties valued at or below \$3.5 million. Although this proposal will certainly benefit those medium or lower-price property buyers, I believe that, at a time when property price is high and interest rate on the rise, introducing a tax allowance for first time home buying family can better alleviate the financial burden on genuine home buyers.

Mr President, now I will turn to the topic of support for the services sector. As Dr the Honourable HUANG Chen-ya pointed out, the United Democrats of Hong Kong (UDHK) actually requested the Government to formulate a services sector policy in 1992. Although similar calls rose one after the other since, there is only a sprinkling of specific proposals in *The Services Sector: Support*

and Promotion introduced by the Financial Secretary. Though it provides a framework for discussion or gives a starting point for formulating the policy, continued effort from the Government is required to follow up and implement the idea.

Mr President, regarding the issue of supporting our services sector, the Democratic Party believes that the urgent task is to set up a permanent body under the Government Secretariat to formulate a services policy and to co-ordinate related measures. Presently, the Trade and Industry Branch is mainly responsible for the development of industry and foreign trade. As such, development of service industries like retailing, professional services, and import and export trade is not taken care of by any department.

Furthermore, the only way for the services sector to remain competitive despite the high operating costs in Hong Kong is to increase productivity, that is, to bring about maximum output with minimum capital investment. Higher productivity will not only boost our gross domestic product, but will also lower the unemployment rate. Nevertheless, productivity in the local services sector has been growing rather slowly. Between 1982 and 1992, the average rate of productivity increase of a worker in the services sector was 2.3% per annum in real terms, which is far too low. We suggested to the Financial Secretary that the Government should conduct detailed market research in respect of every service industry, and this would require about \$400 million. To our disappointment, this proposal was rejected by the Government. The Financial Secretary proposed allocation of \$50 million to set up the Services Support Fund is indeed too parsimonious. We hope that this is only an initial provision and the Government will not impede the function of the Fund by limiting its allocation to \$50 million.

Mr President, our neighbouring economies such as Taiwan and Japan have specific organizations to assist their medium and small enterprises in such areas as information technology, finance and market development. The proposed formation of a Small and Medium Business Committee, though late, is "better than never". We hope that the Government will put forward specific proposals regarding the composition, terms of reference and functions of the Committee for public consultation as soon as possible.

Mr President, these are my remarks.

MR CHEUNG MAN-KWONG (in Cantonese): Mr President, the nearer is 1997, the harder the operation of the Hong Kong Government has become. Take this year's Budget as an example, the Administration needs to face not only the voices of the Hong Kong people, including those of the Legislative Council, but also the sudden and startling interference from China. Not long ago, Chinese official Mr CHEN Zouer criticized that welfare expenditure would wreck Hong Kong and its people like a fatal car crash. Then recently, Chinese media bombarded the Budget for its "infrastructure shrinkage". Although 1997 has not yet come, Chinese officials and media are already making indiscreet criticisms. "A high degree of autonomy" has become a myth. Our Financial Secretary, though a Chinese born and brought up locally, would not dare to commit a single cent of the huge surplus to any ambitious plan and is forced to play the role of a miser and bookkeeper.

What has China's interference brought us during this later stage of transition? While saying that welfare expenditure will cause a "fatal car crash", has it ever occurred to them that in Hong Kong, a place with \$150 billion reserves, there still are poorly clothed elderly weeping alone against the bare walls of their homes in the middle of the night, quivering street sleepers dying in the freezing cold, and helpless unemployed workers committing suicide? I am not trying to play up tragedy, but when tragedies keep occurring in our relatively well off society, how can the Chinese side be so apathetic and hurl the "fatal car crash" allegation at a government under the leadership of its sworn enemy Christopher PATTEN? Mr President, I must emphasize that welfare is welfare. It is the minimum humanitarian care that the community offers to those who are not able to take care of themselves and who are living at the lowest stratum. To elevate the welfare issue to the level of Sino-British struggle will only turn those underprivileged into sacrifice of this political struggle.

Meanwhile, Chinese media have accused the Budget of "infrastructure shrinkage". Talking about the issue of infrastructure, Hong Kong people's experience is scary and nightmarish. It is the Chinese side who interfered blatantly in our new airport, airport railway and container terminal construction projects. It is because of its interference that any project straddling 1997 has to be agreed upon by the Chinese side. As the green light was put back time and again, costs of the new airport and airport railway have soared and the container terminals face a bleak future. With only about 400 days to go before 1997 and given the lesson learnt from the above incidents, how would the Financial

Secretary dare to embark on extensive construction works and invest in infrastructure? Only six months ago, the Chinese side criticized the Hong Kong Government for dumping into the sea without its consent; but now, they are blaming the Government for not proceeding with new infrastructure projects. These contradictory reproaches, if not out of amnesia, must be sheer absurdity. The civil servants at work, as though serving an unpredictable emperor, simply do not know what proper course to take.

I am therefore very sympathetic with Mr Donald TSANG. His Budget is a deformed pot plant growing out of a crevice. It can only go for refinement and make reasonable appropriations within various constraints. Though the treasury is in fact flooded with money, he still plays the role of ill-treated daughter-in-law who, in spite of her resourcefulness, is unable to cook a meal without rice. This is another absurdity.

Sympathy aside, I have to give my views on the question of education in the Budget. In *The Book of 100 Metaphors*, there is a story about a man who wants to build a three-storey building. But he is so eager for hasty completion that he instructs the workers to construct the second floor first for his accommodation and build the first and ground floors at a later stage. The outcome is, of course, that the buildings never completed and the man become a laughingstock.

This is a simple joke, but a bitterly true reflection of our education system in the past six years. For six consecutive years, our funding for fundamental education is far below the economic growth. For six consecutive years, our funding for fundamental education is substantially below that for tertiary education. Let us compare: the total expenditure on education for the current year represents only 2.7% of our gross domestic product, far lower than the average 4% plus among Asian economies and 5% plus among Europe and America. In an economic war heading towards the 21st century, what conditions in education and human resources can we rely upon to compete with other progressing Asian countries and leading Western countries? Despite our affluence and first class infrastructure, oddly enough, our investment is lagging behind other Asian countries. This is indeed a shame to Hong Kong, and a misfortune to our students and the future of Hong Kong.

The second issue is about distribution of funds for education. This year, tertiary education including student loans takes away some \$12 billion of the funding for education, whereas primary and secondary education as well as kindergarten, which look after more than 1 million students, only get \$19 billion. This is an unfair distribution. The average cost for a university or college student is \$200,000, which is six and 10 times the amount for a secondary and primary school student respectively. In its recent study tour to Norway, a delegation of the Board of Education realized that the country's spending on a tertiary institution student is no higher than twice the amount on a primary or secondary student. With this comparison, we can see that fundamental education in Hong Kong has for a long time been discriminated against by the Government. Fundamental education is not regarded as education, and primary and secondary education are treated as the ground floor and first floor of the three-storey building in education that can be done away with and ignored. Are students of primary and secondary schools not students? Are they supposed to be bullied because they are young? I must solemnly warn the Government against further discrimination against primary and secondary education, or else I, together with the 62 000 members of the Hong Kong Professional Teachers' Union, which I represent, will initiate action to demand a fair treatment for them.

With the approach of the 21st century, the Hong Kong economy is bound to undergo major changes and transformation. A first class infrastructure, expansion of the services sector, advancement in information technology and competition in the international market — our younger generation must rise to all these economic challenges with flexibility, imagination and creativity that can be cultivated through education. Nevertheless, does our education system provide adequate resources and training to meet these challenges? The answer is negative. The match-box-like primary and secondary school buildings have remained unchanged over the past decade; half-day schooling in primary schools has remained unchanged; the secondary school floating class system has remained unchanged; the traditional blackboard and the one-way, duck-stuffing and canning teaching method has remained unchanged; the phenomenon of ineffective education and low learning motivation has remained unchanged; and the policy of low investment in education has remained unchanged. These six major "unchanged situations" constitute the major obstacle to our fundamental

education. If we carry a boulder in a race with others and wish to break loose from Asia and head towards the world, it is virtually like having the fantasy of the fool in *The Book of 100 Metaphors* who wish to build only the second floor of his house.

Therefore I will wait and see. I will wait for the cheque of strengthening fundamental education issued by the Financial Secretary and Secretary for Education and Manpower to be honoured. I am going to see whether it will turn out to be a dishonoured cheque.

Mr President, a good Budget must be executed by a fine and responsible civil service to make it a success. Last week, we received from Policy Secretaries and Department Heads over 1 000 replies to our questions relating to the Budget. I appreciate their hard work. Among those replies, there is one regarding wastage of directorate civil servants which worries me very much. Over the past five years, total wastage of directorate staff reached 675, representing 54% of all officials at that level. In other words, within a period of five years, we have lost 5.4 directorate officials out of every 10 of them. This is a stunningly high figure. Directorate staff wastage in the Police Force and Education Department is particularly disastrous. Personal grounds, of course, account for part of this exodus, but uncertainty in the face of 1997 and the capricious moods of China should be another major cause.

Yesterday, Deputy Director of the Hong Kong and Macau Affairs Office Mr CHEN Ziying said that Policy Secretaries must accept the provisional legislature before they can pass over 1997 smoothly. Deputy Secretary General of the Preparatory Committee Mr SHAO Shanbo noted that even a scavenger of the Civil Service should find it difficult to do his work if he does not know the legal basis of the provisional legislature, not to mention a high ranking official. Such remark of "succubers will prosper and dissenters will perish", I am afraid, will drive senior officials to a political *cul de sac* and force them to give up the tradition of being politically neutral and acting in line with government policies. What is more appalling is the remarks from authoritative Chinese officials that, once appointed by the Special Administrative Region (SAR) Government, officials must immediately resign from their offices and switch to the new establishment, and let the Hong Kong Government become a "destined", a "very" lame duck. If such scenario takes place, may I ask the Financial Secretary who is going to implement the Budget even if it is passed; and who will administer Hong Kong? This situation will be like "the officials have gone riding on the

yellow cranes, the Civil Service is as empty as the Yellow Crane Tower". Who will be planning the Budget for next year? At this time of grave worry, everyone in Hong Kong should strongly condemn those Chinese officials who have made threatening remarks and who are anxious to see Hong Kong in disarray. Apparently their crazy behaviour is out of an intention to counter Britain, but in substance it is to cause trouble to Hong Kong. To use the Civil Service and Hong Kong people as pawns and place them in the centre of conflict is no blessing to Hong Kong. As the saying goes, "A pearl is valuable, yet human is priceless". But where can we hear these wise words now?

As regards the budget for next year, Mr President, Mr ZHANG Liangdong of the Hong Kong and Macau Affairs Office says that it shall be scrutinized and amended by the provisional legislature, whereas our Financial Secretary Mr Donald TSANG maintains that the next budget has to be endorsed by the Legislative Council. Mr President, it is likely that Hong Kong will be as chaotic as the Period of the Warring States, with the executive and the legislature as confusing as the seven warring states. There will be two executive authorities under the Chief Executive of the SAR Government and the Governor respectively to formulate the budget; and there will be the existing Legislative Council and the provisional legislature to examine the budget. In order words, we will be having "one Hong Kong, two governments" instead of "one country, two systems". There will be "separate rulings in different territories of the same place" instead of "separate rulings in two different places". What sort of a world is this? It is really a crazy world!

What shall we do then, Mr President? I really do not know. What I do know is: if Hong Kong keeps on going like this, there will be even greater confusion and the situation will be all the more chaotic. In spite of our strong reserves and admirable economy, how well can this Pearl of the Orient withstand a series of political turbulence? Will the prosperity of Hong Kong wither in the political turmoil? Mr President, I am deeply worried, and I beg those in power to be lenient and kindly let us pass.

Mr President, these are my remarks.

MR FREDERICK FUNG (in Cantonese): Mr President, on behalf of the Hong Kong Association for Democracy and People's Livelihood (ADPL), I will talk about our expectations on housing. This year, the Financial Secretary only

devotes very little space of his budget speech to housing. He just briefly points out the residential property market trend. However, making no reference to housing does not mean that housing problems do not exist. The grassroots, as well as the sandwich class, are troubled by housing problems alike. For those in the former category, they are not under the umbrella of public housing and their troubles certainly lie in rental and the living environment. As regards the latter, the exorbitant property price that prevents them from acquiring their own homes is the most frustrating of all!

Nevertheless, the sandwich class housing programme proposed by the former Financial Secretary Mr MacLEOD three years ago has slightly eased the housing pressure on the sandwich class. Therefore, those who are under the utmost predicament and yet ignored by the Government are the low income grassroots people who are still awaiting their remote chance of public housing allocation.

Existing programmes provided by the Administration to assist potential home buyers of different realms include the Home Ownership Scheme (HOS), Sandwich Class Housing Scheme (SCHS) and the Home Purchase Loan Scheme (HPLS). For some families on the Waiting List whose financial ability does not allow them to buy their own homes even with subsidies, they can only keep waiting for the allocation of public housing someday. In the past, the Government did not offer any housing assistance to these low income people. They have to wait seven years on the average to obtain a public housing unit, enduring a prolonged low standard of living during this waiting period. According to the 1995 Waiting List, the one member to 10-member families on the List spend 48% to 60% of their monthly income on private housing rental. A four-member family, for instance, has to pay a rental of about \$7,000. This means that its disposable income is \$4,700 less than a similar family living in public housing. The ADPL and myself view that the Administration need to consider the living conditions of these people and offer them rental assistance.

Recently, an organization expressed concern about the unduly long period of waiting for public housing by singletons. In fact, housing problems are not confined to and particularly serious for singletons. Similar situation also exists in other family categories. In recent years, there have been criticisms about the diminishing ratio of public housing construction. This indisputable situation will undoubtedly affect the chance of families getting public housing allocation.

In actual fact, the change of ratio between public housing and HOS flats is closely related to the Government's fiscal arrangement.

Since 1988, the Housing Authority (HA) has gradually moved towards taking sole responsibility for its profits and losses. Under this constraint, HA must ensure that it has enough money to proceed with housing developments in the future. Hence, HOS construction has become its source of income. For example, in 1994-95, proceeds from the Home Purchase Scheme amounted to 40% of HA's total revenue, and reducing public rental housing development and converting more public housing units into HOS flats have become HA's policy orientation. As HA must provide substantial subsidy to public rental housing to meet management and maintenance expenses and so on, it means that they are carrying a heavy burden and, as such, a review is indeed necessary at this stage.

Should the Government increase its commitment on public housing? While the Government has openly declared that it would not reduce its commitment on public housing, it can be seen from the financial arrangement that the Government has not made any commitments other than the financial undertaking arranged in 1988 and provision of premium-free land. Necessary funds for housing development are entirely out of the pocket of HA, that is, surplus from the HOS, surplus from commercial premises and rentals from tenants. I always maintain that the Administration should increase the number of public rental housing units. This direction, if chosen, will inevitably bring about financial pressure on HA. Therefore I think the Administration should now consider reviewing its financial arrangement with HA to see whether a certain amount of funding is necessary for HA to be financially capable of building more public rental housing units. This is what we believe to be the radical approach to solve the housing problems of the grassroots.

Mr President, these are my remarks.

MR MICHAEL HO (in Cantonese): Mr President, in last year's budget debate, I pointed out that what Hong Kong was facing was not a consensus capitalist society but an oppressive capitalist society. The so-called "consensus" referred to by the Government was at best a consensus that conformed with the interests of the business sector.

In the past year, Hong Kong's economic activities have slowed down.

Consumption has been weak and unemployment high. The labour sector is facing more and more difficulties.

The 1995 Legislative Council elections saw a greater number of representatives of trade unions and the grassroots being returned to the Council. This change has made it necessary for the Government to pay more attention to the interests of the labour sector.

Some members of the business sector have criticized the Administration for yielding to representatives of the grassroots and that the Budget produced by the Financial Secretary is full of political compromises. We of course do not agree with them.

A budget is not just a technical document in essence. It is also a policy paper that needs to take care of the needs of all parties. If acute social problems did not exist, if the labour sector was not in a very difficult situation, then Members simply would not be able to ask the Administration to increase funding for no reason.

Allocation to the Labour Department in 1996-97 is some \$500 million, which means an increase of 16% over the past year. Increase for employment services is 33.5% whereas that for industrial safety and health is 20.2%. The Democratic Party is pleased to see more resources being given to these areas to safeguard the rights of the labour sector.

On the other hand, however, we think that the Government was actually capable of committing more resources a few years ago. Although they do not come until today, it is better late than never.

There is one thing worth mentioning here. While the Labour Department emphasizes over and over again in the Budget that a major task of the Department next year will be to strengthen the monitoring of various labour importation schemes, the Democratic Party considers that this cannot be accomplished by increasing resources alone. It has to go together with suitable legislation. Without appropriate rules and regulations and a comprehensive monitoring system, people concerned can still violate the stipulations of the labour importation policy at will.

Here is a most obvious example. Since the inception of the New Airport Core Programme Recruitment Centre, only 128 applicants out of about 2 300 are offered employment. Many contractors of the new airport core programme projects are still reluctant to employ local workers.

The Government plans to allocate another \$300 million to the Employees Retraining Fund in 1996-97. This is a right thing to do. We think that the Government should complete the review of the Employees Retraining Programme as early as possible. In order to cope with the changing economic situation, expansion of and improvement to the retraining programme is necessary.

Now, regarding medical and health expenditure, I cannot but talk about policy first. Provisions should be made in accordance with policy guidelines. We must first satisfy ourselves as to what the money is for, what development is being conceived and what is the size of the target group? After knowing all these, we can then proceed with fund allocation according to priorities. Based on subjective decision, this year's medical and health provisions include funding to provide two service centres for the elderly and woman health centres and so on. These decisions are not arrived at with reference to the population size of the elderly, nor are they taken in accordance with a clear and distinct policy. The funding allotted is not based on the decision to provide certain necessary services. It is provided only because the Administration wants to provide a bit of everything!

Health policy and financial provisions are closely interrelated. If we do not have a health policy that keeps abreast with time, service development will be disoriented, and it will be difficult for us to decide on the kinds of services to be developed and their demand. We will also be unable to handle health services financing for the development of health insurance and medical service schemes.

Without various health insurance products and medical service schemes, there will not be any genuine development of medical services in the public and private sectors, and real changes in financial arrangement will be difficult to come by.

After the 1991 consultation document on health promotion was published for public consultation, no follow up action was made. There has been practically no progress in the important issue of health services financing. Are we going to continue with established practice year after year in deciding on health service provisions?

If it is not our intention to do the same thing year after year, will the Government consider allocating some resources to review its health policy? Our Secretary for Health and Welfare is playing the dual role of a health minister and a welfare minister, looking after two very big policy areas at the same time. Health care alone covers a very extensive area. Yet she only has a Deputy Secretary and a few Principal Assistant Secretaries to assist her in the health business. I am gravely concerned whether this policy branch really has sufficient resources to undertake a colossal review on health care policy. Of course, we do not know whether the Branch has applied for funding to carry out this task, or whether its application has been turned down. Is the Branch unable to do it, or is it that it just does not want to do it? I hope the Administration can give me an answer in response.

This year the vote for the Hospital Authority (HA) is \$19.2 billion. With the forthcoming salary revision for its staff, the total allocation required will be over \$20 billion. The Legislative Council must ensure close monitoring of this vote before consenting to it. \$20 billion is a large amount, and only the Government has the resources to monitor its proper use. At the special meeting of the Finance Committee, I pointed out that according to the draft estimates of the last two years, the growth rates of medical doctors were four times those of nurses. But after looking up the draft estimates, I have come to realize that this is happening for the third year in a row. The ratios of the growth rates of doctors and nurses are:

94-95	8.2 : 2.98
95-96	10.5 : 2.87
96-97	7.9 : 2.7

There has been a total loss of balance in the development. I must remind the Administration that if this situation continues, health care services will be disintegrating very soon.

Our Secretary for Health and Welfare may be aware that HA has put forward something called nurse resource indicator. According to the latest information I received last night, administrators of some hospitals have already drawn on the indicator to instruct some units to cut back 10% of their already under-staffed nurses. I must give the Secretary for Health and Welfare a very stern warning. Nurses at the front line are already very angry. She is about to face an industrial action. If this situation is not rectified as soon as possible, it would mean negligence of duty on the part of the Government.

Funding is necessary, yet the Administration definitely has the responsibility to ensure a proper distribution of resources. It should also be able to detect any deviation. I request the Administration to take immediate action to remedy the situation.

According to the draft estimates, the Secretary for Health and Welfare is the Controlling Officer of HA. I want to ask how effectively the Controlling Officer can exercise control. How can she tell this Council that she is effectively controlling the \$19 billion at her disposal; or is it already getting out of control? How can members of HA be accountable to the public; or can they just gracefully wash their hands of it, and possibly not be required to shoulder any legal responsibility? I hope the Administration can also respond to me on this issue.

Regarding basic health care, it is obvious that the increased provision to the Department of Health cannot bring about any marked improvement in this

area. We should, however, take note that HA is also putting resources into providing similar services. Although there has not been any duplication of services to date, as a matter of policy, a clear demarcation must be made as soon as possible.

A point was raised in recent discussions that about 50% of the expenditure on dental service was used for the benefit of civil servants. I know that this is a fact. I also entirely agree that the Administration should spend more money on dental service for the public. However, expenditure arising from the conditions of service of its employees must be borne by the Administration. To help this Council and the public get a clearer picture of medical and health expenditure for the public, I would suggest that starting from the next budget, the Government may indicate separately the staff welfare expenditure, inclusive of medical benefits, for civil servants provided by the Administration as an employer, so as to distinguish it from the expenditure on services provided to the public.

Lastly, I want to talk about ambulance service, the efficiency of which is measured by journey time. Though ambulance service is also provided by the Fire Services Department, this service is not measured by the time-of-response yardstick applicable to fire engines arriving at the scene. Although under the same department, two different standards are adopted. This is a tricky method because a 10-minute journey time does not necessarily mean that a person may have the service 10 minutes after he has made the request. He simply does not know how long the department will take to assign and send an ambulance. He simply does not know how long he has to wait after making the telephone call. At the special meeting of the Finance Committee, the Deputy Secretary for Security kept explaining the mechanism for appropriation and resource allocation instead of giving relevant answers. If we just dwell on the mechanism and keep side-stepping the problem, I do not know when these important services can be improved. I hope that government officials attending the next joint meeting of the Panel on Health Services and the Panel on Security may offer some positive response on this.

We all know how our resources are allocated. Nobody is asking the Financial Secretary to get ready the money immediately to rectify all the services. However, if we really want to address the issue positively, we should sit down and talk it over rather than advising Members of the mechanism. I believe even the new Members can obtain such information from the Legislative Council

Secretariat.

Mr President, these are my remarks.

MR NGAN KAM-CHUEN (in Cantonese): Mr President, for the cover of the first Budget presented since he took office, the Financial Secretary has used gold lettering on a dark green background. As described by the Financial Secretary himself, the colour of green represents care and peace, and that of gold represents courage and creativeness. I think this Budget can basically balance and take care of different interests. In the present situation when the economy is in doldrums and the unemployment rate stands at a high level, this Budget, with "Building Our Prosperous Future" as its title, presumably should be an answer to the expectations of Hong Kong people of him.

However, I would like to point out several issues worthy of our attention. First of all, I shall talk about the government resources in respect of urban renewal; secondly I shall talk about the feasibility of establishing a mortgage corporation; and finally as a Legislative Councillor elected from the functional constituency of the Regional Council, I shall respond to the criticisms by some of my colleagues in this Council that the rates of increase in the expenditure of the Regional Council in the past few years have been too high.

Request the Administration to put in more resources for urban renewal and to formulate an overall strategy for urban renewal

Mr President, though the title of the Financial Secretary's Budget is "Building Our Prosperous Future", I would like to point out that the Administration has all along not been paying attention to improving the living environment of residents in the old districts and has also not put in more resources for urban renewal. At present, except public works projects in respect

of which the Administration has made certain commitment, the Administration has rarely given adequate economic support to works for urban renewal and to the overall planning for such renewal. Take the Land Development Corporation as an example. After receiving \$100 million in 1988 as its set up fund, the Corporation, when conducting studies into development projects, always has to consider such factors as the rate of return and cost, making it impossible to improve the environment and facilities of some old districts where the rate of return is low or there is little economic benefit. If the Administration still does not look seriously into the problem of lack of funds for redevelopment of old districts, it looks like that the living environment of residents in the old districts would not see any improvement for some time to come.

Since the resources allocated by the Government for urban renewal has been so meagre, and all these years there has been no long-term policy for urban renewal, the following problems are seen in our urban renewal programme: first of all the Land Development Corporation, though the statutory organization for urban renewal is only responsible for a small part of the redevelopment projects, leaving most of the redevelopment projects to private developers. Such so-called "urban redevelopment" is only meant to redevelop buildings, with such community problems of the redeveloped area as traffic grid-lock left unresolved. This is obviously inconsistent with what the Government has been emphasizing that urban renewal will bring about improvement in the community environment. In fact, in acquiring buildings in the old districts, disputes often arise with the developers, and some heartless developers even resort to illegal practice in the process of acquiring properties in order to reduce the compensation to be paid out.

Moreover, though the Administration released in July 1995 a consultation paper on urban renewal, nothing was said in the paper of the issue which has the greatest concern of the general public and that is how the Administration will carry out the work of improving the environment of the old districts. The Administration so far has not released the result of the consultation paper and has not promised to set down a long-term policy. All these show that the

commitment of the Administration in respect of urban renewal is not enough.

I want to point out that urban renewal is not simply pulling down old buildings and putting up new ones. It involves such complicated matters as acquisition of land, compensation and community reconstruction. If any real improvement is to be seen in the quality of life of residents in the old districts, the Administration must not only greatly raise the level of compensation for redevelopment, but also have to formulate an overall strategy for urban renewal, including a policy for resettlement, so that the quality of life of the residents can be raised.

Careful consideration should be given to the feasibility of establishing a mortgage corporation

In addition, another focus of the present Budget is on the support and promotion for the services sector. The Financial Secretary said that one of the strategies to promote the financial services industry is to raise the efficiency of intermediary facilities and reduce the risk of such facilities, and in respect of which he proposed the establishment of a mortgage corporation. He explained that establishing the mortgage corporation can avoid an over-concentration of the banks' funds in mortgage loans and the liquidity risks associated with it. Most of the assets within the banking system are in mortgage loans which take a long time to return; however, the banks' liabilities are mainly in short-term deposits, thus resulting in a mismatch between assets and liabilities. If the mortgage corporation is established, the banks can sell the mortgage business to the corporation, the banks' liabilities would thereby be reduced and the banks would have more funds for other businesses. However, a point should be noted that, as the Financial Secretary has already explained, securities issued by the mortgage corporation may need to be ultimately guaranteed by the Foreign Exchange Fund, and so the Foreign Exchange Fund may have to bear certain risk if the mortgage corporation is established.

At present the banking industry still has not come to a unanimous opinion and some people in the industry are worried that the huge amount of capital that flows into the property market would quickly push up property prices, making the home buyers gaining nothing at all. I therefore hope that the consultant company commissioned by the Administration can carefully consider the feasibility of establishing the mortgage corporation and listen as far as possible

to the views of people in the industry.

Regional Council's resources are used properly

As a Legislative Councillor elected through the functional constituency of the Regional Council, I would also like to respond to the proposal put forth by some Members that the budgets of the Urban Council and the Regional Council should be submitted to the Legislative Council for approval, and to the view that the increase in expenditure of the Regional Council in recent years has exceeded 20%.

At present, rates account for 90% of the Regional Council's revenue, which is only 4.4% of the rates charged, with a small part of the revenue coming from the admission fees of municipal facilities, investment income and rentals. The budgeted expenditure of the Regional Council for 1996-97 is \$4.94 billion. The Regional Council last year already forecast that the non-recurrent expenditure for the coming years would continue to increase, and there would be \$900 million deficit in the coming four years. The total expenditure of 1995-96 saw a 23% increase over that of 1994-95. Some people therefore have queried why the rate of increase in the expenditure of the Regional Council has far exceeded the inflation rate.

I want to point out that there has been rapid development in the New Territories in recent years, and new towns like Tseung Kwan O and Ma On Shan are even developing in strides. With the population in the new towns increasing, the residents' needs for all sorts of municipal services increased accordingly. The Regional Council is charged with the responsibility to provide as best as it can municipal services that meet the basic needs of New Territories residents in sanitary service and recreation and culture. At the initial stage of development of the new towns, municipal facilities and services are generally not sufficient, and the Regional Council has to allocate huge amount of resources to build market complexes, swimming pools, parks, and recreational and cultural centres. The construction of such facilities often requires hundreds of millions of dollars, it is thus reasonable that there is a huge increase in the expenditure for construction.

The growth rate in the recurrent expenditure of the Regional Council in 95-96 was 21%, which, after discounting the inflation of 9%, was 12% in real terms. Such an increase was mainly the result of opening of new facilities and creation of new positions. The increase in recurrent expenditure is therefore not without reason. I hope that my colleagues in this Council will only give their opinions after they have had a better understanding of the expenditure of the Regional Council.

Mr President, these are my remarks.

MR SIN CHUNG-KAI (in Cantonese): Mr President, I shall discuss the development of Hong Kong's manufacturing sector, human resources and the principle of financial management. Last year, under the item on the manufacturing sector, the Financial Secretary used less than 100 words to describe the situation of the manufacturing sector. It only showed what little the Administration had shouldered in respect of the development of the manufacturing sector. This year, the Financial Secretary spares more ink on the manufacturing sector and there are more promises, which include establishing a science park, building a second industrial technology centre, developing a fourth industrial estate, and developing new industries that have great potentials in Hong Kong. Though the Administration finally is willing to put forth some proposals for the manufacturing sector, I certainly would not use such words as "progress" or "happy" to describe it. On the contrary, I am very upset about why the Administration has to procrastinate to this day when the manufacturing sector is in such a dire state before it is prepared to offer any help.

To say that the manufacturing sector of Hong Kong is in a critical state or beyond cure is certainly not to exaggerate the seriousness of the situation just to make alarmist talks. In *Economic Background 1995*, we can find the alarming fact that in 1994 the share of manufacturing sector in Hong Kong's GDP already fell below the 10% mark, accounting for 9% only, or in absolute term, \$86.6

billion, which was a record low since 1988. At the same time, workers in the manufacturing sector are under the continuous threat of being made redundant. As a proportion of the total workforce, workers in the manufacturing sector had fallen from 20% in 1993 to 18% in 1994. When the share of the manufacturing sector in Hong Kong's GDP began to fall in the 1990s, it was already an alarm for the local manufacturing sector, but the Administration still turned a blind eye to it and did nothing. Now the falling trend of the manufacturing sector has continued unabated, it seems that the death knell has already sounded. At this critical juncture, the Administration must formulate a long-term and positive policy to assist the industry, or else Hong Kong's manufacturing sector would only languish in its present state with no sign of improvement.

In the 1970s, Hong Kong's industry underwent a transformation, but the Administration insisted on a non-intervention policy under which requests for support in technological research and construction of a science park were all ignored, resulting in the moving northward of the manufacturing sector and the dire situation where Hong Kong's industry was being hollowed out. In recent years the Administration finally has come around to face the reality and provided limited support such as establishing the Industrial Support Fund and Industrial Technology Centre, but they are obviously not enough. The reports which the Administration published every year on the manufacturing sector should be a good example: the hardship faced by the manufacturing sector, including shortage of skilled workers and lack of up-stream industrial support, as described in the reports, was the same every year. This shows that the Administration has not faced up to and resolved the problems of Hong Kong's manufacturing industries. The Democratic Party thinks that though the industrial policy as carried out now is certainly better than the indifferent attitude in the past, if resources are not provided to assist the local manufacturing sector to strive ahead, it would be wild fantasy and impracticable to think that our manufacturing sector could compete in the high-value added and high-technology market of the next century. We think that the Administration should redouble its effort in this respect by increasing its financial allocation to technological research, building the science park as soon as possible and providing tax concessions to encourage the development of high-value added products, so that Hong Kong's industry will not lose out to our neighbouring countries, and the objectives stated in the Budget will not become a slogan with no substance.

Mr President, in what follows I shall talk about some crucial factors that will promote economic development and that is human resources training. Both the manufacturing sector and the service industry are affected by the problem that the quality of our manpower is below par, for example, the language ability of employees in the financial sector is falling, and in recruiting employees, some factories that employ high technology feel that the supply of high-tech personnel in Hong Kong is not sufficient and that there is a gap between the university graduates and the industrial world that makes on-the-job training necessary. The Financial Secretary suggests that language training be strengthened and accepts our proposal to introduce a personal training allowance and to provide more funds to the Retraining Board. The Democratic Party considers that these measures are desirable but not enough. I want to cite an example. In respect of the allowance for personal training, at present to complete an MBA programme at a tertiary institution will require over \$100,000. If such training programme does not have financial support from the employer, the burden on the employee would be very heavy. The Administration therefore should consider raising the allowance in future budgets so as to relieve the burden on the individuals who try to improve their employability. In fact, compared with other places, Hong Kong Government has provided very little in respect of on-the-job training. The Singapore Government, for example, has established a number of funds for on-the-job training, like assisting employers to design courses to train employees and subsidizing the employment of tutors. Taiwan and Malaysia have also provided tax concessions to enterprises which provide on-the-job training. The Democratic Party has made a series of tax and expenditure proposals in respect of on-the-job training, including tax concession for retraining employees, encouraging enterprises to provide training to old employees with low skills, and also allocating funds to set up a "skills training fund" to help business enterprises to train their employees. The Democratic Party hopes that the Administration will incorporate these proposals in next year's budget.

Moreover, the Democratic Party thinks that the Administration should improve on-the-job training. First of all, the Administration should strength its co-operation with the trade associations and provide more courses and retraining courses that meet the needs of the market. Secondly, the Administration should

promote training programmes on new technology and raise the amount of subsidy to cover also the service industry. In fact, there should be improvement in promotion work and the amount of subsidy for technology training programmes that aim at encouraging employers to provide training to the employees. The Administration has proposed that the coverage of training programmes on new technology be extended from the manufacturing sector to the services sector, but what makes people worried is that the Administration has not increased its funding, which may give rise to the counter-effect that quantity rather than quality will be the focus.

Finally, I would like to ask the Administration a few questions on the principle of financial management. Since the principle of financial management adopted by the Administration has given rise to a lot of disputes, the Administration has in this Budget reiterated its principles for managing public finance and said that those principles are not something invented by the Administration without regard to the actual conditions but are the result of a consensus in the society. However, I find the explanation in this Budget not entirely satisfying, and, in some places, has not revealed the whole truth. First of all these principles have not been thoroughly debated in the society. The Democratic Party and other parties had requested the Administration to set up a commission to review the tax regime to review all the principles in relation to taxation and expenditure, but were met with the Administration's refusal. The reason why the principle of financial management has given rise to all these disputes can be attributed to the obscurity of the principle. For example, what is sufficient reserve? Is a reserve of \$150 billion too much or too little? Does the Administration have in mind a reasonable reserve? What does it mean that over a certain period the increase in government expenditure should not be higher than the overall economic growth? The Financial Secretary, besides being mindful of the packaging of his Budget, should give a detailed explanation to the questions I just raised. A better answer will improve the readability of the Budget and make it more acceptable to the public.

Mr President, these are my remarks.

MR ALBERT CHAN (in Cantonese): Mr President, in this year's Budget, the Financial Secretary has accepted a number of proposals put forth by the Democratic Party in respect of public works projects, which include providing

more resources to the Civil Engineering Department for repairing the slopes, covering up some of the exposed nullahs in the urban area, widening the section of Castle Peak Road between Tsuen Wan and Tuen Mun and carrying out studies into the construction of a multi-storey public carpark in Central and Western District. As the spokesman for the Democratic Party on public works and planning, and on behalf of the Democratic Party, I would like to give the Financial Secretary a vote of thanks. However, what is left to be desired is that in respect of a number of major infrastructure projects straddling 1997, such as the injection of funds into the Northwest Railway and the Junk Bay Railway, and the construction of Container Terminal (CT)10 and CT11, the expenditure items are still undecided in the Budget. Large scale infrastructure projects have a far-reaching effect on Hong Kong's development, and what makes one worried during the latter part of the transition period is that the Administration is slow in coming to a decision in respect of major projects straddling 1997.

Now hiccups have risen again in Sino-British relations and the attack by the Chinese side on the administrative authority of Governor Chris PATTEN has not slackened. Under such extreme leftist policy aimed at attacking the Governor, the progress of large scale infrastructure projects during the transition period will definitely be affected, thus making the Administration dare not or unwilling to carry out any major infrastructure project. To rescue Hong Kong people from a confidence crisis and to ease the tension, I think that the Government should plan and build the second runway at Chek Lap Kok, CT10 and CT11, the Mass Transit Railway (MTR) extension to Junk Bay and the Northwest Railway. This is to put into effect the spirit and principle of "Hong Kong people ruling Hong Kong". I think infrastructure is the lifeline of the economy; continuing with infrastructure projects is to promote and extend economic development. This is where the long-term interests of Hong Kong lie and must not be stopped.

Another issue in the Budget that causes our concern is that over the years there have been delays in public works, but the Administration does not seem to

have a solution to the problem. In its Capital Works Reserve Fund 1995-96 Estimates Performance Report, which was submitted to the Legislative Council last February, the Finance Branch originally expected 136 projects to be carried out in 1995-96, but only 53 projects, or 38.97% of the total, were carried out on schedule, and 8 projects, or 5.9% of the total, did not have a specific construction date or would be cancelled. The delay in the projects under Head 705 — Civil Engineering was the most serious, with 71.4% of the works delayed until after 1995-96 before construction began.

I think it is mainly because time has changed that there are all these delays in public works. In the past, under the "strong" leadership of the central government, whether a certain work was to proceed was at the full discretion of the Administration. The affected parties would only learn of it when works suddenly began and there was no way for them to voice their objection, thus works could be carried out without a hitch. But now, Mr President, with the Administration greatly promoting transparency in its operations, to which we should give our applause, and holding more consultation with local organizations, especially the district boards, and the environmental protection groups getting more active than before, many of the works cannot be launched smoothly for reason of environmental protection.

To ensure that the Capital Works Reserve Fund can be utilized on schedule, I propose that the Finance Branch may introduce a stand-by project list to make up the number of projects which cannot be carried out as scheduled, so that the Fund can be fully utilized. In the long term, I think that the Administration must make adjustment to the administrative arrangement in respect of allocation application for public works. In the future, if any public works project is to be listed as an item under the Capital Works Reserve Fund, or is expected to require public funding in the financial year concerned, it must complete all the statutory processes (for example published in the Gazette) and all related environmental impact assessment before any allocation can be made in the Budget. Such an arrangement not only can ensure that the above Fund will be used, but more importantly, it will make the statutory process achieve what it sets out to achieve, rather than just a formalistic routine procedure without any actual influence.

Mr President, the planning and construction of large scale infrastructure projects after 1997 have drawn extensive attention. The Hong Kong New

Airport Core Programme projects are of an enormous scale, with the construction cost reaching \$160 billion, and are making satisfactory progress. I believe this is very much attributable to the setting up of the New Airport Projects Co-ordination Office. This example of success clearly shows that good planning and management can effectively control work progress and expenditure. Hong Kong will have a number of large scale infrastructure works to be carried out, for example, the Northwest Railway, CT9 to CT11. In the past the Administration paid out large sums of money and relied on overseas consultants for planning work, which was not very beneficial to training our own experts. For more effective co-ordination of large scale infrastructure works in the future, I propose that the Administration should consider setting up a permanent office for infrastructure works co-ordination under the leadership of the central government and responsible to the Chief Secretary, so that co-ordination can be carried out more effectively and the experience in managing such large scale projects can be retained locally. The spirit of such a proposal is to train our own experts for co-ordinating infrastructure projects, which is another way of, and more specifically, "Hong Kong people ruling Hong Kong".

Mr President, I would also like to talk about the supply of land in Hong Kong. The Administration estimated that the area of developed land in 1996 will be only 93 hectares, which, when compared with the 155 hectares in 1995, is a drop of 40%. The Secretary for Housing also revealed that within the six years from 1995-96 to 2000-01, new residential units are to be built on different types of land, which include newly-developed land, land for redevelopment that involve lease modification and land exchange as well as land for redevelopment granted with no restrictions. The ratio will be 3:3:2. Buildings built on land for redevelopment will account for about three eighths of the total buildings supply. Because Hong Kong faces great difficulty in reclaiming land from the sea and land requisition in old districts for redevelopment is also difficult due to such problems as compensation and resettlement. In addition, the Territory Development Department has forecast that the area of developed land will drop greatly in 1996. It is feared that land supply in the future will not be able to meet the need and whether the objectives set by the Administration can be achieved. These problems are mind-boggling. I propose that the Administration should increase the amount of developed land, increase the land supply for private residential buildings and actively participate in urban renewal so as to meet the demand for residential units, reduce the monopoly of property

developers and achieve a better balance in property price.

The present Budget is the first in Hong Kong history ever presented by a Chinese Financial Secretary and is certainly a history-making exercise. In face of the ever-changing political climate, the present Financial Secretary, when compared with his predecessors, has little room for manoeuvre but a lot of complex problem to deal with. But worthy of our praise is that despite such little room for manoeuvre, the Financial Secretary is still willing to listen to all sorts of opinions, and to balance and sum up different interests; this is worthy of our appreciation. In a nutshell, I would sum up my views of the Budget as: "Humanism is revealed in times of hardship, and development is sought amongst disputes." In a capitalist society like Hong Kong, where competition is keen, the weak ones are often exploited and sacrificed. I sincerely hope that our Financial Secretary can show a little more tender feeling so that the weak ones can have a little more warmth and care. This is not only the responsibility of a relatively affluent society, but also the minimum ethics of a Chinese society.

Mr President, these are my remarks.

SUSPENSION OF SITTING

PRESIDENT: In accordance with Standing Orders, I now suspend the sitting until 2.30 pm tomorrow afternoon.

Suspended accordingly at twenty minutes to Nine o'clock.