

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 28 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 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 PAUL CHENG MING-FUN

THE HONOURABLE CHENG YIU-TONG

DR THE HONOURABLE ANTHONY CHEUNG BING-LEUNG

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 MOK YING-FAN

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

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

Resumption on Second Reading Debate on Bill

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

PRESIDENT: Council will now resume and continue with the debate on the Appropriation Bill 1996. Does any Member wish to speak? Mr SZETO Wah.

MR SZETO WAH (in Cantonese): Mr President, someone has cried out: "We want the lunch box, not the ballot box!" What is the relationship between the lunch box and the ballot box? Are they so at odds with each other that they are in constant life and death battle or are they interdependent and go hand in hand with each other? The Legislative Council is related to the ballot box as the Budget is to the lunch box. Looking back on the past five years at the changes in the Legislative Council and in the Budget and at their interactive relationship as well, it is not difficult to discern the relationship between the ballot box and the lunch box. Such a review is very useful and inspiring.

Separate tax assessment for couples had been heavily lobbied for by the Hong Kong citizens. In the Legislative Council of five years ago, as my memory goes, this was also the consensus among Members with the exception of the present President Mr Andrew WONG. However, the Administration rejected such a demand and consensus. To show my protest, I voted against the 1987-88 and 1988-89 Budgets. After much lobbying, the Administration finally in the 1989-90 Budget adopted separate tax assessment for couples. This was a small episode five years ago.

When direct election was introduced in the Legislative Council in 1991, over half of the Members were elected; a quantitative change also brought about a qualitative change. However, the Administration had not faced up to such a qualitative change, and, in drawing up the 1992-93 Budget, still, as in the past, turned a deaf ear to public opinion and showed no concern. That Budget therefore was met with record number of dissenting votes in the Legislative Council. That was the first Budget of Mr McCLEOD, the Financial Secretary then; the lesson he learned was profound and useful. After the passage of that Budget, he immediately made the Administration adopt a different approach by getting in touch with the Members and listening to the public opinion before

preparing the next year's Budget. My comment of the 1993-94 Budget was therefore: "It has shown some improvement, with more and positive response to public opinion". It was a beginning. The Administration has faced up to the qualitative change of the Legislative Council and it cannot afford not to consider the public opinion when preparing the Budget.

In 1995, all the Legislative Council Members were returned by elections and the quantitative change was even greater. And there was further development in the qualitative change. Now we are discussing the 1996-97 Budget, which was prepared against such a historical background. If there is anything commendable in this Budget, I would not think because the present Financial Secretary is Chinese, or because of his ability and wisdom, rather it is the ballot box, the power of the ballot box. It is an ironclad proof that the ballot box and the lunch box are interdependent and that they go hand in hand with each other.

What would the next budget be like? It would again be prepared against a new and completely different historical background.

For a long time, Chinese officials have time and again babbled that the votes that elected this Council last year would become void 15 months later, and be replaced by a Provisional Legislative Council which admits no objection and receives no votes.

Recently, Chinese officials have also disclosed that next year's budget would have to be jointly prepared by the Chinese and British sides. By then, the Legislative Council, which should only have three months' existence left, can only pass but not amend anything, or else the Provisional Legislative Council will come in and examine and prepare everything once again — so this is again "setting up another stove".

A body with no votes, and no objection or amendment is permitted. How despotic! Is there anything left of the "one country, two systems"?

Someone has made such accusation as "flaunting the money" and such threat as "getting killed in a car crash". You cannot say for sure that to jointly prepare a budget with such people will not be "grabbing money" and "backfire".

Karl MARX only said that religion was the spiritual opium of the people, but yesterday someone was saying that social welfare was also a kind of spiritual opium. I wonder if that was a development of Marxism? If anyone who had developed Marxism in such a way ever were to become an expert in preparing the budget, he must have already invented a methadone for weaning people from food and is ready to market it then. I am not saying weaning people from addictive drugs, but from food. What that means is anyone taking it will not need any food.

Some people have suggested that key government officials should "move over" earlier, and the Financial Secretary, being responsible for preparing next year's budget, of course is a key official. If he was to "move over" earlier, would it not mean that the so-called joint preparation by both the Chinese and British sides would become an exclusive monopoly?

At present, in the Preparatory Committee, business interests are predominantly represented. "Hong Kong people ruling Hong Kong" becomes "businessmen ruling Hong Kong". There is a saying in northern China, "A dragon begets a dragon, a phoenix begets a phoenix, and those begotten by rats are good at digging holes." The Preparatory Committee begets the Selection Committee which in turn begets the Provisional Legislative Council. This Provisional Legislative Council, being one without a vote, will then deliberate and amend and adopt the 1997-98 budget, which will then be one that is "grabbing money", ready to "backfire", giving out "methadone for weaning people from food" and under the principle of "businessmen ruling Hong Kong".

When debating the policy address last October, I reckoned that Hong Kong will see regression in every way after 1997. Now, it seems that the next budget will be the first thing that shows regression.

In that debate, I said, "If we can mobilize all the positive factors that can be mobilized to counter regression, and rally all those forces that can be rallied to counter regression, we may after all be not that hopeless."

The time to counter regression has come, we must establish the most extensive and the strongest united front to counter regression. Next year's budget will be a major battle for the counter-regression united front.

I also quoted two lines from Zhu Ziqing's poem: "Why should we feel disconsolate with the coming of evening When we have in sight the setting sun in all its splendour." I hope that when we deliberate on the 1997-98 budget, Members of this Council will not heed the number of days remaining they are still going to be in office and solemnly vote with their conscience for the benefit of Hong Kong people. They must not forget those electorates who have supported them but whose votes will be prematurely made void.

Counter-regression has already begun. Let us struggle together with all the people of Hong Kong!

Mr President, these are my remarks.

MR RONALD ARCULLI: Mr President, the media is always interested in what marks Legislative Council Members give the Financial Secretary's Budget. I have resisted this over the years, but because of my appreciation of this year's Budget, I will depart a little by dealing with most of the main points of the Budget. Perhaps with this, the media can ascertain the level of support given to this year's Budget. Like the Financial Secretary, Mr President, I shall deliver my observations in three parts. First, from my head, from my heart, and then from my arms and my legs, but I shall do so in reverse order.

First, from my legs, or in other words, what we in the Liberal Party stand for. Mr President, the Liberal Party's motto is this: "經濟主導，關注民生".

We believe in it. We are proud of it and we wanted it for the good of Hong Kong. Does this however coincide with the objective of this year's Budget? Let us see.

The Financial Secretary repeats the Administration's policy of low, stable and predictable taxation. We agree. He re-asserts modern infrastructure, better homes, health care, schools and social welfare. We agree. He believes in small government. We agree. He emphasizes that we must live within our means. We agree. As regards his "seven heavenly virtues", we agree with six — the only exception is the level of fiscal reserves which we believe is more than adequate. His rigorous user-pay principle on government fees and charges

— I shall have more to say about this later. His proposals regarding a science park, a second industrial technology centre, a fourth industrial estate, promotion of our service industries including concessions on interest income and trading profits of debt income and limited waiver of stamp duty. We agree. A mortgage corporation. We agree. His reduction in stamp duty for property transactions. We agree. His refurbishment allowance for hotels. We agree. Mr President, I shall now move on to my arms. Against what do we raise our arms in protest? I will give a few examples. We disagree with his pitiful increase for the elderly. We disagree with his unreasonable refusal to reduce profits and salaries tax. We disagree with his pursuing a change in depreciation allowance. We disagree with his proposal for annual revaluations of property for rates. We disagree with his refusal to grant a housing or mortgage allowance. We disagree with his increase in hydrocarbon oils duty. And, last but not the least, it will be a long time we forgive him for his refusal to change or lower the duty on alcohol. Obviously, he could rectify this quite easily. Mr President, I suspect, and if I may be so bold to suggest, that this has your support in spirit if not in fact.

Mr President, I better move on to the second part of my observations, and that is, those from my heart, and here I speak for my constituents and my hobby, horses.

For my constituents, we all know, they, are members of REDA, HKCA and EMCA, but I should also say something for their customers, those 850 000 odd property owners. I welcome the modest stamp duty relief given to those whose vote of confidence in Hong Kong is the purchase of their home. I say modest because they have lost 24% of their investment due to unnecessary measures taken by the Administration to lower property prices. Next, his revision of the current rules to permit elderly residing in China to receive Comprehensive Social Security Assistance (CSSA) standard rates and long term supplements has my cautious welcome. Cautious because I hope they will receive everything they would be entitled to had they been living in Hong Kong. Cautious because I hope there will be an absolute minimum of bureaucratic hurdles for those who wish to live in China to claim their allowances. Mr President, the Liberal Party has been pushing this for some years, but apparently the Financial Secretary only succumbed to my wife's constant lobbying, and for this, I thank her. Last but not the least, Mr President, betting duty. It seems extraordinary that the

Financial Secretary would put his hands into the charitable pockets of the Jockey Club to increase the betting duty by 0.5%. If he had said I need the extra \$400 million because I have to increase the CSSA for the elderly by \$350 per month, I might have understood. But as we all know this is not the case. The \$400 million, as honourable colleagues know, would have been spent on the community.

Mr President, I shall now move to my head. Any head has eyes, ears, nose, mouth and brain. Today, I will let my nose and the little brain that I have in my head be the masters of my mouth. Well, what do they smell and think? First they smell and think that our Financial Secretary has a number of ideas which if implemented will get more but unnecessary money into public coffers. What could these be?

First, the forecast deficit of \$2.5 billion for 1995-96. There should be no deficit but forecasting a deficit allows him to budget for a \$1.6 billion surplus for 1996-97.

Second, the conservative management of our fiscal reserves yielding \$5.8 billion or about 4% yield, thus allowing the Exchange Fund to profit from cheap funds from our fiscal reserves. The Financial Secretary and the Secretary for the Treasury have repeatedly said that we cannot, and I repeat, we cannot, take any risk with our fiscal reserves. It seems strange that we can do so with the Exchange Fund where the annual return averages about 12% or nearly 200% more than the return on our fiscal reserves. To make the point, Mr President, if our return yields an extra 1%, that is about a billion and half dollars, which I am sure that Financial Secretary and his colleagues and Members of this Chamber can put to good use, I ask my honourable colleagues this question: Is there any difference between our fiscal reserves and the Exchange Fund if and when there is a loss? I believe not. What then is the answer? Perhaps the answer lies in this. We cannot ask the Exchange Fund to give us the profits to spend whilst increasing fiscal reserves would enable us to call for either reduction in taxes and/or increase in spending! Are they not clever?

The third item, Mr President, government fees and charges. As you all know, we have been doing battle with the Administration over increases in fees and charges. All of us believe in the user-pay principle. All of us believe that because of the economic downturn, high unemployment and high inflation that the Administration ought to freeze for one year any increase in government fees and charges. As a result of our initial solidarity, which sadly does not exist today, we were able to examine in great detail the Administration's approach to the increases. We got detailed costings, questioned efficiency and discovered some mistakes. As a result, today we are much wiser. But alas, that solidarity did not last and the Administration is about to divide and conquer. We in the Liberal Party still believe that our initiative was and is still right but we need colleagues' support to sustain this initiative. Today may well demonstrate whether this is to be when we vote on the Administration's proposal to increase car parking charges at Kai Tak Airport. But I now throw another challenge to the Administration. Firstly, if you believe in maintaining increases in Government fees and charges, bring every increase without exception to this Council and I would include water charges. Secondly, examine how many fees and charges there are that can be altered from annual renewals to once-in-a-life-time payment or perhaps no payment at all. There must be fees that you are collecting where the collection charge is more expensive than the fees you collect. Thirdly, on those where you seek full cost recovery, give us details and reasons for any shortfall plus any proposals as to what is a reasonable period within which you should attain full cost recovery. In this context, I would like to emphasize that the overriding factor has to be flexibility. In other words, if the economy is good you may charge a little more, but charge a little less if the economy is not so good. I ask the Administration to do this because of the massive surpluses that have been forecasted between 1 April 1997 and 31 March 2000 which amounts to some over \$20 billion for each of those financial years. Mr President, the Liberal Party understands that part of the forecasted surplus comes from an assumed annual increase in government fees and charges. Fourthly, we believe that there is no justification this year for not limiting such increases for any of the three items where services are charged in full to a rate not more than inflation. We hope the Administration will respond positively to these four points so that Members of this Council could re-consider their opposition to such increases.

Before I conclude, Mr President, on behalf of the Liberal Party, I cannot emphasize more how vitally important it is for Hong Kong and for our people to have a seamless, and I emphasize, a seamless transition on two matters: our Budget and our Civil Service. I therefore take this opportunity of asking China and Britain to bury their differences for the sake of the people of Hong Kong. Thank you, Mr President.

DR SAMUEL WONG: Mr President, a surge of fresh air swept through this Chamber as the Financial Secretary, Mr Donald TSANG, presented his Budget speech on 6 March 1996. Mr Donald TSANG is a communicator. He explained the complexities of the Hong Kong economy superbly, especially in his Addendum published under the title: "The Services Sector — Support and Promotion". He even provided a glossary of financial terms. I would certainly recommend my members of the constituency to study the two documents for sheer excellence in presentation.

For example, his concept of the role of Government was a model of humility and accuracy. In the Addendum, 14 of the 17 Action Agenda positively stated that progress was in the hands of the private sectors, most containing the words "it is for the private sector to take the lead." Since this sector generates 73% of our Gross Domestic Product (GDP) you might conclude he put Government firmly in its place. Its partnership with the business sector, he said, was based on its established policy of minimal intervention and maximum support for business (what used to be called positive non-intervention).

And yet, in apparent contradiction, he demonstrated leadership. A leader is someone who inspires people to follow. The Budget speech was the most inspiring I have heard from a Government officer. As he put it himself, "it is our duty to offer our community a clear description of what can be achieved and what we need to do to make our vision a reality." This was not just a fine phrase. He went ahead and did it. Furthermore, he did it in a context of an almost no-win situation. How could he please the community, legislators, the media and China — all at once? Yet he came incredibly close.

He was honest too. In describing the rapid and overwhelming

development of the services sector over the past two decades, he admitted freely that Government had only just started coming to terms with it. Indeed, it became clear that one of the main reasons for the present unemployment was the failure to recognize the urgent need for retraining arising from the shift from manufacturing to service industries. Yet, the Addendum to his speech left me marvelling how much the Government had caught up with in just a few months.

Obviously, the more Government leaves to the private sector the better. We are all aware that the decision to build a new airport was left till well after Kai Tak was doomed to overload. On Government's own admission they have been unable to table the Broadcasting Bill because they could not keep up with the technology. The decision to corporatise Radio Television Hong Kong was left too late to avoid a Chinese veto. Hong Kong roads have the highest vehicle density in the world, which is another way of saying we have not built enough roads. There is a shortfall of 76 000 overnight parking spaces and 37 000 daytime spaces for goods vehicles alone. Many more examples like these show Government's previous failure to show leadership. At last, in our Financial Secretary, I believe we have a civil servant who understands it.

He understands, too, how to put things into perspective. Of the 73% of the GDP generated by the services sector, engineering plays a significant part in less than 10% of it. That puts us in our place, but perhaps it may lead us to see the potential for making more use of our consultancy capabilities. On the credit side for engineering, infrastructure and environment, at 18.5% of total public expenditure, together form the largest item (and that is not counting building from the private sector).

On matters of detail, I applaud his policy to encourage scrapping of old cars. I just hope he has somewhere to put them. I also notice that 100 more native English teachers are to be funded. Native of where? Are we to have any consistency of dialect throughout the schools? Is Hong Kong to be predominantly American or British? Our spelling is mostly British but I am not so sure about our accent.

In his speech, the Financial Secretary has underlined Government's intention to identify ways to further facilitate the success of our economy. As the Governor's main adviser on technical education and industrial training, the Vocational Training Council, which I chair, has the responsibility to ensure Hong Kong has a comprehensive system of vocational education and training to meet

its current and future needs. To this end, the Vocational Training Council has taken a number of measures. These include:

- (a) The submission to Government, almost two years ago, of recommendations that would improve the attractiveness of the "New Technology Training Scheme" to employers. These include a proposal to increase the level of grant to employers sending their technologists and managers to acquire new skills that would benefit both their own business and Hong Kong at large. I am glad to learn from the Financial Secretary that Government is now considering our submission (Paragraph 106 of the Budget);
- (b) Work is already in hand to add a training hotel to complement the existing training facilities of the Hotel Industry Training Centre so as to facilitate the continuing growth of our hospitality industry. This new addition will enable the Vocational Training Council to offer real-life experience to trainees and students in all areas of hotel operation (Paragraph 116.3 of the Budget);
- (c) The continuing review and re-structuring of courses at the technical institutes and industry training centres with a view to re-diverting resources to areas where training needs are growing, for example, the engineering services, commerce and other services sectors. An example of the measures taken to reflect the changing economic situation is the closure of a manufacturing engineering teaching department in one of the technical institutes in 1995-96 and the concomitant establishment of a computing studies department. The transference of practical training from the technical institutes to the training centres will release space needed in the former for additional courses for the commercial and services sectors;
- (d) Emphasis will continue to be put on increasing and enhancing training in information technology and in the application of computers in the control of machinery and equipment with the aim of bringing about an increasingly "computer-literate" workforce;
- (e) Steps have been taken to upgrade the English language ability of students to meet the proficiency demanded at the workplace. Technical institutes now have more teachers of English and

additional language laboratories. Teaching materials on sector-specific vocational English are also being developed for use in both the technical institutes and technical colleges. The Vocational Training Council is fully aware of the importance of the language skills of the workforce for Hong Kong to maintain its position as an international centre for trade and finance (Paragraphs 107 and 108 of the Budget); and

- (f) The Management Development Centre of the Vocational Training Council continues to develop management training programmes which aim at helping small and medium size enterprises enhance their productivity and upgrade their management systems (Paragraph 116.5 of the Budget).

Finally, the Government has just commissioned a firm of consultants to review the vocational education and training in Hong Kong in the past decade and to chart the way forward into the next century. We must prepare our young workforce to face the challenge of, not only 1997, but the year 2001 and beyond.

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

MR CHIM PUI-CHUNG (in Cantonese): Mr President, after delivering his first Budget, the Financial Secretary has won the support of the media and many people. I also share in the pride that he being a Chinese can achieve what foreigners in the colony of Hong Kong have achieved. Though I am not a racist, this somehow has increased my confidence in "Hong Kong people ruling Hong Kong".

The Financial Secretary's success in having the praise of the public can be attributed to several reasons. Firstly, he has made extensive consultation, especially with those political parties in the Legislative Council which are often critical of the Administration's policies. Secondly, his colleagues are able to understand where the real problem lies. We must not forget about his colleagues. The wife of a former Financial Secretary, I remember, once said that any success or failure could not be due to the Financial Secretary alone. Her explanation then was only meant to shift responsibility, but what I want to say today is that the Financial Secretary should not forget that this Budget is the result of the joint efforts of his colleagues. Thirdly, confidence is shown in the

Budget that the problems remaining can be solved flexibly. Such a spirit is already an achievement in itself. Of course, we should also not forget that the Administration has its own unique position. Many government departments' expenditure are footed by payment collected under the "user pays" principle. This has partly solved the financial problem. Moreover, allocation for infrastructure construction has also been used. Allocation though has been made does not have to be used and can be carried forward to next year's budget. I hope that the Administration will not resort to such an excuse for its financial arrangement. What is more beneficial to the Administration is the gain it can make from selling land. The high land price policy (if land is still a valuable commodity) is the best guarantee for our finance.

I have also some comments to make in respect of the Financial Secretary's Budget. First of all, I feel that the tax base is too narrow. In the past couple of years, I have raised this problem time and again, mainly because some manufacturers or investors have extended their investments into China. The Hong Kong Government should be concerned about such development and keep in mind how to achieve tax consideration and future planning in such investment.

Further, the Budget is influenced too much by political factors, including influence from political parties. I think the Financial Secretary should maintain his firm stand and not be held back by the insatiable demands of the grassroots. In fact, can he keep on meeting such demands indefinitely? At the same time, I find that the Budget has, in great details, listed all the expenditures. But as to the revenue side, it is "left to the mercy of God". Of course, the revenue also includes the proceeds from the sale of land that I have just mentioned, which will make up part of the shortfall.

In respect of commercial and industrial development, the Administration, I think, has been shortsighted in the past few years, especially with respect to the fourth industrial estate just announced. On the high-tech front, I think the Administration should provide more allocation for the development of new technology so that new development in technology can be used in the China market in the future to achieve economic and commercial development. This is very important.

Mr President, there are still 460 days left for the transition period, and in the coming days we shall cast our sights on matters in a number of areas. Those of people's livelihood certainly are very important, but we have to recognize that

there will also be political, economic and financial matters. Politically many of my colleagues in this Council have often raised all sorts of criticism and disapproval, and even vilifying attacks, against the future suzerain, that is China. But what is the use? If the economy and the future budget are to be used as a means to launch too many political attacks, I myself shall have much reservation. Politics, after all, calls for compromise or dialogue. Of course, there are people who do not have the chance to engage in any dialogue, but they should search within themselves what they have done wrong. If they put up too strong a confrontation that the suzerain feels resentful, they are only doing themselves a disservice. I think that unless you have that capability to carry out any actual protest or other revolutionary act, it is better to put forward your viewpoints with mutual respect, thereby achieving our common wish and coming to a consensus. This is the way to one's political future.

Secondly, on the economic front, Hong Kong has undergone a myriad of changes. Especially after the 1967 riot, Hong Kong has achieved a balanced development in all aspects, thanks to the global development in technology and finance. In the past, Hong Kong's per capita income lagged behind the United Kingdom by one third, now Hong Kong has overtaken the United Kingdom by one third. The ability to achieve such a difference is where Hong Kong's special characteristic lies. I believe that in the future there will be an inseparable relationship between Hong Kong's economy and China's open-door policy. If China can continue developing her economy, any problem that Hong Kong may face in the future will not be any problem at all. As long as the livelihood of the people in China gets better, there will be 30 to 50 million tourists coming to Hong Kong every year, giving a big boost to Hong Kong's economy. This figure is only 5% of China's population. In another words, if people in China want to come to Hong Kong, they would only have a chance every 20 years on average. Under the open-door policy, it is inevitable that Hong Kong's economy will only develop further and for the better.

What remain are financial matters. In the future, the Financial Secretary should pay more attention to the development of financial affairs. The media have often said that Hong Kong is a financial centre, and being a representative of the Financial Services constituency, I have some doubts about such an advocacy. Are we qualified to say that we are so great? The coming budgets therefore should be a driving force for better development in this respect, because future policies in financial services will have a long term impact on the development in all aspects. The amount of deposits and other related matters in

Hong Kong are very representative in the world, and in per capita terms, we are also among the front runners. If the financial system here does not have its own planning, I fear that Hong Kong's financial market, if gets out of control, would become another kind of colony. What I mean by another kind of colony is that colonial rule in Hong Kong will come to an end 15 months later, but if the operation of our financial market is completely under the control of foreign powers, there will be no end to such influence. From the recent operations in the stock market, it can be seen that with foreign advanced technology and ideas, a situation has already been created where the Hong Kong stock market is being used. They first started with futures so that the spot market is only a counter for them to settle the prices. Such a situation is very dangerous to Hong Kong's financial business. This is not just alarmist talk. The Financial Secretary should in the coming budgets allocate more resources to study such problems, and provide better training so that financial experts can make good use of the chance when China adopts an open-door policy with its financial services and brings benefits to Hong Kong, thereby further strengthening Hong Kong's position as a financial centre.

Mr President, two points cannot be left undiscussed when we talk about financial services. Firstly, in the Budget, the Financial Secretary has mentioned stamp duty on share transactions, and think that amendment should only be made after discussion with brokers of the Stock Exchange. As the representative of that constituency, I disagree completely with such a view. We should recognize that in Hong Kong the two parties to a transaction has to pay 0.15% stamp duty each, in another word, 0.3% stamp duty is levied upon a transaction. According to the information provided by the Administration, Taiwan charges the least stamp duty on share trading, Hong Kong comes second and Malaysia charges the highest rate, which is 1.15% of all charges. Hong Kong's brokerage commission, though ranking third in the world, is in fact the lowest. From the 0.25% commission, there is often a 50% rebate, so the commission is actually 0.125%. Mr President, brokerage commission is already at a very low level now, if the Administration would only reduce stamp duty on condition that the commission is lowered, I personally do not agree to this. Why have the brokers set down a 0.25% commission? It is mainly for uniformity's sake. They do not a monopoly, what we should look at now is whether this uniform brokerage charge is exorbitant. Even if they charge such a rate, very often they are still making a loss. In the coming year I shall do my best to ask, on behalf of my constituency, the Financial Secretary and the Secretary for Financial Services to reduce the stamp duty on share trading. This is to fit in with the worldwide

situation. Reducing the stamp duty by 0.05% may mean \$1 billion or \$800 million less in the Administration's coffer, depending on the volume of transactions, but in the long term, this fits in with the global trend. If Hong Kong is to proclaim itself a financial centre, it should not lag behind in competing with others. After all, such a small sum can be made up by income we make from other sources.

Mr President, I shall of course talk about the Securities and Futures Commission (SFC), which plays a leading role in financial services. The Stock Exchange is preparing for its 10th anniversary celebration next week; however, the stock market has been in operation in Hong Kong for 105 years. During this period, all achievements and successes should be attributed to all those who have worked for the securities business in Hong Kong since the past. These achievements and successes are not the work of the SFC, which was only established in 1986, nor that of Mr LEUNG Ting-pong, who has only been in office for a year. Since Mr LEUNG has been referred to, I would like to query the policy of the Administration if it permits an employee, even though this employee is not a civil servant, to extend his term of office without signing a contract? I hope that the reply from the Secretary for Financial Services can enable Hong Kong people to fully understand if such a situation exists and how it can be resolved.

The SFC is a supervisory organization and we must understand that Hong Kong, as a financial centre, should let the Secretary for Financial Services co-ordinate all aspects of work, let the Stock Exchange of Hong Kong carry out work related to stocks and shares, let the Hong Kong Futures Exchange be in charge of work related to futures, and the Gold and Silver Exchange Society do their work, then the SFC shall come in to monitor whether the operations in question are running properly. The SFC should be doing policing work, but not "the sinister hand behind the scene", pulling the strings of the operations and all related work of Hong Kong's financial business. I request the Secretary for Financial Services or the Financial Secretary to, in their response next week, specifically recognize that the Gold and Silver Exchange is a legal organization. It is because the gold and silver trading business will become a very important sector in the future. Though its status is yet to have official recognition, it practises self-discipline and its operation is running extremely well. If better procedures can be adopted before 1997, it is certainly beneficial to the society.

Mr President, I personally think that the Financial Secretary has accomplished a lot in so short a period of time, and I hope that he can do even better in the future.

These are my remarks.

MR CHENG YIU-TONG (in Cantonese): Mr President, the preparation of the 1996-97 Budget has indeed attracted a lot of attention. In the course of preparation, the Financial Secretary himself has consulted Members of this Council for their opinions, and various groups and political parties have made all sorts of requests to the Administration, asking for this and that. It is like the wall of drawers in a Chinese herbal medicine dispensary, there is a bit of everything in there.

How does the Financial Secretary face the demands of the various political parties? Our Financial Secretary has all of a sudden turned into the shopkeeper of such a dispensary. He is very clever. Confronted by these demands, he, like the shopkeeper in front of the drawers of herbal medicine, just stretches his hand here and there for a bit of this and that and then adds in what he has picked to make up a pack of "strong dose" herbal medicine. Fortunately, he has not mixed up "winged euong twigs" with "beggar sticks". The two of them are so different in their effects that inadvertent consumption of the wrong herb could lead to really serious consequence!

Finally, on 6 March, he himself made up a secret prescription for preserving complexion which can "quench fire in the liver, remove dampness and stagnation, retain youth and increase vitality". This strategy was very effective, as once this prescription was presented, it attracted mixed reactions. Those who praised it said that the Administration had listened to the opinions of their political party, and so they had a part in it. Those who criticized it, instead of lashing out seething scolding like what they had done in the past, were like "damp squib" and only gave a mild rebuke that made the one criticized just as "happy". This prescription therefore has achieved half of the effect already and for the remaining half, we have to wait till next Wednesday when the chief

characters will make their appearance. No matter how, the way this prescription is prepared is very clever because it takes 60 bowls of water to be boiled down into one, in simmering fire.

Here, I advise the Administration to keep a close watch on the fire and not to boil the whole thing dry, or else it will be short of success for lack of that final effort.

Mr President, I did not mean anything derogatory in what I said just now. I just want to show the concern of the public about the 1996-97 Budget.

In discussing the content of the Budget, Mr President, we must be clear about one thing. The tax revenue the Administration collects, besides defraying normal public expenditure, should also achieve a leverage effect so that social resources can be reasonably redistributed and the gap between the rich and the poor can be narrowed. However, the taxation system in Hong Kong tends to benefit the businessmen more than the ordinary people. Such a system should be reviewed.

Though personal allowance for salaries tax is increased, the Hong Kong Federation of Trade Unions (FTU) considers that such an increase is not enough. I think that in determining allowances, Hong Kong's real economic growth and inflation rate should be taken into account because the labour sector has contributed a lot to Hong Kong's prosperity and should partake of the fruit of economic development. FTU therefore proposes that the personal allowance for salaries tax should be raised to \$96,000.

Besides the basic salaries tax allowance, FTU proposes that a tax concession should be given to "first time home buyers" who have to pay off their mortgages by installment so that the burden of the sandwich class can be lessened. A family that first owns a home has to spend at least half of the monthly income on mortgage payment and the repayment period may be as long as 20 to 30 years. What they will get in the end is a cubicle-like flat. After all, this is the result of the high land price policy adopted by the Administration, and the Government has the responsibility to help them lessen their housing burden.

Regrettably, the Financial Secretary has not listened to our views and has just made minor adjustment to the stamp duty, which is only a one-off payment at the initial stage and has not given any assistance to the mortgage burden of home

buyers.

FTU hopes that the Administration will show some consideration to this group of people who have suffered under the high land price policy so that their burden of livelihood can be lessened and they can live happily and contentedly. A slight adjustment in the stamp duty, compared to some \$1 million in interest payment, is a drop in the ocean.

Moreover, despite the rising unemployment rate because the Hong Kong economy is undergoing a restructuring process, the Budget does not give any assistance to this army of unemployed. FTU has time and again asked the Administration to set up an unemployed assistance fund; however, the Administration not only disregards our request, but also ignores the urgent needs of the unemployed. They are thus sacrificed under the restructuring process of Hong Kong's economy.

Although the Administration has implemented the Employees Retraining Scheme, it does not have any positive measures to encourage the employers to hire those retrained workers.

In order to enable the retrained workers to have a better chance of getting hired, FTU proposes that the Budget should provide tax concession to those employers of retrained workers such that when an employer employs a retrained worker, he can have a tax concession for one year equivalent to 30% of that employee's salary. Such plan will enhance the chance of those retrained workers to be employed again.

Hong Kong's profits tax has been kept at a low level. How can businessmen be made to shoulder up the responsibility to repay the society after making huge profits? The Administration should raise the consistently low profits tax so as to achieve resources redistribution.

The Financial Secretary also recognizes that Hong Kong's profits tax tends to be on the low side. In the Budget he said, "Comparisons with other countries in the region continue to support my view that our level of profits tax is already very low." Regrettably, though he understands that profits tax is low, he still would not raise the tax rate.

In fact, even if we slightly raise our profits tax rate, Hong Kong is still in a good position to compete in the Asia Pacific region. Of Asia's four little dragons, South Korea, Singapore and Taiwan all have a profits tax rate between 24% and 27%, and for Hong Kong it is only 16.5%. We can see that Hong Kong's profits tax tends to be on the low side. A slight increase in the tax rate will not affect Hong Kong's position as a low tax area. Moreover, besides the low taxation factor, investors will consider the overall investment environment which is even more important. This should include social stability, a sound legal system, quality of labour and supply of technology.

Finally I want to stress that those earning low income should not be dragged into the tax net whilst the low profits tax should be raised. Over the long term, the Administration should seriously review the tax system of Hong Kong and strengthen the current progressive tax system so as to achieve fair redistribution of resources.

Mr President, these are my remarks.

MRS SELINA CHOW (in Cantonese): Mr President, this year's Budget is the first Budget prepared by a Chinese Financial Secretary ever tabled at the Legislative Council in its 153 years' history. No wonder Mr Donald TSANG is so proud of himself. The title of this year's Budget is "Building Our Prosperous Future", which all of a sudden makes me feel so good that I thought the Financial Secretary was an "undercover" for the Liberal Party, giving a further boost to our slogan "Focus on the economy and concern for people's livelihood". Originally I would have him openly and honestly admit it, but it is not wise in today's atmosphere to ask a senior government official to declare his stand. So we would let things say for themselves!

What impresses me most in the Budget is the courage shown in breaking away from the bondage of tradition. Not only are there important changes made to the form, with the Administration's departmental expenditure translated into Chinese for the first time, he also used Cantonese to read out the conclusion of his speech. I wonder if the introduction of next year's budget would be read

out in English, the main text in Cantonese, and the future prospects in Putonghua.

Mr President, I remember in a fairy tale that Aladdin was granted three wishes by the Genie after he had rubbed the Magic Lamp a couple of times. Just now I have rubbed and shined the Financial Secretary's shoes so many times, so in a conservative estimate, he would at least grant me three wishes.

My first wish is that the tax base of the Administration would remain stable so that the lofty plans of the Financial Secretary can safely be carried out.

The Financial Secretary has proposed to further raise the personal tax allowance so that more taxpayers can get out of the tax net. In fact if circumstances permit, I totally agree that ordinary workers should pay less tax so that they can have a chance to improve their livelihood. However, I doubt whether more people should be made not to pay tax, letting fewer people shoulder the tax burden, or should the number of taxpayers be more or less unchanged so that all taxpayers can pay less?

Actually the Liberal Party has said time and again that we want the increase of the basic allowance to be pegged to the inflation rate so that by widening the tax base, the burden of the taxpayers can be alleviated. For example, we propose that the tax brackets for the year 1996-97 should be at four levels, with \$45,000 for each level. I believe this is the most practicable way, and at the same time it can balance and stabilize the tax base and alleviate the burden of the taxpayers.

The Financial Secretary has always maintained that the Administration follows a steady and thorough way to manage public finance, and with discipline accounts for all revenues and expenditures. He even based the continuous adjustment to fees and indirect taxes on such grounds. However, in a manner breaking away from the convention, the tax base is narrowed at will. This is really bewildering.

I do not think the Administration should narrow the tax base so easily, especially when the Principal Assistant Secretary for Security still said last month that the number of migrants this year, when compared with last year, would increase by 5% to 10%. Those who can emigrate are often taxpayers with better financial capability, or may even be those paying tax at the standard rate. If on the one hand the Administration narrows the tax base, and on the other those shouldering even most burden in the tax net are migrating in droves, does the Administration really have a sufficient understanding of the situation? What makes me worry even more is whether the Administration has an established stand on the question of tax base, or whether it is decided by the Financial Secretary alone.

So my first wish is that the Financial Secretary will not use the pretext of robbing the rich to feed the poor or returning wealth to the people to fleece the non-salaried people and only return the wealth to the grassroots workers, and he will not, under the pretext of benefiting the taxpayers, go even further with indirect taxes and government charges.

My second wish is that the Financial Secretary, besides taking care of the ordinary citizens, will also think about the livelihood of those in the wholesale and retail industry, especially when many of them are only small businesses.

I know that the Administration has already planned to establish a Small and Medium Enterprises Committee and a Services Sector Support Fund, and it has intended to help enhance the productivity of the small and medium enterprises. All these show the Administration's consideration. However, my wish is that besides these long-term task which will only bear fruit in three or five years' time, the Administration would also provide a solution to the present situation.

I have asked the Administration to reduce the business registration fees and the rates, and especially not to increase government charges at a time when the economy goes slow but the government coffers are overflowing with cash. However, the Budget only makes a symbolic gesture by increasing the exemption level of business registration fees. In a place like Hong Kong where the cost of

living is so high, such a concession can only benefit a very small number of businessmen. As to the majority of the small and medium enterprises who have in the past two years paid the \$2,250 registration fee, what help does it give?

According to the provisional figures released by the Census and Statistics Department the day before yesterday, the general retail value in January dropped 8% when compared with the same period last year, and the total retail volume recorded a fall of 13%. Even for such items like clothing and shoes and food, tobacco and alcohol, the retail value and volume also dropped at least 3%. The drop in jewellery and car sales even reached 10% to 40%. The business of emporiums and supermarkets was no good either, with emporiums closing down one after another. It is difficult for the trade to agree with the optimistic estimate by the Financial Secretary that there will be an upturn in the economy in the second half of the year.

Last September, 69 000 companies in wholesale and retail and restaurant businesses were small operations with less than ten employees. Most of these companies were in retail business. With the retail market in such poor situation, these people would face great problem in their livelihood. I believe the Financial Secretary has no intention to disregard these small operators. He may be too occupied with other important matters that he does not have the chance like me to go to the market to talk to them, or the small merchants have not been able to organize themselves together to strive for their interests.

The Financial Secretary said that the Administration does not have the responsibility to stimulate the economy. However, it is rather that the Administration is not capable than it is not its responsibility. With the desire to spend already on the down side, it will make the operation of these small merchants all the more difficult if the Administration continues to increase its charges.

The Administration should face up to the problem and take up what is its responsibility and alleviate the pressure of cost through various possible

measures. The Governor, in his policy address, mentioned that all formalities were to be streamlined and bureaucracy done away with. This actually helps cutting the operating cost. The Administration should not draw up plans behind closed doors, and must hold discussion with businessmen and listen to their views to achieve maximum results.

Take the proposal to increase duties on tobacco as an example. Increasing the duties on tobacco actually will not make less people smoke, rather it will make the lawless elements engage in smuggling more cigarettes. The Administration's revenue will be affected as a result. Moreover, cigarettes are now not to be displayed and no cigarette advertisement is to be published in printed media. This will deal a heavy blow to the tens of thousands of stalls selling duty-paid cigarettes, especially most of them are sole proprietors from the grassroots. That makes the impact even greater.

In 1994-95, 8.79 million duty-paid cigarettes were sold everyday, but according to people in the trade, that figure only represented 70% of the total consumption, so the other 30% were smuggled cigarettes. Despite that the Administration seized 220 000 smuggled cigarettes everyday, the above figures meant that for every smuggled cigarette seized, 17 have got into the market. The Customs and Excise Department now estimates that 300 million smuggled cigarettes will be seized in 1996. If the proportion of those slipping through the net remains unchanged, the Administration will lose \$3.2 billion in revenue at today's rate of duties, and at the same time, there will be a smuggled cigarette market worthing \$2.5 billion a year. Under such a situation, raising the duties on tobacco is only to provide a greater space for the lawless elements to expand their market. A simple truth like this certainly would not escape our wise Financial Secretary.

My third wish is that the Administration will allocate funds as soon as possible to set up a film development authority to assist the movie industry in Hong Kong to develop healthily.

We are all proud of Jackie CHAN, John WU and CHOW Yun-fat for their recent achievement in the global movie market. Behind their achievement lies a question: why are there more and more people choosing to go to shoot movies in

such far off places like Toronto and Vancouver instead of in Hong Kong? It is all because the Administration has not been far-sighted enough, and would not help promote the development of the film industry. The local film industry is thus declining, with the talents making their pursuits overseas.

Jackie CHAN filmed his *Rumble in the Bronx* in Vancouver and the United States, and his *First Strike* in Australia and Russia, and many other directors take their production to places outside Hong Kong and to China, why? It is because Hong Kong, besides losing its appeal to people who want to make their films here, cannot compete with other places. It has long been a fact that the Administration does not look up on the film industry. There is no co-ordination and co-operation among the related government departments and this has hampered the local talents. It is no wonder that Jackie CHAN, though a fervent lover of Hong Kong, told me that he would not make any movie in Hong Kong. He is not in the minority, many other directors also have the same feeling.

This has a far-reaching effect. The number of locally produced films have fallen over the years since 1993 and there is a great drop in the number of movie-goers. Less people are thus willing to invest in making films here, leaving many of those in the industry unemployed or making them change jobs. According to 1992 statistics, it will be an in the film industry employed about 20 000 people, but the Administration estimated only 6 000 people were employed in the industry last year. If the estimation is correct, it will be an inescapable fact that the film industry is facing a crisis of being on the decline.

At the moment, I cannot say specifically what contribution the film industry has made to the economy of Hong Kong, nor can I say how much of the film production work has moved out of Hong Kong. This is all because Hong Kong does not have a film authority or any organization to co-ordinate the development of the industry and sum up the trend. Estimates by the industry put the average cost of making a film locally at \$10 million. So with 154 films produced last year, the investment would be \$1.5 billion. And with the royalties from overseas netting about \$700 million, a local box office receipt of \$770 million, plus another \$700 million from video production royalties and receipt from television stations' screening rights, the film industry, though not as booming a business as in the past, is still one with a huge business. The

entertainment it gives and the spread of the media also help Hong Kong establish a place in the global community.

Australia decided to greatly develop its film industry 20 years ago, and now its achievement is there for all to see. The Australian government helps film companies to build large scale production studios for post-production use. Many of our local productions have to move to Australia to complete their post-production work because no one in Hong Kong dare to invest in running a production studio of such scale. At present Hong Kong is still one of the three major film production centres in Asia, but it is the Australian government's objective to have the production centre for the Asia-Pacific region moved to Australia.

In the past, the Administration drew support from the film industry and movie stars to promote Hong Kong's trade and image overseas. Now, it is time we helped this important industry which combines both art and industry in one, and should not let it run its course.

Mr President, originally I would like to have three more wishes after the third one, but I am not such an avaricious person and I do not want the Financial Secretary to get confused by all my wishes, and end up in none of them realized. The other wishes that I would like to see realized include: rates should not be reassessed annually, the Comprehensive Social Security Assistance for the elderly in hardship should be raised, and the undertaking in the review report should be carried out so that there can be a specific increase in the number of policemen. I shall convey all these wishes through other channels to the Financial Secretary and those responsible in the relevant departments.

Mr President, these are my remarks.

MR TSANG KIN-SHING (in Cantonese): Mr President, the first Chinese Financial Secretary, Mr Donald TSANG, in delivering the first Budget ever prepared by a Chinese, expressed that he felt "proud" and "privileged". His Budget is entitled "Building Our Prosperous Future", which brings out the concerns and worries of the people during and after the transition period.

With the Chinese side yelling about "getting killed in a car crash" and accusing "the Administration of flaunting money to win over the people out of

political consideration", the Financial Secretary has undoubtedly balanced and considered all interests. This is certainly a very politically inspired Budget.

However, to the grassroots, this Budget is only "for them to see, with no actual benefit to them", or it can be described as "unappetizing but not too bad to throw it out". "Building Our Prosperous Future" should be changed to "Neglecting the Livelihood of the Grassroots".

Free market and the lie about the "pie"

Mr President, everyone knows that Hong Kong is a free market economy. This is a system more like "survival of the fittest", with any adjustment done automatically by the market, and it has been reputed as an important pillar for continuous economic growth. However, it is inevitable that the free market will at the same time give rise to disparity between the rich and the poor, leaving behind losers in the course of competition.

In view of this, many advanced countries in the West, including the other three small dragons in Asia, have, through appropriate intervention of the government, helped those less fortunate, so that they can tide over their difficulties, enjoy good quality of life with dignity, and return to competition and achieve fair competitive condition. Social welfare is therefore not just for providing a "safety net", it is there to achieve wealth redistribution.

Mr President, there may be people who think that this is against the principle of "living within our means", and it may even be accused of contravening the Basic Law later.

Who is the free-luncher?

Mr President, there are people who think that the Budget is flaunting money, and that it will only make people ask for free lunch and less willing to work. But can raising the benefit for the elderly make them less willing to work? Should the 60 or 70-year-olds, after toiling for a whole life, be kept toiling? Would providing unemployment assistance or insurance to those made unemployed through economic restructuring make them stop looking for a job and live on those few thousand dollars while having to brave the social "discrimination" at the same time? Would raising the assistance to single-parent families and the disabled reduce the rate of economic growth? In

the face of this group of elderly, frail, orphaned and invalid people on the edge of society, can we only care about our economic growth and show no concern about their plight? Such "selfish" and money-reign-supreme mentality is out of tune with a 20th century society where equality, righteousness and care are set as the ideals to strive for.

China's intervention in Budget all too obvious

Mr President, in delivering his Budget speech, the Financial Secretary specially emphasized that when the 1997-98 Budget was to be prepared, only the Chinese Government would be consulted. However, not long afterwards, Mr KWONG Ki-chi, the Secretary for the Treasury, came to a consensus with Mr CHEN Zuoer, the Chinese representative in the Joint Liaison Group, and it was agreed that any policy regarding major income and expenditure would have to be passed by the expert group on the budget of the transition period before it is given to the incapacitated Administration to draw up the specific details.

Such inconsistency and contradiction will only permit the Chinese side to intervene in the Budget of the Administration, and make one suspect where is the spirit of "a high degree of autonomy" and "Hong Kong people ruling Hong Kong". Is it the Administration thinks the Chinese side has a better understanding than Hong Kong people of our society's needs and actual situation? Is it that the Chinese representative and those so-called experts can represent the Hong Kong people and determine the direction and goals of our Budget? Is it that the Administration is not afraid of the situation of "getting killed in a car crash" as depicted by the Chinese side if the present effective financial policy is replaced? Is it that the Administration led by Mr Chris PATTEN has already collapsed and that it has to kowtow to the Chinese side and shine their shoes before Hong Kong can have a peaceful transition?

The hard fact is that the British Hong Kong Government is on the way out and is making a desperate struggle before its final retreat. It is entrusting the interests and fate of Hong Kong people to the Chinese side, which shows no knowledge of Hong Kong and often intimidates Hong Kong people with its authority as Hong Kong's future leader.

The background of Mr Donald TSANG and my dream

Mr President, there have been commentaries praising Mr Donald TSANG's Budget as creative. It is because the Financial Secretary has slotted in two small sections: an allowance for maintaining a dependant brother or sister and a tax deduction for attending training courses. I think this is the traditional Chinese ethical value which Mr TSANG holds, and it is good. If Mr TSANG in his youth had been from a poor family and his parents did not receive any assistance, I think that the Comprehensive Social Security Assistance for the elderly should be increased. If he had suffered high rental, and found paying off the mortgage of a pricey property very difficult, it should be time now to change the high land price policy and reduce the rates slightly as well. If all these could be done, Hong Kong people will be in for a fortune. Actually, if any change is to be made to past practices, the restrictions of Article 107 of the Basic Law must be dismantled, or else the Hong Kong Special Administrative Region (SAR) Government will beat the same old track of the century-old colony, sticking to the principle of "living within our means, maintaining a balanced budget, avoiding deficit and matching the GDP growth". We may put aside whether it is appropriate to put such policy measures into the Basic Law, but their feasibility, flexibility and necessity are dubious.

I think that if a far-sighted and caring budget is to be prepared, all these seemingly indestructible rules, which have been mistaken to be set in gold, should be done away with, and measures appropriate to the current conditions and social needs must be drawn up. Meanwhile, disparate views should be taken into consideration so that different economic strategies can be incorporated with a view to achieving redistribution of wealth.

Mr President, today's discussion is on the Budget. I have two issues which I want to raise solemnly again: first, it is the labour policy, and second, the policy regarding occupational safety. In respect of occupational safety, the Administration still stick to the theory of occupational safety, without covering all the over two million working population in Hong Kong. With the construction industry alone, the accident rate per thousand workers was 275.03 in 1994, the figure dropped slightly to 236.2 in 1995. In the past 10 years, there was an average of 87 deaths each year. In the face of these figures of industrial casualties, the Administration only allocates less than \$30 million for occupational safety work. How could that be enough to cover the three million working population in Hong Kong? Moreover, in 1995 there were 87 accidents in hand-dug caissons, two were fatal. Should the Administration legislate

against such caissons? At the new airport construction site, fatal accidents rose from 12 in 1994 to 23 in 1995. Should there be improvement? The accident rate in the catering industry also rose from 67.1% to 68.2%.

How are we to remedy such a situation? As to non-industrial accidents, how are we to ensure that the workers can go to work safely and return home unscathed? I hope that the Financial Secretary can allocate more resources and provide more manpower to look after the workers of Hong Kong.

On the other hand, in respect of employment, after a series of incidents involving imported workers and the unemployment rate reaching 3.6% last year, the Administration finally did some white-washing work by setting up an "airport projects recruitment centre". At first it seemed that it was "invincible", but it turned out that it was just "damp squib". I would like to say on behalf of the construction sector that their condition now is that they are in constant fear for their livelihood despite their hard work. Why? Two thousand people went to the recruitment centre for interviews, but only 200 were recruited. Can that be said to be effective? And according to the information provided by the Airport Authority, why were these 2 000 workers not recruited after the interviews? Because of their age, language ability, attitude, work experience? All these can be boiled down to "discrimination". It shows that the Administration dares not intervene in the progress of work at the airport. If the Hong Kong contractors are required to recruit local workers and pay the local wages, they may not want to recruit workers, and the progress of work may thus be delayed. This is how political consideration has sacrificed the interests of the workers and wrecked their "rice bowls". I hope that the Labour Department and the Education and Manpower Branch will consider the above problems seriously and provide more resources so that the workers will not be exploited and the occupational health of three million employees in Hong Kong can be safeguarded.

Mr President, these are my remarks. I also take pride in having the same surname TSANG as the first Chinese Financial Secretary.

MR DAVID CHU: Mr President, the Financial Secretary's first Budget is sound,

balanced and innovative, particularly its summary in Cantonese. He projects a vision of Hong Kong and its unique place in the region and China. I support his ideals and broad strategy.

By now, many of my colleagues have discussed the Budget in detail. Some have spoken with an eloquence I cannot match. I will instead limit my scope to talking about the future.

We are moving towards a destination called "one country, two systems" where no one has ever been. An explorer myself, I relish the challenge. An athlete improves with each new challenge. So does a community. I hope my ideas complement those of the Financial Secretary.

The first point. We have to maintain an executive-led administration — An administration that knows exactly where it is heading for and is not distracted along the way. An administration that does not let short term public pressure detract it from promoting the long term interests of the community, the whole community. Not any segment in it. Not any group.

The second point. We must devote ourselves to economic growth because there lies the solutions to our problems. Unemployment, underemployment, housing, inflation. You name it and chances are it can be overcome if we can return to a growth rate more typically East Asian — 7%, 8%, 9% — rather than to have one which is almost European. We have to focus on expanding the economic pie rather than dividing it. To accomplish this, we have to reaffirm our faith in individual enterprise and initiative and reject reliance on government handouts, except as the absolute last resort.

I believe it is imperative for us to avoid the pitfalls of other developed societies which have lost their drive, impetus, work ethic, purpose and nerve. Rather than constantly copying others, virtues and vices included, we would do ourselves a favour by fostering our unique democratic system, a system whose consensus has to be, once more, for economic growth.

The third point. We have to maximize the synergy between ourselves and China. The Financial Secretary talks about seeking out new opportunities. We have to do more than that by establishing across the board co-operation and co-ordination — in trade, industry, investment and infrastructure development. China is simply our most decisive competitive edge.

The fourth point. Education is our salvation as a community. We value our youth and that is why we have expanded university enrolment from 4% of the student population a decade ago to 18% today. We now have the quantity. What is lacking is the direction. Our graduates need meaningful job opportunities and challenges. I believe it is our duty to provide a framework for their career progression and improvement on the quality of their life.

At the primary and the secondary school levels, our pupils must be weaned from rote learning and be more imaginative. Instead of just copying what others have created, our youth should one day do the inventing in an age of digital technology and electronic information.

There is no shame in identifying the intellectually gifted youth early and in having some top schools like the Bronx High School of Science in New York to get them ready for top universities. There is much honour in providing our other children with the most advanced skills through top notch technical institutes. On the one side, we can have an Ivy League environment, on the other, a Germanic approach to craftsmanship and to mechanics. Having the two would be a formidable combination. The crude egalitarianism, now in vogue, is wrong for the community and for the individual.

The fifth point. Stability for a developed society depends a lot on having a large and contented middle class. This is not what we have today in Hong Kong with its great disparity in wealth. We need to devise an explicitly comprehensive and continuous long-term strategy to expand the middle class. We should amend policies in education, taxation, health care, housing, provident funds, infrastructure — with that objective in mind.

The sixth point. Our universal health care coverage is our pride and joy. But we are heading towards the abyss of socialist medicine such as that in some Western societies. We have heard about faults and abuses in their systems. We would be foolish to repeat their errors just as they are trying to correct their mistakes. I advocate more private initiative, more private investment in health care, and some day, comprehensive medical insurance provided by the private sector.

The seventh point. I detect glimmers in the Budget of an attempt to social engineer and to promote family values. The Financial Secretary's

allowance to encourage families to fend for their elderly is commendable. We need to do more. Family values are big items in the American presidential election this year. British Prime Minister John Major is behind a campaign called "back to basics". But over there all these desperate awakening to morality may be too late. Our cultural heritage remains strong and should be re-enforced now.

Any problem solved at the family level costs the community virtually nothing. Such a problem that must be dealt with by society — through counselling and social welfare, the courts, reform school, even jail — costs a fortune. Today some Western governments are being bankrupted for this simple reason.

The eighth point. Our income tax base shrinks rapidly. Some 54% of our working population paid salary taxes three years ago. Now, only 40% do today. Credit, or debit perhaps, goes to government constantly raising the basic allowance and giving tax concessions. The trend is understandable because the Government is being pressed into helping the working and lower middle classes. They have the majority of the votes. Their champions are many in this Council. The Government cannot broaden the tax net because that would be highly unpopular. The solution, yet again, is economic growth. Growth drives up income. Higher income would bring more people back into the tax net.

The ninth point. The Financial Secretary pledges to make the Government more business-friendly. This can be achieved, as he suggests, by easing bureaucracy and increasing efficiency. This can also be achieved by government interfering less and, where possible, leaving businesses to regulate themselves. In recent years, goaded by some legislators of activist and unionist persuasion, the Government has not been friendly to business. An array of new rights regulations, some of dubious necessity, have been stifling. A few — such as payouts to appease labour and stringent anti-discrimination decrees — are expensive. We would do better for everybody in the long run through legislation for growth rather than more regulation.

The tenth and final point. Our environment is critical to all of us, both in

terms of quality of life as well as our competitive edge. Our high standards of living dictate that we move up the market and compete at the top level. A safe, clean, first class environment is, therefore, absolutely essential to our future success.

A good Budget is one that brings out the best in all of us. The Financial Secretary understands this. Our success as a community is but a composite of individual successes. Our greatest asset is not the harbour which is diminishing, not even our proximity to the China market, but what is in our minds, in our hearts, in our character. We cannot lose sight of this. The Budget before us recognizes this in parts. I endorse the Budget and trust that future ones, under the present Financial Secretary's stewardship, can be just as relevant and even more inspirational.

Thank you, Mr President.

MR BRUCE LIU (in Cantonese): Mr President, earlier the Financial Secretary has given out a lot of praises, saying that this Budget has incorporated the opinions of different sectors and political parties and it is a joint product that carries on with the financial management philosophy of his predecessor and is capable of promoting and developing the economy and improving people's livelihood. However, Mr President, an Honourable Member yesterday criticized the Administration for practising welfarism and advocating such "spiritual opium" as "reaping without sowing".

I was shocked when I heard such criticism because if the criticism by this Member was tenable and if what the Financial Secretary said was true (I believe it is true), then that would mean many Hong Kong people and many political parties (including most of the political parties in this Council) had helped in advocating "reaping without sowing" and peddling this "spiritual opium". If you are out to condemn someone, you can always trump up a charge. And that is what that criticism actually is. It is also the most imaginative and baseless allegation. It is really an eye-opening experience that one can completely negate all people with a word.

Grassroots bodies including the Hong Kong Association for Democracy

and People's Livelihood (ADPL) have been making criticisms after the release of the Budget. They think that the Administration has been too miserly in increasing welfare expenditure. We must also be one of the peddlers of "spiritual opium". All of a sudden, Hong Kong is full of businessmen, pushers and smokers of "spiritual opium". I am also prepared to urge the Administration to increase welfare expenditure in the remainder of my speech. I am worried that I would be regarded as one of the peddlers of "spiritual opium".

Mr President, on behalf of the ADPL I would like to talk about issues in relation to social welfare, education and labour. On the social welfare front, tens of elderly people died in a cold spell during the Chinese New Year. The incident clearly shows what a wretched, helpless and miserable life the elderly is leading. They live in poverty, their health deteriorates, their social circle shrinks and they lack the support of relatives, friends and neighbours. After the incident, we expected the Administration to make some urgent provision for elderly services in the Budget, but to our disappointment, we cannot see any relevant action from the Administration. The Government is numb like having Alzheimer's disease.

In the Budget, the Administration undertakes to increase the number of residential care places, social centres for the elderly, day care centres and Home Help teams. At first glance, the Administration seems to have reacted swiftly and have shown great concern to the plight of the elderly, but in fact the Administration is just making good the meagre promises it made in the past, shortage of service is still very serious. According to the Five Year Plan for Social Welfare Development, in 1996-97, there is a shortage of 3 000 residential care places, 46 social centres for the elderly, seven day care centres and two Home Help teams. And these figures have taken into account the services increased this year. In a situation where the supply cannot meet the demand, those who need such services will have to continue to wait. Take residential care places for example, 13 000 persons are now waiting for their turn to move in, but the increase of 1 500 places can only meet about 10% of the demand.

Not only are there serious shortage in residential care places, the social centres for the elderly are also in short supply. The Administration has promised to build 43 more social centres for the elderly, but we are worried whether this promise can be made good on schedule. Last year the opening of a

number of such social centres for the elderly were delayed because appropriate sites could not be found or construction work was delayed. We really do not want the elderly to waste their remaining days on waiting. The ADPL urges the Administration to review its procedure for site selection and work progress so as to speed up the opening of more social centres for the elderly.

Mr President, the Administration has been promoting "community care" in elderly services, that is, let the elderly stay in the community which they are familiar with. Whether this policy can achieve its objective depends on if there is sufficient support services, and elderly outreach teams constitute one of the important links. Outreach teams provide important and urgent services to elderly people living on their own, or those who are weak and frail and have difficulty in movement because the elderly seldom take the initiative to look for such services. Even if they have problems, they do not know where to turn to for help. It is therefore important that social workers would approach the elderly and understand what their needs are, then provide the appropriate service. But at present there are only two Home Help teams in Hong Kong, serving Tsuen Wan and Wan Chai. With 8 000 elderly people living on their own, this number is utterly inadequate.

However, it seems that the Administration has no plan to expand the service of the outreach teams. The Administration's explanation is that there are already other services, such as senior volunteer scheme, home help teams and medical outreach teams for the elderly. I feel that the reasons held by the Administration are not sufficient. Home helpers and volunteers have not received any professional social work training and do not have the adequate experience to assess the needs of the elderly. Furthermore, as many of the elderly are living in private properties, caged bedspaces and old public housing where the living condition is very poor, it is not feasible for the volunteers to make constant visits and follow up their cases.

Actually the operating cost for one outreach team for the elderly for a year is about \$700,000. If a team is set up in each of the 18 districts, the total cost would only be \$12.6 million. The ADPL considers that the Administration should really spend this sum. We do not understand why the Administration could be such a niggard.

Besides no improvement is made to the community support service for the elderly, the Comprehensive Social Security Assistance (CSSA) the elderly

receive also remains unchanged. The Administration recently published a review report on the CSSA and the CSSA payments given to all categories of recipients have been improved in real terms, except for the standard rate for elderly singletons which only gets an adjustment in line with inflation.

The Administration claims that the expenditure of those elderly singletons is 16% higher than the 5% households with the lowest income. The CSSA they receive should be sufficient to maintain a basic living, and so the CSSA for the elderly needs not be raised. The ADPL is very indignant of such a claim. The Administration actually is using the household expenditure survey as an excuse to lock the elderly in abject poverty and undignified living. The income of the 5% households with the lowest income only represents less than 1% of the total income of all Hong Kong households. In the household expenditure survey, we found an alarming fact: Those elderly people who are non-CSSA recipients but live alone only have a monthly expense of \$1,235, that is \$40 per day. The situation is hard to imagine.

In the World Development Report 1995 published by the World Bank, the per capita GNP of Hong Kong was US\$21,560 in 1993 which ranked fourth in the world. We are such an affluent society, and yet there are elderly singletons who only have \$1,200 for their monthly expenses. This is something we should be ashamed of. However, the Administration has gone as far as to use the living standard of abject poverty of the elderly as a basis for comparison, so as to halt our request for increasing the standard rate of CSSA payment for the elderly. The living standard of this group of elderly CSSA recipients thus cannot have any reasonable improvement.

The Government may argue that every elderly CSSA recipient will be given a grant of \$320 for social activities and at the Chinese New Year a red packet of \$200. This grant, however, can only increase the elderly's monthly allowance by \$43, and the grant for social activities has to be accountable, that is they have to pay out of their own pockets first and then apply for reimbursement. Such a practice would only make them less forthcoming in applying for it.

The ADPL proposes that it would be more straightforward if the Administration increases the basic rate of CSSA for the elderly. I want to reiterate here the stand of the ADPL: the Administration should raise the basic rate of CSSA to one third of Hong Kong's median wage and that is \$2,700. Raising the CSSA for the 60 000 elderly singletons to \$2,700 would only need

about \$56 million, which when compared with the \$320 billion reserve accumulated by 1997 is only a drop in the ocean. I hope that the Administration can take concrete step to improve the welfare of the elderly.

I would next like to talk about education. This year's recurrent expenditure for education is \$34.5 billion and is only increased by 4.3%, which is less than the 5% growth in GDP for the coming year. The resources that the Administration gives to education have for two consecutive years not been able to catch up with our economic growth, and this is very disappointing.

Apart from the small increase in resources, the distribution of the resources for education also makes one worry. Let us look at the following three facts:

1. In the new Budget, basic education takes up 65% of the recurrent expenditure on education whilst higher education takes up 35%; but in the past the percentage for basic education was 75%;
2. The increases in funding for primary and secondary education are respectively 2.6% and 3.5%, which is far below the 5.9% growth for university education;
3. The average unit cost of public primary school students is \$20,000, and that of secondary school students is \$33,000, but that of university students is \$202,000 which is 10 times that of primary school.

The above figures show that in terms of resources distribution, education in Hong Kong is top-side heavy, with basic education not getting the attention it deserves. Such an unbalanced development will directly affect those measures that are meant to improve primary education as implementation of those measures will be delayed because of insufficient resources.

1. *Graduate teachers for primary schools*

In the Budget, the Administration announces an additional 300 graduate teachers for primary schools, making the proportion of graduate teachers rise from 2% to 3.3%. Such a slow rate of growth makes one doubt how the Administration could achieve by 2007 the objective of having 35% of primary school teaching posts taken up by graduate teachers.

2. *Primary schools operating on whole day basis*

In the Budget, the Administration promises that there will be 15 more primary schools operating on a whole day basis. With 750 primary schools in Hong Kong, this means that the proportion of whole-day schools will be raised by 2% only. In fact whole-day schooling is not only beneficial to the development of students, it also meets the particular need of the society of Hong Kong. As many parents now have to go out to work, whole-day schooling can keep the students at school without leaving them at home unsupervised. I hope that the Administration will set a specific timetable and allocate more resources to implement whole-day schooling.

3. *Floating class system in secondary schools*

In the Budget, no improvement measure is put forth in respect of floating classes. Many students still have to run around to change their classrooms after each lesson. The ADPL is greatly disappointed about this.

4. *Assistance for pre-school education*

After much lobbying by the community, the Financial Secretary last year finally promised to set aside \$80 million as assistance to kindergartens, so that they could recruit qualified teachers to improve the quality of teaching. The Administration had expected 400 kindergartens to join the scheme, but actually only about 240 joined. What made the kindergartens hold back was that they had to meet very harsh conditions while the assistance was very limited. Under such a situation, there can hardly be any specific improvement in the teacher's salaries, and they have lost the incentive to go on to have more training. The objective of the assistance scheme to improve the quality of education in kindergartens can thus hardly be achieved. The Administration's allocation to the kindergarten assistance scheme for this year remains unchanged. It is \$80 million as what was promised last year, showing no obvious increase.

All the improvement measures for basic education as discussed above are delayed because of insufficient resources. Without a sound foundation, later development will be affected. The ADPL hopes that the Administration will review the distribution of funding for education and allocate more resources to improve the development of basic education.

Finally, I would like to reiterate the ADPL's request in respect of the unemployment problem in Hong Kong.

In the Budget, though the Administration has proposed ways to stimulate Hong Kong's economy, there is no specific measure to tackle the unemployment problem. Unemployment rate has remained high for almost a year, and in the face of economic hardship, the unemployed do not have sufficient support, making them unable to find a job for a long period of time and helpless in their livelihood. Also, they have to bear a lot of stress.

The ADPL hopes that the Administration will set up a "transition relief fund for the unemployed" to provide assistance to those who have become involuntarily unemployed for at least three months.

The ADPL is disappointed that the Administration does not accept the proposals although it commands a huge surplus of over \$150 billion.

These are my remarks.

MR CHAN WING-CHAN (in Cantonese): Mr President, one of the main features of this year's Budget is that it has put forward a series of strategies for supporting and promoting the services sector. Mr Donald TSANG, the Financial Secretary, listed 14 key service industries and the strategies for supporting them. The proposals have met with general approval of the business sector, saying that they are practicable and innovative. However, such positive views are mainly from people in the financial, banking, trading and communication sectors. As for those traditional and labour-intensive service industries like catering, hotels and retailing, there is no encouraging and effective support strategy, nor has the Administration shown any sincerity to support them.

With the restructuring of the Hong Kong economy in recent years, the services sector is expanding and is gradually assuming a greater weight in the GDP. Most people have thought that there is a bright future for the services sector, but in fact not every service industry is doing as well as expected. Take those traditional and labour-intensive industries I mention above as an example, they are facing all sorts of operational difficulties. In the last couple of years we have often heard about news of the closing of emporiums and restaurants. Take the restaurant industry as an example, hundreds of restaurants, big or small,

have closed down between the end of 1995 and now, and over 1 000 people have lost their jobs.

Obviously, business of these traditional service industries has dropped sharply because under the current depressed economy, people are less willing to spend, forcing a lot of shops to close down. According to people in the trade, one of the major reasons forcing them to close down is the high rental. They pointed out that though business has been slow in recent years, the rental increased in leaps and bounds every year, thereby raising the cost sharply. Under such a condition, many shops are forced to wind up.

If the Administration genuinely wants to alleviate the hardship of these industries and support their development, it must recognize where the problem lies and prescribe the right remedy. Only giving some impracticable proposals, which makes a sham of the Administration's claim that it is "supporting and promoting" the services sector, does no help to those industries in urgent need.

To the hotel industry, though the introduction of a tax deduction for refurbishment and depreciation may not do much actual help, it is better than nothing. Whilst the permissible plot ratios for hotel sites is increased, the inclusion of the basement areas in the calculation actually means a decrease rather than an increase. Meanwhile the Administration is to raise the hotel licence fees and has attracted much complaints from the industry. I hope that the Administration can review the plot ratios for hotel and its policy towards the hotel industry.

With regard to the retail industry, what the Administration has put forth are mostly proposals in principle only, such as increasing the productivity, applying high technology and improving the quality of service, but I have great doubt if such strategies can really support, promote and develop the industry. As I have said just now, high rent and a general lack of desire to spend are the major difficulties the industry faces, and just by improving the quality of service and applying technology cannot solve the problem.

Even so, I think the restaurant industry should feel most dissatisfied. The whole Budget has not a single word devoted to the support of the industry. Now with the consumer market in such a depressed state, the worst hit are the restaurants. It is an indisputable fact that hundreds of restaurants closed down as a result. However, the Administration still turns a deaf ear to the strong demand of the restaurateurs for a reduction in sewage surcharge. The restaurant

industry employs 200 000 employees, and is closely related to the tourist industry. As it also serves millions of citizens everyday, it is directly related to people's livelihood. Though the industry is faced with all sorts of hardship, the Administration is still indifferent in its attitude. I, on behalf of the industry, can only show my utter disappointment in the Administration.

Mr President, though disappointed I am, I would still like to give the Financial Secretary a commendation. It is too bad he is not here, but I hope that he can hear. One thing is the grant of \$50 million for establishing a Tourism Development Fund to further promote tourism. I think this is a good and praise-worthy measure. Though \$50 million is not a great sum, if the Administration has the sincerity to do this job well, Hong Kong tourism will see further development. Any development in tourism will bring more business to the hotel and restaurant industries and the related facilities and need will increase. This will help increase the number of people employed. The Administration, however, has not given any substantial support to develop the restaurant, hotel and retail industries.

I have to point out that if the Administration is to stick to its present policy, Hong Kong's international reputation as a "gourmet city" and "shoppers' paradise" will be tarnished gradually among tens of thousands of tourists coming to the territory. I hope that the Administration can recognize that promoting and bringing more business to the restaurant, hotel and retail industries is the best way to support and promote Hong Kong's tourism.

I would also like to talk about the problem of retraining. In the Budget, the Administration is to inject \$300 million into the Employees Retraining Fund and introduce a new tax deduction for attending training courses at approved institutions. These are measures that strike home at the problems. With the economy of Hong Kong undergoing restructuring and the unemployment rate standing at a high level, retraining has become a way out for the blue-collar and white-collar workers as well as grey-collar technicians. In times of necessity, the new knowledge and new skills they obtain from the training may help them make a living or change jobs. However, in the face of our fast-paced restructuring process and heavy social demand, the \$300 million injection, equivalent to a year's operating expenses of the Employees Retraining Board, is only a drop in a bucket. What has been criticized most severely is that the Employees Retraining Scheme (ERS) cannot help workers change career and find a job, and a lot of people have commented on this. The Administration and

the employers must show their concern and co-operate for the ERS to be effective, or else mismatch will result, causing a waste of human resources. I hope that the Administration will make improvement on this.

Mr President, these are my remarks.

MR PAUL CHENG: Mr President, I am sure the Financial Secretary is familiar with the saying: "You cannot please all of the people, all of the time". This is especially true where politics are involved.

The annual Government Budget, however, is something we should not over politicise. It is not very meaningful or productive to debate at length the nitty-gritty of specific numbers. We either support the Appropriation Bill or we vote it down.

I, for one, would like to commend our Financial Secretary for presenting a balanced, caring Budget, aimed at building confidence during this challenging period in Hong Kong's history. He deserves our support.

The Financial Secretary has gone well beyond the usual simple financial exercise and provided a visionary outlook for Hong Kong. He has shown an ability to step back and look at the bigger picture and longer-term priorities, while still keeping a watchful eye on the short-term pressures.

It is an impossible task for the Financial Secretary to please everyone, to satisfy everyone's demands, to do everything the community wants or needs all in one single year. But that will not stop some Members of this Council from nit-picking in the guise of ensuring "representative and accountable government". I, however, prefer to focus on a few important areas which the Financial Secretary should address as we move ahead.

Business-friendly government

The Financial Secretary's commitment to creating a government which is "truly business-friendly" should be welcomed — not just by the business sector itself, but also by the broader population. Hong Kong has thrived and Hong Kong people have prospered on a simple philosophy that what is good for business is good for Hong Kong.

Creating an environment which is accommodating to business and where the investors, the risk-takers, together with a hard-working population, are well rewarded for their enterprise and effort has been the main reason for Hong Kong's success. This is how we have been able to achieve an average *per capita* Gross Domestic Product (GDP) of US\$24,000 — one of the highest in the region and the world. And it will be all the more important in the increasingly competitive years that lie ahead.

The Budget has made a start with a promise to cut red tape, improve efficiency, streamline government services, and, where needed, provide additional services to assist business. There were even a few tax concessions thrown in for good measure aimed at reducing the cost of capital, as well as the operating costs of small businesses. Welcome as these initiatives are, at the end of the day, they do not add up to a great deal. More meat will be needed in the sandwich if the promise is to be truly delivered.

The business community looks forward to working in partnership with the Government to identify the more substantial measures that will be required to ensure that Hong Kong consistently enjoys the ranking of the "most business-friendly city in Asia".

However, the Financial Secretary's admission that it has taken policy-makers time to catch up with the economic reality of Hong Kong's shift towards a service-based economy — because it was "so swift" — may not bode well, especially when, in the same breath, he tells us this shift has been taking place over the past 15 years! Let us hope the more business-friendly government we have been promised has a more business-oriented definition of swiftness.

A balanced economy

The strong, albeit belated, focus on the services sector is a reflection of the fact that this sector now accounts for 83% of Hong Kong's GDP. The Government's commitment to support the market momentum created by the private sector is reassuring, and essential if we are to continue to lead the region as a service provider.

The proposed \$50 million "Services Support Fund" is neither here nor there. It merely seems to add to an already muddled situation. What concerns me more is the continued fragmentation of our efforts in promoting Hong Kong's goods and services and attracting inward investment. I still maintain that we need to pull everything together under an Economic Development Board (EDB) — a strong, central co-ordinating body that would be more focused and more cost effective.

Why not go all the way and turn the Trade Development Council (TDC) into an EDB, rather than merely extending the TDC's mandate to include the promotion of trade in services, and continuing to leave the inward investment promotional responsibility with the Industry Department? Having separate overseas offices for the TDC and the Hong Kong Government is confusing for potential investors, and the duplication is wasting taxpayers' money.

There are those who would write-off Hong Kong as a manufacturing centre, so it was gratifying to see that the Financial Secretary's vision of the future includes a role for Hong Kong as a premier regional centre for high-technology, high value-added manufacturing. This is absolutely vital if Hong Kong is to develop the more balanced economy we need to underpin our future growth, and the Government is rightfully expanding its support for this sector through:

- Establishing a science park;
- Developing a second industrial technology centre and a fourth industrial estate; and
- Commissioning a detailed study on longer-term industrial development.

However, such programmes are likely to have little direct effect on the

economy for several years. In the short-term, the Administration must be more aggressive in looking again at targeting key multinational companies with a tailored package of financial incentives to encourage investment in Hong Kong's manufacturing sector. We need actions and we need results.

While the services sector will clearly continue to be dominant in Hong Kong, we have to guard against over-dependence. A vibrant, revitalised manufacturing sector will provide us with at least some counter-balance — and prevent us from becoming a "one-sector wonder". Wonders may never cease, but they can certainly decrease. Growing our manufacturing sector will also have the benefit of creating new jobs, jobs in which many of our displaced workers may feel more at home.

After all, workers from the manufacturing sector made up 38% of the over 5 000 registrants to the job-matching scheme in 1995. On the face of it, retraining and upgrading the skills of manufacturing workers for new manufacturing jobs would seem more logical — and would perhaps meet with more success — than pushing them into service jobs. The latter rather smacks of forcing a square peg into a round hole.

Tackling unemployment

The pain associated with the restructuring of Hong Kong's economy will undoubtedly continue as Hong Kong further develops as a services and high-technology, high value-added manufacturing centre. A better-resourced Employee Retraining Board in combination with more effective job-matching schemes are crucial in helping get people back to work.

But the Government needs to keep these programmes under close and constant review to ensure that they are indeed effective and relevant. In other words, to ensure that the services being offered meet the needs of those seeking assistance.

At the same time, given the urgency of the situation, one has to question whether enough is being done and enough resources are being directed into these initiatives. Tackling unemployment has to be one of our top, top priorities.

Language

Continuing to enhance the skills of our workforce is essential to our future competitiveness. And high up on the list of required skills is languages.

The Financial Secretary has warned that Hong Kong will not be able to maintain its position as an international centre for trade and finance if we allow our language skills to slip. This is no idle threat. Yet slipped they have, especially with English which is so important to our international trade and financial services. Educationalists have called for urgent remedies, and a strong recruitment drive for native English speaking teachers.

Therefore, I was once again surprised at the seemingly low level of resources being allocated to this area.

Revenue protection

Concerns have been expressed in many quarters about the shrinking salaries tax base — a base which will shrink even further with the Budget proposals. While the beneficiaries of the new tax concessions and allowances will be delighted, and while the Financial Secretary's generosity might help lift some of the economic gloom that has hung over much of the population, concerns about the revenue base must not be taken lightly.

The situation is all the more worrying in light of the estimated 15% decline in land premium income — one of the Government's other primary sources of revenue — in the 1996-97 financial year. The Government's coffers (and those of the future Special Administrative Region Government) have been bolstered by the high land premium income in the past few years. However, with the relative scarcity of "prime sites" remaining in the government portfolio, the trend will be towards declining revenues from land premiums.

To address this, the Government should initiate as a matter of urgency a detailed review of medium-and long-term land supply, with an emphasis on urban renewal, re-zoning and modification of land use.

I am also concerned about the delays in the Capital Works programme and the impact such deferred expenditure will have on reserves — especially should there be an economic downturn at the time the committed expenditure finally becomes due.

The Financial Secretary spoke of the need to keep our reserves for a rainy day. And by that he indicated he meant more of storm than a shower. For the same reasons, we have to protect our revenue base.

Living within our means

Furthermore, while we must increase our support for the elderly and the needy, we must also ensure that we continue to live within our means. Hong Kong's success has been based on the principle that those who can work do work, and work hard. Long may it continue. We therefore have to strike a balance between helping those in genuine need, and welfarism for welfarism's sake.

The Financial Secretary has gone to great pains to make it look like his Budget is in keeping with the "living within our means" philosophy. But with the concerns over the revenue base and the deferred expenditure on Capital Works, are we? And what of those "rainy days"?

Threats to growth

The Financial Secretary's projection of 5% economic growth is encouraging, although there are many who believe he is being optimistic. If growth fails to meet the 5% forecast — and the Government's downward revision of 4.6% growth for 1995 is not an encouraging sign — the projected surplus could easily become a deficit, especially given some of the ominous clouds on the horizon:

- The possible downturn in the United States economy;
- The on-going efforts to curb inflation in China;
- The threat to China's Most Favoured Nation (MFN) trading status.

All these would have a negative impact on our overall economic performance. And, if China were to lose its MFN status, then Hong Kong would definitely be in for some stormy weather.

Conclusion

In conclusion, prudence, caution, conservatism should be the Budgetary

watchwords, particularly in this challenging period of transition. Yet, as the Financial Secretary rightly pointed out, we cannot afford to wait and see what happens. The conservatism has to be combined with innovation and action.

Only by becoming more innovative — by seizing the lead and keeping it — can we truly enhance our competitive advantage. And, only then can we achieve the Financial Secretary's vision of Hong Kong's future as a premier centre for international trade, manufacturing and services in the region.

The Budget has given us a start. A foundation on which to build. So let us stop the nit-picking, the political rhetoric and the arguments about who will and who will not have a say in preparing the next Budget, and begin working with the Government to build the future, the promise for Hong Kong outlined in this Budget.

Let us give the Financial Secretary our vote of confidence, just as he has given Hong Kong his vote of confidence.

Mr President, I support the motion.

MISS MARGARET NG: Mr President, I am told by those whom it is my duty to consult to praise the Financial Secretary for his Budget, and I hereby do so.

It has been long in the folklore of this territory that the fundamental philosophy of this government is non-interventionist, with the Government's role being confined to the provision of a sound infrastructure to facilitate free enterprise, and of a "safety-net" of help for those who are unable to help themselves.

These three elements are, of course, capable of development and interpretation. They had been interpreted and re-interpreted and developed by each Financial Secretary through their Budgets down the years. But the issues have not changed very much. They have always been whether a financial policy was or was not unduly interventionist, whether the priorities are correctly ordered with respect to infrastructure, and whether not enough or too much is being spent on welfare. Few have really seriously challenged the broad approach. No one, for example, has championed a welfare state, or advocated a planned economy.

One would expect that the same would be reflected in the first Budget of

the present Financial Secretary. "Conservative" is not a four-lettered word in this community where the Budget is concerned.

But I am not at all sure that this expectation is met in the Budget now placed before this Council. I may have got it wrong, but it appears to me that a departure has been suggested. I refer to the idea that this Government should make serving the business community a top concern and play an active role. The Financial Secretary says, on page 8 of the Addendum: "Civil servants should not see their role merely as regulators but more as supporters and partners for business." In Paragraph 97 of the Budget speech, he says, "We should set ourselves the task of making the Government, as far as possible, user-friendly for business." He repeats this in the next paragraph: "The goal will be to create an environment which is positively business-friendly." And again, at Paragraph 99, "I believe the whole of the Government has a duty to provide a business-friendly environment." Towards this end, he says, he will be asking all policy branches to review their current policies and practices.

No doubt we shall hear more of the outcome of this exercise, but several areas have already been indicated: balancing regulation against freedom, introducing new services, further privatization, lowering government fees and charges (this may astonish those who have been voting with the Government to increase them), reducing the cost of capital, and so on.

A more pro-active role is envisaged with a single-minded purpose. Not only is the whole administration going to re-orientate itself towards serving the interests of business; the professional and the service-sector will be "encouraged" to become competitive. In the Addendum, the details of the purpose of the Services Support Fund are set out. Among the "Policy Directions" is one which refers to implementing the proposals in the Report on Legal Services of the Attorney General: proposals which include what the legal profession considers seriously challenging its independence. Self-regulation is curtailed by legislative intervention in the name of encouraging competition. If this is the keynote, then not only the Administration, but the professional and service sector, must be, or forced to be, orientated towards business.

Mr President, I do not quarrel with business. Indeed my livelihood and the livelihood of those I represent depend very much on business. Furthermore, I agree with the Financial Secretary when, talking about Hong Kong's future, he started with the economic prospects. "After all," he said, "it is our economic

success which makes everything else possible." Hong Kong's future means Hong Kong's future under Chinese sovereignty. But for our economic success, we would never have been in a position to negotiate with China to keep Hong Kong's system and way of life after 1997. But for our economic success creating tremendous economic interest in us for the United Kingdom and other countries of the world, we would never have attracted so much international support for maintaining the rule of law in Hong Kong after 1997. To survive, we have to continue as a huge economic success. To survive, we must make ourselves not just very useful, but downright irresistible in our usefulness, and that usefulness refers to being useful to people who come here to do business.

So I do not quarrel with the Financial Secretary for his enthusiasm or anxiety — I do not know which. What I do feel deeply about is that we must not, in the concern to be useful to business, forget that this government exists for the people of Hong Kong, it exists for their needs and must be guided by their aspirations. It is not for the Government to take sides, to support what it chooses. The Government should be even-handed in its dealings with all sectors of the community, distributing its resources instead of backing one form of economic activities or another in the hope that it will bring benefit to all. It should, insofar as possible, support a pluralist society in which people have real choice.

It saddens me to compare the eagerness to serve the bright future of business with the passive acceptance of the fact that the level of unemployment is "unlikely" to improve quickly. The only remedy the Financial Secretary suggests is expanding the retraining programme — a programme whose success has been insignificant so far. I am disappointed that no concrete relief will be given to the unemployed.

Insufficient emphasis, in my view, has been placed on education, the most important way of "empowering" people, enabling them to make a better deal for themselves. Money spent on education is money really spent on the people — and a real investment in the community's future at the same time. Our service sector, which the Financial Secretary so highly praises, is not the result of the Government's determination to support business, but a product of an increasingly higher level of education in general.

Yet apart from the training of language skills, nothing much is said about education. The real growth of expenditure on education is a very moderate 4.3%.

Likewise, the administration of justice should be an important element in the philosophy of government: to provide an impartial and user-friendly system of courts where disputes can be rationally and expeditiously resolved, and the rights of the parties properly determined. This means adequate provisions for the judiciary and for legal aid.

In this context, I welcome the strengthening of the staff establishment of the Legal Aid Department. Justice delayed is justice denied. To ensure that those in need of legal aid have their application dealt with speedily, and those who are granted legal aid receive a high level of professional representation, there must be a realistic number of staff at the appropriate level and adequate allocation of funds.

I do not view with unmixed comfort at the expansion of the Legal Department. I agree that the Legal Department needs to be properly staffed in order to provide advice, to draft and keep legislation under revision, to consider and devise policies for the better administration of justice, and to carry out other duties which can only be undertaken within the Government. High quality government lawyers with firm professional principles are essential to the maintenance of our legal system now and into the future. However, there are important public interest reasons, including costs, for using more lawyers in private practice in a flexible way for government litigation and criminal prosecution, rather than expanding staff establishment in order to keep most of it in the hands of a government department.

I note that cautious amounts have been allowed for expenses in connection with the setting up of the Court of Final Appeal: to buy books for the library, to carry out building works and to pay for some administrative staff. I hope this does not mean this is all the progress we may expect, and that the crucial matter of recruiting the best judges will not be embarked upon in this financial year, but only that it does not cost us any money to do so.

Finally, I want to add my voice to those who have been making passionate appeals for a more humane and caring society. I do not disagree that large

percentage of increases have been allowed to social welfare in this Budget, but then we are increasing on a very low baseline. Only as generous as possible an approach to the question of welfare could counterbalance the ruthlessly competitive society that Hong Kong's special circumstances have made necessary. Looking at the modest grant of \$320 a year for the elderly for social and recreational activities, and then at the \$50 million Services Support Fund for the service sector to improve its services, one cannot help wondering if we have got our proportions right. I would support the call for raising the level of Comprehensive Social Security Assistance for the elderly by another \$300.

Mr President, I have praised the Financial Secretary, and also said a number of other things. I support the motion. Thank you.

DR ANTHONY CHEUNG (in Cantonese): Mr President, may I first tell a short story.

During the 1920s and 1930s, Britain had a lot of colonies all over the world. On the surface it looked very wonderful, but many of these colonies were very poor, without any money for infrastructure projects. They in the end all came to their sovereign for assistance. The British Government finally set up a colonial development fund so that the colonies could apply for allocations for economic development.

What about Hong Kong? In 1927 when the Hong Kong Government reported to the British Government, it said that Hong Kong had achieved great success in its economic development, and, having not asked for any loan in the past 30 years, it was financially self-sufficient. (Note 1) This is a good tradition of public finance in Hong Kong.

I believe today, 60 years later, the Hong Kong Government can still boast such achievement. It is not accidental that Hong Kong can become an "Asian Miracle", which is the result of the joint effort of all Hong Kong people, investors, professionals and workers. The Financial Secretary pointed out in his speech (paragraphs 94 to 100) that we have to develop the economy, improve people's livelihood, create a modern business environment, he also said that efforts would be made in various aspects like protecting intellectual property, promoting a business-friendly government and promoting efficiency within

government departments. These strategies should be welcome. They show that the Administration finally has made some commitment to promoting economic development in Hong Kong and that it has a vision.

The Financial Secretary mentioned that review would be made to existing government procedures and practices and that efficiency would be increased. We welcome the Administration's efforts in these respects. The Government has set up several trading funds and more funds are considered for certain departments. However, we should note that increasing the efficiency of government departments cannot be achieved purely by privatising some departments or projects or by setting up "trading funds". Some departments running on trading funds, like the Land Registry, the Companies Registry and even the Post Office, have already enjoyed quite a high degree of monopoly, so the Administration must introduce real competition into the operations of these departments before the objective of strengthening their competitiveness and actively responding to the needs of the business community and the people can be achieved. Of course, we must not hold on to the belief that the public sector will always be inefficient and that the private sector will always be highly efficient. While maintaining a market environment conducive to the development of private businesses, the Administration should strive to create a highly efficient public sector. The key factor is competition, and that is the consumers must have a choice and they must be able to stand their dignity. Within the public sector, this involves a cultural reconstruction among the civil servants.

Though, the Administration has to create an environment that is conducive to commercial and industrial development in developing the economy, it should not be too "pro-business" and should take note of the demands of the general public. The Administration has to balance the long term and short term needs in commercial and industrial development, and to strike a balance between pursuing short term interests and protecting long term interests. In this way the society will have a reasonable environment for development and "sustainable development" can thus be maintained.

Mr President, to create an environment for "sustainable development" we must not only rely on the so-called market forces. Although such forces, have powered our economic development in the past, they are not the only force for development. The market is not something abstract, and market forces must work in tandem with the rule of law and create conditions conducive to fair

competition and trading before their full effect can be seen. We welcome the Financial Secretary's statement in The Services Sector: Support and Promotion (Action Agenda No. 5) that he will promote fair competition and will implement the Bogor Declaration of the Asia-Pacific Economic Co-operation (APEC) in respect of opening markets and reducing monopoly. We urge the Administration to take drastic measures to introduce competition into the market where monopoly is operating and to provide conditions and environment for fair competition. The Democratic Party has time and again advocated the setting up of a fair trading commission and legislating against monopoly. Now is the time for the Financial Secretary to carry out the promises with concrete actions.

With many of our manufacturing industries having moved northwards, Hong Kong is undergoing an important stage of economic restructuring. When the Financial Secretary mentioned "developing the economy", there is a special meaning in the word "develop". "Develop" carries the meaning of opening up and going all out on one's own volition as well as standing up to challenges and giving full play to one's potential. Economic restructuring leads to structural unemployment. Though unemployment has slowed down a bit, the Administration should take the lead in arranging the workers to change their careers, or provide retraining to meet the needs of a restructured society so that Hong Kong can enter another restructured economic system in keeping with the market situation. As the structure of the labour market has undergone much changes in the levels of education, technology and salary, the new economic system must be able to provide new jobs and better chance of getting added value to meet such changes and respond to the structural changes in the external and internal markets as well.

Mr President, the Administration has made promises in respect of the plan for promoting the services sector. Besides such physical infrastructure like telecommunications, ports and airport, the Administration also admits that building human infrastructure is the only factor on which Hong Kong can maintain its foothold in Asia. The Administration has put forth the following proposals in respect of human resources training:

- (1) Reforming the curriculum by the Curriculum Development Council;
- (2) Incorporating into the curriculum contents related to the services sector;

- (3) Reviewing pre-vocational training schools;
- (4) Strengthening the language ability of the students;
- (5) Providing training in new technology for labourers.

It seems that such supports given to human resources training are tailored for the restructuring of the economy. However, we should not underestimate the complexity and difficulty in reviewing the curriculum and pre-vocational training schools. If we are only tinkering with the curriculum of individual subjects here and there, that would not be worth the while. Similarly, if we do not redefine the role of pre-vocational training schools and just make superficial improvement to the courses, we would be attempting an ineffective solution. The structure of Hong Kong's school curriculum should undergo an overhaul in its totality, concentrating on training the students to think and master new information and new technology, so that they can respond to changes in the outside world and have the ability to review the past to understand the present. Pre-vocational training schools should not be on the fringe of the mainstream school education. We need to readjust the relation between grammar school and vocational training schools in the whole education system, so that they can complement each other and be a proper education mode for advancement to tertiary education. We appreciate that the Administration is finally willing to look squarely at language ability of students and makes allocation for improving their language ability. However, after making a grant of some \$1 million, the Administration has resorted to such excuses as implementation in phases and applications be made to the Language Fund and has refused to "cover everything" financially in respect of the other recommendations in the Education Commission Report No. 6. We are very disappointed about this.

On the other hand, while developing human resources, the following points should be noted:

1. Has the Administration provided enough teachers training to cope with the reform in curriculum that is necessary in response to quick economic changes? That is to say, when we train our teachers, are they trained to meet the requirements of a new economic phase? How are the existing teachers retrained? Moreover, in carrying out language training, besides recruiting native English speakers as

teachers, will other teachers receive appropriate retraining for language teachers? These are the problems that need to be solved.

2. In respect of curriculum development and reform, the Education Department is promoting target oriented curriculum to improve and enhance the quality of teaching. But would the Administration consider at the same time setting up a system of incentives to reward those schools and teachers that have achieved excellence and high efficiency in their teaching? While emphasizing competition and concentrating on a business environment that values consumer demand, have we also paid attention to introducing into our teaching environment the same spirit of striving for excellence and relevant incentive mechanism?
3. In respect of basic education, the Administration is yet to implement the plans that primary schools should have more graduate teachers holders and that kindergarten teachers should be given professional training. Actually, if the increase in funding for education is so slow, how can there be any "development"? Moreover, components that are in line with Hong Kong's next stage of economic development is to be incorporated into the curriculum of basic education. Meanwhile, what is to be done to tie in these components with higher education? We hope the next Education Commission Report can show the society to a clear path and provide a blueprint that leads university education in Hong Kong into the next century.

The future of Hong Kong

Mr President, "having a firm foundation in Asia but with an international outlook" should be the guiding principle for Hong Kong's economic development into the 21st century. How Hong Kong, as an "economic miracle" in Asia, can give full play to its special economic position in Asia should be a major topic we have to consider.

The Financial Secretary emphasized in his speech that Hong Kong could

make important contribution to the development of China's economy. I would not doubt Hong Kong's role in this respect. Actually with the economies of Hong Kong and China getting so closely related, the China factor has become the greatest variable in Hong Kong's economic development. Though optimistic, we also have our worries because, while Hong Kong is developing into an international metropolis, a financial centre and a place where international funds converge, Hong Kong's property and land prices, rent and cost of living have all been pushed up as a result. In fact, the cost of living has reached such a high level that ordinary people find it hard to bear. They will become Hong Kong's new poor people in the next century unless they move to China, like the elderly who move back to China for their retirement. We are worried that people only attach importance to Hong Kong's function in making money, making it a place for Chinese funds, local funds and international consortia to go after short term interests and profits or speculative activities. We are worried that they would not treat Hong Kong as a society with a life of its own and with its need for continued development.

No doubt Hong Kong would still enjoy the fame and fortune of an international city even if its economy develops like that, but it would only be a paradise for the rich, not a place where Hong Kong people can work and live in peace and contentment.

If Hong Kong is to become a modernized model city as well as an economic centre of China, instead of just concentrating on "internationalizing" its economic affairs and financial development, or just concentrating on providing a good prospect for business development, it should create an environment for a balanced development in its economy, society, culture and politics, so that the people can live and work in peace and contentment, but without the trappings of "commercialism". Hong Kong will then, instead of becoming a "Meanhattanized" city as some economists have feared, become a Chinese metropolis where everyone can settle down and get on with one's pursuit and promote social reforms.

Mr President, these are my remarks.

Note 1: CONSTANTINE, stephen. *The Making of British Colonial Development Policy*. Frank Cass, 1984, p.294.

MR LEE KAI-MING (in Cantonese): Mr President, the first Budget prepared by the new Financial Secretary has to meet the demands of all strata of society and has to have the endorsement by the Chinese Government. It is therefore not an easy one to prepare. The Budget, entitled "Building Our Prosperous Future", paints a beautiful picture for the people of Hong Kong. But is the actual situation really that beautiful?

The Financial Secretary noted that Hong Kong's real GDP growth would reach 5% this year and entreport trade would grow by 12%. He also predicted that investment in fixed assets would increase by about 6% in real term. Such an economic performance is certainly not bad. Regrettably, the storm brewing over the Taiwan Straits has wreaked havoc, though of a small scale, on the Hong Kong stock market. The Secretary for Trade and Industry, after returning from a visit to the United States of America, also expressed that there would be greater difficulty than in the past in lobbying the States to renew China's Most Favoured Nation (MFN) status. It is all due to uncertainties in the Sino-British relations and the presidential election in the States. Should there be a change for the worse in the situation, with the States not renewing China's MFN status, Hong Kong's economy will be dealt a heavy blow, costing Hong Kong 80 000 jobs and the GDP will fall by more than 1.5%. Under such a situation, can the above objectives still be realized? The Administration has all along professed adhering to the principle of prudent financial management; but it is now making such an optimistic economic forecast. Does the Administration have any sure way to achieve the objectives?

The Financial Secretary suggested raising the basic salaries tax allowance from \$79,000 to \$90,000 and that for a married couple from \$158,000 to \$180,000. Though the increase for both is 14%, it is still less than the \$98,000 personal tax allowance proposed by the Federation of Hong Kong and Kowloon Labour Unions. We all know that salaries tax allowance has long remained on the low side and that it always lags behind the growth in the median wages in recent years, thus making those whose salary is lower than the median also come within the tax net. The allowance proposed by the Financial Secretary will at best repay a historical debt. And even if we calculate it at the proposed \$90,000, a singleton earning \$7,500 monthly will still be caught by the tax net. It is thus not hard to imagine how much would be left of \$7,500 after deducting the expenses on rental, food and transportation? Raising the tax allowance is to show some care to the majority of low-income people and it helps them to sock

away something for times of hardship, especially with the threat of unemployment in the distance. In fact that would reduce the Administration's social welfare expenditure, and so I hope the Financial Secretary will give it another thought.

As to rates, the Financial Secretary expressed that after reassessment he would consider if there is the need to implement an appropriate rate reduction scheme in respect of those who face a great increase in rateable values. I hope that the Financial Secretary can first freeze the rates of first-time home owners so as to lessen their burden and raise people's desire to own their property.

Mr President, unemployment in Hong Kong has worsened to a state that the economy is seriously affected, and it has become a concern of the whole society. In the final quarter of 1995, according to the figures 1995 Performance the unemployment rate and under-employment rate, after seasonal adjustment, were respectively 3.5% and 2.3%, with the number of unemployed reaching 107 800 and that of under-employed reaching 72 900. What is worth noting is that the median of the unemployed period was about 77 days in 1995 which was a 10% increase on the 70 days in 1994. To those who have a family to support, each day would seem like a year! It is hard for the well-fed to imagine what hunger feels like. The Financial Secretary said, "We cannot be complacent about the employment situation, low though our rate is by international standards." However, why did the Administration compare only the unemployment rate with those of the Western countries, but not also with their social welfare systems? Is this meant to mislead the community? Can the Administration disregard such social problems like the suicides or robberies committed by the unemployed? Though it is recognized that the "the first priority is to get the unemployed back to work", and the Job Matching Programme has shown a success rate of 71%, and a further \$300 million will be injected into the Employees Retraining Fund, the result is, as the Financial Secretary has said, "Retraining is only part of the solution." The Administration's latest statistics show that the provisional figure for unemployment during the period between December 1995 and February 1996 dropped to 3.1%, which was the result of a reduction in the number of migrants returning from overseas and the local workers' willingness to take on lower pay jobs. The Administration has done very little in helping the local manufacturing industry and increasing job opportunities. I hope that the Administration can make amends for its previous omission in this respect by speeding up the implementation of various programmes so that the unemployed can return to

work, and by giving economic assistance to those who are mired in hardship because of unemployment.

The expenditure for social welfare, as given in the Budget, is increased by 14.7% and has attracted mixed response. I personally think that there is a need to increase social welfare in Hong Kong. The lower income group, the elderly, single parent families and the disabled all need a better Comprehensive Social Security Assistance (CSSA) Scheme. In meeting part of the demand of the community, the Administration will from 1 April increase the monthly assistance to single persons to \$1,615, that to people living with a family to \$1,440, and that to adults with 50% disability to \$1,760. Moreover, the current stipulation is also revised to permit the elderly who go to live in China to continue to receive the CSSA standard rates and long term supplements. Nevertheless, the increase can only meet the basic needs of people receiving such assistance. I hope that the Administration can implement as soon as possible the plan for the Social Security Office to increase its manpower by 20%, especially the outreaching teams that develop elderly services so that speedy and effective services can be provided to those in need. According to figures released by the Administration, in 1995, Hong Kong's population aged over 65 reached 590 100, or 9.5% of the total population. The forecast for 2001 is that the population aged over 65 will increase to 700 000. As aging of the population continues, the setting up of a comprehensive contributory social insurance scheme should be considered so as to solve the social problems associated with the aging population. At the present stage, consideration should be given to increasing the Old Age Allowance, as a token to repay the contribution the aged has made in the past.

So it is not hard to come to a conclusion: if the Administration is to adhere to the principle of "living within our means", and with the tax base shrinking and the fiscal reserves not to be used, the Financial Secretary is left with very limited resources. He cannot make a silk purse out of sow's ear. The Financial Secretary should see to it that what is taken from the people is used in the interest of the people and draw on part of the reserve as he sees fit to achieve the lofty objectives of promoting the economy and improving the livelihood of the people. Why does he feel powerless in front of a healthy reserve?

Mr President, I so submit and support the Bill.

PRESIDENT: Honourable Members, Mr LAW Chi-kwong has requested my

permission for him to sing two bars during the course of his speech. Standing Orders are silent as to whether or not a Member may sing his or her speech, or part of the speech. On that basis, Mr LAW has argued that it would not be out of order for a Member to sing.

I have considered the matter. Whilst there are some merits in the argument, I hesitate to rule to the extent of total relaxation. A number of reasons come to my mind immediately.

Firstly, there has been no precedent in this Council. There have, however, been ample precedents in this Council of Members reciting their own poems or quoting the poetry of others.

Secondly, the act of a Member speaking is for addressing the Council, questioning the Government and debating bills, motions and amendments. On such occasions, Members persuade each other and persuade the Government by laying bare their reasons and showing off their debating skills, not their angelic voices in songs. In any case, if songs were to be allowed, it would detract from the main purpose of the debate, as all songs are pre-written, not readily understood if heard for the first time, and spontaneous responses to songs would be very difficult if not impossible.

However, I would exceptionally accept the singing of a short sentence as an illustration of the speech. Members who wish to do so should bear the following in mind: (1) Only a short sentence would be permitted, not a substantial part of a song and certainly not an entire song; (2) the line sung must contain words, not hum's and ha's, and the words must be relevant to the subject matter under debate; (3) no accompanying music would be permitted.

I am confident that Honourable Members will not tolerate this august debating chamber being turned into a canto pop hall, or for that matter, a cathedral or monastery, however much I personally like to sing Gregorian chants.

MR LAW CHI-KWONG (in Cantonese): Mr President, this year's Budget has been criticized for insufficient funding to improve funding social welfare so that it cannot meet the needs of society and for failing to provide a quick solution to the problem of serious shortages in welfare services. At the same time, however, the Government's attempt to rectify its past neglect of social welfare by

increasing its spending in this area has drawn criticisms from many people who fear that the rise in social welfare expenditure will go out of control. Members might be shocked at the analogy made by a colleague yesterday in which social welfare was likened to opium. Nevertheless, such an analogy is not new to me. Regardless of the anti-British sentiment behind this analogy or whether it is appropriate to view all policies of the British Hong Kong Government in the light of conspiracies, as the representative of the social welfare sector in this Council, I cannot help asking myself this question: Where exactly did we fail in our effort so that some people in society still do not realize the severe inadequacies of social welfare in Hong Kong today?

The unfortunate deaths during the cold spell around the New Year aroused the concern of Members and the public towards the needs of elderly people living alone. The Government is urged to view the matter in a serious light. Perhaps due to the time it took to prepare the Budget, little was said to address the problem in the Budget that was published. But in actual fact, the Government has taken considerable steps to address this problem during the past month or so. These include the plan to spend \$50 million on installing telephones and paying the monthly bills for those elderly people living alone who are on CSSA and also the plan to use \$17 million to develop outreach services for multi-service centres for the elderly. The Government's quick response is certainly laudable. But what I want to criticize is why it always takes a "disaster" to happen before the Government will take any action. Here, the lyrics of an American folk song *Blowing in the Wind* come to my mind: "How many deaths will it take till he knows that too many people have died?" Although the lyrics were originally written with anti-war sentiments, they serve here to make us reflect on society's response to public welfare: Do we really need a tragedy to happen to fully understand the inadequacies of our social welfare system?

Members will perhaps recall a petition staged outside the Legislative Council Building several years ago. A group of elderly parents showed up with their severely mentally retarded adult children in baby prams. This action aroused the concern of the public and led to a series of policy reforms. Recently a group of recovered mental patients expressed their willingness to come to the Legislative Council's Complaints Division to voice their opinions on the inadequate services. I have great admiration for their courage which helped them to stand up and directly express their needs, braving the possibility of being publicly labelled in a highly discriminatory society. I have mixed feelings on this issue. While protests and demonstrations are nothing new to me, I find it

rather cruel that these people have to show their faces in public at the risk of being publicly labelled. I also cannot help wondering: Is it absolutely necessary for these wretched people to parade in front of the cameras before they can win public sympathy?

Several days ago, a three-year-old who was left alone at home with her twin sister while the adults were out at work, fell out of the window. Let us put aside the question of whether legislation should be drawn up to prohibit parents from leaving their children at home, but rather look at the social problems behind the incident. Has it ever occurred to you that while the father does not have a steady income and the mother earns a meagre salary from her restaurant job, the family nevertheless does not meet the eligibility criterion for subsidized childcare service. A job in a restaurant or fast food establishment pays only \$3,000 to \$4,000 a month. It costs over \$3,000 a month to place two children in a subsidized non-profit making day care centre. As there is a shortage of subsidized day care facilities, unsubsidized day care service for the two young daughters would cost about \$6,000 a month. But if the mother were to quit her job and stay at home to look after the children, the father's income alone would not be enough to support a family of four. What can best describe the social problem illustrated by this incident and the social phenomenon arising from our prosperous Hong Kong society which there is disparity between the rich and the poor — "very much alive" or "gloomy as death"? I am really at a loss for words. I hope Members will not forget that the crisis that led to this tragedy is, in fact, present in many families living on the brink of poverty. However unpropitious this may sound, I have to ask: How many more deaths of children from falling will it take to arouse the sympathy of those who regard social welfare as opium?

I wrote this speech last night with a heavy heart and my heart remains heavy as I read it now. A picture comes to my mind: A couple sitting at home, eyes wrung dry of tears, looking helplessly at their developmentally handicapped child whose condition continues to worsen for lack of physiotherapy or occupational therapy. As the wait continues, the condition will only worsen and their child will lose more and more unrecoverable physical functions.

There could have been more cases of people dying from cold or falls several decades ago than now. They merely went unnoticed. But today, Hong Kong is a prosperous city that prides itself on being a highly civilized society. Can we live in peace with our conscience if we rely solely on the market

mechanism to satisfy the demands of the strong at the expense of our weaker members?

I sincerely appeal to those who consider themselves successful, those who pride themselves on having achieved success through their own efforts: Please come out of your office rooms, your elite clubs, and see clearly for yourselves the plight of the several hundred thousands who live in poverty or on the brink of poverty in Hong Kong! I count myself fortunate to have inherited a healthy body and good circumstances from my parents which make it possible for me to stand here and speak in front of Honourable Members today and which allow me to do something for the needy and deprived members of society.

This year's Budget has, in fact, made substantial increases in social welfare expenditure. But there are still many inadequacies which call for immediate improvement. As we all know, there is not much improvement in the CSSA standard rates for single elderly recipients this year. Perhaps Members are not aware, but there is no improvement either to the standard rates for the disabled, particularly those who are 100% disabled, partly because the Government could not draw a comparison, having failed to find a large enough sample of disabled persons not on CSSA in its household expenditure survey. I hope the Financial Secretary can deal with this issue in a satisfactory manner so that I will know how to cast my vote on 3 April. I also hope that those in Hong Kong who can sit to the left of Chinese officials will not replace objectivity with subjectivity, but take a good look at the less fortunate in Hong Kong. It is my hope that when they discuss Hong Kong's budget in future, they will do so in a more sympathetic light and strive to build a more caring society in Hong Kong.

These are my remarks.

MR LO SUK-CHING: (in Cantonese) Mr President, after more than a century of colonial rule, we finally have a Budget delivered by Hong Kong's first Chinese Financial Secretary as we approach 1997. One might call this a spring season that is late in coming. Nevertheless, "better late than never". This is indeed a most welcome development. In his proposed allowances for salaries tax, the Financial Secretary introduced an allowance for dependent brothers and sisters. This shows his understanding of the Chinese community.

Hong Kong will soon operate under "one country, two systems". I would

like to take this opportunity to talk about the kind of social system that we need. We hope to build a civilized capitalist system in Hong Kong under which individuals and businesses alike can make full use of their potentials. They will not be subject to unreasonable pressure, but will enjoy fair and equal opportunities for development. Under the principle of safeguarding fair competition, the Government will give due respect to the market mechanism. At the same time, the Government will also make amends to the inadequacies of the market. Through legislation, policies and the tax system, the Government will endeavour to narrow the gap between the rich and the poor. The Government will not only take care of the less fortunate in society by giving them the chance to enjoy the fruit of society's success, but will also create an environment in which each and every citizen will have the ability to seek the best that life has to offer.

Mr President, the following are my views on several areas in the proposed Budget:

1. *Does the Budget live within its means?*

The Financial Secretary stressed that this is a Budget with a small surplus that lives within its means. I have some reservations on this statement. Public expenditure for the coming year will go up by 7.6%, which is much higher than the 5% growth rate of our GDP. It is particularly a matter of concern when public expenditure continues to grow while the number of capital work projects is greatly reduced as the highly expensive "Rose Garden" program including the new Airport Core Programme comes to a completion. As a matter of fact, the expenditures of such statutory bodies as the Mass Transit Railway Corporation (MTRC), Kowloon-Canton Railway Corporation (KCRC) and Airport Authority and the expenditures by trading funds are expenditures that can be controlled by the Government and should come under the category of government expenditure. Their growth should be pegged to that of the GDP.

The Financial Secretary forecast that our total fiscal reserves, including the Special Administrative Region (SAR) Government Land Fund, will be in excess of \$365 billion by the year 2000. However, his estimate did not take into

account the three new railway lines, the second airport runway, harbour development and other major infrastructural expenditures. The Northwest Railway alone is expected to cost \$75 billion. As a matter of fact, the Budget did not even make any provision for such projects as the science park which have been approved for construction. This means that the British Hong Kong Government has issued one post-dated cheque after another for the future SAR Government to honour.

The \$1.6 billion surplus is but a number game. This is because the revenue from land sales for the last quarter of this year, amounting to several billion dollars, will be carried over to next year, thus pushing up the revenue from all funds to \$33.1 billion next year. On the other hand, the Financial Secretary did not make amends in the coming year to the several billion dollars' reduction in expenditure resulting from delays in infrastructural projects this year. It appears that this expenditure will have to be borne by the SAR Government in future.

2. *Supporting trade and industry*

The Financial Secretary should be commended for finally making a solid commitment towards supporting trade and industry. At least the Government is willing to face the problem of restructuring of Hong Kong's industries and to admit that our industrial development has lagged behind that of the other three little dragons in Asia. Nevertheless, the Government's grandiose plans to upgrade the quality of Hong Kong's manufacturing industry, promote the development of our service industry and maintain our position as a world-class financial centre are mere castles in the air and, as such, remain empty promises. The \$50 million set aside for a Services Support Fund and another \$50 million for a Tourism Development Fund are just "peanuts", more decorative than substantial.

I urge the Government to give special support to small and medium businesses. As Hong Kong's economy develops, the large local consortia have grown more powerful in recent years. We do not wish to see these consortia monopolize the market and deprive the small and medium businesses of their living space and opportunities for development. These small and medium businesses, with their flexibility and entrepreneurial spirit, are an indispensable driving force behind Hong Kong's economic development. The Government should provide support in the areas of financing, research and development,

upgrading of skills and management so that they can be better equipped to face the challenge of industrial transformation.

3. *Upgrading Hong Kong's labour force*

Under the pretext of curbing inflation and preserving the competitiveness of our products, the Government has adopted a policy of importing foreign workers and importing illegal labourers in a disguised form in recent years. This has resulted in a drop in real wages and a rise in unemployment rate. This, in turn, results in a greater demand for welfare, increasing the burden on society. Taxpayers have thus to pay the price of maintaining the ever-rising profits of employers. Curbing wages is, after all, a rather negative course of action. A more positive way is to increase the output value of our industries and improve productivity by riding along the wave of industrial transformation and to upgrade our labour force through education, training and retraining so that we can get our money's worth for our workers' wages. Hong Kong people can improve the quality of their lives not by relying on social welfare but by reaping the fruit of their own labour.

In the area of education, the Government's funding for primary and secondary education has seen little real growth in the past few years. Now is the time to rectify this situation.

4. *Expand the tax base to stabilize revenue*

By keeping the profits tax rate low at 16.5% and greatly increasing the salaries tax allowance, the Government is naturally making everyone happy. But the constant narrowing of the tax base should be a matter of concern. In my opinion, it is better to lower the marginal tax rate of the lowest few steps in the tax ladder than to slash the salaries tax allowance. For long-term interests, the Government should consider replacing the standard tax rate with a progressive tax rate. The tax system should be used as an effective means to narrow the gap between the rich and the poor.

In the area of rates, I do not agree to an annual revaluation because this would only increase the administration costs. Besides, rents in Hong Kong, unlike those in other places, fluctuate greatly. It would be more appropriate to carry out a revaluation once every three years and base the rates on the mean value.

5. *Provide more land for public housing*

Increasing tax allowances and cutting taxes do have the benefit of letting people keep their wealth. But a better way is to increase the purchasing power of their income. At present, the factor that has the greatest impact on people's purchasing power is the high property prices and rents. An effective measure is to provide more land for the construction of public housing, particularly public rental housing. This will, on the one hand, improve the living conditions of the lower classes and on the other, benefit the middle class as well because the change in demand for private sector housing will cause property prices and rents to fall.

Land reclamation is an economical way of providing more land. But I do not think we should create more land by reclamation from the Victoria Harbour. As a deep water port, Victoria Harbour is one of Hong Kong's most precious resources, and a valuable asset cherished by Hong Kong people for generations. The increased reclamation activities in the harbour by the British Hong Kong Government in recent years fully reflect the desire of a twilight government to make a quick profit. While it cannot be denied that reclaiming land from the Victoria Harbour is the most cost-effective method because the land thus created will fetch a high price, this method, however, brings dire consequences such as constricting the waterways leading to more accidents at sea, disrupting the marine ecological system, polluting the environment, destroying the harbour view, disrupting the balance in urban planning and creating more traffic problems, and so on. This will affect the socio-economic development of Hong Kong as a whole.

6. *Welfare for the elderly*

Despite calls for more welfare benefits for the elderly both from the public and from Members with different political affiliations, it is regrettable that the Government has turned a deaf ear to these calls. There is, in fact, no increase in the Comprehensive Social Security Assistance (CSSA) rates for the elderly, nor has any funding been provided for more outreach teams for the elderly. The Government has shifted the responsibility of expanding outreach teams to home helpers and volunteers who can hardly meet the real needs. Moreover, little progress has been made by the Government in building more homes for the aged and nursing homes or offering financial assistance. As the number on the waiting list now runs up to tens of thousands, the Government's effort falls far

short of the actual need. Rents and staff salaries in Hong Kong are higher than those in China. So it is more costly to build homes for the aged or nursing homes in Hong Kong. The Government could consider consulting with the Chinese Government to invest in building homes for the aged or nursing homes in neighbouring areas like Shenzhen or the Pearl River Delta, or even encourage and provide financial assistance to voluntary agencies to build and manage such homes in China. In this way, limited resources can be used in a more cost-effective manner and the elderly who have been on the waiting list for many long years will be able to have an accommodation soon.

7. *Welfare for children*

The current CSSA eligibility criterion for children cannot satisfy their need for assistance. This vicious circle causes families on CSSA to pass on the burden of poverty to the next generation. Our society should allow children on CSSA to grow up under the same conditions as other children, so that they can receive good education and shake off the burden of poverty. At present, only 5% of the poorest families in Hong Kong are eligible for CSSA. This means that children on CSSA cannot enjoy the same resources as those that are available to other children of an ordinary family. In view of this, there should be a new criterion to assess children's eligibility for CSSA. There should be improved procedures for children on CSSA to apply for subsidies towards private tuition and the purchase of books. They should also be provided with a better environment for studying. The needs of single parents should also be addressed. Daycare services should be improved so that these single parents can rejoin the workforce and regain their financial independence.

8. *Medical service*

During the last few years, the Government has looked into the possibility of introducing a medical insurance system in Hong Kong. I suggest that the Government actively consider this so that with additional resources, Hong Kong's medical service will improve in both quality and quantity. The Government will also have more room to suitably redistribute those resources that have already been provided for medical services, so that the needy can obtain better service.

9. *Serving new immigrants*

The Government should allocate appropriate resources to ease the pressure brought about by the demand of new immigrants on social services. These resources should, moreover, be employed effectively. The assistance currently provided by the Education Department to the children of new immigrants is rather passive. For example, for the first 10 months, a total of some 10 000 new immigrants of school age had come to Hong Kong. But only less than one third were given places in government-aided schools. The rest had to study in the more expensive private schools or simply drop out. Only 2 600 children enrolled in the adjustment programme provided by the Education Department between April last year, when the programme was introduced, and December of the same year. It was a far cry from the target of 6 000 pupils. While the Government will provide more resources in this area during the coming year, it is still doubtful whether the money will be used effectively. Therefore, there must be increased funding to provide more effective services for the new immigrants.

Mr President, these are my remarks.

MR JAMES TO (in Cantonese): Mr President, after listening to more than 40 speeches from Members, it seems I have not heard any mention of expenditure in the area of security. I am not sure whether the Secretary for Security should be congratulated. Perhaps everyone is happy with his allocation. According to my observation, over half of the recurrent expenditure in the \$20 billion allocated to the Security Branch, that is, about \$10 billion, goes to the police force. That is why I believe that the performance and efficiency of the police force will have a direct impact on the work of security. For two years in a row I have asked the Government to make public the report of a review on the management of the police force. Finally, two months after the Budget was presented last year, this Council received a total of 41 reports. A special committee was set up to study the reports. Regarding some of the more important recommendations, it was hoped that resources would be made available to carry out the work to be implemented. One of the recommendations was to create a reservoir of replacement staff to allow a total of 1 498 members of the Police Force to take leave or receive training at any one time. In reality, the Government can only supply 129 replacement staff this year, which, in my opinion, is far from adequate. While there may still be certain minor details on which the Security Branch and the police disagree, 129 staff is obviously inadequate. Although people may not agree that all the 1 498 members of the force would need to be replaced at the same time, I am sure you will at least concede that 129 is a very

inadequate number.

The reports also made reference to such matters as the number of policemen on patrol and the areas covered. When reviewing the management of the police force last July, we were already aware of the serious shortage of policemen on beat. I am sure that the situation will improve in one or two years as more policemen are deployed to do the front-lines patrol work and as the processes of civilian postings and automation continue. However, we are now still waiting for the Government's investigation to determine whether the number of policemen on patrol and the areas covered have greatly improved than before. This is very important.

Secondly, the expenditure on the Police Force has reached \$10 billion. We must really scrutinize the performance of our 30 000-strong police force and some 20 000 members of the disciplined services to determine whether their efficiency should be improved. For two years in a row, I have urged the Government, and the Police Force in particular, to pay attention to the performance of each police district. In some police districts, the number of policemen remain the same. But when a commander is transferred out of a district, the efficiency immediately increases many times even though the number of policemen remains unchanged. This is not just my personal observation, but one that is shared by local residents, Fight Crime Committee members and District Board members of one or two police districts who greatly appreciate the observation. I am sure that if a police commander can actively deploy the 800 policemen in the district, efficiency can be greatly improved. Would it be possible for the Government to set up certain targets, patrol standards and a top-down order of command for the purpose of assessing the efficiency of a police district? Commanders who refuse to improve or who merely muddle along should be axed or, at least severely reprimanded, so that the limited number of staff can be made to give the best performance.

Thirdly, the Government has finally realized that at the present stage, our emphasis should be placed on combatting triad societies and organized crimes. I greatly applaud the Government's move this year to deploy some 200 more staff to this work. After several years of arduous study, we have finally achieved a balance and drawn up the Organized and Serious Crimes Ordinance, which gives the police additional powers. I hope that the police, particularly after the injection of some 200 staff into the anti-triad units of various police districts, will be able to give a better performance, which is what the public expect to see.

During the past few years, the Organized Crime Division has, in fact, cracked many important cases and has won the commendation of the public. I hope that this good tradition and performance can be carried through in all the anti-triad teams of police districts and smaller sub-districts so that triad elements can be wiped out. This is very important. As for the Security Division, I have already moved an amendment. For many years, the Government has ignored Members' views and failed to explain the work of the Security Division, specifically the question of how much of the work of the former Special Branch was handed over to the current Security Division. This question has been hanging in the air for many years. As for the report on the Security Division, which is among the 42 reports (one of which is not released), it has been a cause for contention with the Government for nine to 12 months already. I hope the Government can give Members a clear picture of the nature of the Security Division's work when the closed briefing is held next Monday.

I understand that this matter involves a lot of sensitive information which we will not make public. But everywhere in the world, be it Hong Kong or elsewhere, when a government requests funding, it cannot simply use "internal security" as a reason in the hope of fully satisfying the councillors' demands or enabling the councillors, who represent the public, to play a monitoring role and to accept it as sufficient ground for the funding. Even in a fully democratic society, an executive branch that is fully elected must still answer to the legislative body. There are many ways to answer to the legislative body and some of which make use of the committee system. But there are many kinds of committees too. In short, there is always a special arrangement and method. Where several political parties exist, arrangements will be made for veteran councillors, even under perhaps under a secrecy order in some cases, to hold briefings in a particular place, such as the Strong Room in the United States. I believe there should not be a "black hole" to leave the public worrying about such questions as whether certain work is good for the public or not, whether it should be carried out or not, whether staff is sufficient or not and whether it will be a continuation of the work of the former Special Branch. These are all questions which the public are concerned about. At least, as I suggested last year, the Director of Audit should carry out an audit of some sort. I hope the Secretary for the Treasury and the Financial Secretary will give this suggestion some consideration. The audit should not be restricted to the work of the Security Division, but should also include certain special "fundings", such as the "reward and special service" in item 103. This item has always seemed to be more sensitive and confidential than the expenditure of the Security Division and

even the classification of some simple figures could not be released.

As for other activities like gathering intelligence information and eavesdropping, I have repeatedly asked how much time has been employed. I am sure that the release of a general figure will not affect the confidentiality of the work. But up to now the Government has not given us a reply. On the other hand, as the criminals gain ground, we often need more sophisticated equipment. In particular, I hope the Government will deploy more staff to investigate wealth, although this may only be possible in the coming year. We must learn more from the experience of other advanced countries which also find wealth investigation a hard nut to crack. I hope there will be more exchanges in this area as this is too much a question for Hong Kong to tackle alone.

Regarding the Vietnamese boat people, I hope the Government will step up and speed up orderly repatriation, and also review the staff establishment of the Correctional Services Department to see if it is too tight. I applaud the Government's plan of to set up an Anti-Narcotics Fund. However, only a little over \$10 million in funding is given to the agencies each year. I am sure we need much more than this amount. In areas like counselling and hostel service for rehabilitation of young drug addicts, I hope there will be substantial increases in next year's Budget. As for our ambulance service, I must admit that I had also erred. This is indeed an area that has been overlooked in the last few years. Is the Government's inaction due to Members' oversight? There has been some arguments recently on whether more resources are needed to raise the standard of our ambulance service. The Security Branch has always maintained that the current standard of 10-minute travel time has not even been attained and so there is no reason to change this standard. I myself do not find this acceptable because we must set the standard based on a medical perspective and certain objective criteria. Actually, using the present standard of travel time, it is impossible for us to monitor the quality of service received by the clients. A better method, I think, would be to use the arrival time as standard. Although the statistics may not look as good as they do now if we switch to this standard, it will nevertheless enable us to assess our ambulance service in a more precise and correct manner.

Another point I wish to make is that the number of new posts in the Fire Services Department has increased considerably in recent years. Judging by the figures, I have a suspicion which cannot be wrong: the fact that ambulance service falls within the establishment of the Fire Services Department has

resulted in an imbalance in the creation of new posts. There are many new posts for firemen, some through promotion and some created from the need for additional staff. However, proportionately speaking, the ambulance service seems to have been inadequate in the past few years. On the other hand, disregarding the smaller context of fire services but looking at the larger context of the Security Branch, for example the Police Force, Fire Services Department, Customs and Excise Department or Immigration Department, I find that too much emphasis has been placed on the Police Force in recent years. I hope that in the next couple of years the Secretary for Security or the Financial Secretary can substantially increase the expenditure on ambulance service as the public demand for this service has greatly increased and as it also involves human lives.

Lastly, I wish to talk about urban renewal. Today, we discuss the Budget, taxation and how to spend money. We spend money to make life better for the people. In fact, money spent on urban renewal is money well spent. I have heard many people say that by subsidizing certain real estate companies to build houses or providing land for rehousing or rehousing people at lower land prices, the Government is subsidizing commercial activities in the private sector. I cannot agree to this view because if, in fact, we have spent money to provide more land for rehousing or allocate more resources to the Housing Authority so that it can take care of the rooftop squatters or those affected by urban renewal, the money is spent either directly or indirectly on the public. I do not think it is possible, as it was before, to achieve urban renewal or even make a profit without any capital investment. This is utterly impossible. I hope that when the Government reviews its overall policy on urban renewal in the next few months, the Financial Secretary can offer some assistance in this area so that we will not be faced with a problem of "having no rice to cook a meal". The pressing problem of urban renewal cannot be solved by merely making amendments to the law or trying to rectify trivial issues. At present the average age of buildings in urban areas is 20 years, but a building has a usable life of only 30 years or so. In other words, if in the next decade we cannot actively inject more resources into urban renewal with a broader perspective and with the objective of making life better for the people, we will be confronting a very big problem. After all, urban renewal is not an unprofitable exercise. As a matter of fact, speaking without prejudice, we can say that all revenue from taxation, stamp duties, and even profits tax from the sale of property when prices are high will go back indirectly to the coffers of the Treasury. Thus it is hoped that the Government would do some calculations with these figures and provide more resources for urban renewal. It is also hoped that the Government would provide more

resources to the Home Affairs Department towards building management, particularly towards support for those owners' corporations.

These are my remarks.

MR CHAN KAM-LAM (in Cantonese): Mr President, my colleagues in the Democratic Alliance for the Betterment of Hong Kong (DAB) have voiced their opinions on the Budget with particular reference to the betterment of people's livelihood. As a spokesman for the DAB on economic affairs, I will go on to focus my discussion on building a prosperous future as presented in the Budget.

Improvement in people's livelihood should be based on a good economic environment

I agree entirely with the theme of the Budget: "Building our prosperous future". To improve the quality of life for the people, we must have a good economic environment. In the area of economics, the Financial Secretary has predicted a 5% growth in the GDP for 1996-97, but there is no convincing ground in the entire Budget to support his prediction. He only mentioned briefly that the optimistic economic forecast for Europe, the United States and China in the coming year will be a favourable external factor for Hong Kong to move on to better economic prospects than the previous year.

Naturally, the DAB hopes that Hong Kong's economy will be able to emerge from last year's trough and embark on the road to gradual recovery. But judging from our experience of the last two years, the growth in GDP in real terms is, in fact, always lower than that predicted by the Financial Secretary. The Secretary for Trade and Industry, Miss Denise YUE, also predicted recently that if China's most-favoured-nation status was terminated by the United States, Hong Kong's economic growth would drop by 2% to 3%, a sign that our economy is easily affected by external factors. Therefore, we should adopt a cautiously optimistic attitude towards the 5% economic growth as forecast by the Financial Secretary.

The Financial Secretary mentioned in his Budget the need to create a more business-friendly environment in Hong Kong. This is the right attitude. By increasing the allowance for personal salaries tax, he makes it possible for low

income earners to get away from the tax net and, at the same time, increase the consumption power of the average family. This will help the consumer market as a whole to recover.

Overall review of Hong Kong's tax system

However, there is one thing that gives us a cause for concern and that is as the tax base further narrows, the number of tax-payers diminishes. The Government's source of revenue will then depend mainly on high income earners and corporate profits tax. At present, revenue from salaries tax and profits tax already make up 50% of the Government's annual revenue. Once the economy takes a downturn, there will be great fluctuation in revenue. Furthermore, as the Government's recurrent expenditure continues to grow in recent years, the Financial Secretary should consider ways of ensuring a stable source of revenue.

However, it is still questionable whether the Financial Secretary is doing the right thing in this Budget by suppressing expenditure on infrastructure to increase recurrent expenditure. That is why the DAB hopes the Government will set up a Tax Review Committee to conduct an overall review of the tax system in Hong Kong in order to maintain financial stability and ensure fairness in the tax system.

Effect of supporting service sector remains to be seen

There is no doubt that Hong Kong's economic structure has changed from an industry-based economy to a service-based economy. The document "The Services Sector: Support and Promotion" released by the Financial Secretary obviously shows greater determination than before in trying to develop the economy. However, while the paper put forward a number of new proposals to support the dozen or so selected service industries, if we take a closer look at the specific commitments in the paper, we will see that the Government has only pledged a total funding of some \$170 million. Hoping to stimulate and support the entire services sector by spending less than \$200 million is obviously more talk than action.

Although the Financial Secretary has proposed three tax relief measures

for small and medium businesses, these measures cannot, in fact, help them to solve their present problems. We hope that the soon-to-be-set-up Small and Medium Enterprises Committee can study the problems and come up with ways of helping our small and medium businesses to develop new markets, adopt new technology for enhancing the value-added capability of their products and to provide credit support.

No support for the manufacturing industry

The DAB has always stressed that while the services sector plays an important part in Hong Kong's economy, the Government should not allow the manufacturing industry and certain high value-added basic industries to die a natural death without coming to their aid, all in the name of "active non-intervention". The science park, the fourth industrial estate and the second industrial technology centre, briefly mentioned in the Budget, are all promises repeated from previous years with no detailed plans to support them. This comes as a great disappointment to the DAB.

We feel that the Government should look farther ahead by encouraging and leading local industries towards self-transformation, and enhanced production technology and management standards. If the Government continues to uphold the principle of non-intervention and the local basic industries are allowed to disappear, it will be too late when this eventually happens. It will be useless to raise our voices and appeal to the public for things like the science park and technology centre because our local industries will have ceased to exist. Furthermore, our technicians trained from the University of Science and Technology and other sources will no longer be able to make use of what they have learned because our local industries will have been dead! Although we do agree that the market's economic activities should best be controlled by industrialists and businessmen themselves, when our neighbours are beckoning to our industrialists and businessmen, how can we remain unmoved and still believe that luck will still be with us?

Hong Kong's manufacturing industry now accounts for less than 20% of the GDP. This is because we have paid no heed to our industries for many years. An unbalanced economic development is an unhealthy sign in a labour-intensive region. We hope the Government can formulate long-term policies to provide a favourable business environment for our manufacturing industry. The Government should also provide financial assistance to businesses for in-service

training so as to raise the technological standard and value-added capability of the manufacturing industry. This will allow Hong Kong's manufacturing industry to maintain a foothold in the international market.

Earlier on I moved a motion debate in this Council on our long-term industrial policy and had the support of many Members. The DAB hopes that the Government can seriously consider Members' recommendations and come up with its plans and policies for our manufacturing industry as soon as possible.

Annual rates reassessment a waste of money and manpower

I would also like to talk about rates. The DAB feels that rates constitute a more important and stable source of revenue. The current practice of assessing the rateable value every three years is basically viable. The Financial Secretary's proposal to change it to an annual assessment is, in our opinion, a waste of money and manpower. It is bound to bring on a heavy workload to the Rating and Valuation Department which, with its current staff establishment, would surely find it impossible to carry out a comprehensive annual assessment. If only a rough assessment is done every year, it may give rise to unfair situations and unnecessary disputes. Moreover, the public will find it inconvenient to have their rates changed frequently.

The Financial Secretary has predicted that revenue will increase if the frequency of rates assessment is changed. But what we would like to question is, if the assessment is based on rental value, the assessed value may drop when the actual rental value goes down. Of course, under the present circumstances, it is unlikely that the rental value will go down. But over the long term, this is something that could happen. Therefore, we suggest that the Government formulate a reasonable base figure for rates which is not linked to rental value. Assessment should then be made once every three years.

The DAB feels that on the whole this year's Budget has basically adhered to the principle of "living within our means". It is a prudent and practical Budget. But we have some reservations concerning the Financial Secretary's forecast on our surpluses for the next few years. The expenditure allocated in the Budget for the Capital Works Reserve Fund, capital works projects and

transportation this year shows a negative growth of 9%. Furthermore, delays in public works projects in recent years have caused a large portion of the Capital Works Reserve Fund to remain unused. But when construction work on the large capital works projects such as the Western Corridor Railway and the Mass Transit Railway spur line comes into full force in the next few years, our budget surpluses will not be as high as it is now. Not only will the future Financial Secretary not be able to slash welfare expenditure, but he will have to bear the huge cost of capital works and also deal with the "torrential downpours" that may occur as the Financial Secretary has predicted. When drawing up the new Budget, the future Financial Secretary will be faced with greater difficulty and political pressure. The 1997-98 Budget will inevitably have to be jointly prepared with the Chinese side playing a leading role. We hope both sides will give up their arguments over political ideology and work together for the interests of Hong Kong people so as to create favourable conditions for a successful and smooth transition.

Mr President, these are my remarks.

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

MR LEE CHEUK-YAN (in Cantonese): Mr Deputy, though the Financial Secretary Mr Donald TSANG's Budget speech is entitled "Building Our Prosperous Future", it is unable to achieve the goal of developing the economy and improving people's livelihood. In the realm of developing the economy, the Government is still unable to formulate a complete and far-sighted economic development strategy. It can only give the business sector various preferential treatment in different spheres with a deliberate intention of pleasing the sector. On improving people's livelihood, the Government has ignored the prevalent issue of social poverty by merely making slight improvement within the established pattern without enabling the grassroots people to share the fruit of prosperity. As a matter of fact, the Budget's failure to achieve the goal of developing the economy and improving people's livelihood is mainly due to the Government's persisting practice of conservative financial philosophy, that is,

what the Financial Secretary mentioned in his Budget speech as the "seven heavenly virtues", which of course embraces the infallible law of "living within our means". Under the established pattern of living within our means, there is little room for changes in the Budget and as a result, we have utterly inadequate resources to stimulate the economy and improve people's livelihood thoroughly. Under the circumstances that the "cake is only that big", it is impossible to markedly improve education and medical services if social welfare is improved; and spending on security cannot be increased if that on education is to be raised. As a matter of fact, is this infallible law of the Government so sacred and unchangeable? The current public spending amounts to 18% of GDP, a rate far below that of other countries in the world. Why can we not raise the proportion of public spending in GDP and then use the economic growth rate as the control target on a higher basis? In this case, when the rate is increased by 3%, an additional \$35 billion will be available for use and we can have more resources for social, economic and welfare projects.

The Hong Kong Government's economic principle of "a small government and non-intervention" is outdated. In this world of ever-changing technology, non-interventionist government policy simply cannot enhance Hong Kong's competitiveness. The incorrect non-intervention policy adopted in the past has turned Hong Kong into a place with the greatest disparity between the rich and the poor among the 24 areas in the world with the highest standard. As a result, our quality of life is unable to catch up with our economic growth. The Hong Kong community should therefore cast aside this obsolete policy. We need a new economic policy that will lead Hong Kong to become a community with high economic growth, high quality of life and ample welfare services, so that everybody in the community can live and work in peace and contentment as well as lead a dignified and vigorous life.

Many people will frown when I say that Hong Kong should have ample welfare services. In fact, the word "welfare" has become a "filthy" term in the circles of the Chinese side. Yesterday, Dr the Honourable Philip WONG started something new by likening welfare to opium. This is different in approach but equally satisfactory in result as Mr CHEN Zuoer's theory that an increase in welfare funds would lead to a "fatal car crash". In comparison, the "opium theory" is even tarter and meaner. By that theory, all the people enjoying welfare are called "addicts" who have been addicted to welfare. It is a vicious insult to the moral character of all the welfare recipients. Dr Philip WONG further expounded that an increase in welfare would spread like opium the new

concept of profiting by other people's toil. In this connection, he directly alleged that welfare recipients are profiting by other people's toil and indirectly advocated the general public to discriminate against welfare recipients and split the Hong Kong community. I therefore call on the general public to keep their eyes skinned and see if the recipients are really profiting by other people's toil. Of the 130 000 Comprehensive Social Security Assistance (CSSA) recipients, 120 000 are elderly people, people with a disability and single-parent families. They are not capable of working. If we do not give them welfare assistance, does it mean that they should be exterminated on humanitarian grounds? The remaining 10 000 recipients are unemployed or those in the low income bracket. It is not easy for them to get CSSA payments because they have to meet the requirement that their income and assets must be lower than the limits set by the Social Welfare Department and they must look for jobs through the Labour Department. So, these CSSA recipients must be the involuntarily unemployed persons. Should the community not help these unemployed people tide over their financial difficulties? They are not unwilling to try their best and struggle, but the fact is that they have no job opportunities. So please "let them go". Of course we have to admit that there would certainly be a small number of people who abuse welfare assistance. Nevertheless, we should not think all the recipients are bad guys and that all of them should be branded as "people profiting by other people's toil".

In fact, social welfare does not encourage "profiting by other people's toil". On the contrary, it embodies the spirit of "more pay for more work" and a humanized community. The aim of social welfare is to make all the workers understand that when they lose their job opportunities due to childbirth, old age, illness and death, as well as economic recession, they can still have the means to survive because they have paid taxes in the past. The nature of welfare is that what a person contributes to society when he is working allows him to get what he needs when he is in need of help. In view of the above, welfare is absolutely not tantamount to charity. It is the right of every citizen and a deserving return by the community to the citizens because of their efforts.

Hong Kong has a fiscal reserve of \$150 billion and is ranked fourth in the world in terms of per capita GDP. However, behind this extremely affluent society, there is a pitiful picture: We have the elderly who are not under retirement protection; and we have 50 000 old people living alone without being looked after. The monthly income of 10% of our families (that is, 600 000 people) is lower than \$1,400 per person. The median wage of graduates from

the Employees Retraining Scheme is just \$5,500. In September 1995, the real wages of the workers in general dropped by 4% when compared with 1992. There is no improvement to the quality of life of the working class in line with economic growth. On the contrary, workers have fallen, batch after batch, into the low-income poverty traps owing to the economic restructuring. Today, when there is growing disparity between the rich and the poor and the problem of poverty has become more and more serious, do you, our Honourable Members who are concurrently members of the Preparatory Committee for the Hong Kong Special Administrative Region, and Mr CHEN Zuoer, who claimed himself to be the "overlord", still want to excessively attack the Budget for spending a lot of money on welfare? What worries us most is that all of us know very well that you will be in power in future. Dr Philip WONG is actually a Chinese side member of the budget expert team of the Sino-British Joint Liaison Group. Though he had indicated that what he said did not represent his capacity in this area, certainly his views will have a bearing on the 1997-98 budget, thus looming large on the healthy development of Hong Kong's social welfare. Does it mean that to the poverty-stricken residents of Hong Kong, the return of the territory's sovereignty to China signifies welfare retrogression and further poverty? It appears that after 1997, the grassroots people in Hong Kong will have to tighten further their trousers belts.

It is certain that the most unfortunate ones will be the poorest group among the poor —the some 600 000 elderly people in Hong Kong. What I am most unhappy about the Budget is that there is utterly no mention of an increase in the CSSA payments for singleton old people and that it only perfunctorily introduces the annual reimbursement of \$320 and the \$200 Chinese New year red packets for the elderly. The reason given by the Government for not increasing the rate is that their expenditure is more or less the same as the poorest 20% of elderly people. The problem is, can the CSSA payment of \$1,900 a month (that is, \$60 or so a day) meet basic expenses for living with dignity? Another question which I would like to ask is, how can we help this group of the poorest 20% of elderly people who are unable to meet their basic need to get out of poverty as they are not eligible for the CSSA? The Government should make a more in-depth survey to find out the cause of their poverty instead of using them as a pretext to lower the CSSA rates.

Today's problem of welfare for the elderly reflects the failure of the Government's previous non-intervention policy. Led by the concept of non-intervention, the Government has not set up any form of retirement

protection. It is also regrettable and detestable that the Hong Kong Government has changed its course by not setting up old-age pension, thus dashing the hope of our elderly in this generation for retirement protection. The Government therefore has to shoulder a heavy burden. However, while shouldering the burden, the Government is trying every possible means to limit its expenditure in this area. It is a case in point that this Budget not only raises the CSSA rates for the singleton elderly persons but also slightly increases the old age allowance. The Government should learn a lesson by placing more stress on the strategy of helping the poor when drawing up welfare programmes, so as to establish an effective social security system instead of tackling the problems perfunctorily when they arise. Only in this way can we be assured that Hong Kong's hardworking population can enjoy the fruit of economic prosperity.

As a matter of fact, the strategy of helping the poor is not a kind of social security. It is more important that the strategy can help every member of the community to give full play to his strong points. To this end, the following two segments are of vital importance: firstly, Hong Kong must enhance its competitiveness and we must be far-sighted. To achieve this goal, the entire community should make an accurate assessment of the demand of the future global market and then take preemptive measures to snatch the market. This is the theme of the book *The Road Ahead* written by Microsoft's president Bill GATES. It is nevertheless a pity that this Budget prepared by the Financial Secretary is unable to embrace the future. As a result of hesitation in leading Hong Kong to a high technology and high value-added community, the Government can only provide a tentative solution to the problem of services sector development but is unable to outline Hong Kong's future competitive strategy. Nowadays in this world, a large number of academics have predicted that the 21st century will be an information era. However, the Hong Kong Government has not given sufficient encouragement to the development of information technology. This will definitely jeopardize the competitiveness of our community. I hereby urge the Government to give strong support to the development of information technology so that we can successfully occupy a leading position in Asia in this field of innovative technology, which will result in consolidating all aspects of economic development of Hong Kong.

The second segment to achieve the goal is to foster human resources training. In Hong Kong, planning in this respect is in a mess owing to the absence of a comprehensive training strategy. In education, stress has all along

been placed on tertiary education and basic education has been neglected, thus the overall education standard cannot be improved. With regard to human resources training, the Employees Retraining Scheme (ERS) was introduced in the midst of protests against labour importation and high unemployment rate. This year, a one-off allocation of \$300 million will enable the ERS to continue. However, the ERS is only aimed at helping the unemployed to find jobs in the quickest way but lacks medium and long-term planning and objectives. This is of no genuine help to improving the skills of the middle-aged workers. So, there will again be batch after batch of unemployed workers when the second wave of economic restructuring comes. The ERS is only intended for residents aged 30 and over. What kind of strategy does the Government adopt for training those under 30 or the new immigrants? The answer is none. The Government's recent commissioning of consultants to study the development of the Vocational Training Council and Employees Retraining Board is another one-sided exercise. What we need now is the Government's overall review of its human resources strategies. It is necessary to review from pre-school education to adult education segment by segment to help Hong Kong residents keep up with the challenge of the time, otherwise there will be further aggravation of the unemployment problem. We need a tier-by-tier training opportunity. A worker who is working after the completion of an employees retraining course can receive another level of training so that he can pursue studies continuously to cope with the needs of this ever-changing community. Then, the low-skill position left vacant owing to his promotion to one rank higher can be filled by a worker who has not pursued studies. Only by this sustained upgrading of the skills levels of the entire community can we successfully compete with other countries. It is the responsibility of the Government to provide the learning opportunities and encourage the workers to pursue further studies continuously. The Government is certainly deficient in the former area. As for giving encouragement, however, this year's tax deduction for training should be given credit.

I am making my final attempt to request the Financial Secretary to increase the CSSA rate for the elderly to \$2,700. Yesterday, the Honourable Miss Emily LAU praised you for preparing this Budget in a narrow space between the two sides. I am also aware that you are in a dilemma this year, but I know better that you will be in a more awkward predicament next year because many people will want to incapacitate you. So, please put your ability to good use by increasing the CSSA rate for the elderly when you are still capable. By doing so, I believe you will win the support of Honourable Members as well as all the elderly people

in the territory, and I will cast my vote of support.

These are my remarks. Thank you, Mr Deputy.

MR HENRY TANG (in Cantonese): Mr Deputy, Mr Donald TSANG is the first Chinese Financial Secretary born and brought up in Hong Kong. I believe that he will also be the last Financial Secretary before the change of sovereignty. For this reason, this term of office of the Financial Secretary is a particularly difficult position.

Last year, Sir Hamish MacLEOD's last Budget in his term of office was criticized as very conservative like "driving in low gear". This year, when Mr Donald TSANG took his office, there had already been a voice warning Hong Kong people to be cautious of a "fatal car crash". How fast should the car travel? Do we want to have adequate fiscal reserves or give priority to welfare? This is virtually a bumpy road and it is hard to maintain a balance. In this respect, Mr Donald TSANG has undoubtedly taken a steady first step.

This Budget realizes the proposal of setting up a science park and also decides to develop the second industrial technology centre and the fourth industrial estate. These plans are in line with the development trend which the local industrial sector has advocated over the past years. Only by upgrading the technical level, helping industrial development and encouraging manufacturers to get into the business of applied research in co-ordination with the Employees Retraining Scheme can we consolidate Hong Kong's international economic status and find solutions to problems such as the high unemployment rate and the gloomy employment prospects.

As regards giving impetus to the services sector, the Government has listed a series of new measures for improving the sector and this is an absolutely correct move because we should be aware that the local services sector accounts for over 80% of Hong Kong's GDP. Of course, I have no intention of ignoring the position of the manufacturing sector. However, in the face of the major climate of economic restructuring, strengthening the development of services is an inevitable stage in economic progress. Nevertheless, this ambitious plan is merely a grandly conceived one covering a large scope, with a beautiful framework but with scanty resources. With an allocation of only \$50 million, it is difficult to achieve such a noble ambition even if you are highly skilled.

In view of the above, I think it is necessary to promote the services industry in the following three major directions:

- (1) to provide a good investment environment;
- (2) to have a sound legal system and regulatory framework; and
- (3) to have a simple tax regime and low tax rates.

It is the duty of the Government to provide a good investment environment, but apparently the Government has not tried its very best in this aspect. For instance, the Government has many sets of theories and slogans concerning import and export trade but without any practical proposals. For example, a large number of problems still exist as far as Tradelink is concerned. As the Government clearly points out in the Budget: "The continuing success of the import and export trade sector hinges to a great extent on an efficient transport network to and from Hong Kong". The progress of the construction of the three rail links recommended in the Railway Development Strategy is as slow as snails racing to the peak on their sides. In this case, how can the project cope with the demand of the burgeoning entrepot trade and busy transport between China and Hong Kong?

Secondly, further improvement in the services sector mainly depends on a sound legal system and regulatory framework. The Government nevertheless should be cautious about the fact that excessive regulation would not only gag the business community's investment sentiment but would also disrupt the operation of the free market. The success and rapid development of the local services sector hinges on the free and non-interventionist investment environment of the territory as a result of the Government's prudent approach of maintaining an equilibrium between strengthening development and intervention.

Thirdly, Hong Kong has become a leading place of the Asia Pacific region with the best investment environment mainly because of its low tax rates and simple tax regime. However, I am quite worried about the fact that the tax base of Hong Kong has kept on narrowing. In the coming fiscal year, personal salaries and income taxes will stand at approximately some \$29 billion, accounting for 15% of the total government revenue. Its impact is therefore obvious to all. In the past three years, the proportion of salaries tax payers in our working population dropped from 54% to 40%. In other words, most of our

tax revenue came from a certain stratum. When there is economic recession, narrowing of the tax base like this would be a risky and unwise move. I therefore suggest that the Government should review the local tax net prudently and consider widening the tax bands so that tax burdens can be shared more evenly.

As for education, the Financial Secretary is really able to make use of the limited resources to work out some "contingency" measures. For example, though the Financial Secretary does not "too generously" allocate funds for the improvement of students' language skills as recommended in the Education Commission Report No. 6, he proposes the allocation quite "quickly" and this may be called a good start. However, there is no financial commitment to the other recommendations in Report No. 6. I am very unhappy with relying solely on appropriation from the Language Fund because it is tantamount to "an empty talk with policies but without the necessary resources".

I am more dissatisfied with the fact that there is utterly no improvement in basic education. For example, there has been further delay and no progress with regard to the issues of whole-day primary education and of providing graduate teaching posts in primary schools. I can say that at present, funds are mainly allocated for improving the "instant" effects on human resources quality. Nonetheless, to achieve a comprehensive and thorough upgrading of the overall education quality, basic education must never be neglected. I hope that the Government would deal with the unrealized recommendations in Report No. 6 and even those in Reports No. 4 and No. 5 at an equally fast speed and it should not leave some established policies which can improve education quality unrealized owing to a lack of resources.

The Liberal Party has for years requested the Government to subsidize and step up to a certain extent continued education and retraining programmes. This time the Government has accepted good advice by introducing an annual tax deduction as high as \$12,000 for training and injecting \$300 million into the Employees Retraining Fund. The above well-received proposals which can help to improve human resources quality are worthy of commendation.

I firmly believe that with elite people, a good investment environment and first-class infrastructure, Hong Kong will have full strength to favourably compete with the rising Singapore and Shanghai to maintain its invincibly advantageous position in international trade.

I hope that Mr Donald TSANG will maintain his self-confidence and enterprising spirit for the well-being of Hong Kong residents during the last years of British rule. I also hope that he will straddle the transition and become the first Financial Secretary of the Hong Kong Special Administrative Region Government.

Thank you, Mr Deputy.

DR JOHN TSE (in Cantonese): Mr Deputy, I would like to talk about special education and environmental protection in particular in the Budget.

This year, some \$870 million will be allocated to special education, up by 9.3% compared with last year and this is just enough for offsetting inflation. In recent years, special education school places have been more or less adequate. On the face of it, there is nothing to criticize in the allocations for special education in comparison to allocations for other basic education.

However, after looking into the matter carefully, I may describe the policy as "stressing on quantity but not quality". The wastage rate of special education school teachers and various kinds of supporting medical staff is as high as 10% to 15%. A lack of support for students to integrate into the mainstream would stifle talents. However, the Government has adopted delaying tactics by saying "pending the study report" in response.

The Government considers that strenuous work is one of the reasons for the high wastage rate of teachers and that the special education allowance which encourages teachers to receive training can help reduce the wastage rate. However, the Government gave a contradictory reply to my written question by stating that there was no direct relations between the wastage rate and the allowance. Obviously, the Government has no intention of making improvement in this area. The problem will aggravate in the absence of any funds for additional staffing and higher allowances.

As for the wastage of the supporting medical staff, it is already an open

secret that they have in fact switched to the wealthy and powerful Hospital Authority (HA). Though the pay of HA staff and that of all the subsidized supporting medical staff peg to the Master Pay Scale, HA staff are not only enjoying considerably large sums of cash allowances, but also a good deal of benefits. The Government is unwilling to spend money on improving staff welfare on the one hand and hopes that its staff will not switch to other sectors on the other. How can there be such an advantage in this world!

The Government will only spend \$28 million on helping students to integrate into mainstream schools. This sum is grossly inadequate to finance the special services in support of the disabled students' integration into the mainstream.

In fact, most of the teachers teaching in the schools for "integrating into the mainstream" have not received special education training. The disabled students taught by teachers who lack relevant knowledge cannot but run their own course without benefiting. They may even suffer from such kind of education.

The Government has all along refused to allocate funds for giving pupils above Primary One a number of tests. As a result, the slow-learners among primary students cannot be identified and they are unable to receive appropriate services. On the contrary, more Band 5 secondary students victimized under the mainstream education have been produced.

By a conservative estimation, the number of talented children in Hong Kong accounts for 2% to 3% of the total number of students. However, the Government has only supported 240 students to participate in the outstanding student textbook pilot scheme. How many talented students can benefit and how many teachers will be trained with the government appropriation of \$4.24 million? This is virtually a move to stifle talents.

As a matter of fact, quite a number of people have continuously called on the Government to improve special education. However, the Government only

responds with a single word: "wait" under the major pretext that it is improper to act rashly while the Board of Education is reviewing special education. Nonetheless, why does the Government not earmark some funds for an early implementation of relevant recommendations?

Mr President, I would now like to talk about environmental protection projects. In my opinion, this year's Budget makes inadequate commitment to the environment and conservation. This year, the Environmental Protection Department (EPD) only gets an additional 10% allocation, a rate lower than the increase in total expenditure. This also shows that the Government does not have long-term policies on the environment and conservation and the persistent "stop-gap measures" are still adopted. Moreover, the Government appears to be strong in will but weak in power in certain areas.

Owing to an increase in the quantity of wastes to be treated, of the large number of programmes of the (EPD), waste treatment facilities get the largest share of the funds, with an increase as high as 13%. Though the Executive Council has determined to recover the costs of the landfills by charges, it is unable to carry out the new charges scheme because the Government has not yet been able to reach an agreement with the affected parties. As a result, the Government has only spent money but received no revenue in this area. On the other hand, due to the abuse of landfills over a long period of time, their service periods have been drastically shortened. It is necessary for the Government to seek other solutions. Perhaps Mr Bowen LEUNG would reply by saying, "Please wait for a while. The consultancy report will come out soon."

The Democratic Party thinks that spending a colossal sum of money each year on waste treatment is only a stop-gap measure which cannot get at the root of the problem. In the long run, it is necessary to work out a way to reduce wastes and prolong the service life of landfills. It is a pity that though the Government has completed the first phase of the waste reduction study, in this year's Budget, no resources are reserved for implementing the recommendations in the study. The Government's determination in reducing wastes is therefore questionable and it is doubtful if the study merely signifies grand gestures. The Democratic Party also thinks that to effectively reduce local wastes, the Government should, in drafting its plan, set clear objectives to increase recycling so as to avoid turning the plan to a waste of resources.

On the other hand, the EPD indicates that it will develop and operate a

centralized incinerator for treatment of medical wastes. In view of the fact that most of the hospitals have their own incinerators, is it necessary to build a centralized incinerator? If we say that the existing incinerators are substandard ones, why did the EPD approve their operation? Furthermore, the waste reduction study report states that Hong Kong should build another incinerator for treating daily wastes. Though the Democratic Party has urged the Government to use low-pollution incinerators, it "feels extremely flattered" with the sudden emergence of so many incinerators. We consider that too many incinerators will not only waste resources, but will also generate environmental problems and controversy over site selection. It can thus be seen that the Government has failed to consider the overall situation in formulating environmental protection policies.

Vehicle emissions have all along been the chief culprit of air pollution. However, the Government's study on replacing diesel oil with other fuels has made slow progress. After this Council had vetoed the mandatory plan of replacing diesel oil with petrol last year, the Government has not raised any other proposals. The proposed study on other fuels such as liquified petroleum gas and natural gas has never been made. Mr Deputy, the Democratic Party supports the idea of replacing diesel oil with other fuels which can protect the environment better so as to improve air quality. We urge the Government to draw up feasible plans as soon as possible and to expedite the study on other fuels. Moreover, the Democratic Party also hopes that the Government will abandon the concept of balancing the books in this aspect and do a losing business for once by investing more resources in air quality improvement because health is valuable.

The Democratic Party has already stated its stand on the levy of sewage charges in previous discussions and I would not reiterate our stand now. We also hope that the Government will not just satisfy itself with the scheme. In fact, the present Level One sewage treatment is not sufficient and it should be upgraded to Level Two so as to reduce environmental pollution caused by sewage. Over the long run, we should place stress on how to educate the public to save water and to improve the water quality of Shenzhen River. In terms of psychology, we should not commend the Financial Secretary until he actually increases allocations in this aspect. Anyway, there is really nothing to commend in the realm of special education because there is nothing special in special education.

Of course, the Government has made definite improvement in the environment and conservation and this is worthy of commendation. The improvement includes: firstly, the setting up of the third phase of water quality control zone in Victoria Harbour; secondly, implementation of the Ramsar Convention on Wetlands of International Importance and strengthening the management of country parks; thirdly, committal to the Legislative Council the Environmental Impact Assessment Bill; and fourthly, setting up of the second environment resources centre.

All in all, I firmly believe that there is still a lot of room for improvement in the aspects of special education and the environment and conservation. I hope that the Government would make greater commitment with more efforts.

Finally, I would like to say a few words about social welfare. To liken social welfare to opium which poisons people is tantamount to regarding the Director of Social Welfare as a drug ringleader, social workers as drug retailers and the public as drug addicts. This is a great insult to the Hong Kong community. Such an opinion is an exhibit at a history museum and is also a kind of absolutely negative teaching material. It overlooked the role played by social welfare in mending the gap between the rich and the poor and stabilizing the society.

Such kind of heartless tycoons who bully the weak and not only give no help to the poor, the disabled and the aged and infirm but also hit a person when he is down. This proof of Karl MARX's appraisal of the ugly capitalists more than a century ago is virtually a mockery of our modern civilization.

Mr Deputy, these are my remarks.

THE PRESIDENT resumed the Chair.

MR YUM SIN-LING (in Cantonese): Mr President, I urge the Government to pay attention to the "four imbalances" reflected in the expenditure account:

(1) *Stressing "Commerce" and Ignoring "Industry"*

It appears that the Government lacks foresight and "makes perfection more perfect" by giving the services sector support when the weight of services has

already far surpassed that of industries in the local economy. I suggest that the Government should "provide timely help" by injecting more funds and introducing incentive schemes into the industrial sector which has been neglected for the past decades. Hong Kong should not be complacent about the overall economic success over the past years and neglect the backward industrial technology resulting in poor competitiveness and high unemployment. Though it is not a must for Hong Kong to develop high technology, the territory should nevertheless develop non-labour-intensive and medium-technology manufacturing industries such as the manufacturing of instrument or those industries emphasizing on quality control. The Government should attract international investors with "tax holidays", otherwise, it is difficult for us to compete with our neighbours. It would probably take only one year or so from making a final decision to put a plant of medium technology into operation. This could be a good short-term plan for solving the unemployment problem.

(2) *Stressing "Consultancy" and Ignoring "Capability"*

This means putting the emphasis on "consultants" and ignoring local capable personnel. Honourable colleagues have on a number of occasions pointed out that government departments have spent too much money on commissioning consultants and it is in fact unnecessary to do so. Hong Kong has sufficient experienced professionals in some fields and the Hong Kong Government has very often neglected the fact that at the local universities, there are quite a few professors who are qualified for doing the same consultancy work. I propose that the Hong Kong Government should set up a mechanism quickly so that university teaching staff can be given the chance to act as consultants of various projects and a portion of their income can be donated to the universities to which they belong. This should also alleviate the Government's heavy burden of subsidizing the universities.

(3) *Stressing "The Rich" and Ignoring "The Poor"*

A number of honourable colleagues have already pointed out the seriousness of the disparity between the rich and the poor. In terms of population, Hong Kong has the largest number of luxury cars. However, it is shameful that there are also cases in which elderly people died because of the

cold spell. The Government should not be afraid of using a small fraction of the accumulated surplus to strengthen the work of helping the poor and the needy. It should also accept good advice and consider adopting a better tax system to narrow the gap between the rich and the poor.

(4) *Stressing "Discipline" and Ignoring "Culture"*

The total recurrent expenditure on the law-enforcing disciplined services will be over \$14 billion in the next fiscal year. However, the recurrent expenditure on recreation and culture as well as urban services facilities, including all the facilities of the Urban Council, will only stand at some \$7 billion for the same period, thus coming to a ratio greater than 2:1. In a modern civilized community, other than placing stress on safety of the public, we should also emphasize the quality of life. It is absolutely necessary to increase the spending on recreation and culture and urban services as well, or else Hong Kong can never become a genuinely world-class city.

Mr President, I basically agree that this Budget prepared by the Financial Secretary is a relatively good one. But I still hope that he will consider the above viewpoints and make some adjustments. Thank you.

MR MOK YING-FAN (in Cantonese): Mr President, on behalf of the Association for Democracy and People's Livelihood (ADPL), I am going to express our views about government expenditure on health and the environment.

In next year's Budget, the Government intends to allocate 13.8% of the recurrent public expenditure to the health sector. ADPL and I are very disappointed at the share of government expenditure by this sector. Firstly, the recurrent expenditure on this sector will only increase by 4.4%, a rate lower than this year's 7.7%. Secondly, the proportion of expenditure on health care in the total government recurrent expenditure will also drop from 14% in 1995-96 to 13.8%. The above two figures make ADPL and I doubt if the Government's allocation for the health sector is reasonable.

In the past, our expenditure on local health care has never exceeded 2% of GDP. In the next fiscal Budget, the expenditure on health care only accounts

for 1.9% of GDP, which is really a low rate compared with that of other countries. By the standards of the Organization for Economic Co-operation and Development in 1990, of all the dozen or so countries under the Organization, the average rate of public expenditure on medical services in terms of GDP was 5.8%, a percentage far above that of Hong Kong. The Government's allocation for the health sector is far from sufficient for solving the existing problem of improving local medical services. This is particularly the case in the areas of basic medical services, education on the prevention of diseases, medical staffing, medical services for the elderly and the number of hospital beds.

First of all, the Department of Health is the organization responsible for basic medical services and education on the prevention of diseases. However, the amount of funds allocated by the Government to the Department is inadequate. In fact, there is great demand for basic medical services from the public. If the Department of Health is unable to provide adequate services, members of the public will thus ask for more services from the Hospital Authority (HA), thereby exerting greater work pressure on the Authority. Moreover, of the allocations to the Department of Health, the portion for promoting health education only grows by 2.4% or \$56 million, meaning that there is less than \$10 spending on each one of the 6 million people in Hong Kong. In this case, how can health education be promoted?

Secondly, both ADPL and I are very unhappy with the fact that in the Budget, the Government makes no mention of the shortage of nurses, doctors and medical social workers. According to the nursing staff target published by the Hospital Authority (HA) in 1994, Hong Kong needed 28 560 nurses in 1995, whereas the shortage stood at 5 000 or so. As a matter of fact, in Hong Kong, the ratio between nurses and the population has been lower than those in other countries. The findings of a recent survey conducted by the University of Hong Kong revealed that among the doctors or nurses interviewed, over 95% admitted that there was a shortage of nurses, and 30% of the nurses considered switching to other trades because of the shortage. According to the survey, it is believed that the high wastage rate of nurses will continue. Figures released by the Government show that in the year 1995-96, the wastage rate of nurses hovered at 10.3%. In view of the above, I think the Government should never overlook the impact of the shortage of nurses on the quality of medical services. ADPL requests the Government to allocate funds for increasing the number of places for undergraduate courses for nurses and improving the promotion mechanism of nurses so as to reduce the chance of wastage of nurses.

As for doctors, in the Scott Report in 1985, the manpower target of doctors was set. However, the current ratio of doctors in Hong Kong has not achieved the target on the one hand whilst by now, the target has already lagged behind those of other Western and advanced countries on the other. ADPL hopes that the Government will set new targets of medical and nursing staffing (including doctors and nurses) and peg the ratios in the targets with the existing facilities so as to avoid a waste of resources. Moreover, the Government should also try its very best to negotiate with the medical faculties of universities on the number of places offered to medical students so that more doctors will participate in the work of the HA to cope with the needs.

Other than a shortage in medical and nursing staff, there is also a shortage of hospital beds in the territory. According to the figures released by the 1995-96 work plan of the HA, in 1994, the number of hospital beds in the territory stood at 28 000. It is estimated that in 1997, the ratio of population to hospital beds will still stand at 1 000:4.7, a much lower rate compared with those in Western countries. Furthermore, a recent survey conducted by the HA reveals that in some densely-populated areas in the New Territories with few hospitals, there is an acute shortage of hospital beds, particularly in convalescent hospitals. By the year 2000, there will be a shortage of 1 600 beds in convalescent hospitals.

The above conditions of staff and hospital bed shortages or vacant hospital beds in fact reflect the "three deficiencies" of local medical services: firstly, some hospitals have beds but without staff, thus resulting in a high rate of vacant beds; secondly, some hospitals (such as Queen Elizabeth Hospital, United Christian Hospital and Queen Mary Hospital) experience an acute shortage of beds probably because there is only one hospital in a densely-populated district or most of the patients choose to be hospitalized in government hospitals due to the high fees charged by private hospitals; and thirdly, the number of hospitals is inadequate, particularly in the densely-populated districts such as Kwun Tong or some New Territories districts, where residents very often have to seek services of specialist outpatient clinics and government hospitals outside their own districts. In view of the "three deficiencies", I think that the Government should make a prompt review of the inter-relations between changes in districts, population and medical and nursing staff establishment and the number of hospital beds, and allocate more funds for improving the situation of staff shortage.

As regards medical services for the elderly, the expenditure on health care in the Budget fails to give adequate care to the elderly. In particular, the old age health education funds and the setting up of specialist services for the elderly have been neglected. At present, as a result of the inadequate specialist outpatient services for the aged, elderly patients have to wait for a long time. There is also much room for improvement in the general outpatient services for the elderly. Elderly people have to spend three to four hours in waiting for general outpatient services and altogether they have to spend half a day when the travelling time is taken into account. As this is detrimental to their health, the Government should allocate more funds for improvement in this area as soon as possible.

Regarding health care for the elderly, the present development for such service is insufficient for coping with the needs arising from the continuing aging population. At present, the Central Health Education Unit of the Department of Health only spends a small portion of the total expenditure of the Department on health education for the elderly and the Unit's funds for expenditure is not much. For example, this year's budgetary expenditure for the Unit only amounts to \$22 million, accounting for merely 0.9% of the Department's total expenditure of some \$2.4 billion. The sum set aside by the Unit for health education for the elderly is even more pitiful. ADPL therefore suggests that the Government should increase the allocations for health education for the elderly and try its best to set up a health centre for the elderly in each district (particularly those districts with aging population) to provide the elderly with services such as medical examinations and health education activities.

Finally, ADPL is very dissatisfied with the Government's failure to include the promotion of patients' rights in the action agendas of the Budget. I recall that in the 1995 policy address, the Governor pledged to enhance the general public's knowledge of patients' rights and obligations. However, not a single word in the Budget is on this matter. The Government, through the Central Health Education Unit, only produces some brochures and cassette tapes and sets up telephone hotlines on the promotion of patients' rights. These are of not much use in helping patients to understand their personal rights. Moreover, there is no lawful channel for the general public to lodge their complaints. ADPL finds it necessary for the Government to enact legislation on patients' rights with a view to formally establishing patients' rights of complaining through lawful channels.

In summing up, ADPL thinks that the amount of funds allocated by the Government for the health sector is inadequate. It is no good at all for the Government to make insufficient commitment on the one hand, and attempt to introduce, and it has actually introduced in some hospitals, itemized charges on medical services. ADPL demands that the Government stop levying such charges, and review the relations between changes in medical and nursing staff, hospital beds, hospitals and population as well as medical charges and financing, so that Hong Kong residents can enjoy affordable and high quality medical services.

Now let us look into the government expenditure on the environment. Next year's budgeted expenditure for the Environmental Protection Department will amount to \$1.85 billion, up by approximately 10% over the previous year, but the rate is much lower than the average increase of 40% over the past three years.

When we look at a community's expenditure on environmental protection, usually we also look at the proportion of this expenditure in the GDP. This time the budgeted expenditure on environmental protection merely accounts for 0.15% of our GDP. Even the overall government expenditure on the environment only accounts for 0.56% of the GDP. Some green bodies point out that Hong Kong spends much less money on environmental protection than some developing countries and even less than mainland China. For instance, in mainland China, the expenditure on the environment accounts for 0.6% of its GDP. We think it is ridiculous that the share of our spending on the local environment in the GDP is smaller than that of mainland China.

The Government is still adopting a remedy-oriented environmental protection policy and has neglected the pollution prevention policy. The Government's resources are mainly used for carrying out remedial measures on water pollution, waste disposal and noise pollution, but the preventive work in advance is overlooked. In the estimates of the Environmental Protection Department, we can see that the funds allocated for environmental assessment and community relations only account for 3.1% of the total expenditure of the Department, a sum smaller than the Department's expenditure in other areas.

It is most regrettable that the Government has not attached importance to education on environmental protection. This can be easily seen from the allocations to the community relations work. In the next fiscal year, a sum of

\$12 million will be allocated to community relations, an increase of only \$100,000 or 0.8% over the previous year's \$11.9 million. I believe that this additional sum will be used up by advertising on television for a few times.

In my opinion, the Government, while improving other policies on people's livelihood, must not neglect improvement in the environment and prevention of environmental pollution. Whether the environment is polluted or not and people's health are inter-related. The Government should increase its expenditure on the environment and adopt a preventive strategy to avoid the need for remedial measures when the environment is polluted. We must be aware that not all kinds of pollution can be remedied with money or technology.

Mr President, these are my remarks.

MR LEUNG YIU-CHUNG (in Cantonese): Mr President, a pro-China newspaper, in response to the Budget, published an article entitled "Performing magic and borrowing today's food against tomorrow's income", severely criticizing that spending money and offering welfare services lavishly had become the theme of Chris PATTEN's policy address and the Financial Secretary could not but satisfy the Governor's policy targets like a cashier. The above opinion shows that in the eyes of the Chinese side, the British Hong Kong Government is actively promoting welfarism and the last Budget prepared by the Hong Kong Government alone has been accused of leading the territory to the Western road of social welfare and imbuing the people with spiritual opium.

Undoubtedly, spiritual opium has spread to every corner of Hong Kong. However, it is not tantamount to welfarism. It is rather following blindly and echoing other people's opinion, currying favour with and flattering the powerful, acting consciencelessly and following closely the Chinese side. This is the spiritual opium which is immoral and a loss of oneself. At the end of last year, the Chinese side criticized Hong Kong's active promotion of welfare with the theory of "getting killed in a car crash". This theory which reverses right and wrong has become the local prevalent trend of following blindly and echoing other people's opinion. Those people who take opium voluntarily scramble to make pledges and make up to the bigwigs. As a matter of fact, there has never been any link between Hong Kong and welfarism. Those people who have taken opium have almost lost their senses. I hope that they can rub their eyes to see clearly the current welfare situation in Hong Kong, that is

PRESIDENT: Mr LEUNG Yiu-chung, please resume your seat. Who were you referring to, Mr LEUNG Yiu-chung? Would you please rephrase it?

MR LEUNG YIU-CHUNG (in Cantonese): At the end of last year, the Chinese side cited the theory of "getting killed in a car crash"

PRESIDENT: Please rephrase it.

MR LEUNG YIU-CHUNG (in Cantonese): Mr President, would you please point out clearly which sentence is it?

PRESIDENT: The last sentence you uttered. The phrase containing the words "迷糊" and so on.

MR LEUNG YIU-CHUNG (in Cantonese): Those people who have taken opium have almost lost their sense. So I ask them

PRESIDENT: But you are not talking about opium. You are talking about some people.

MR LEUNG YIU-CHUNG (in Cantonese): Mr President, would you please point out which sentence it is when I have read out the whole paragraph?

PRESIDENT: Please do.

MR LEUNG YIU-CHUNG (in Cantonese): At the end of last year, the Chinese side criticized Hong Kong's active promotion of welfare with the theory of "getting killed in a car crash". This theory which reverses right and wrong has

become a prevalent trend of following blindly and echoing other people's opinion. Those people who take opium voluntarily scramble to make pledges and make up to the bigwigs

PRESIDENT: Who are those people?

MR LEUNG YIU-CHUNG (in Cantonese): I do not know who they are. I only said those people who would take opium voluntarily.

PRESIDENT: Are you referring to Members of this Council?

MR LEUNG YIU-CHUNG (in Cantonese): I did not make a clear indication.

PRESIDENT: Are you alluding to a certain Member who spoke yesterday?

MR LEUNG YIU-CHUNG (in Cantonese): I did not say that.

PRESIDENT: So would you like to rephrase it in such a way that it does not refer to any Member?

MR LEUNG YIU-CHUNG (in Cantonese): Mr President, I only said those who would act voluntarily. However, I do not know whether anyone is acting voluntarily. I therefore have no intention of referring to any Member of this Council.

PRESIDENT: I shall have to order you to withdraw the remark, if you are not prepared to rephrase it.

MR LEUNG YIU-CHUNG (in Cantonese): Do you mean "those people who take opium voluntarily"?

PRESIDENT: That is it.

MR LEUNG YIU-CHUNG (in Cantonese): All right, I shall try to rephrase the sentence.

At the end of last year, the Chinese side accused Hong Kong of promoting welfare actively with the theory of "getting killed in a car crash". Such a statement which reverses right and wrong has become a prevalent trend of following blindly and echoing other people's opinion. This time, some people have scrambled to make pledges and make up to the bigwigs. As a matter of fact, there have never been any link between welfarism and Hong Kong's actual situation. Those people who have taken opium have almost lost their senses. I hope they will rub their eyes to see clearly the present

PRESIDENT: Mr LEUNG Yiu-chung, who are those people? Who are you alluding to?

MR LEUNG YIU-CHUNG (in Cantonese): Mr President, actually I do not know who would take opium voluntarily. What I mean is that if some people want to take opium voluntarily, I hope that they would stop it and that they could see clearly the situation of Hong Kong

PRESIDENT: Are you prepared to withdraw the remark?

MR LEUNG YIU-CHUNG (in Cantonese): Do you mean what I said about those people who have taken opium have almost lost their senses

PRESIDENT: Or you would indicate to the effect that you are not referring to any Member, as you might have given Members the impression that you are referring to them.

MR LEUNG YIU-CHUNG (in Cantonese): All right, I have no intention of referring to any Member of this Council. Would that be all right?

PRESIDENT: Please carry on.

MR LEUNG YIU-CHUNG (in Cantonese): Regarding the services for single elderly persons, the Governor's policy address last year heralded an increase in the rates of the Comprehensive Social Security Assistance (CSSA) for elderly people living with their families. At that time, people who were concerned about the issue of the elderly were extremely dissatisfied with the Governor's total neglect of the needs of the elderly living alone. However, this "out-and-out Donald TSANG Budget" follows closely to the order of the Governor by increasing the CSSA rates to the elderly people living with their families. We of course welcome this move. However, can we totally ignore the livelihood of the elderly people living alone? They have to singly bear the housing costs without the care of any other people. Can we just ignore their plight? During the Lunar New Year period of this year, dozens of elderly people died in Hong Kong because of the cold spell. Can we stand by with folded arms in the face of the situation of the elderly living alone? "Behind the red doors meat and wine go to waste while out on the road lie the bones of the frozen". The sorrowful conditions witnessed by DU Fu still happen today. Under such circumstances, are we lavishly promoting welfarism? The Financial Secretary said the CSSA Scheme review report to be released on 8 March would announce an increase in the CSSA rates. This ended up in: the standard CSSA rate for an elderly person living with his family will increase from \$1,500 to \$1,800. To the bigwigs, \$1,800 may not be enough for a meal, but to the elderly, can they really live with dignity with the sum?

Some people condemned Hong Kong for spending money lavishly with the point of a 10% increase in welfare services. I would like to ask the critics whether they have thought about the actual fact of growth in welfare for the

elderly and have considered the soaring prices. I think that citing the growth of welfare irrespective of the actual situation is no different from the Government's playing around with figures. Actually, the sum of \$1,800 is far lower than the sum of \$2,300 recommended in the survey on the adequacy of public assistance rates by Prof MacPHERSON released two years ago, not to mention the sum of \$2,700 all along demanded by the concerned groups for the elderly. I hope that the Financial Secretary would steadfastly move towards the target of \$2,700.

The recent sluggish market performance and high unemployment rate are attributable to failure in the Government's economic and industrial policies. So the Government can hardly absolve itself of the blame. I believe that no one would like to rely on the CSSA payments for the unemployed which are insufficient to maintain a person's living at subsistence level. As a result, some people are always in debt and some have committed suicide or even risked danger in desperation. The Financial Secretary, in regarding the Employees Retraining Scheme (ERS) a panacea for the unemployment problem, has done nothing but to recommend in the Budget to inject \$300 million into the Employees Retraining Fund. However, how many people have been trained under the ERS? Can the ERS solve the problem of the over 100 000 unemployed and underemployed people? As for the unemployment issue, I think the Government should take the responsibility by increasing employment opportunities through creating additional posts of home helpers and personal care workers to kill two birds with one stone by creating more jobs on the one hand and improving basic services on the other. I hope the Financial Secretary will carefully consider this practical development and direction.

Moreover, I am aware that there has all along been a shortage of supporting services for the elderly, disabled, single-parent families and women, who are suppressed at the lowest level of the community with no prospects but to apply to the Government for CSSA payments. I nevertheless believe that under a sound financial system and policy direction, arrangements should be made to enable members of the general public to live with dignity, be self-reliant, give full play to their strong points and have equal opportunities. In 1996-97, there is a shortage of 2 521 government nursery places and the number of places set by the Government is insufficient for meeting the actual needs. I therefore strongly demand that the Government strengthen the government-run nursery services to help women out of their current difficult position. In the long run, the Government should also encourage private organizations to set up nursery centres as a kind of welfare for employees. I believe that the Government

should take the lead in setting up additional nursery centres to encourage and stimulate others.

Furthermore, I suggest that the Government allocate a sum of money for setting up an employment development fund to provide interest-free loans for CSSA recipients such as the elderly, disabled and single-parent families to help them develop some businesses such as the establishment of nursery mutual aid resources network, snack stalls and small garment businesses. Only by the Government helping them to be self-support can they be out of their lifelong reliance on CSSA payments and have dignity and self-confidence. In the long run, the move can also save money for the Government.

Nevertheless, I think that it is the Government's responsibility to help those elderly and disabled who have lost their work abilities to spend their remaining years in comfort instead of leaving them running their own course. At present, there are only 114 teams of home helpers and an additional 12 teams will be in operation next year, with each team handling an average of 70 cases. How can this number of home helpers handle the 600 000 elderly persons above the age of 65 and the 260 000 disabled persons? I think that the Government should carefully consider this issue. As a matter of fact, additional home help services permit no delay.

At present, the services of the homes for the elderly is also a question of great urgency. According to the Government's services target, there is a shortage of 2 700 residential care places in 1996-97. I would like to ask if the Government will have nothing to be ashamed of in providing such services for the elderly. At present, there are a total of 104 government and subvented homes for the elderly with altogether 14 000 residents and there are also 482 private homes for the elderly with about 16 000 residents. With the successive closure of quite a few private homes for the elderly owing to their failure in complying with the Residential Care Homes (Elderly Persons) Ordinance, which will become effective soon, it is estimated in the next couple of years, 200 homes for the elderly will be closed down, affecting 5 000 residents. Does the Hong Kong Government want the elderly people to freeze to death in the street or live in wooden huts?

Some people say that we advocate free lunch. I have to clarify that I absolutely object to offering any free lunch to people who can afford their own

lunches. However, can we refuse to offer a person free lunch if he has nothing to eat for some time and cannot afford his own meals? Some people become bony and infirm because they cannot afford to eat three meals a day or do not get enough to eat. Can we just ignore them? Moreover, it is quite unlikely that they have made any contribution to society, so what they eat is not necessarily a free lunch.

Someone asks: Where does the money come from? At present, the fiscal reserves of the Government stand at \$150 billion. Mr LU Ping also said that he only wanted the Hong Kong Special Administrative Region Government to have a surplus of no less than \$25 billion. So why do we not draw out some reserves? If the Government insists on keeping the reserves unused, I think it should consider increasing profits tax. I believe a 1% increase in profits tax will not be excessive because even with such a rate of increase Hong Kong will still be one of the places in the world with the lowest profits tax rate. Such a move will definitely not frighten the capitalists off, yet it can increase revenue and improve social welfare. I therefore hope that the Financial Secretary will consider this issue carefully and honourable colleagues will make concerted efforts to compel the Government to do a good deed for the grassroots.

I have never looked at the Government's motives with the conspiracy theory, but I can only say that the Financial Secretary and the current Government are procrastinating and conservative. They adopt the financial management philosophy of linking expenditure to economic growth and that public expenditure should not be higher than 20% of our GDP. As a result, public expenditure in the past few fiscal years only accounted for 18% of GDP. Such small amounts of expenditure cannot meet social demand. I hope that the Government can refer to other places with similar economic development levels such as Taiwan and Singapore where public expenditure exceeds 20% of GDP. I hope that the Hong Kong Government can break the "golden rule" of finance by spending more public funds on members of the general public.

Mr President, these are my remarks.

MR ALBERT CHAN (in Cantonese): Mr President, I request clarification and an explanation from you on the reason for considering the Honourable LEUNG

Yiu-chung's statement of "those people who are have taken opium have almost lost their senses not conforming to the convention and order of sittings.

PRESIDENT: I shall let Members have an explanation at the next sitting.

MR JAMES TIEN: Mr President, there is much to credit the Financial Secretary for his first Budget offerings. I agree with a lot of the praises expressed but time today allows me to voice some queries and misgivings that I have.

Our government takes considerable pleasure and pride in reducing taxes. Not all the taxes, mind you, just those which serve a political purpose of pleasing the numerous unionist Members of this Council. This may not be wise but it is understandable — and it is a matter of simple arithmetic. They have the majority of votes in this Council. A Budget is made or broken by whether they are in favour of it or against.

The Financial Secretary now offers to reduce income taxes through a series of concessions and raised the basic allowance by 14%. This is a popular move but not necessarily a smart one. For three years running our government has steadily eroded the already narrow tax base. Whether this is a consequence of having so many grassroots' champions in this Council, I leave it to you to decide. Between 1993 and now the percentage of our work force which pays income tax has shrunk from an already low 54% to 40%. Those who pay meaningful salary tax are far fewer. Though around 1.2 million people contribute to income tax, around 100 000 pay about 60% of the total receipt. The tax burden clearly has shifted decisively into the upper middle class and above. The singular reliance on so few to carry the load for so many is risky. If anything unfortunate should befall the few overly-depended-upon tax payers, then our revenue would go into a sudden seizure.

Since a return to more balanced taxation is not on, the only feasible alternative is to widen the tax net and to spread the load in another way — Fees and Charges — Financial Secretaries' favourite subject. We can see from the latest statistics that, with fingers crossed, our economy is gradually recovering. The unemployment rate has fallen from a decade worst 3.6% in November to 3.1% today. Inflation, while stubbornly high, has subsided to around 6% at today's rate. The property market seems to have bottomed out and prices are

steady. A series of bank interest rate cuts has also eased the credit crunch.

If these economic indicators are accurate, I can relax a bit and let our Financial Secretary recoup more revenue through rates and fee increases. The Government today collects some 3 000 odd fees and charges. Most of these are levied at businesses. I support the Financial Secretary now to raise these charges not beyond the inflation rate for this year only and, at the same time, review all of them, adjusting what must be changed, cancelling those which are obsolete. We support the users pay principle and cost recovery concept. But what is cost, how efficient is government departments, how many years for full cost recovery? These are all the questions that have to be looked at.

Mr President, I regret that the Government has ignored a motion passed in November last year to reduce corporate profits tax. The Financial Secretary says our corporate tax is among the lowest in the region and any reduction of it amounts to free lunch. On the face of it, a 16.5% profit tax. He is right. But here the reality is a little more complex than meets the eye. Companies here sign cheques, whether for tax, levy, fees, rates and such charges, payable to the "Hong Kong Government" at a rate far more than what many of their counterparts do in this region. The difference is that there, they pay mainly through corporate tax and here, we mask a great portion of our contribution in an array of additional levies. I do not think it is an exaggeration to say, we in Hong Kong pay among the highest fees and charges in the region. We would be deluding ourselves if we figure multinationals are not aware of our hidden taxes and calculate their plans for locating in Hong Kong or elsewhere accordingly.

As an example of low corporate tax being compounded by additional charges, the case of the two public television broadcasters, TVB and ATV, is telling. Both have to pay the usual 16.5% profits tax plus 10% of their total revenue as a fee to the Government. Hence, in effect, TVB is paying 45% tax on their profit. While ATV, the weaker of the two, loses money, after having paid this steep fee.

Mr President, everyone of course endorses the Financial Secretary's promise of a "user-friendly government" committed to "helping the business community generate wealth". What exactly does this slogan entail? He cites such broad and vague concepts as "streamline existing services through new technology and process re-engineering", "eliminate any over-regulation and unnecessary bureaucracy", and "new services". The most tangible suggestion is

the creation of a task force under the Efficiency Unit.

For now, I am holding back final judgement on his pledge until the Government can produce the specifics to show it is not just lip service. Putting more resources into business, it is not lip service. It is now time for the Government to spend more on economic development than on social welfare. This year's Budget increases expenditure in real terms on economics by only 2.5% while those on social welfare by 14.7%. In the last five years, expenditure in real term went up only by 12% for economic development, but 65% for social welfare. A family of four now gets \$10,020 per month as Comprehensive Social Security Assistance. No wonder the business sector has trouble in finding workers nowadays. Who would want to work if one gets more money by staying unemployed? At this rate, we might soon become the welfare state of many western democracy where no one wants to invest and the economy turns stagnant.

Mr President, talking about neglect. Talking about positive non-intervention. There is not one area which has been as routinely dismissed or overlooked as manufacturing in Hong Kong. No wonder our factories have been disappearing faster than the tropical rain forests. To compensate, the Government has finally reaffirmed its interest in developing a science park. We can be pardoned for being a bit tired and sceptical over this. We have been hearing many refrains about such a Mecca for high technology since the early 1980s. Hong Kong, Singapore and Taiwan more or less chanced on this idea at roughly the same moment. Today Singapore and Taiwan are renowned as centres for hi-technology manufacturing and research and development. All we have to boast out of this, is a pool of water out there somewhere in Tolo Harbour. But I must be charitable and say, as I said before, it is always better late than never.

Happier, however, is the Financial Secretary's proposal for a second industrial technology centre and a fourth industrial estate. But realists must be scratching their heads as to what industries we hope to attract to these venues when in terms of labour costs and benefits, we have priced ourselves out of contention, and in terms of tax breaks, we have virtually none. Mr President, our real cash cow is not the big corporation but the small to medium enterprises employing fewer than 50 workers each. They are also the ones in urgent need of aid which the Financial Secretary has promised. While I applaud his sentiment in this regard, I must point out that small to medium businesses can

benefit a lot, from the Government staying out of their way, and this Council refraining from slapping on them a whole battery of equal rights and labour bills. Many of them today feel stifled by the myriad regulations, politically correct but commercially nonsensical rules, the added costs of all types of payout to employees, and the confrontational attitude that have spread from this Council to the workplace. I think it is only right for the Government to let them breathe and operate with more freedom, and less nuisance first, before offering them assistance. If our small and medium businesses are hampered and strained, the fault lies as much with the Government as with the unions and their advocates. This is a fact, whether or not some of my colleagues like to hear it.

My advice is that we should stop this class warfare. The Budget vision depicts our future as a community that goes out to make money from the world rather than some groups going for the throat of the other in Hong Kong. We must again make a hero, not a villain, in the popular mind, of the entrepreneur, the employer, the opportunity giver, so that our youths can emulate rather than envy those who are successful.

Mr President, our government now seconds the expert opinion that, while we are educating a record number of students to the degree level, our youths are not as fluent in English or, for that matter, Chinese as their predecessors were. To remedy this, the Financial Secretary is to allocate \$14 million to hire a hundred English native speakers to teach our students the global language of science and commerce. Another \$10 million a year is to be directed towards promoting Putonghua instructions. I would not be too harsh, if I call these efforts "remedial" and "cosmetic". We are spending tens of millions, to try to overcome billions of dollars' worth of neglect.

The Financial Secretary also commends the Trade Development Council (TDC) for doing a credible job and asks it, to add to its portfolio the promotion of our trade in services. Before the TDC embarks on another venture, it can already achieve more by, with the Government's support, turning itself into a "one-stop shopping centre" for foreign investors. Anyone interested in investing in Hong Kong should be able to walk into any one of the 20 odd TDC offices around the world and get all the services, that is, legal counsel, information, assistance with bureaucracy, advice and contacts — he needs to do his business here. This would clear a lot of the red tape to which the Financial Secretary has expressed and establish a friendly environment for business in Hong Kong.

Mr President, I agree with the philosophy, applicable to life as it is to commerce, that one has to work to one's natural advantages. To help us do precisely this, the Financial Secretary is giving us a task force on services promotion which on face value looks a lot like our Central Policy Unit. The task force should be, he says, "an ad hoc group of prominent business leaders, professionals and academics" which is to shape a "framework of action" and "action agendas". This sounds ambitious but we have to wait and assess the task force, not for the impressive heavyweights in its membership, but for the result.

Whether we are prepared to gain from economic developments on the mainland, China is geared up to benefit us. The National People's Congress has just approved a ninth five-year-plan in which we figure prominently. I suggest that the proposed task force get the hint and look into how we can make the most of that five-year-plan. No serious economy operates in a vacuum or in isolation any longer. The prize often goes to the one who is first off the mark and races steps ahead of the competition. We were nimble, we were quick. We must be so again but with added stamina this time around. We must be prepared to run either the economic sprint or the marathon.

With these words, Mr President, I congratulate the Financial Secretary on his first Budget.

MR WONG WAI-YIN (in Cantonese): Mr President, on behalf of the Democratic Party, I am going to speak about the part of the Budget on transport.

First of all, I am disappointed that this year the expenditure on construction of transport facilities once again registers a negative growth. Hong Kong is a tiny and densely-populated place with great transport demand. The addition of the rapid urban development has made the local transport network sink beneath its burden. As traffic congestion has become more and more serious in the territory, it is an urgent task for the Government to formulate a complete set of measures to relieve the congestion and develop an effective set of traffic control policies. It is nevertheless regrettable that from the part of the Budget on transport, we can only see that the Administration will allocate funds for commissioning consultancy firms to carry out study and review plans, but we cannot see that the Government will in this year allocate funds for implementing any large-scale transport plans or construction projects. The Government has

all along expected to have a large number of large-scale construction projects contracted out to private consortia to reduce its financial burden. It is of course advantageous to make use of the resources of private consortia to develop transport. However, private consortia should only play a supporting role and should not replace the role played by the Government. In view of the above, the Government should not use the participation of private consortia as a pretext to reduce its expenditure on transport and shirk the responsibility of building more transport networks. It worries us much that the local traffic congestion problem would aggravate if there is sustained negative growth in the expenditure on transport.

In fact, the transport issue has an important bearing on people's livelihood and economic development of the community, for transport is closely related to people's daily lives and an effective and rapid transport system would be conducive to Hong Kong's economic development. Many countries in the world have suffered huge economic losses due to frequent traffic congestion. The Administration therefore should not treat the local traffic problem lightly to aggravate the traffic conditions. With ample fiscal reserves, the Government should allocate more funds for tackling the current traffic congestion problem. Moreover, it should also prepare for the rainy days by making a thorough study and drawing up plans on Hong Kong's future traffic needs as well as development so that there will be ample time for constructing enough roads and transport networks to cope with future traffic demands.

Transport Planning

Owing to the fact that there is only a limited number of local road networks available for extension, the development of railway transit networks is the best choice to relieve the pressure on the road networks on the one hand and to provide the public with reliable, comfortable and fast transport services on the other. This is particularly the case for some newly developed remote but densely-populated districts where the construction of railways can relieve the pain of residents on travelling a long distance for going to work and school and can reduce the pressure on the road networks linking the urban areas.

Residents of the Northwest New Territories have suffered a lot because of traffic congestion. So, it is an urgent task to construct the Western Corridor Railway (WCR) to relieve the traffic congestion in that area. Though the Government has repeatedly emphasized its determination to complete the WCR

project by the year 2001, it is regrettable that in this year's Budget, we cannot see any allocation for this project. The Lands Department has not set aside any funds for large-scale land resumption projects and the authorities concerned still stay at the stage of examining and considering the feasibility study report submitted by the Kowloon-Canton Railway Corporation (KCRC). Earlier, I learned from the newspapers that KCRC reckoned that the preliminary project design consultancy contract would have to be called for tender in February this year for the WCR project to complete by 2001. However, the Government has not yet reached an agreement with KCRC on the overall arrangements and as a result, the consultancy contract has not been awarded and this may cause a delay in the completion of this project. Actually, I have been worrying that the WCR project will not be completed on schedule. It is hoped that the Secretary for Transport, in giving us a reply next week, can provide us with more detailed information about the current progress of this project and the authorities concerned should make more efforts and allocate more resources to speed up the construction so that the project can be completed on schedule and the residents of the Northwest New Territories can be out of the trouble of traffic congestion as early as possible. In view of the frequent delay in land resumption on the part of the Government, I hope that the authorities concerned will deploy additional staff from the Lands Department to start land resumption as soon as possible to prevent late completion of the WCR project due to any delay in land resumption.

As for the other two high priority projects recommended in the Railway Development Strategy, in this year's Budget, no funds are reserved for the Mass Transit Railway (MTR) Tseung Kwan O Extension, a rail line between Ma On Shan and Tai Wai, and an extension of the existing KCR line to Tsim Sha Tsui. I hope that the Administration can complete the planning and studies concerned and make known to the public the dates of commencement of the projects concerned.

Traffic Congestion

To seek long-term and effective measures to solve the problem of traffic congestion, the Transport Branch has again decided to commission consultancy firms to study the feasibility of introducing an Electronic Road Pricing system in Hong Kong. The cost of the study is estimated at \$100 million and the study is to be completed in two years. The Democratic Party supports the Government's further allocation to study the feasibility of the Electronic Road Pricing scheme.

Nonetheless, the Government still follows the previous way of thinking in solving the existing problem of traffic congestion in the hope of checking the growth in the number of vehicles by financial means. For example, in this fiscal year, the Government has proposed to increase vehicle licence fees, levy taxes at the Eastern Harbour Crossing and cancel the tax deduction plan for company vehicles. The Democratic Party hopes that the Government would try other methods, that is to solve the problem of traffic congestion by non-financial means. The Government may allocate funds for building additional multi-storey car parks to ease the shortage of parking spaces and it can also develop extensively park-and-ride facilities to encourage more private car owners to travel by public transport instead of private cars. As a matter of fact, these specific facilities can also achieve the goal of easing traffic congestion. Why are the Administration always so mean in the construction of specific transport facilities?

Hong Kong has already experienced an acute shortage of parking spaces. The shortage gives rise to unnecessary occupation of road surface by many empty vehicles or drivers driving round and round on the road, thus aggravating road congestion. I am very unhappy with the fact that the consultancy firm spent more than two years to complete this report on the demand for parking spaces and as a result the data in the report have become obsolete. Though the report has been completed, the authorities concerned indicate that it is necessary for the government experts to examine the contents of the consultancy study before implementing the recommended measures. In fact, in this year's Budget, the Administration has neither allocated funds for building car parks nor adopted other methods to ease the shortage of parking spaces. The Government has all along adopted delaying tactics in respect of easing the shortage of parking spaces. Is it because the Transport Department finds the acute shortage not yet up to an intolerable level?

Furthermore, the Government should also allocate additional resources to encourage more private car owners to travel by other modes of transport instead. In the past, the Government did propose the park-and-ride idea, but the Administration neither actively implemented the proposal nor allocated funds for the construction of relevant parking facilities in line with the idea. This is because the Government has all long hoped to rely on private consortia for developing and implementing the plan. As I have indicated earlier, it is of

course advantageous to utilize the resources of private consortia for development, but the Government should bear in mind that it has the responsibility for improving local traffic conditions and an obligation to allocate resources for carrying out measures which can effectively improve local traffic conditions. So, the Government should not look on with folded arms, wait for development by private consortia and allow repeated delay in implementing the feasible plans.

Improvement in Public Transport Services

It is necessary to keep on improving the efficiency and quality of service of public transport if we want the general public to travel by public transport instead of private cars more frequently. The Transport Department is committed to monitoring the services of public transport. I have all along pointed out that the present monitoring by the Transport Department of buses, public light buses and taxis is inadequate. So, the Democratic Party has on a number of occasions demanded the Department to deploy more resources and staff for strengthening and improving monitoring so that the work can really play an effective role to the advantage of the general public. In spite of the Department's repeated indication of its intention of stepping up the work, it is found that this year's Budget gives no additional funds or staff to the plan of improving the services of buses, public light buses and taxis. On what basis can the Transport Department ensure any improvement in the monitoring of public transport services?

Ferry Policy

Hong Kong has a long coastline. However, the Government has not allowed ferries to give full play to its function of easing traffic. Up to now, the territory is in default of a proper set of long-term policies on ferries. I have for many times demanded the Transport Branch to formulate a set of long-term policies on ferries, but so far no direct reply has been received from the Administration. Actually, the vessels under the "Star" Ferry Company Limited shuttling in the urban areas of Hongkong have been responsible for supporting land transport and the services provided by the Hongkong and Yaumati Ferry Company Limited to the new towns and outlying islands have been playing an important role of transport in easing the pressure on our roads. I therefore once again urge the Government to formulate a set of long-term ferry policies quickly to determine the role played by ferries in the local transport system so that people can have another option in choosing modes of transport in a bid to relieve traffic

congestion on land.

Traffic Safety

Congestion often occurs in many roads in Hong Kong owing to minor or serious traffic accidents. The Government has already installed cameras and set up information system centres in some busy highways such as Tuen Mun Road to facilitate the adoption of contingency measures immediately after the occurrence of an accident and to inform drivers to avoid entering into congested roads. However, in the wake of serious traffic accidents, the Government should make more efforts to minimize the chance of traffic accidents. I hope that the authorities concerned would seriously consider sending more policemen to patrol on motorcycles the busy highways or even set up a team solely responsible for patrolling busy expressways with frequent traffic accidents so as to clamp down upon speeding and careless driving to reduce severe traffic congestion caused by accidents. Moreover, we have the impression that a large number of traffic accidents are caused by heavy vehicles including container trucks. And whenever a container truck involves in an accident, there would be road congestion for several hours. I think it is necessary for the Government to acquire heavy cranes for emergency uses.

We have often heard of accidents in which passengers get caught at MTR or KCR train doors and are dragged along by the trains. And occasionally there are reports about passengers falling down onto the railway tracks. I hope that the Government will pay more attention to these accidents and discuss with MTRC and KCRC whether it is possible to install sensor equipment at train doors and to consider implementing effective measures to ensure the safety of passengers and reduce accidents.

As for the frequent occurrence of serious accidents at individual Light Rail Transit (LRT) intersections, I urge the Government to install video cameras at those intersections in the near future to deter drivers from driving through red traffic lights. In the long run, I hope the Government will allocate more resources for building flyovers at those heavily used LRT intersections where serious accidents occur frequently to reduce collisions between heavy vehicles and LRT trains so as to ensure the normal operation of LRT and the safety of both passengers and drivers.

Mr President, these are my remarks.

MR CHEUNG HON-CHUNG (in Cantonese): Mr President, the overall comment made by the Democratic Alliance for the Betterment of Hong Kong (DAB) on this year's Budget is as follows: This is a prudent and practical budget. Judging from the data, we can see that the Financial Secretary intends to satisfy the needs of all social strata. In the wake of economic slowdown, what the Financial Secretary can do is to adjust and mend the financial estimates of various government departments. I believe that he has racked his brains to work out such a relatively pragmatic budget. Of course, it is impossible that the Budget can satisfy different individual needs. For example, DAB finds that there are inadequacies in welfare expenditure on the Comprehensive Social Security Assistance (CSSA) rates for the elderly. Some people criticized the Government for promoting its social welfare system lavishly fearing that Hong Kong would become a Western-style welfare state "nurturing lazy people". Our social welfare to GDP ratio is far lower than those of some advanced countries and we feel shameful for this. In any country or region, there are always cases in which a small number of people who benefit from the social welfare system refuse to do decent work. I believe that in Hong Kong, there is only a handful of such persons. Most of the people in Hong Kong are self-reliant. In fact, the Government has huge reserves and surpluses, yet when the cold spell attacked Hong Kong during this year's Lunar New Year period, a large number of old people died due to lack of care. It is sad to learn that such a situation occurs in an affluent society.

Mr President, judging from this year's Budget, the Financial Secretary has tried to satisfy the needs of all strata in the community. It is of course easy to find some flaws in the Budget for criticism, but the whole Budget deserves a balanced and impartial appraisal.

Mr President, I am going to concentrate my remarks on education and transport.

In the Budget, the aggregate appropriation for education accounts for 17.5% of the total public expenditure, up by 9% over last year. This figure is close to DAB's demand that the allocations for education should account for 18% of the total public expenditure. On the whole, this figure is barely acceptable.

However, the budgeted expenditure of government departments reveals that some problems requiring urgent solutions have not been allocated resources and there is a greater disparity between the allocations for basic education and those for tertiary education. We are very disappointed with this. The Government, in examining distribution of resources, should give sufficient consideration to the importance and urgency of the projects so as to come to an optimum utilization of resources. The Government should also give priority to tackling the problems of basic education that have been in existence for years. Of these problems, using the mother tongue as the medium of instruction is essential in improving teaching quality, so it is necessary to allocate sufficient resources to achieve this goal.

In the Budget, vast resources are devoted to expanding the foreign teachers recruitment programme, which is controversial. The education circles have all along been skeptical about the effectiveness of this programme.

In regard to reducing the workload of teachers, I think it is more effective to reduce the number of lessons taught by a teacher than to reduce the size of each class in primary or secondary schools because in this case, teachers can have more time for preparing lessons and thinking of their class work. Every year, only a small portion of the recurrent expenditure on primary and secondary schools is used for improving school facilities. DAB hopes that the authorities concerned will look squarely at the relevant issues by increasing the recurrent expenditure on primary and secondary schools so that the schools can improve their facilities and acquire additional teaching equipment in line with various plans for improving teaching quality.

I urge the Government to reconsider the implementation of DAB's proposal raised in 1994 to wholly and directly subsidize pre-school education by providing subvention for independent kindergartens which are able to meet certain requirements. In this connection, those kindergartens can improve their facilities and raise the salaries of their teachers, thus directly improving the quality of pre-school education in Hong Kong.

Finally, I have to mention that since the nine-year free education has been

adopted for nearly 20 years, it is an opportune time to review its effectiveness and study the feasibility of introducing 11-year free education in Hong Kong to make basic education more complete.

Mr President, as for the transport services mentioned in the Budget, the Government and organizations concerned will in this year make a thorough engineering study of the implementation of the three high priority railway projects. I must emphasize that the public is looking forward to an early completion of the above railway projects to ease traffic congestion. What the public is worried about are the problems arising from the costs of those rail links and funding arrangements. For example, annual interest amounting to \$6 billion to \$7 billion would have to be paid for the Northwest Railway (NWR) project which costs as much as some \$80 billion. The public is worried that in the future, the burden of payments of the interest and principal of the project will be shifted to the fares. I hope that the Transport Branch will work out specific funding arrangements as soon as possible.

The Chinese side has raised a number of proposals on major infrastructure projects such as the Tuen Mun-Zhuhai Bridge. The Hong Kong Government should study the impact of the proposals by the Chinese Government on Hong Kong. The Secretary for Transport emphasizes that he has already submitted the design of the connecting point between the NWR and ports on the Chinese side. However, mere submission without joint studying by the two sides will result in unilateral work not in line with China's infrastructure and this will handicap the main artery of the NWR Transit System. The Hong Kong Government should submit to the Sino-British Joint Liaison Group the design of the NWR project for discussions.

The frequent road excavations in Hong Kong, apart from causing great public inconvenience, also lead to innumerable economic losses. At present, the Government only commissions consultants to study the co-ordinating work. I nevertheless think there should be in-depth and forward-looking researches. The Highways Department may model on Germany and Japan to set up central public utilities pipeline system in the course of new town development and road redevelopment to centralize the facilities needed by public utilities on a pipeline installed underground so that all the construction, maintenance and examinations are carried out under the ground. Hong Kong, as a major modern city, should contemplate introducing this system.

Mr President, according to the Budget, the Transport Department predicts that the average vehicle travelling speed all over the territory should reduce by 3 km per hour. This shows that in the coming year, the Government seems to have no effective measures for improving local road congestion problem.

The Secretary for Transport stated earlier that as land is scarce in Hong Kong, additional road construction will definitely have some difficulties. Do we have to construct elevated roads? Actually, the Secretary for Transport can conceive a far-sighted, bold and innovative idea. Elevated roads can really solve problems. For example, Shinjuku in Japan has ingeniously utilized elevated roads to solve the problem of road congestion. To be more creative and imaginative may probably turn new ideas into reality.

This year, the Government has embarked upon studies on the setting up of bus-only lanes and the Electronic Road Pricing system. We hope that the ultimate aim of those studies, particularly that of the study on the Electronic Road Pricing system, is to help people to enjoy better transport services. Apart from examining the technicality of the problem, how to implement the scheme equitably is the key to the problem. I would like to remind the Government that it should carefully consider studying the feasibility of the Electronic Road Pricing system in phases to avoid a waste of huge public funds in case the scheme cannot be realized.

Hong Kong's traffic congestion highly hinges on a shortage of parking spaces. An official concerned, in reply to my questions the other day, pointed out that the Government would in the coming year only increase about 400 parking spaces. This reply is disappointing. The Hong Kong Government should in urban planning set aside more places for building multi-storey carparks.

Mr President, I would also like to spend some time on talking about recreation and culture as well as broadcasting. DAB considers it necessary to control the contents of the Internet. In February of this year, the United States Congress amended a legislation to prohibit the transmission of pornographic and objectionable information on the Internet. In this respect, the Government should use additional resources to study the possibility of amending or enacting relevant legislation to ban the transmission of pornographic and objectionable information in Hong Kong through the Internet.

Mr President, the Honourable IP Kwok-him, one of our DAB colleagues,

has already made an overall comment on the 1996-97 Budget.

These are my remarks. Thank you, Mr President.

MR ALBERT HO (in Cantonese): Mr President, the title of the Budget presented by the Financial Secretary, "Building Our Prosperous Future", is just in line with the target of "striving for democracy and improving people's livelihood" which we democrats have advocated and promoted over the past years. That is to say, we all place stress on improving people's livelihood. In fact, no matter how the political system develops and how prosperous the economy is, the Government must ultimately adopt the policy of "regarding the people as the foundation" for the well-being of the public so as to win wide support and continue to exist.

The present Government, in the wake of our fully-elected Legislative Council, has been relatively progressive by adopting a rather balanced way to tackle problems concerning the economy and people's livelihood. Other than attaching great importance to promoting economic growth as in the past, the Government is also willing to increase social welfare expenditure rather drastically to make up for the previous shortage. Despite the inadequacies and room for urgent improvement, especially the need for increasing the Comprehensive Social Security Assistance (CSSA) rates for the elderly, on the whole, this Budget is still worthy of our praise. I must emphasize that it is a duty but not a favour to the public for the Government to make efforts to improve people's livelihood. Moreover, the demand for reasonable social security is the public's basic rights and not a request for assistance or offer on compassionate grounds.

Mr President, though Hong Kong is a world-renowned international city, the weak civic and human rights awareness on the part of the people of Hong Kong is incompatible with the territory's economic prosperity. As a result of the previous colonial education and the present political pressure from the Beijing Government, the people of Hong Kong would rather promote the economy and go to ballrooms and horse racing than show concern about politics. In addition, the Chinese side's anxious interference in the Budget also has a serious impact on Hong Kong's democratization and high degree of autonomy. Moreover, there are differences between the views of the Beijing Government and those of Hong Kong people on human rights and the rule of law. So, we are

particularly worried that after 1997, the development of democracy, human rights and the rule of law in Hong Kong will be severely suppressed and the territory will face a comprehensive social retrogression with the prevalence of the opinion of attacking the Bill of Rights and reinstating the draconian laws.

As a spokesman for the Democratic Party on human rights and legislative affairs, the remarks that I am going to make are primarily on whether the Government has promoted civic and human rights education and consolidated and protected human rights and the legal system with reasonable resources to ensure that members of the general public can enjoy equal dignity, opportunities and legal protection.

Education on Human Rights

In the aspect of education on human rights, the Government is obliged to augment public awareness of the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights as well as other covenants on human rights applicable to Hong Kong. It is also necessary for the Hong Kong Government to allocate resources for forming lobbying delegations to the United Nations and China to try every effort to strive for China's continuous compliance with international covenants after 1997 by submitting human rights reports on Hong Kong to the United Nations Human Rights Committee, so that the international community can continue to understand the human rights conditions in Hong Kong.

Last year, the Legislative Council enacted the Sex Discrimination Ordinance and Personal Data (Privacy) Ordinance. I totally support the move of the Government to allocate more than \$60 million for setting up the Equal Opportunities Commission and \$28 million for setting up the Office of the Privacy Commissioner for Personal Data this year. However, of the \$66.5 million appropriation, nearly \$50 million are used for the payroll and only \$8 million are for publicity and public education and researches. Is the sum sufficient? The Government should allocate enough resources to carry out consultations on the issue of age discrimination and to study how to enact legislation to protect workers from age discrimination.

This year, the funds allocated to the Committee on the Promotion of Civic

Education is reduced by \$500,000 when compared with last year. Of the \$5 million for education on human rights, the Government will spend \$750,000 on producing a set of cartoon booklets on human rights for pre-school children. However, only \$300,000 will be used for organizing exhibitions and \$550,000 for subsidizing social organizations to conduct civic education activities. In fact, the Government should increase the subsidies to give young people more chances to participate in discussions and talks on human rights and to exchange views with foreign bodies to learn and experience the value of human rights.

The Government should also set aside additional resources to include the human rights and civic concept and education in primary and secondary school curricula. The allocation of less than \$4 million this time is extremely inadequate.

Consolidation of the Legal System

The legal system is another important part in promoting human rights. Enactment of legislation for protecting human rights is the fundamental work. The Government should therefore promptly introduce the long-delayed Convention on the Elimination of All Forms of Discrimination Against Women and enact legislation to remove other forms of discrimination, including the discrimination against sex inclinations and family obligations. We believe that the Government should allocate more resources to complete the above task as soon as possible.

Subsequent to the enactment of legislation, co-ordination between the law enforcement and judicial sectors is very important to ensure that human rights will not be trampled upon. The Hong Kong Bill of Rights Ordinance was enacted in 1991. Owing to the fact that both Hong Kong and Britain have all along lacked the Bill of Rights tradition, apparently, judges are obviously inexperienced in applying and interpreting the provisions of the Ordinance. The Government has to consider seriously allocating additional resources for local judges, people in the judicial circles and also people in the legal profession to participate in international seminars on the Bill of Rights to gain more experience and to buy books on relevant cases. The Government should also expand the data system of the Judiciary to store more data on lawsuits relating to human rights for the use of the legal and judicial sectors as well as the general

public. It is of paramount importance for the local legal and judicial sectors to join hands in helping to prepare for the establishment of a legal system and culture showing respect for the Bill of Rights.

In addition, trials conducted in Chinese can be of great help to people who only know Chinese to clearly understand the process of their trials. This scheme embodies the important basic rights and should be carried out as soon as possible. The Government should formulate a concrete set of long-term policies to study how to assist in training people in the legal profession to use both languages in the court to facilitate court proceedings. It is also necessary to set aside resources for helping the translation of law books into Chinese. What is more important, there is an urgent need for the Government to create a better and more favourable language environment for the use of both languages so that the bilingual legal system can be truly implemented.

Release of Information and Promotion of Legal Knowledge

The Legal Department should model on other advanced countries as well as other government departments in Hong Kong by enabling the information about the Department, particularly the local laws and legal precedents in both Chinese and English, to be easily accessible to members of the general public through the Internet, so that local people from all walks of life will have a better understanding of the laws. This is instrumental in consolidating the rule of law. Of course, the Legislative Council should approve the bilingual texts, particularly the Chinese text, of the laws as early as possible. I am of the opinion that the Legal Department should speed up its work in this aspect.

Independent Legal Aid

With the existence of a fair legal system, we also have to introduce an independent and efficient legal aid service to ensure that members of the general public would not be deprived of legal services because of financial difficulties. At present, the waiting time for processing applications of civil cases by the Legal Aid Department is too long. Applicants for traffic accident claims and personal injuries or death compensation have to wait for an average of eight and a half months; those for compensation due to medical negligence have to wait for six and a half months; those for employees' compensation have to wait for four months and those for matrimonial cases have to wait for three months. The

Government should increase resources to enable the Legal Aid Department to shorten the processing time so that applicants do not have to wait for such a long period of time. It is an impending task of the Legal Aid Department to make performance pledges regarding the time for processing applications of different cases and submit them to the Legislative Council as soon as possible.

Administrative Complaints

Due to the continuous expansion and complexity of the government structure in modern society, members of the general public very often have no one to turn to when they are treated unfairly owing to government policies. The establishment of the Office of the Commissioner for Administrative Complaints can give full play to the checks and balances and monitoring functions by accepting reports on improper administrative acts made by government departments. Figures reveal that since its establishment, the Office's work has won extensive trust and support. In 1994-95, the Office had to handle more than 1 200 complaints, nearly five times the number which it handled in the early years. According to the Commissioner's reply to our questions at the Legislative Council, in 1995-96, their workload increased by 17 to 18 times. However, in this Budget, allocation for the Office only increases by 30%. This is obviously insufficient. The work of the Office is of vital importance. It also provides another kind of effective measure to protect human rights. We therefore think that the Government should attach great importance to the functions and role of the Office and allocate more funds to it.

On Owners' Corporations

I am the Chairman of the Legislative Council Panel on Home Affairs, which attaches great importance to this issue. We are very pleased to see that the Government is willing to allocate funds for stepping up training of staff of district offices to heighten their legal and accounting knowledge and to hold seminars to help members of owners' corporations understand the nature of their work. We nonetheless hope that the Government can consider creating an additional post so that a person with professional legal knowledge can help organize owners' corporations and can act as a mediator with a view to minimizing the chance of taking legal proceedings when residents in owners' corporations are involved in insoluble disputes.

Conclusion

I wish to point out that Beijing officials as well as a number of honourable colleagues who are concurrently members of the Preparatory Committee for the Hong Kong Special Administrative Region have been opposed to democracy and in favour of the setting up of a provisional legislature and a reinstatement of the draconian laws on the one hand and have severely criticized the Hong Kong Government's lavish spending of money on increasing public expenditure and improving people's livelihood during the latter part of the transition on the other. Actually, in what direction do they want Hong Kong to go and to what sort of situation do they want to lead Hong Kong? I do not want Hong Kong to become a capitalist community with Chinese characteristics, because that will be a territory with both the present feudal and dictatorial political system adopted in China and the economic exploitation and suppression of the old-time capitalism. This is totally against the social development trend of the entire 20th century. We must definitely object to such kind of retrogression in Hong Kong.

At this juncture in the run-up to 1997, if the people of Hong Kong want to successfully realize "one country, two systems" and "Hong Kong people ruling Hong Kong in a democratic way" and maintain our prosperity, stability and progress, we must, apart from "building our prosperous future" and striving for democracy to which we have all along attached great importance, enhance our civic awareness and commitment to human rights. This is the cornerstones of the territory's success.

These are my remarks.

DR LEONG CHE-HUNG: Mr President, I move that the debate on this motion be adjourned.

PRESIDENT: Hold on a minute, please. Mr LEUNG Yiu-chung, do you have a point of order?

MR LEUNG YIU-CHUNG (in Cantonese): Mr President, I would like to raise a point of order. Just a moment ago, I made some remarks, but you asked me to make alterations

PRESIDENT: I said I had made my ruling, but I shall give the explanation to Members at the next sitting.

MR LEUNG YIU-CHUNG (in Cantonese): Mr President, I beg your pardon. Since you are unable to give me an explanation right now, I request that my original sentence be put in the Hansard and I will neither withdraw my remarks nor rephrase my sentence until you have given me a clear explanation.

PRESIDENT: I think Members would understand that no words would be deleted from the Hansard. The words will remain there.

MR LEUNG YIU-CHUNG (in Cantonese): Do you mean to retain my original words or the subsequent ones?

PRESIDENT: Yes, your original words. The words will be retained in the Hansard. But I found the words somewhat offensive, so I asked you to rephrase them or to indicate whether you were alluding to some Members. I shall give Members an explanation at the next sitting.

DR LEONG CHE-HUNG: Mr President, I move that the debate on the motion be adjourned.

Question on the adjournment proposed, put and agreed to.

MEMBER'S MOTIONS

LANDLORD AND TENANT (CONSOLIDATION) ORDINANCE

MR JAMES TO to move the following motion:

"That the Landlord and Tenant (Consolidation) Ordinance be amended by repealing sections 53A(4)(a) and 119F(4)(a) and substituting -

"(a) The compensation ordered by the Tribunal under subsection (2) shall be -

- (i) where the rateable value of the premises does not exceed \$90,000, an amount equal to 5 times the rateable value of the premises;
- (ii) where the rateable value of the premises exceeds \$90,000, the aggregate of \$450,000 and an amount equal to 1.7 times the rateable value in excess of \$90,000."."

MR JAMES TO (in Cantonese): Mr President, I move the motion standing under my name in the Order Paper. The motion that I proposed aims at amending the redevelopment compensation stipulated in the Landlord and Tenant (Consolidation) Ordinance. I wish to give Members an explanation of the background concerned. First of all, at present, when landlords and property developers request court orders for recovering the possession of premises for demolition, there is no arrangement for rehousing the tenants affected. This indicates the formidable housing problem that the grassroots people encounter. Over the past years, this Council has kept on demanding the Government to review the policies on urban renewal, including those concerning compensation and rehousing. In recent years, this Council has even moved a motion to condemn the Government for doing the work too slowly and urge the Government to complete the formulation of the rehousing policy and implement it as soon as possible.

In reality, it is quite difficult for residents to find suitable alternative accommodation subsequent to the demolition of their premises and they are confronted with certain problems. First, though they may have applied for public housing units, they do not know when they will be granted such units after being put on the Waiting List for a long time. Even though the Government has already drawn up a comprehensive housing strategies for the future, it only pledges to reduce the average waiting period from seven years to five years by or beyond the year 2001. Moreover, the Government has said that this is already extremely bold and ambitious. On the other hand, due to the growing number of old buildings to be demolished, the rentals for units in such buildings rise rapidly. It is therefore very difficult to find suitable accommodation. Very

often, they have no intention of finding some relatively new premises, but the problem is the old buildings nearby have already been demolished, so they have no alternative but to find some relatively new premises charging rather expensive rent. I am not talking about the brand new premises, but the relatively new ones already charge very high rent. Furthermore, the latest revision of compensation took place almost three years ago and all of us know very well the history of the whole matter. The second but last revision took place long time ago, that is, almost eight to 10 years ago. Though the revision was 100% last time, actually, the rate lagged far behind the arrangements acceptable to the community because there had been no revision for many years.

I proposed this motion not for helping members of the general public completely out of their plight. To thoroughly solve their long-term housing problem needs the co-ordination of the Government's urban renewal scheme, Long Term Housing Strategy, comprehensive redevelopment programme and housing policy. This time I propose to raise the compensation in the hope of helping members of the public to tide over their difficulties so that they can wait for rehousing when the Government changes its policy and legislation and builds additional public housing and Home Ownership Scheme units. Why do I propose to raise the amount by five times? Of the projects jointly carried out by the Land Development Corporation and a large number of leading property developers, many involve old buildings in urban areas in which residents are offered a compensation ranging from a minimum of five times to a maximum of 6.5 times the rateable value of the premises concerned. I therefore believe that this is a basis of realistic compensation which should not affect the pace of urban renewal and is of very good reference value for our consideration. Why is the amount \$90,000? In fact, it should be five times not exceeding \$90,000 and 1.7 times for any remaining amount exceeding \$90,000. I have discussed this matter with the Government, which said that it would be too generous to tenants paying a high rent if a flat rate of five times for all tenants affected be adopted and it hoped to have the rate reduced. I therefore wish to set a reasonable level to offer the tenants who really need help an enhanced rate.

I use the general allocation standard adopted by the Housing Authority as reference. The minimum standard is 7.5 sq m. For a unit accommodating an average of four persons, the approximate rateable value amounts to \$88,000 and the round figure is \$90,000. This is merely a rough figure. This includes premises at a monthly rent of \$7,500 or below. Generally speaking, there are a lot of such premises in the urban areas. The rateable value of premises with a

relatively large number of subtenants or with caged bedspaces, cubicles and cocklofts may be as high as \$90,000 or even \$100,000. The housing problem of the general public cannot be solved by compensation alone. They need the ambitious proposals of the Government. Some Members asked the reason for not waiting for some comprehensive proposals to be raised by the Government later or by the end of the year. I would like to give a brief explanation on this. The urban renewal scheme has been under review for a long time and I did have confidence in the Government in the past. The previous Policy Secretary kept on trying to convince me by saying that the overall situation would be hopeful and the Government would raise ambitious proposals and I should wait. I then waited for him once every three months while raising a question in the Legislative Council and organizing a panel meeting to follow up on the matter. I am a bit disappointed and even a little angry after waiting for three months and three months again and again over the past four years. I therefore consider that members of the public are the victims badly in need of help. This proposal has been delayed for too long. So how can we wait any longer? In view of the above, I hope that the compensation can be raised as early as possible. However, this does not mean that the Government is now free from the responsibility of making a comprehensive proposal to solve people's housing problem, nor that the Government can delay raising the proposal of expediting the review of the Landlord and Tenant (Consolidation) Ordinance and it was the Government's original intention of expediting the review. I particularly wish to point out that at a number of previous sittings, the Government indicated its hope of using the rateable value of subtenants as the basis of compensation. I appreciate this good point and suggestion very much. Moreover, it is also necessary to increase the relevant fines and prison terms and strengthen their enforcement to prevent a possible increase in the number of cases of illegal repossession of premises.

Mr President, I hope that honourable colleagues will be considerate. As a matter of fact, members of the general public do experience real difficulties. We wish to give them enhanced compensation promptly so that they can tide over the difficulties.

With these remarks, I beg to move.

Question on the motion proposed.

PRESIDENT: The Secretary for Housing and Dr LAW Cheung-kwok have separately given notices to move amendments to this motion. As there are two amendments to the motion, I propose to have the motion and the two amendments debated together in a joint debate.

The Council shall now debate the motion and the amendments together in a joint debate. As Members were informed by circular on 22 March, I shall ask the Secretary for Housing to speak first, to be followed by Dr LAW Cheung-kwok; but no amendments are to be moved at this stage. Members may then express their views on the main motion as well as on the proposed amendments listed on the Order Paper.

SECRETARY FOR HOUSING (in Cantonese): Mr President, today, all of the three proposals tabled are concerning setting higher compensation rates for tenants affected by redevelopment. What is the substantial difference among them? Moreover, why should the Government raise a proposal in which the compensation rates seem to be the lowest? Honourable Members, please think carefully before deciding how to vote. The proposal made by the Honourable James TO aims at providing tenants with the maximum and instant benefits. On the face of it, this proposal can very easily win people's support. However, he has ignored other issues. Honourable Members should think carefully the consequences of accepting this superficially attractive proposal. Some Members may think that a simple method (the so-called "a middle course") is to accept the compromising proposal raised by Dr the Honourable LAW Cheung-kwok. However, the issue about the statutory minimum redevelopment compensation rates does not and should not be one that can be "bargained", otherwise the Government could, without spending a cent and drawing on any public funds, easily raise a resolution in which the compensation rates are higher than those proposed by Mr TO and Dr LAW. However, the Government would not make such a move to "win public support" or make any irresponsible decisions. On the contrary, the Government considers it of paramount importance to strike a reasonable balance among the interests of tenants, landlords and the community. I therefore hope that Honourable Members will carefully examine the proposals of Mr TO and Dr LAW from three angles, that is to examine the impact of the proposals on tenants, landlords and the whole community.

First of all, I would like to talk about the aspect of tenants. The compensation rates offered to tenants affected by redevelopment were drastically raised three years ago. Subsequent to that revision, the statutory minimum compensation has changed to an amount equal to 1.7 times the rateable value of the premises concerned. Recently, the Government has been aware of the need to do something to help the tenants who were poverty-stricken and homeless, particularly those living in bedspaces, cubicles and rooms for single persons. Today, the Government has proposed an amendment for this purpose without affecting landlords and the overall interests of the community. On the contrary, the proposals raised by Mr TO and Dr LAW would bring about huge benefits to better-off tenants. As a matter of fact, those well-off tenants will not encounter any difficulties if they want to find alternative accommodation. For example, a family living in a unit at a monthly rent of \$20,000 will be granted an amount of compensation not less than \$700,000, a sum far exceeding the actual amount that they need. Just the opposite, tenants who should get the largest sum of financial assistance, that is those living in sublet units with annual rateable value below \$30,000, cannot have their problems thoroughly solved and may not get appropriate compensation under the proposals of Mr TO and Dr LAW.

Second, I would like to touch on the matter concerning landlords. In this kind of debate, very often the legitimate rights of landlords are neglected. Actually, landlords have the legitimate rights on their own properties. For instance, a landlord does not have to pay any compensation if he wants to recover the possession of his premises for his own use. However, if redevelopment of premises is involved, we agree that landlords have to help tenants bear part of the removal expenses. Nonetheless, according to the proposals raised by Mr TO and Dr LAW, landlords will have to pay compensation in excess of the reasonable level. In fact, landlords will have to pay compensation equivalent to the lion's share of the value of the premises concerned. Moreover, the rates of compensation will be the same irrespective of the period of occupancy. For example, according to the proposal raised by Mr TO, a tenant who has been living in a unit of a typical old-style tenement building for two years at a monthly rent of \$5,000 will be entitled to \$300,000 as compensation owing to the redevelopment of the building. Under the proposal of Dr LAW, the sum of compensation can be as large as \$360,000, that is three times the total rent paid by the tenant to the landlord during the time of his occupancy of the premises. Please think about it: Is this fair to the landlords?

Subsequently, I would like to touch on the third aspect. We have to

consider the interests of the third kind of people: members of the general public. Honourable Members are fully aware of the Government's pledge of helping organizations participating in private development projects to build 195 000 private residential units in the six years between 1995-96 and 2000-01. We estimate that more than half of the above number of units will be those under redevelopment plans. Recently, some Members of this Council asked me if this target could be achieved. I replied that certainly the Government would, within its capacity, try to help the private organizations and we predicted that this target could be attained. Nevertheless, if either the proposal of Mr TO or that of Dr LAW is carried, it is certain that the costs of redevelopment will markedly increase. As a result, private developers will lose their interest in participating in the redevelopment projects, thus affecting the number of private residential units to be constructed. Honourable Members should not think that the additional burden brought about by an increase in compensation would only be shouldered by large property developers or the Land Development Corporation which can afford the increase. As a matter of fact, what would be the result when large organizations get exactly the sum that they want? Moreover, the redevelopment projects in relatively old areas largely depend on the participation of small companies. Since these small companies lack resources, it is difficult for them to pay the abruptly increased compensation. We must be aware that the statutory amounts proposed by the two Honourable Members are only the minimum compensation. Actually, the sums which private developers ultimately have to pay will be higher, so the Government expects that the speed of the redevelopment projects will drastically slow down or the projects will have to be cancelled if either the proposal of Mr TO or that of Dr LAW is carried. The extent of the impact will have to be assessed in the future. However, the more than 200 cases now pending the judgement by the Lands Tribunal will immediately be affected. As the proposals of Mr TO and Dr LAW have retrospective effects, there could be an additional crisis and that is landlords and private developers would terminate the current legal procedures due to a marked increase in the redevelopment costs. The proposals raised by the two Honourable Members will not only be unable to provide the poverty-stricken families with the assistance which they badly need, but will in fact lead to the situation that no demolition can be carried out in old and dilapidated areas, thus causing a slowdown in the improvement of the urban environmental and markedly affecting the number of private residential units to be built. I have been told that this would further push up property prices which is not to the advantage of the Hong Kong community.

Today, the Government raised a fair and balanced counter-proposal based on the interests of tenants, landlords and the community. The Government proposes to make adjustments level by level so that relatively poor tenants can get much higher compensation than what they are granted at present and well-off tenants will not benefit to a large extent. We calculate the adjustments in the following manner. The first step is to set the rateable value as \$30,000, a rate which is high enough to look after the interests of tenants and sub-tenants living in bedspaces, cubicles and bedrooms, so that they can get the largest share of the increase. Taking a unit in a typical old-style tenement building with rateable value of \$60,000 as an example, the minimum compensation will increase from the present \$102,000 to \$255,000. On the average a tenant can be granted a minimum compensation equal to three times the rateable value of the premises. This amount is more or less the same as the average figure reached through private negotiations. It is therefore a reasonable rate. Furthermore, the Government's proposal can look after the interests of both the landlords and tenants, for it can improve the position of the poverty-stricken tenants on the one hand and can also prevent having the landlords unfairly treated on the other. Moreover, the landlords are not required to pay an excessively large sum of compensation before they can exercise their legitimate rights.

The last and most important point is that the Government's proposal can only be applicable to cases submitted to the Lands Tribunal at or after the effective date of the amendment. This can avoid the possible chaotic situation and negative effects on the existing redevelopment plans that may be caused by the endorsement of the proposals of Mr TO or Dr LAW. In fact, the best method is to formulate a set of comprehensive amendment bills to protect the tenants' interests on the premise of not discouraging the implementation of the urban renewal plan. As a matter of fact, it was the original intention of the Government to regard sublet units' shares in rateable value as a standard for calculating compensation instead of the present calculation method based on the rateable value of the whole premises so as to ensure that sub-tenants can get the compensation they deserve. Moreover, this can also step up protecting tenants from illegal compulsion of removal and harassment. It is nevertheless a pity that Mr TO, despite the obvious shortcomings of the motion rashly raised by him, still decided to move to amend the compensation rates today and their decisions made Members of this Council unable to wait for the Government's more comprehensive original proposal. In view of this, the Government, to ensure that the enhanced compensation can benefit most of the tenants genuinely in need of help and minimize the undesirable impact on urban renewal, has no alternative

but to propose an amendment to the motion today. The Government's proposal is the most reasonable and the fairest one. I request Honourable Members to consider the three proposals from an angle of fairness and finally decide to support the Government's amendment.

Thank you, Mr President.

DR LAW CHEUNG-KWOK (in Cantonese): Thank you, Mr President. The Legislative Council's discussions and voting on the Honourable James TO's Member's motion today manifest an achievement in the long-term struggle between members of the general public and big property developers.

Mr James TO has over the past years been concerned about the unfair compensation to the tenants affected by redevelopment of old buildings. His proposal of the motion in the wake of the Administration's delaying tactics sets a good example for us and deserves the respect of all Honourable Members serving the people.

The Association for Democracy and People's Livelihood (ADPL) is only making an amendment in two technical points to Mr James TO's motion and the amendment of course reflects the ADPL's political ideal.

First, we hope that larger sums of compensation will be granted to the poverty-stricken tenants living in old buildings to give them timely help. We therefore propose to amend that where the rateable value of the premises does not exceed \$30,000, the compensation should be equal to seven times the rateable value, a rate slightly higher than the sum of five times the rateable value proposed by Mr TO.

Second, we hope to avoid granting an additional compensation to the well-off tenants, and so we propose to amend that where the rateable value of the premises exceeds \$90,000, the compensation should be equal to the rateable value, a rate lower than the 1.7 times rate proposed by Mr TO. Just now the Secretary for Housing criticized that the original motion and our amendment would lead to a slowdown of redevelopment, a decrease in the number of private housing units to be constructed, and a rise in property prices. The criticism is totally groundless. I want to take this opportunity to thank those Honourable

Members who have openly supported or pledged to support the ADPL's amendment, so that we can take a "sensible, reasonable and lawful" step together in respect of protecting the disadvantaged in the community and reducing the growing disparity between the rich and the poor.

The Honourable Bruce LIU will circulate another article with detailed analysis of the ADPL's amendment to the motion for Member's reference. He will also make further remarks on the amendment.

With these remarks, I propose my amendment. Thank you.

MRS SELINA CHOW: Mr President, as Chairman of the Subcommittee set up to study the motion on Resolution under Sections 53A(4)(e) and 119F(4)(e) of the Landlord and Tenant (Consolidation) Ordinance (Cap. 7), I would like to report briefly on our deliberations to facilitate the Council's decision. The Subcommittee has met three times to study Honourable James TO's Resolution. In the course of deliberations, the Subcommittee also examined Dr the Honourable LAW Cheung-kwok's proposed amendment and the counter proposals by the Administration. To facilitate the Subcommittee's consideration of the various proposals, the Subcommittee invited various interested parties to express views on the subject. A summary of the views collected as well as a comparison of the three proposals have already been circulated to Members of this Council.

The Subcommittee has agreed on certain principles but has not come up with any recommendations as to which of the proposals put before the Subcommittee should be adopted. This I have already explained in the Subcommittee's report and do not intend to go into the details here. In gist, the Subcommittee agrees that compensation for tenants affected by redevelopment should be increased to assist dispossessed tenants in finding alternative accommodation and in overcoming financial hardship arising from relocation. We also agree that the alternative basis for calculating compensation should enable tenants who are most in need to receive enhanced compensation, but without necessarily benefiting better-off tenants. The Subcommittee further agrees that attention should also be focused on the needs of sub-tenants, such as

those living in bedspaces, cubicles, cocklofts and bedrooms. These are the people who are most in need of assistance but the current legislation has not provided for the separate calculation of the rateable values of the sublet premises.

The Subcommittee, on the other hand, also noted that there are concerns among some Members and interested parties over the impact of a much enhanced compensation package on the pace of urban renewal. It has been pointed out to the Subcommittee that the raising of the minimum level of statutory compensation might make urban renewal less commercially viable, and it would prolong the process of negotiations between the developers and tenants, resulting in higher costs and longer time for redeveloping the old urban areas.

As far as the actual formula for calculating the minimum level of statutory compensation is concerned, Members of the Subcommittee have not reached any consensus views. It was therefore agreed that Mr TO's proposed resolution and Dr LAW's proposed amendment (as well as the amendment by the Administration) should be put before this Council this evening for Members' decision.

MR LAU CHIN-SHEK (in Cantonese): Thank you, Mr President. I speak to give my support to the Honourable James TO's original motion and Dr the Honourable LAW Cheung-kwok's amendment. The issue of granting compensation to dispossessed tenants of private premises affected by redevelopment has been discussed in this Council on a number of occasions over the past three years. The present statutory minimum compensation to tenants is equal to 1.7 times the rateable value of the premises. When the rate was approved in 1993, I proposed an amendment in the hope of raising the rate of 1.7 times to two times. Regrettably, the amendment was vetoed by this Council. Today, at least even the Administration has proposed to grant tenants of the smallest units a rate of compensation equivalent to five times the rateable value.

Though the proposal by the Administration can hardly solve the problem, we can see that through years of struggle, at least the community has reached a consensus that it is necessary to markedly increase the compensation for tenants who are in the most difficult financial position. This is at any rate an

advancement. However, no matter which proposal is carried today, the problem concerning tenants of private premises cannot be thoroughly resolved. To the low-income tenants of private premises, relocation to permanent accommodation at low rent is in fact of vital importance. Raising the compensation level may be called a stopgap measure, for the tenants, after moving from one old premises to another for a period of time, would be forced to move again owing to redevelopment. So, it will be useless even if they are granted compensation. Another issue which is worthy of our concern is the rooftop squatters of old buildings. As a matter of fact, there are quite a few rooftop squatters in many old buildings in the urban areas. However, as their accommodation is regarded as illegal, they are not entitled to any redevelopment compensation. In view of their increasing hardship, I urge the Government not to adopt the delaying tactics any longer. It is necessary to formulate an urban renewal policy of rehousing tenants of private premises to cope with the needs of the grassroots people.

Thank you, Mr President. These are my remarks.

MR IP KWOK-HIM (in Cantonese): Mr President, urban renewal has all along been a matter of concern among Members of this Council. Redevelopment naturally leads to the issues of compensation and rehousing. The Hong Kong Government took three years to complete an urban renewal consultation paper. In the document, rehousing the tenants affected by the renewal plan is regarded as one of the most thorny issues in the course of urban renewal.

Due to the aging of many old districts in Hong Kong, many social problems have arisen apart from the poor living environment in such areas. In this small but densely-populated territory, it is necessary to have adequate land supply for future housing construction, and urban renewal can be regarded as one of the important sources of land for future development. As a result, urban renewal brooks no more delay. It is a pity that the Government has always lacked a complete strategy on urban renewal, and so the renewal plan has come to a standstill.

All honourable colleagues know that one of the key objectives of urban renewal is to improve the living environment of residents in the old areas. However, things have gone contrary to our wishes. For years, residents in the old areas have been victimized by the renewal plan with no improvement but only deterioration in their living environment. The present redevelopment

compensation rate of 1.7 times the rateable value has not been revised for three years. For tenants, particularly the sub-tenants and those living in bedspaces who are most in need of financial assistance, such a limited compensation is barely enough for them to rent a unit of similar size in the same district for a few months, and they will have to look after themselves thereafter. Finally, tenants of big rooms could then only afford to rent medium-sized rooms, of medium-sized rooms would have to rent small rooms, and of small rooms would have to rent bedspaces. Take the residents of Western District on Hong Kong Island who I have contacted as an example. At present, they are living in a unit of 280 sq ft at a monthly rent of \$1,200. They can get approximately \$45,288 as redevelopment compensation. However, they would have to pay \$5,800 per month if they want to rent a unit of the same area. So, the compensation is only enough for them to pay about eight months' rent and then they would have to be self-reliant afterwards.

Regarding the issue of redevelopment compensation, the principle of the Democratic Alliance for the Betterment of Hong Kong (DAB) is that the compensation must fully protect the interests of subtenants and, while helping tenants with financial difficulties, consideration should also be given to the developers participating in the urban renewal plan to ensure that their interest in the plan would not be dampened. It is necessary to strike a balance between the two. Today, it is both encouraging and sad to see that Mr TO, Dr LAW and the Administration have respectively raised their proposals. It is encouraging that finally the issue of compensation of residents in the old areas is going to be improved one day. It is sad that the Administration is so passive that had there not been Honourable Members moving a motion, it would not have proposed an amendment so hastily. However, in comparison, the compensation proposed by the Administration is the worst one for residents.

Undoubtedly, the developers participating in the renewal plan wish to pay lower costs and get more returns. At present, the rateable value is below \$75,000 for nearly 70% of the premises which are above 20 years old and have redevelopment potential. The proposal raised by Mr TO may enable tenants living in units with rateable value at and above \$90,000 to get more compensation, thus leading to the phenomenon of the rich is getting richer. Moreover, this proposal has no conspicuous target. Among the three proposals, this proposal of indiscriminate increase in compensation is one which makes developers pay the largest sum of compensation. This proposal would most likely make developers give up their redevelopment plans and would not bring

the greatest benefit to the most needy residents affected by urban renewal. The DAB therefore has reservations about it.

At present, the terms of compensation offered by the Land Development Corporation (LDC) to residents include: cash compensation equivalent to five times the rateable value with an extra sum equivalent to 1.5 times the rateable value plus three months' rent-free occupancy of the premises for any tenant who signs an agreement within three months, or the basic limited compensation for tenants calculated according to their different status, whichever is the higher. Moreover, there are rehousing arrangements. In comparison, the terms of compensation offered in the amended proposal raised by the Administration are conservative and far worse. In view of the above, the DAB is of the opinion that though the direction of increase in compensation proposed by the Administration is commendable, the real increase in compensation is unable to give the most needy residents the greatest help.

Mr President, in fact, when the residents affected by redevelopment want more compensation, they do not intend to bargain for a huge sum. No matter how high the compensation, the problem cannot be thoroughly resolved. Finding permanent accommodation for the residents affected by redevelopment is the ultimate solution to the problem.

None of the three compensation proposals raised today can provide the best protection to the residents most in need of help such as subtenants and those living in bedspaces. Moreover, we do not see that any of the proposals can increase rehousing compensation without undermining the developers' investment intention. Of course, raising such transitional proposals is better than having the residents to wait indefinitely. Before knowing when the Administration will raise what they consider to be the "best" proposal, the DAB cannot but choose among the three proposals the one which can bring the greatest benefit to the most needy grassroots residents.

The DAB urges the Administration to take Hong Kong's overall interests as the premise, review and assess the current pace of renewal as soon as possible and formulate proper redevelopment compensation policies to fully look after sub-tenants and those living in bedspaces who are in need of financial assistance. Moreover, it is necessary to enact strict legislation to crack down on the bad elements who recover possession by illegal means. There is also the need to consider the opinion of professional bodies and set the standard of compensation

according to the length of occupancy.

Mr President, from the long-term point of view, the Administration should provide more land for the Housing Authority and Housing Society to build public housing estates so that all the residents affected by redevelopment can be offered reasonable relocation arrangements.

Mr President, these are my remarks.

MR DAVID CHU: Mr President, the Honourable James TO's motion and Dr the Honourable LAW Cheung-kwok's amendment put the responsibility for social welfare and housing on the landlord. If adopted, their demands would place a questioned burden on the property owner and there will be a distribution of wealth by legislation rather than market forces. I would therefore vote against them.

To ask a landlord to give a tenant paying \$8,300 a month almost half a million dollars (roughly equivalent to five years of rental) to get back his own property is ridiculous and a direct attack on private property ownership and a giant step towards socialism. I agree there is a need to help poor tenants in a multi-occupant housing unit to settle. The Government's amendment is in the right direction. It is my understanding that the Government intends to differentiate compensation for flats with many tenants from those with single tenants and the expensive units, but this would take some time. Those paying \$20,000 rent a month certainly does not need help. I support the Government's amendment today as a temporary measure while a lasting solution is being carefully considered.

The personal hardship of tenants should be taken care of by our social welfare and public housing systems and it surely is not the responsibility of the landlord.

Thank you, Mr President.

MR BRUCE LIU (in Cantonese): Mr President, I am speaking on behalf of the Hong Kong Association for Democracy and People's Livelihood (HKADPL). The amendment proposed by the HKADPL is a compensation package that looks after the interests of the grassroots level. The HKADPL thinks that in the process of urban renewal, there should be a balance between the interests of both

sides: on the one hand, by offering reasonable compensation and rehousing to residents affected by redevelopment; and on the other hand, by allowing the developers to get a reasonable return.

The existing legislation does not require the developers to rehouse the tenants during redevelopment. None of the three motions before us now can completely resolve the tenants' rehousing need. This is the inadequacy in each of these solutions and it should be taken as the future direction of this Council in seeking a solution for the grassroots people.

The HKADPL's amendment is based on three fundamental principles. The first one is to look after the interests of the grassroots level. In the redevelopment process, the worse-off tenants should be given adequate attention. On average, the rateable value of a unit in old premises which need redevelopment now is about \$60,000. The HKADPL proposes to set three cut-off points, at \$30,000, \$60,000 and \$90,000 respectively. In this way, the rateable value of the premises will be divided into four levels, each covering a range of \$30,000, and the amount of compensation will be revised accordingly. As the HKADPL suggests, where the rateable value of the premises does not exceed \$30,000, the amount of compensation to the tenants should be raised more substantially. The amount should be equivalent to seven times the rateable value so as to help them to find another rental unit with a sufficient amount.

The second principle is to avoid over-generosity. For the tenants who do not need any financial assistance, the amount of compensation should be properly lowered so as to avoid over-generosity. Therefore, the HKADPL suggests a method of calculating the amount of compensation according to different levels. As suggested, where the rateable value of the premises exceeds \$90,000, the amount of compensation for the balance exceeding \$90,000 should be one time. This arrangement can avoid unnecessary additional cost incurred on the part of the developers.

The third principle is that the increase in compensation should be moderate and reasonable. The enhanced compensation as proposed under the HKADPL's option is still only a rather small percentage of the redevelopment cost. The HKADPL thinks that this will neither make the land developers lose interest in carrying out redevelopment nor bring urban renewal to a halt.

Mr President, no matter which of the three motions is going to be adopted

by this Council, the rehousing problem, which is the crux of urban renewal, has not yet been resolved. Therefore, the HKADPL calls on the Government to follow up two tasks: first, to make and submit a comprehensive review on the Landlord and Tenant (Consolidation) Ordinance to this Council as soon as possible for deliberation; second, to make a policy review on the rehousing of tenants who are affected by redevelopment and submit a report to this Council as soon as possible for deliberation.

These are my remarks.

MR RONALD ARCULLI: Thank you. Mr President, I have listened attentively to the reasons advanced by Mr James TO, the Secretary for Housing and Dr LAW Cheung-kwok in support of the motion and the amendments before Members tonight.

I confess I am sympathetic with the plight of those bedspace or cubicle tenants, particularly those needy ones, whose homes may be the plight and who may fall victim to urban renewal. The present structure of compensation as provided in our laws was devised many years ago and may seem inappropriate, at least in parts, for present-day Hong Kong. We have the difficulty in seeking a balance between the plight of those in need and the desperate need for urban renewal with a consequent result of production of more homes for the community.

This issue has been long debated in this Council, including the issue of relocation and rehousing of the unfortunate tenants or subtenants that are caught up in urban renewal. The increase in compensation proposed, whether by the Administration, by Mr James TO or Dr LAW, does not really achieve the dual objective of helping those in need on the one hand and ensuring urban renewal on the other. The Administration has repeatedly said that to ensure those in need are given the help they need, the proposals advanced to this Council tonight do not achieve such an objective in its entirety.

To do so the Administration tells us that there has to be a change in law. I entirely agree with that particular observation because I tried to propose an amendment that will achieve what I believe might be more equitable and the balance that we need, and sadly I confess that I do not have the wherewithal to actually produce an amendment within a very short time.

So I say this to the Administration: Do not speak with a forked tongue. If you really believe, if you really want to help, if you want to help those in need, if you want to achieve urban renewal, do something quickly. Members in this Council have been patient over the past years, and I think I would like to say, Mr President, on record, that I do not in any way attribute any blame to the Secretary of Housing or indeed his neighbour, the Secretary for Planning, Environment and Lands, because the complaint of this Council happened before the two of them took office in their respective offices today. So, it just goes to show how long we have been waiting.

That having been said, my colleagues and I in the Liberal Party want a comprehensive solution. We do not believe in patchwork solutions which may have consequences that are wholly unintended. The proposal tonight does not achieve that objective. We want a fair, reasonable and long-term solution. For these reasons, Mr President, the Liberal Party will vote against the two amendments and the motion.

MR ALBERT CHAN (in Cantonese): Mr President, first of all, personally I fully support the Honourable Ronald ARCULLI's comments on the Government. The Honourable Member and I have been colleagues in this Council for many years and I seldom agree to his views. He criticized the Honourable James TO's proposal as "patchwork" (I am not sure whether its Chinese equivalent is "patching up the wok"). But if we have to cook a meal, it would be better to have a patched-up wok than no wok at all.

Mr President, as regards the proposal to raise the minimum compensation to those affected by redevelopment, many people and groups, including the Secretary for Housing, who has just made his speech, put forward the same rationale and that is the pace of redevelopment as well as the supply of new premises will be affected. But I would like to point out that the amount of compensation actually accounts for a very small portion of the total expenditure of a redevelopment project as a whole. To raise the amount of compensation from 1.7 times to five times, the total amount is only tripled. This so-called triple increase is still minimal in the context of the total expenditure of redevelopment and will not affect the pace of redevelopment. Of course, it is unrealistic to say that there is no effect at all, but the effect is minimal. If the Government really intends to assist property developers in carrying out

redevelopment, it can reduce other expenditures by the developers in various ways to make up for the additional expenditure in compensation. Some developers said to me that for a medium-scale or small-scale redevelopment project in Tsuen Wan, the Government's approval procedure has dragged on for a very long time and the interest expense per month already amounts to \$1 million. If the Government has a sincere desire to assist in the redevelopment of old areas and help property developers in various ways, the savings from interest alone can already make up for the proposed increase in compensation.

Redevelopment projects are not simply intended for real estate developers to reap colossal profits. Their main purpose is to improve the community's environment, improve the quality of people's lives and make full use of the scarce land in Hong Kong. What is the most important is to ensure compatibility and co-ordination in land use. In fact, in the past few years, real estate developers have played a major role in urban renewal. They have done a lot of work in redevelopment and made a lot of profit. However, for several years, many Members have indicated that the interests of small landlords in general, and especially the interests of cubicle tenants and small landlords of old premises, are often neglected. Therefore, if the Government does not put forward a comprehensive redevelopment programme promptly, I believe in the future, especially in the coming year, more Members will introduce Member's Bills to take care of those who are affected by redevelopment but are neglected, and to safeguard their interests.

As regards the argument that compensation might affect redevelopment projects, I would like to cite two real cases to prove that the amount of compensation can be raised considerably when a land developer thinks that a redevelopment project is generally profitable. One of the cases was a redevelopment project in Tsuen Wan. The land developer chose this particular redevelopment project because he wanted to develop the area. Each tenant who was willing to participate in the redevelopment project would be offered compensation ranging from \$400,000 to \$600,000. This amount has far exceeded the current maximum limit by several times. In another redevelopment project, the land developer offered \$100,000 to compensate any owner or tenant who was willing to participate in the redevelopment and promised to offer, after redevelopment, two new units in exchange for an old unit. That means if the owner of a premises was willing to participate in the

redevelopment project, the land developer would give him two new premises. So, there are many factors which attract the land developers to redevelopment projects and it is not just a question of the compensation amount. If the Government is really so concerned about the impact of compensation on redevelopment, it may take up the responsibility of rehousing. I believe such decision by the Government should be most welcomed by Mr Ronald ARCULLI.

In fact, the Government has benefited much from redevelopment. A considerable part of the Government's revenue comes from land premium and land sales. In redevelopment, the land premium would often amount to hundreds of millions or even billions of dollars if a particular plot ratio was exceeded, that is, when it is different from the original land use. The Government has financial gains, but does not need to undertake any responsibilities. Whenever a real estate developer and small landlords reach an agreement, the Government is benefited, without undertaking any responsibility of rehousing. I think this is very unreasonable. If the Government thinks that the compensation amount can really affect redevelopment, it should perhaps take up the responsibility of rehousing so that real estate developers need not pay the amount for rehousing. In this way, the pace of redevelopment can be accelerated whereas small landlords and tenants can be reasonably rehoused. This is indeed killing several birds with one stone.

As the Government says, its role is to balance the interests of various sides. The Secretary for Housing, Mr Dominic WONG, has mentioned just now the interests include those of tenants, landlords and the public, but he has said nothing about the land developers. I wonder whether the Government regards the land developers' role as landlords or the society. For a real balance of interests, the general interest of the grass-roots, that is the cubicle and bedspace tenants of old premises who pay a monthly rent of several thousand dollars, have to be protected, as some Members have just mentioned. The protection offered under the Government's new scheme is inadequate. In the past, the Government and the Town Planning Board favoured land developers in redevelopment projects and gave little protection to small landlords and tenants. Many Members, like those from the Democratic Party, have waited for four years. If the Secretary for Housing, Mr Dominic WONG, had put forward his proposal a year before, I believe many Members would have readily accepted it. But the fault is not on the Secretary for Housing, Mr Dominic WONG. As Mr Ronald ARCULLI has said, the blame was on the former Secretary for Planning, Environment and Lands and we have been waiting impatiently for four years.

Therefore, it may be said that the fault is not on the incumbent Policy Secretaries this time. Nevertheless, we really cannot wait any longer.

Mr President, after the Honourable James TO had put forward his proposal, the Executive Director of the Housing Society, Mr Victor SO, expressed that the Housing Society's redevelopment projects in seven streets in Tsuen Wan and in Kennedy Town would be affected by the endorsement of the proposal. I was very indignant on reading the news report about this. Perhaps, my indignation is familiar to all of you. The point is in earlier in 1993, that is, three years ago, the Town Planning Board already endorsed the Housing Society's redevelopment projects in Tsuen Wan's seven streets and in Kennedy Town. The Housing Society could have started to acquire the premises according to the old compensation method three years ago. But up to now, the Housing Society has not yet done any acquisition in Tsuen Wan's seven streets and in Kennedy Town. Yet it claimed that upon the endorsement of the new proposal, the redevelopment projects endorsed by the Town Planning Board three years ago might be affected. I think it is irresponsible to say so. Fortunately, the Secretary for Housing, Mr Dominic WONG, has not cited the case of the Housing Society. The Housing Society is a statutory body and should be a responsible statutory body, whilst Mr Dominic WONG is also a member of the Executive Committee of the Housing Society. The Government should monitor this kind of organizations and urge them to accelerate the pace of redevelopment. I hope the Housing Society would not use the adoption of Mr James TO's proposal as an excuse some day for not redeveloping Tsuen Wan's seven streets and Kennedy Town, and put all the blame on the Honourable Member. So I think the comment was irresponsible and distorting the truth.

Mr President, finally, I would like to talk about the six-year housing construction programme. The Secretary for Housing, Mr Dominic WONG, has just said that upon the endorsement of this proposal, the target of building 195 000 units in the next six years would be affected. I wish to put on record that only about 20 000 units were produced last year, and so the Government has failed to achieve a yearly target of 32 500 units. As regards the production figures in 1996, many people estimate that only about 19 000 units would be produced in the private sector. The total figure of these two years is also lower than the Government's target. Therefore, it is also not true to say that the new proposal will affect the number of private premises to be provided by redevelopment projects.

Mr President, I hope all Members will support Mr James TO's motion or Dr the Honourable LAW Cheung-kwok's motion so that the interests of residents of old premises affected by redevelopment will be given appropriate protection, as this has been our hope in the past years. Also, I urge the Government once again to submit as soon as possible a reasonable, comprehensive proposal on urban renewal programme as a whole so that problems involved in redevelopment can be resolved in a reasonable manner. Otherwise, the Government will be forcing us to introduce Member's Bills again in the future.

Thank you, Mr President.

MR JAMES TIEN (in Cantonese): Mr President, first, I wish to say that I need not declare my interest though I am engaged in real estate business. I do not know how to do this kind of acquisition and compensation business. From the viewpoint of real estate business, we are "doing within our means". As regards whether one is prepared to pay money to buy land for redevelopment, one has to look at the prevailing market price of the land and then calculate the possible gains before deciding to acquire a building. What the Hong Kong Association for Democracy and People's Livelihood (HKADPL) and the Democratic Party have just expressed seems to say that land developers belong to the business sector and the grassroots level they represent is miserable and suffers a great deal.

From the viewpoint of property developers, this issue has little to do with us. While a property developer gives out \$1 million, the small landlords (who also belong to the grassroots level) may get \$900,000 and the tenants \$100,000. If the amount \$100,000 becomes \$400,000 as you suggested, the computation will be as simple as follows: the property developer give \$600,000 to the landlords for buying the old premises and \$400,000 to the tenants. Anyway, the developer is still giving out \$1 million. Why does the amount remain to be \$1 million? The \$1 million may be compensation to dozens of households. Also, there is the construction fee, and so the cost will be \$5,000 per sq ft, which is the same as the selling price of new premises.

In fact, if the HKADPL's proposal is meant to help the grassroots level, it is helping tenants at the grassroots level but doing harm to landlords at the grassroots level. This can be said to have nothing to do with property developers and the business sector. The HKADPL may get the support of tenants at the grassroots level but many small landlords at the grassroots level

will become very miserable. I wonder how the HKADPL would look at this situation.

Thank you, Mr President.

MR LEE WING-TAT (in Cantonese): Mr President, the Honourable James TO and the Honourable Albert CHAN have touched on many points about the motions in today's debate. I am not going to repeat them. I also agree to some points raised by my colleagues from other political parties.

For the past several years, compensation for old tenement buildings and rehousing have been long-standing problems. One point is clear and is agreed by everybody, that is, what most grass-roots tenants want is not a compensation of \$10,000 or \$40,000, but a long-term, steady and self-contained public housing unit. This is the long-cherished dream of most residents affected by redevelopment of old areas. But, Members may not be aware that in the Government's entire existing housing programme, there are no rehousing arrangements except for a small number of housing projects carried out by the Land Development Corporation (LDC) and the Housing Society. As a member of the Housing Authority (HA), I feel sorry that this item does not fall within the committed category nor within the areas of providing for housing needs. Sometimes, I heard some government officials and HA colleagues say our allocation of housing is on a need basis. Sometimes, I am unable to understand what it is all about because the housing need of cubicle or bedspace tenants in redeveloped urban areas is very clear. I believe they are not seeking the amount of compensation proposed by Dr the Honourable LAW Cheung-kwok or by Mr James TO or even by the Secretary for Housing, Mr Dominic WONG, because such amount can only enable them to live temporarily for a short term in a small flat of another old building within the same district.

Many colleagues may ask why the housing need of the residents in these old areas for redevelopment is not included in the committed category of the HA. I have debated this issue on several occasions in the Legislative Council and the HA, and I am still unable to understand. I spoke on the Budget yesterday

expressing that the 141 000 units, a figure which we mentioned and the Secretary for Housing, Mr Dominic WONG, said repeatedly, may be very significant or meaningless depending on whether the urgent housing need mostly recognized by the society is covered. The figure of 141 000 units does not cover the housing need of the bedspace tenants, cubicle tenants and other tenants who are affected by urban renewal but cannot afford high rent nor even the housing need of rooftop squatters. After deductions, the 141 000 units, as the Secretary for Housing, Mr Dominic WONG, said, may indeed satisfy the need of his specified group for rental housing.

Mr President, I entirely agree that at this stage, whichever proposal is adopted to raise the amount of compensation cannot solve the problem. This can only make the people less difficult in finding their new rental premises for the time being and it is what we ought to do. I hope very much that after this deliberation by my colleagues, there may be more debates to reach a consensus on the responsibilities of the Government, HA, Housing Society and LDC in rehousing the tenants affected by urban renewal.

Today I heard the Honourable Ronald ARCULLI's and the Honourable James TIEN's speeches. I do not completely agree with them, but to some extent they have expressed their opinions. Though I am reluctant to say that, but frankly speaking, the two businessmen were looking at it from a business viewpoint that they would not be interested in redevelopment if the cost was too high. But the prevailing question is: if we do not do anything, these people will have greater and greater difficulties. Therefore, I hope Members of all political parties and at all levels will reach a consensus on how to present the same request to the Government in the hope that the Government will play a certain role in urban redevelopment thereafter through its agent, whether it be the HA or LDC or Housing Society.

Mr President, I also wish to talk about another point which was said on several occasions and that is, the Government is doing business without capital. I have not seen any country in other parts of the world that would allocate so little land for urban renewal. The LDC was allocated a wee bit of land only in

the past one or two years so that they could set aside some rental premises to solve the problem. The Government has launched large-scale housing projects in the New Territories for those on the Waiting List and other residents. But for those whose housing need is recognized by almost all Members in this Council, they are still excluded by the Government from the needy category. I hope today's debate is not going to be an end but will be a start for us to put our requests clearly to the Government, to call on the Government to define clearly its role in rehousing the tenants affected by urban redevelopment, including the redevelopment projects done by the public sector and by private developers. Furthermore, I hope that in the existing review of the Long-Term Housing Strategy, the Secretary for Housing, Mr Dominic WONG, will not neglect and exclude the need of these tenants. Their need can be excluded by the stroke of a pen, but problems may arise after five years or 10 years or even scores of years. Our urban areas would be like many cosmopolitan cities (such as New York and London) in the world. When a city or a country does not want to spend on redevelopment, some earlier developed but outdated districts would become slum areas and the situation would become aggravated. This is not just a problem of the economy, land and resources but also a social problem. Therefore, I hope that in the review of the Long-Term Housing Strategy, the government departments would actually include the need of these tenants into our long-term commitments.

Thank you, Mr President.

PRESIDENT: I now invite Mr James TO to speak on the amendments to his motion. Mr TO.

MR JAMES TO (in Cantonese): Mr President, I speak in response to the opinions just expressed by some Members on my amendment.

First, I would like to clarify some points. Recently, a number of newspapers alleged that my proposal was the most expensive one for offering the highest amount of compensation. But this is not the actual case. If you draw a graph that is, a graph of rateable value and corresponding compensation amount,

for illustration purpose, you will find that where the rateable value of premises is \$90,000 or below, the compensation amount under Dr the Honourable LAW Cheung-kwok's proposal is obviously the highest; the amount under the Government's proposal is the lowest whereas the amount under my proposal is moderate. For rateable value above \$90,000, the amount under my proposal is slightly higher than that under Dr LAW's proposal whereas the amount under the Government's proposal is still the lowest.

Perhaps, I can quote some solid figures about compensation for demolition of old premises. As everybody knows, I do not want the rich to become richer. There is a misunderstanding here because in fact, such cases are rare. In 1994, there were hundreds of compensation cases involving voluntary recovery of possession, that is cases in which agreement was reached out of court. Of these, only 10% are related to rateable value of \$120,000 or above. Not to mention the compensation for recovery of possession, even for all the existing premises in the territory, those of rateable value of over \$120,000 only account for 14%. You may say that the compensation seems to be very high where the rateable value exceeds \$90,000, but past figures actually tell us that such cases only account for 10%. Therefore, as far as the compensation amount for rateable value below \$90,000 is concerned, my proposal is mediocre. However, I also agree to the principle that tenants of small unit should be given more compensation, as proposed by Dr LAW.

The Secretary for Housing has just raised a very interesting point that if one had lived in an old premises only for a few months or a year or two before demolition, one could have made a fortune by obtaining huge compensation amount. If that is the case, the Secretary may try to live in old premises and see how he can make a fortune. But the question is that nobody actually knows which building will be demolished and whether all the units will be acquired by land developers because demolition is impossible even when all units except one are acquired. Maybe you can try to see if it is practicable to rent all the units for your residence, but definitely people will not do that. Actually it is quite rare demolition took place after one's residence for a short period of time.

Under the provisions of our legislation 20 years ago, the tenants' compensation amount was pegged to the duration of residence. That was fair indeed. But then the Government proposed an amendment to unpeg because the practice involved too many arguments and proofs. As the compensation amount for 17 years of residence differed from that for 19 years of residence,

there were frequent disputes over whether the duration of residence was 17 years, 19 years or 15 years. So the Government decided to simplify the calculation method and determine compensation according to the rateable value of premises. In fact, such viewpoint was rather strange.

The Honourable David CHU has just commented that it seems the responsibility for social welfare is placed on the landlords. This is incorrect. If the Honourable Member thinks that this is some sort of welfare, then even when he supports the Government's option, the burden of social welfare will still be on the landlords and it is just a matter of the extent. So, in principle, the compensation under the Government's option will be imposed on the landlords. Therefore, this viewpoint is also really her strange and it depends on to what extent it is thought to be correct.

So far, the Government cites an example that a tenant paying a monthly rent of \$20,000 or over might make a fortune because of the enhanced compensation amount. I hope Members will look at the figures just presented to you. If the monthly rent is \$20,000, the rateable value will be \$240,000 and only 6% of the premises in the territory have a rateable value \$240,000 or above. There are few cases in which an old premises of monthly rent of \$20,000 will be demolished shortly and that the land developer has acquired the property rights of the whole building. Maybe you can also cite an extreme example of a premises of monthly rent of \$500,000, but would such an old premises be demolished? In this case, would the compensation amount to tens of millions of dollars? We have to look at the proposals as a whole to see which one will benefit most people and whether the extent is reasonable. We only consider this point.

The Democratic Party supports Dr LAW Cheung-kwok's motion. Thank you, Mr President.

PRESIDENT: Although the Secretary for Housing, as a mover of an amendment to a motion, does not have the right of reply, I am nevertheless inviting him to speak for the second time. In doing so, I have regard for the practice in the House of Commons of the United Kingdom Parliament where Ministers are usually allowed to speak again in debates.

Secretary for Housing, you are not to move the amendment yet.

SECRETARY FOR HOUSING (in Cantonese): Mr President, right from the beginning of this debate, I have emphasized that the Government agrees that the statutory minimum compensation amount given to tenants affected by redevelopment should be increased appropriately, which means that the increase should not be so great as to affect urban renewal and that a balance of interests between landlords and tenants should be maintained. In this context, I would like to say briefly in response to the views just expressed by some Honourable Members.

The Honourable IP Kwok-him thought that the Government would do nothing unless it was under pressure. This view is, in fact, wrong. All along, the Government has opined that the most ideal way is to propose an amendment bill so that anything that needs to be amended will be implemented, and both the legal rights of landlords and the interests of poor tenants will be looked after. In fact, the Government did put the proposals under this bill to the concerned Subcommittee of this Council and the then chairman of the Subcommittee was the Honourable Mrs Selina CHOW. As the Government recommended, if no other proposals were submitted, the drafting of this special bill could be completed promptly in mid-1996 and the bill would then be introduced to this Council. Unfortunately the Government's recommendation was not accepted by the Subcommittee.

The Honourable Bruce LIU also mentioned that the Government should be pressed. But the Administration would expedite a review on the Landlord and Tenant (Consolidation) Ordinance and introduce an amendment bill to this Council, no matter which motion is passed today. I wish to point out that once the motion of the Honourable James TO or that of Dr the Honourable LAW Cheung-kwok is passed, there will be a complete change in the existing compensation structure and amount. The Government must reassess the impact of these changes before considering to introduce an appropriate amendment bill.

The Honourable Albert CHAN stated that the enhanced compensation amount is minimal when compared to the cost of urban redevelopment. I believe his view is not well justified. However, undoubtedly, the large increase in compensation amount as proposed by the two Honourable Members will certainly affect urban renewal. I would also like to draw Mr Albert CHAN's attention to the fact that not all the redevelopment projects make a lot of

money and not necessarily all projects are profitable. In fact, if we set an exceedingly high compensation amount, there is a possibility of stifling some redevelopment projects with low profit margins.

I would like to talk about the urban renewal policy. In fact, I am speaking on behalf of the Secretary for Planning, Environment and Lands. In the consultative paper on urban renewal, the Government has put forward many new views and elaborated on how to increase the supply of units for rehousing. Now we are studying the roles which might be played by the Land Development Corporation and Housing Society as redevelopment and rehousing bodies. I can tell Members that this review would be completed in mid-1996 and subsequently a decision would be announced by the Government.

Mr President, the purpose of the amendment moved by the Government today is to let the poorer tenants get the highest enhanced compensation without benefiting those better-off tenants to a large extent. On the other hand, we do not want to hinder the redevelopment of urban areas. In fact, the Government's proposal enables the sub-tenants who are in genuine need to obtain substantially enhanced compensation. The existing compensation is equivalent to 1.7 times the rateable value of the premises and the increase we are suggesting is five times for this kind of subtenants, that is equivalent to 36 months' additional rent. This amount is already adequate and reasonable. In our opinion the compensation for other sub-tenants should be lowered step by step and big adjustments should not be made.

The increase in compensation proposed by the two Honourable Members is in fact too high and without adequate justifications. Consequently the pace of urban renewal will be slowed down, thereby affecting the production of residential premises in the private sector and the supply of flats in future. In the end, if the private sector has no incentive to carry out redevelopment, the existing poor tenants of old premises will lose a good opportunity to improve their living environment and this will be much regretted. Therefore, I strongly request all Members to consider carefully the long-term adverse affect which might be brought about by endorsement of either of the two Honourable Members' proposals.

I call on all Members to support the Government's amendment because the

Government's proposal can balance the interests of tenants, landlords as well as the society and it is the most reasonable and the fairest one, too.

Thank you, Mr President.

PRESIDENT: The Secretary for Housing has given notice to move an amendment to the motion. His amendment has been printed on the Order Paper and circularized to Members. I now call upon him to move his amendment.

THE SECRETARY FOR HOUSING's amendment to MR JAMES TO's motion:

"That the motion to be moved by the Hon. James TO under sections 53A(4)(e) and 119F(4)(e) of the Landlord and Tenant (Consolidation) Ordinance (Cap. 7) at the Legislative Council sitting of 27 March 1996 be amended by deleting everything after "and substituting -" and substituting -

"(a) in the case of section 53A(4)(a) -

"(a) The compensation ordered by the Tribunal under subsection (2) shall be -

(i) in the case where the application for the order for possession was made before 3 April 1996, an amount equal to 1.7 times the rateable value of the premises;

(ii) in every other case -

(A) upon the first \$30,000 of the rateable value of the premises,

an amount equal to 5 times that portion of the rateable value;

(B) upon the next \$15,000 of the rateable value of the premises, an amount equal to 4 times that portion of the rateable value;

(C) upon the next \$15,000 of the rateable value of the premises, an amount equal to 3 times that portion of the rateable value;

(D) upon the next \$15,000 of the rateable value of the premises, an amount equal to 2 times that portion of the rateable value;

(E) upon the balance of the rateable value of the premises, an amount equal to that balance.";

(b) in the case of section 119F(4)(a) -

"(a) The compensation ordered by the Tribunal under subsection (2) shall be -

(i) in the case where the landlord's submission to the Tribunal of his opposition to the grant of a new tenancy was made before 3 April 1996, an amount equal to 1.7 times the rateable value of the premises;

(ii) in every other case -

- (A) upon the first \$30,000 of the rateable value of the premises, an amount equal to 5 times that portion of the rateable value;
- (B) upon the next \$15,000 of the rateable value of the premises, an amount equal to 4 times that portion of the rateable value;
- (C) upon the next \$15,000 of the rateable value of the premises, an amount equal to 3 times that portion of the rateable value;
- (D) upon the next \$15,000 of the rateable value of the premises, an amount equal to 2 times that portion of the rateable value;
- (E) upon the balance of the rateable value of the premises, an amount equal to that balance."."

SECRETARY FOR HOUSING (in Cantonese): I move that Mr James TO's motion be amended as set out on the Order Paper under my name.

Question on the amendment proposed and put.

Voice vote taken.

THE PRESIDENT said he thought the "Noes" had it.

Dr Philip WONG claimed a division.

PRESIDENT: Council will now proceed to a division.

PRESIDENT: I would like to remind Members that you are now called upon to vote on the question that the amendment moved by the Secretary for Housing be made to Mr James TO's motion.

PRESIDENT: Would Members please register their presence by pressing the top button, and then proceed to vote by choosing one of the three buttons below?

PRESIDENT: Are there any queries? We are three short. Are there any queries? The result will now be displayed.

Dr LEONG Che-hung, Dr Samuel WONG, Dr Philip WONG, Miss Christine LOH, Mr Paul CHENG, Mr CHOY Kan-pui, Mr David CHU, Mr Ambrose LAU, Mr LO Suk-ching and Miss Margaret NG voted for the amendment.

Mr Allen LEE, Mrs Selina CHOW, Mr Martin LEE, Mr SZETO Wah, Mr LAU Wong-fat, Mr Ronald ARCULLI, Mrs Miriam LAU, Mr Albert CHAN, Mr CHEUNG Man-kwong, Mr Michael HO, Dr HUANG Chen-ya, Miss Emily LAU, Mr LEE Wing-tat, Mr Fred LI, Mr Henry TANG, Mr James TO, Dr YEUNG Sum, Mr Howard YOUNG, Mr WONG Wai-yin, Mr James TIEN, Mr LEE Cheuk-yan, Mr Andrew CHENG, Dr Anthony CHEUNG, Mr Albert HO, Mr LAU Chin-shek, Dr LAW Cheung-kwok, Mr LAW Chi-kwong, Mr LEE Kai-ming, Mr LEUNG Yiu-chung, Mr Bruce LIU, Mr MOK Ying-fan, Mr SIN Chung-kai, Mr TSANG Kin-shing, Dr John TSE and Mr YUM Sin-ling voted against the amendment.

Mr CHAN Kam-lam, Mr CHAN Wing-chan, Miss CHAN Yuen-han, Mr CHENG Yiu-tong, Mr CHEUNG Hon-chung, Mr IP Kwok-him, Mr NGAN Kam-chuen and Mrs Elizabeth WONG abstained.

THE PRESIDENT announced that there were 10 votes in favour of the amendment and 35 votes against it. He therefore declared that the amendment was negatived.

PRESIDENT: Now that we have disposed of the Secretary for Housing's amendment, Dr LAW Cheung-kwok may formally move his amendment now so that Members may take a vote on it.

DR LAW CHEUNG-KWOK's amendment to MR JAMES TO's motion:

"That the motion to be moved by the Hon. James TO Kun-sun under sections 53A(4)(e) and 119F(4)(e) of the Landlord and Tenant (Consolidation) Ordinance (Cap. 7) at the Legislative Council sitting of 27 March 1996 be amended, in the proposed paragraph (a), by deleting subparagraphs (i) and (ii) and substituting -

- "(i) where the rateable value of the premises does not exceed \$30,000, an amount equal to 7 times the rateable value;
- (ii) where the rateable value of the premises exceeds \$30,000 and does not exceed \$60,000, \$210,000 plus 5 times the amount by which the rateable value exceeds \$30,000;
- (iii) where the rateable value of the premises exceeds \$60,000 and does not exceed \$90,000, \$360,000 plus 3 times the amount by which the rateable value exceeds \$60,000;
- (iv) where the rateable value of the premises exceeds \$90,000, \$450,000 plus the amount equivalent to that by which the rateable value exceeds \$90,000."."

DR LAW CHEUNG-KWOK (in Cantonese): Mr President, I move that Mr James TO's motion be amended as set out on the Order Paper under my name.

Question on Dr LAW Cheung-kwok's amendment proposed and put.

Voice vote taken.

THE PRESIDENT said he thought the "Ayes" had it.

Mr Howard YOUNG claimed a division.

PRESIDENT: Council will now proceed to a division.

PRESIDENT: I would like to remind Members that you are now called upon to vote on the question that the amendment moved by Dr LAW Cheung-kwok be made to Mr James TO's motion.

PRESIDENT: Would Members please register their presence by pressing the top button, and then proceed to vote by choosing one of the three buttons below?

PRESIDENT: Are there any queries? The result will now be displayed.

Mr Martin LEE, Mr SZETO Wah, Mr Albert CHAN, Mr CHEUNG Man-kwong, Mr Michael HO, Dr HUANG Chen-ya, Miss Emily LAU, Mr LEE Wing-tat, Mr Fred LI, Mr James TO, Dr YEUNG Sum, Mr WONG Wai-yin, Miss Christine LOH, Mr LEE Cheuk-yan, Mr CHAN Kam-lam, Mr CHAN Wing-chan, Miss CHAN Yuen-han, Mr Andrew CHENG, Mr CHENG Yiu-tong, Dr Anthony CHEUNG, Mr CHEUNG Hon-chung, Mr Albert HO, Mr IP Kwok-him, Mr LAU Chin-shek, Dr LAW Cheung-kwok, Mr LAW Chi-kwong, Mr LEE Kai-ming, Mr LEUNG Yiu-chung, Mr Bruce LIU, Mr LO Suk-ching, Mr MOK Ying-fan, Miss Margaret NG, Mr NGAN Kam-chuen, Mr SIN Chung-kai, Mr TSANG Kin-shing, Dr John TSE, Mrs Elizabeth WONG and Mr YUM Sin-ling voted for the amendment.

Mr Allen LEE, Mrs Selina CHOW, Mr LAU Wong-fat, Mr Ronald ARCULLI, Mrs Miriam LAU, Dr LEONG Che-hung, Mr Henry TANG, Dr Samuel WONG,

Dr Philip WONG, Mr Howard YOUNG, Mr James TIEN and Mr David CHU voted against the amendment.

Mr Paul CHENG, Mr CHOY Kan-pui and Mr Ambrose LAU abstained.

THE PRESIDENT announced that there were 38 votes in favour of the amendment and 12 votes against it. He therefore declared that the amendment was carried.

PRESIDENT: Mr James TO, do you wish to reply?

MR JAMES TO (in Cantonese): Mr President, in reply, I hope the Government will actively do something. I did meet some real estate developers recently, especially those smaller-scale companies undertaking redevelopment projects. They raised a point that it took a rather long time to fix a date of hearing at the Lands Tribunal and as a result they had to pay a lot of bank interest. Even if the compensation amount is raised (of course, they may not be happy with our proposals), they might still make a profit because they can save some interest payments when an earlier date of hearing is fixed and the money will be virtually transferred from the bank to the tenants. They think this is an acceptable way because they have to pay the interest anyway. I hope the Government, having learnt about this, can speed up the hearing schedule and avoid long delays.

Finally, I hope the Government can realize from Members' speeches today that all Members have a consensus, that is, they hope the Government can solve thoroughly the long-term housing problem of the affected residents, which is the crucial point of the housing problem of the grassroots people.

Question on Mr James TO's motion, as amended by Dr LAW Cheung-kwok, put and agreed to.

INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR RONALD ARCULLI to move the following motion:

"That the Hong Kong Airport (Traffic) (Amendment) Regulation 1996, published as Legal Notice No. 72 of 1996 and laid on the table of the Legislative Council on 14 February 1996, be repealed."

MR RONALD ARCULLI: Mr President, I move the motion standing in my name on the Order Paper. The motion seeks to repeal the Hong Kong Airport Traffic (Amendment) Regulation 1996. A Subcommittee chaired by me was formed to study this regulation which proposes to increase with effect from 1 April 1996 the fees payable for using car park facilities at the Hong Kong International Airport, ranging from 14% to 23%.

The Administration takes a view that, to ensure a sufficient allocation of airport car park spaces and to alleviate the congestion in the road access system, the fees for parking at the airport public car parks should be revised in line with prevailing market rates. The Administration argues that if fees are not kept in parity with the market rate, non-airport users will be attracted to use these car parks, the traffic congestion around the airport will increase, hence access to the passenger terminal will be constrained, and the operation of the airport will be adversely affected. As for the special car parks, the Administration considers the revised monthly parking fees reasonable and in line with prevailing market rates.

A majority of Members on the Subcommittee considers the reasons given by the Administration unjustified for increasing parking charges because:

- (a) according to the information provided by the Administration during March 1995 to February 1996, the monthly average utilisation rate at the multi-storey car park ranged from 48% to 79%, but on 31 days for a total of 62 hours, the utilization rate exceeded 100%. As indicated by these statistics, there have not been any abuses of car parking facilities by non-airport users.
- (b) the current fee structure of doubling the hourly charge after the first two hours has already achieved its intended purpose of discouraging long-stay parking. This is supported by the statistic that less than 10% of the car park users park their vehicles for three hours or more;

- (c) as reviewed by the Administration for the year 1995 to 1996, the total costs and revenue of the public car parks were \$36.3 million and \$59 million respectively, thus resulting in a net profit of around \$23 million. The airport is indeed operating at a profit margin well in excess of 15% which, as explained, is a target of return; and
- (d) we have reservations on the concept of the adjustment in fees to control the use of government services.

Responding to the Honourable SIN Chung-kai's suggestion, the Administration has undertaken to introduce half-hourly system at multi-storey car parks and the cargo circuit car park for the first two hours as soon as possible after this regulation takes effect. The Administration considers that the current arrangements for the third hours onwards should remain to maintain its deterrent effect on long-stay parking.

Dr the Honourable HUANG Chen-ya, who is not a Member of the Subcommittee, attended the Subcommittee's last meeting and indicated that, in view of this undertaking by the Administration, Members of the Democratic Party will support the regulation. Nevertheless Dr HUANG will later move a motion to introduce a half-hourly parking charge at the multi-storey car park and the cargo circuit car park for the first two hours on the basis of the new rates proposed by the Administration.

Dr the Honourable LAW Cheung-kwok has, prior to receipt by the Sub-committee of its information regarding the monthly average utilization rate and the occasions when the rate exceeded 100%, indicated that Members of the Association for Democracy and People's Livelihood will support the regulation.

In conclusion, Mr President, the Subcommittee decided by a majority vote that the parking fees increases as proposed in the Regulation should be repealed.

Mr President, I beg to move.

Question on the motion proposed.

PRESIDENT: Dr HUANG Chen-ya has also given notice to move a motion under the Interpretation and General Clauses Ordinance to amend the same Regulation, that is, the Hong Kong Airport (Traffic) (Amendment) Regulation 1996. Dr HUANG's motion has been printed on the Order Paper. As the contents of Mr ARCULLI's and Dr HUANG's motions relate to the same subject, I propose to have them debated together in a joint debate.

The Council shall now debate the two motions together in a joint debate. Members can now speak on either or both motions. At the end of the debate, we will vote on Mr Ronald ARCULLI's motion first. Whether Dr HUANG Chen-ya will be called upon to move his motion would depend on the Council's decision on Mr Ronald ARCULLI's motion. If Mr Ronald ARCULLI's motion is agreed, that will by implication mean that Dr HUANG Chen-ya's motion will be disapproved. If, on the other hand, Mr Ronald ARCULLI's motion is not carried, Dr HUANG Chen-ya will be called upon to move his motion, but the question on Dr HUANG's motion will be put forthwith without further debate.

DR HUANG CHEN-YA (in Cantonese): The airport car parks are intended for use by those who receive or see off somebody at the airport and the airport staff. If the level of fees charged by airport car parks is lower than other car parks in the vicinity, non-airport users may be attracted to park their vehicles there, thereby leaving no parking spaces for genuine airport users. Therefore, despite its consistent disapproval of price increases, the Democratic Party agrees to the need for bringing the airport parking fees closer to those of other car parks in the vicinity. Therefore, we support the Government's proposal this time.

But, there is a serious shortcoming about the original arrangement made by the Government concerning the airport parking fees, and that is the charging of fees on an hourly basis. Usually the people who drive their vehicles to the airport leave shortly after receiving or seeing off somebody. Therefore, under the existing fees charging system, these people are supposed to pay an hour's fee even if they have parked their vehicles for less than half an hour. I think it is unreasonable that they have to pay more than they should. The Honourable Ronald ARCULLI has just mentioned the Honourable SIN Chung-kai's proposal to amend this fees charging system, but as the Honourable Member went to Britain at that time, I moved this amendment for him instead. We think it would be more reasonable to impose a half-hourly rate. But in order to discourage other users, we also suggest that the half-hourly rate should only be applicable

for the first two hours of parking.

For the above reasons, the Democratic Party opposes Mr ARCULLI's motion and hopes all Members will support my amendment.

MR CHAN KAM-LAM (in Cantonese): Mr President, the Democratic Alliance for the Betterment of Hong Kong (DAB) absolutely agrees to the point that the parking spaces in the airport car parks should serve the airport users. The Government has applied for an increase in airport parking fees for three major reasons. Though the three major reasons are convincing to some extent superficially, the DAB cannot support this application because the arguments are not strong enough.

First, according to the information provided by the Government, we do not see any abuse of the airport car parks by non-airport users. In the context of utilization for the whole year in 1995, the rate in the month with the highest utilization reached 79% only and that in the month with the lowest utilization was only 48%. During the 366 days in the year, there were only 62 hours in 31 days in which the utilization rate exceeded 100%.

On the other hand, according to an analysis of the parking time of vehicles at the airport car parks, in the past two years, over 90% of the airport car park user's parked for less than two hours and only about 5% for three to four hours. Almost none of them parked for over four hours. This shows that there have not been any abuses of the airport car parks obviously, so the arguments put forward by the Government to increase parking fees in order to discourage abuses of these car parks cannot be established.

As regards the difference between the airport parking fees and the prevailing market rate, it is in fact not serious at all. According to the information provided by the Government, the fees charged by some car parks in the vicinity are indeed higher than those charged by the airport car parks, but then there are some car parks charging lower fees. At the same time, we have heard many members of the public complain about being overcharged by private car parks, so the Government should not revise its parking fees in line with those of the private car parks.

The Government is concerned that non-airport users might be attracted to

use the airport car parks if there was a very big difference between the airport parking fees and the fees of private car parks in the vicinity. I think the Government may rest assured because anybody who goes to San Po Kong will never park his vehicle at the airport and pays over \$20 for taking a taxi from the airport to San Po Kong. Similarly, those who go to Kowloon City will not park their vehicles at the airport and walk for 10 to 20 minutes to and from the airport in order to save \$2 or \$3. Moreover, the airport parking fees will be doubled from the third hour onwards and the vehicle owners generally will not take such risk to lose more than gain. By doing simple arithmetic, we will know that \$64 for three hours of airport parking is more expensive than the parking fees at other car parks in the vicinity.

If we consider the issue in the context of the operation of the airport car parks, perhaps we can reach a conclusion. The Government sets a target of 15% return for the operation of its car parks and the income from the existing car parks has already surpassed this target. Therefore, the car parks, as a support service of the airport, should not be intended for reaping excessive profits.

As regards the existing number of flights at the Kai Tak Airport, we do not see a tendency of big increase in one or two years' time. Moreover, there are no justifications to assert that more people will use or abuse the airport car parks shortly, therefore, it is unnecessary for the Government to increase the parking fees so as to reduce the utilization of airport car parks.

Mr President, we believe any fees paid directly by consumers should be regarded as fees relating to people's livelihood. Therefore, it is obviously a misunderstanding to say that the airport parking fees have nothing to do with the people's livelihood.

Dr the Honourable HUANG Chen-ya proposes an amendment to support the Government's proposed increases in airport parking fees and introduce a half-hourly rate for the first two hours of parking. We think that charging on a half-hourly basis will not be of much help to the airport users and will not encourage drivers to leave the airport as quickly as possible because usually parking for more than half an hour is required for one to see off or receive somebody at the airport. So the vehicle owners can only save \$3.5 at most for parking for over an hour, but will have to pay \$12 more if the flight is delayed for more than two hours. Therefore, Dr HUANG's proposal only offers petty favours but no substantive advantages to members of the public. At the same

time, to support the fee increases runs counter to the strong urge of the general public for freezing the Government's fees and charges.

After considering various factors carefully, the DAB decides not to accept the Government's proposed increases in parking fees and supports the Honourable Ronald ARCULLI's motion.

Mr President, these are my remarks.

DR LAW CHEUNG-KWOK (in Cantonese): Mr President, the Government is raising the car park fees at the Hong Kong Airport in the hope to ensure sufficient car parking spaces for airport users at any time by bringing the level of fees of airport car parks in line with that of other car parks in the vicinity. The Hong Kong Association for Democracy and People's Livelihood (HKADPL) agrees that this policy objective is correct.

According to the information provided by the Government, during the period from April 1995 to February 1996, there were 31 days on which the utilization rate in some peak hours exceeded 100%, which means that basically the people driving to the airport could not find a parking space during the peak hours. Therefore, the HKADPL and I agree that the existing airport parking fees have to be increased to reduce some unnecessary use of the airport car parks.

On the other hand, I think Dr the Honourable HUANG Chen-ya's amendment can increase the turnover at the car parks and make the fee structure more reasonable. The HKADPL and I will support Dr HUANG's amendment.

PRESIDENT: I now invite Dr HUANG Chen-ya to speak for the second time since after the joint debate, he will not be given the opportunity to speak when moving his motion.

Dr HUANG Chen-ya, do you wish to speak?

DR HUANG CHEN-YA: I do not wish to speak any further.

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Mr President, I have listened attentively to the views put forward by Members. Before specifically addressing the two motions, I think it would be helpful if I explain first the background and rationale for the Amendment Regulation.

The Amendment Regulation made by the Administration and laid before Members seeks to increase the level of fees currently charged for vehicles using the three airport car parks, namely, the Multi-storey Car Park, Cargo Circuit Car Park and the Concord Road Car Park, to bring them in line with prevailing market rates. I will quote an example to illustrate. The current rate for hourly parking at the airport's Multi-storey Car Park is \$16 per hour. The rate charged at the nearby Airport Hotel, which as Members know may be reached easily from the airport by way of a foot bridge, is \$20 per hour. Our proposal serves to raise the parking fee to \$19 per hour only with a view to bringing it closer to the market rate.

Mr President, the Administration considers it fair and reasonable to revise airport car park fees in line with market rates. If we do not do so, we are concerned that there would be an incentive for non-airport users to park their vehicles at the airport when attending to other business in the area. For example, those who go to take supper in Kowloon City will park their vehicles at the airport car parks.

The airport car parks and the surrounding road access network form an integral part of the airport's operation. We must therefore try to discourage both casual and long-stay parking so as to ensure that there is sufficient capacity available in the various car parks for genuine airport users. If this is not achieved, the already congested traffic situation around the frontage of the Passenger Terminal Building and the airport road access system could be aggravated. This is not conducive to the efficient management and running of the airport operation. Some Members have mentioned the average utilization rate of the car parks, which fails to illustrate the problem. We are concerned about the peak hours. In fact, in some peak hours, especially during the Chinese New Year, Easter and Christmas holidays, the utilization rate of the Multi-storey Car Park has already exceeded 100%. If we do not revise the fees, the situation will definitely become worse. Therefore, it is government practice that fees for

the car parks at the airport will be adjusted annually and when necessary to bring them in line with the market levels.

One further point is that none of the fees proposed, whether on an hourly or monthly basis, can be said to involve any livelihood dimension. Indeed, in dollar terms, the proposed increases are modest and will have a minimal effect, if any, on inflation.

Against this background, I would now like to turn to the two motions. The Honourable Ronald ARCULLI's motion seeks to repeal the Amendment Regulation in its entirety. If Members were to vote in favour of it, the effect would be that the rates currently charged for car parking at the airport would be retained at existing levels. Using the example cited by me earlier, this would mean that the current 20% differential of \$4 per hour and in turn the incentive for casual parking by non-airport users at the Multi-storey Car Park would remain, or become more serious. The Administration sees no reason why the charges for the airport car parks should not be revised in line with market rates. We also wish to emphasize that we need to ensure that there is sufficient car parking space for airport users at all times to facilitate the smooth operation of the airport. We therefore urge Members not to support the Honourable Member's motion.

The motion to be moved by Dr the Honourable HUANG Chen-ya suggests to introduce half-hourly charges for the first two hours at the Multi-storey Car Park and Cargo Circuit Car Park on the bases of the revised fees proposed by the Administration. The Administration considers the Honourable Member's motion to be in line with our policy objectives. We reckon that the introduction of half-hourly rates may even encourage car parks users to reduce their dwell-time and enable an increased turnover in the car parks. With the anticipated growth in passenger and air traffic volumes during the remainder of Kai Tak Airport's functional life, the potential reduction in vehicle turnaround times may have an added advantage in absorbing the additional parking requirements of airport users. Mr President, on this basis, I would like to give the Administration's support to Dr HUANG Chen-ya's motion and would ask Members to do so likewise.

In closing, Mr President, I would like to reassure Members that the Administration has given this matter very careful consideration. To reiterate,

we consider bringing airport car park fees in line with market rates to be reasonable and appropriate. The proposed revision of fees will not cause hardship nor affect the livelihood of the community. Rather, it serves to ensure that Kai Tak's efficient operation will not be undermined in any way. I therefore would like to urge Members once again to vote against Mr Ronald ARCULLI's motion and adopt Dr HUANG Chen-ya's motion.

PRESIDENT: Mr Ronald ARCULLI, do you wish to reply?

MR RONALD ARCULLI: Thank you, Mr President. Very briefly. Looking at the votes tonight, Mr President, it looks as if my motion is going to be defeated. So, being a realist, I always look at the good things in life. I welcome the Democratic Party's market price support of this particular increase in car parking because hereafter I can say that if government prices is marked to market, I assume that the Democratic Party will give its staunch support because we did specifically point out at the Subcommittee level that we had reservations about the concept of a fee adjustment to control the use of government services.

But, Mr President, be that as it may, the second point really is that I suspect that for a few dollars more the Government has decided that it should nonetheless insist on what I call a flawed policy. I say "for a few dollars more" because I rather assume that Dr HUANG Chen-ya's amendment to a half-hourly charge for the first two hours would attract more revenue, more revenue not less, because the Government has not taken a point on Standing Order 23. So, again I welcome the additional money flowing into the government coffers.

If Members of this Council, Mr President, wish to support those two principles, I will happily lose tonight's motion. Thank you very much.

Question on Mr Ronald ARCULLI's motion proposed and put.

Voice vote taken.

THE PRESIDENT said he thought the "Noes" had it.

PRESIDENT: Council will now proceed to a division.

PRESIDENT: I would like to remind Members that they are called upon to vote on the question that the Hong Kong Airport (Traffic) (Amendment) Regulation 1996 be repealed. This is the motion moved by Mr Ronald ARCULLI.

PRESIDENT: Members please register their presence by pressing the top button, and then proceed to vote by pressing one of the three buttons below.

PRESIDENT: Are there any queries? The result will now be displayed.

Mr Allen LEE, Mrs Selina CHOW, Mr Ronald ARCULLI, Mrs Miriam LAU, Mr Howard YOUNG, Mr James TIEN, Mr CHAN Kam-lam, Mr CHEUNG Hon-chung, Mr IP Kwok-him and Mr NGAN Kam-chuen voted for the motion.

Mr Martin LEE, Mr SZETO Wah, Mr Albert CHAN, Mr CHEUNG Man-kwong, Mr Michael HO, Dr HUANG Chen-ya, Miss Emily LAU, Mr LEE Wing-tat, Mr Fred LI, Mr James TO, Dr Samuel WONG, Dr Philip WONG, Dr YEUNG Sum, Mr WONG Wai-yin, Miss Christine LOH, Mr LEE Cheuk-yan, Mr CHAN Wing-chan, Miss CHAN Yuen-han, Mr Andrew CHENG, Mr Paul CHENG, Mr CHENG Yiu-tong, Dr Anthony CHEUNG, Mr CHOY Kan-pui, Mr David CHU, Mr Albert HO, Mr LAU Chin-shek, Mr Ambrose LAU, Dr LAW Cheung-kwok, Mr LAW Chi-kwong, Mr LEE Kai-ming, Mr LEUNG Yiu-chung, Mr Bruce LIU, Mr LO Suk-ching, Mr MOK Ying-fan, Miss Margaret NG, Mr SIN Chung-kai, Mr TSANG Kin-shing, Dr John TSE, Mrs Elizabeth WONG and Mr YUM Sin-ling voted against the motion.

THE PRESIDENT announced that there were 10 votes in favour of the motion and 40 votes against it. He therefore declared that the motion was negatived.

PRESIDENT: As Mr Ronald ARCULLI's motion has been negatived, I now call upon Dr HUANG Chen-ya to move his motion.

DR HUANG CHEN-YA to move the following motion:

"That the Hong Kong Airport (Traffic) (Amendment) Regulation 1996, published as Legal Notice No. 72 of 1996 and laid on the table of the Legislative Council on 14 February 1996, be amended by repealing section 2(a) and substituting -

"(a) in item 1, by repealing "\$16 per hour or part thereof" and "\$32" and substituting "\$9.50 per half hour or part thereof" and "\$38" respectively;".

DR HUANG CHEN-YA (in Cantonese): Mr President, I move the motion which has been printed on the Order Paper under my name.

Question on Dr HUANG Chen-ya's motion proposed and put.

Voice vote taken.

THE PRESIDENT said he thought the "Ayes" had it.

Mr James TIEN claimed a division.

PRESIDENT: Council will now proceed to a division.

PRESIDENT: Would Members please register their presence by pressing the top button, and then proceed to vote by pressing one of the three buttons below?

PRESIDENT: Are there any queries? We are still one short. The result will now be displayed.

Mr Martin LEE, Mr SZETO Wah, Mr Albert CHAN, Mr CHEUNG Man-kwong, Mr Michael HO, Dr HUANG Chen-ya, Miss Emily LAU, Mr LEE Wing-tat, Mr Fred LI, Mr James TO, Dr Samuel WONG, Dr YEUNG Sum, Mr WONG Wai-yin, Miss Christine LOH, Mr LEE Cheuk-yan, Mr CHAN Kam-lam, Mr Andrew CHENG, Dr Anthony CHEUNG, Mr CHEUNG Hon-chung, Mr Albert HO, Mr IP Kwok-him, Mr LAU Chin-shek, Dr LAW Cheung-kwok, Mr LAW Chi-kwong, Mr LEE Kai-ming, Mr LEUNG Yiu-chung, Mr Bruce LIU, Mr LO Suk-ching, Mr MOK Ying-fan, Miss Margaret NG, Mr NGAN Kam-chuen, Mr SIN Chung-kai, Mr TSANG Kin-shing, Dr John TSE, Mrs Elizabeth WONG and Mr YUM Sin-ling voted for the motion.

Mr Allen LEE, Mrs Selina CHOW, Mr Ronald ARCULLI, Mrs Miriam LAU, Dr Philip WONG, Mr Howard YOUNG, Mr James TIEN, Mr Paul CHENG, Mr CHOY Kan-pui, Mr David CHU and Mr Ambrose LAU voted against the motion.

Mr CHAN Wing-chan, Miss CHAN Yuen-han and Mr CHENG Yiu-tong abstained.

THE PRESIDENT announced that there were 36 votes in favour of the motion and 11 votes against it. He therefore declared that the motion was carried.

ADJOURNMENT AND NEXT SITTING

PRESIDENT: In accordance with Standing Orders, I now adjourn the Council until 2.30 pm on Wednesday, 3 April 1996.

Adjourned accordingly at ten minutes past Ten o'clock.