

The Convention also stipulates the rights of salvors and the conditions for reward to salvors. Generally speaking, a salvor is rewarded only if the salvage operation is successful. Under the 1989 Convention, exceptions can be made if a salvor fails to save the ship and the cargo but helps to prevent or minimize damage to the environment — by, say, towing a damaged ship away from an environmentally sensitive area. In such cases, the salvor will be entitled to a special compensation. The objective of this provision is to give incentive to the salvage industry to help limit the environmental damage even though the chances of salvaging the ship or the cargo are slim.

As a major international shipping centre, we must follow the international rules and practice in dealing with collision damage liability and salvage operation. The enactment of this Bill is important to ensure that these two international maritime conventions will continue to apply to Hong Kong after 1 July.

Mr President, with these words I commend the Bill to this Council.

Question on the motion on the Second Reading of the Bill proposed.

Debate on the motion adjourned and Bill referred to the House Committee pursuant to Standing Order 42(3A).

Resumption of Second Reading Debate on Bill

APPROPRIATION BILL 1997

Resumption of debate on Second Reading which was moved on 12 March 1997

PRESIDENT (in Cantonese): In accordance with Standing Orders, we will now resume the debate on the APPROPRIATION BILL 1997. The motion before Council is that the APPROPRIATION BILL 1997 be read the Second time.

We have a rather long Order Paper for this two-day sitting. To balance the duration on each of the two days, I will call on more Members of the Council to speak on the motion today. At an appropriate time tonight, I shall suspend the sitting.

Under Standing Order 27, each Member has a maximum of 15 minutes for his or her speech and I may direct a Member speaking in excess of the specified time to discontinue his or her speech.

DR DAVID LI: Mr President, Oscar Wilde once said, "It is better to have a steady income, than to be fascinating".

Today, in this Chamber, we might well say, "It is better to have a steady income, than to have a 15 billion dollar surplus."

I am sure that this is the view of all taxpayers.

Our Government is certainly fascinating — especially the way, that year after year, it produces such inaccurate financial forecasts.

This needs to change. Article 107 of the Basic Law requires the Government to "strive to achieve a fiscal balance". It does not say that the Government should make a profit.

If the cash flow can be off-target by \$15 billion, we have a problem.

Surpluses of this scale are, in reality, a form of forced savings. In practical terms, they have a dampening effect on the economy. In moral terms, they deprive people of the right to choose whether to save or spend their money.

There is, in the view of the Finance Constituency, a case to be made for returning some of these funds to their rightful owners. \$15 billion should be in our pockets — not those of the Financial Secretary.

In this computer age, surely the Government can do better. Will the day come, perhaps, when an unexpected infusion of revenue from stamp duty in one month is distributed as a dividend to taxpayers and welfare recipients four weeks later?

We will soon be, as our future Chief Executive has said, masters of our own house. That means that we can explore new methods of achieving accurate forecasting and balanced Budgets.

Aside from the fascinating surplus, Mr President, this was a most interesting Budget. Under the circumstances, however, I am not at all surprised, and I sympathize with all those concerned.

I will not spend time trying to find reasons to moan about it. By virtue of its very inactivity, this is a harmless Budget. It hurts no one, and indeed, many have gained at least something, even if it is simply in line with inflation.

What we have all gained from this Budget is time. Time to pause and consider the options available to the Financial Secretary of the Hong Kong Special Administrative Region (SAR) in 1998.

We have an opportunity to consider spending priorities. Judging by the lively debate we are having in the press, this opportunity is being welcomed.

Do our senior citizens deserve higher benefits? Could our hospitals use more funds? According to a recent survey, our 13-year-olds are falling seriously behind many of their international counterparts in science. This is a trend we cannot afford. Should we not invest more in our schools?

Of course, the answer is "yes" in every case. It would be tantamount to a return to earlier colonial times for the Government to neglect the needs of the community, especially those who are unable to help themselves.

We are fortunate in that we can, today, afford a rising level of public services, broadly in line with the changing needs and expectations of the community. This is because our economy is in such healthy shape.

The first priority of all future Budgets, Mr President, must be to keep it that way.

That means that we must ensure that Hong Kong remains an attractive centre for investment; not merely as attractive as it is today — although few places, if any, can beat us — but attractive enough to compete in the 21st century.

Around the world, as the process of globalization continues, fiscal policy is playing a greater role in giving an economy an advantage over its rivals. As barriers to trade and investment come down, it is an increasingly vital difference between our economy and those of our rivals.

The SAR Government will therefore have to examine some fundamental issues.

To take one example, is the current level of profits tax the right one?

There must be an optimum level — one that gives the maximum benefit both to our public finances and to the companies that consider Hong Kong as a place for their investment.

How do we know that that optimum level is 16.5%? Can our Government next year specify a level that attracts more investment? If it can, what will new businesses find?

Will they find affordable commercial or residential accommodation? Will they find enough skilled and qualified labour? Will they still find the simplest tax environment in Asia? Will they be protected from double taxation?

Will they still find the least red tape in Asia? Will they still enjoy the optimum blend of freedom and confidence that comes from a liberal but well-defined and enforced regulatory regime?

Not unless we continuously measure ourselves against our competitors — and act speedily on the results.

I am hopeful that future Budgets will be more exciting than this one. After all, the Budget is a plan on how to spend our money for our benefit. What can be more fascinating — or more rewarding — than that?

Before we get too involved in the details, however, let us be sure that we can make money in the first place. Let us see future Budgets as a means to a vital end — the maintenance of our competitiveness.

Let us be sure that our fiscal policies mark us out in the 21st century, in the way our free trade regime made us unique in the past.

Mr President, on the assumption that the next Administration will not shirk from answering hard question about the long-term competitiveness of Hong Kong, I support the motion.

DR YEUNG SUM (in Cantonese): Mr President, when the Financial Secretary was drafting the Budget, the Democratic Party submitted to him a paper setting out in great detail our proposals on the expenditure part of the Budget. Some of the proposals, such as those on the increase of basic allowance of Salaries Tax and revising tax bands for the middle-income group and so on, have been accepted by the Financial Secretary. These are indeed encouraging developments.

However, Mr President, I am still disappointed with the Budget, mainly because the Financial Secretary has turned a deaf ear to the demand by the Democratic Party for increasing the Comprehensive Social Security Assistance (CSSA) payments for the elderly, which is of the greatest concern to the Democratic Party and has been listed by the Party as the top priority. The Democratic Party demands that CSSA payment for the elderly be raised to a more reasonable level. But it is a pity that despite many years of strenuous efforts made by the Democratic Party, the Financial Secretary still shied away from the demand made by the Democratic Party concerning CSSA payment for the elderly. After the announcement of the Budget, the Democratic Party again put forward the demand to the Financial Secretary for increasing CSSA payment for the elderly by \$300, but to no avail. The demand was rejected again by the Financial Secretary. In view of these, Mr President, I am still deeply disappointed with this Budget.

Mr President, let us talk briefly about the problem of the elderly in Hong Kong. The problem of the elderly in our society, particularly their financial position, has aroused widespread concern in society. The refusal by the Government to implement a retirement protection system in the past 20 years has resulted in the majority of the elderly retirees coming under no protection of any retirement system nowadays. According to a recently-published study jointly conducted by Oxfam of Hong Kong and the Hong Kong Council of Social Service on the problem of elderly people in poverty, 600 000 people in Hong Kong, most of whom are the elderly, are living in abject poverty. Many of these elderly people spend less on food than the elderly CSSA recipients. The fact that such a large number of elderly people are living in abject poverty arouses the

question as to why they do not apply for CSSA. There are two reasons for this. One is that some of these elderly people may have savings of more than \$33,000, which is the upper limit on assets imposed by the Government on applicants for CSSA payments. Another reason may have something to do with inadequate publicity by the Social Welfare Department, or that some elderly people may come under the influence of traditional thinking and are reluctant to apply for CSSA.

Mr President, let us take a look at what sort of life these CSSA recipients are leading. To keep in line with inflation, the standard CSSA payment has been revised to more than \$2,200 from \$1,930. According to a survey conducted by the Social Welfare Department, 40% of the standard rate of CSSA payment will be used on food, which means that the total expense on three meals every day for an elderly CSSA recipient is just about \$30. Is this an acceptable level when measured against the average living standard of today? Can this level of spending give elderly CSSA recipients a decent and reasonable life?

Mr President, with more than \$300 billion of reserves in the Government's coffers, the daily expense on food for an elderly recipient of CSSA payment in our society is just about \$30. This is really deplorable. But what makes one more angry is that the Financial Secretary seems to show little sympathy towards the plight of elderly CSSA recipients. I reiterate that the Democratic Party has been pressing for an increase in CSSA payments for the elderly for many years but to no avail. As we will soon "get off from the train", the situation still remains the same, which is really regrettable. How can the Financial Secretary say that he has strong feelings and affection towards elderly people? Are these not words of cold comfort?

The Financial Secretary is believed to have come under more constraints than before in drafting this Budget, mainly because this Budget must be acceptable to both the Chinese and British Governments. What is more, the Chinese side has already made clear its opposition to more welfare spending when it made the accusation of "A speedy car went out of control and crashed, killing the people inside it". Therefore, the Government is believed to have experienced some political interference during the drafting process of the Budget, or it may have exercised excessive self-discipline in order to win approval from the Chinese side. I wish my guess is wrong. It is apparent that the increase in welfare spending in this year's Budget is less than before.

Apart from the influence from the Chinese side, the Financial Secretary has stuck to the Government's so-called "golden rule" on budgetary strategy in an excessively rigid and obstinate manner. The cardinal principle for the Government is that the growth in public expenditure shall not exceed that of the economy. But this relationship should be viewed over a longer period rather than be strictly followed every year. However, the Financial Secretary repeatedly stressed that the current 5% growth in public expenditure in this Budget is the upper limit which must not be exceeded. As a result of this, the demand by the Democratic Party and other parties in this Council for an increase of \$300 in CSSA payments for the elderly has also been rejected. This shows that the Financial Secretary has interpreted and implemented the so-called "golden rule" in an excessively rigid way, and this deserves our criticism.

Mr President, I want to raise one point in particular. The Financial Secretary, when answering questions from the public in a radio programme, stressed repeatedly that he was very concerned about welfare for the elderly. He also said prudent financial management was required from a wider perspective. However, in the face of an unusually huge surplus, the interpretation of the so-called "golden rule" in such a rigid manner is repulsive. Such a disregard of the plight of the elderly CSSA recipients has aroused strong reaction from the media.

Mr President, I would like to stress that even if the Financial Secretary sticks to the so-called "golden rule", he must understand the real meaning behind it. The basic principle that the growth in public expenditure shall not exceed that of the economy means the growth over a longer period instead of a single year, which means that there are certain restrictions and flexibility in implementing this "golden rule". However, the Financial Secretary gave me the impression this time that he had interpreted this golden rule in an excessively rigid manner, which also makes me feel that he tackles the elderly problem with a light hand instead of determination. This can hardly bring any relief to the plight of the elderly CSSA recipients.

Mr President, it is easy to accept and implement a guideline in a slavish and rigid manner, but this is not something a wise man would do. Instead, an exemplary civil servant should, under both restrictive and flexible circumstances, do what it takes to bring relief to the plight of the people.

Mr President, in the long term, the Government should adopt appropriate measures to deal with the financial burden arising from the ever-increasing number of cases involving elderly CSSA recipients. What is more worrying is that the increasing expenditure for CSSA payments has significantly eaten into expenditure for other social welfare services, such as family and youth services and so on. The implementation of a Mandatory Provident Fund system will not alleviate the financial hardship of the low-income group and elderly retirees. However, these policies are an apparent departure from the theme of this Budget.

Mr President, I hope that, when making a response to comments on the Budget, the Financial Secretary will make a firm commitment to increase CSSA payments for the elderly.

These are my remarks.

MR ALLEN LEE (in Cantonese): Mr President, among the various proposals in this year's Budget, I believe the aspect which disappoints us most is the Comprehensive Social Security Assistance (CSSA) payment for the elderly. A large number of Members have already raised this point. In recent years, I have a lot of opportunities to visit homes for the aged and to talk to the elderly there about their conditions. I believe that the Financial Secretary and the Government are well aware of the difficulties and situation which the elderly are facing. However, despite its abundant surplus, the Government still refuses year after year to increase in real terms the CSSA payment for the elderly. This is indeed difficult to understand. As the Government should know better why it is necessary to increase the CSSA payment for the elderly, I do not want to spend too much time on explaining to the Government this year. I can only guess that it wants to leave this issue to the Special Administrative Region Government, and I hope this is the reason.

The Liberal Party suggests a tax reduction of 1% this year, given that the Government's revenue and expenditure will be in a stable condition in the long run, and that a particularly wealthy government will not do us any good. As the revenue from taxation is taken from the people, it should be used in the interests of the people when our fiscal reserves are buoyant. Should there be surplus

year after year, the Government has the obligation to introduce tax reductions. I notice that the Conservative Party of the United Kingdom proposed a tax reduction of 3% in its recently issued election platform. The proposal was certainly made on political grounds, but we ought to know that the financial position of the British Government is not as strong as ours, yet they still propose tax reduction. The Hong Kong Government should, on the basis of its substantial surplus, consider reducing taxes.

Mr President, as I recall, a large number of people have mentioned that our tax net is too narrow. And that is why our former Financial Secretary, Sir Piers Jacobs, has even proposed to explore the possibility of introducing the sales tax. It is imaginable that if we had really done so then, we would have had a much more immense surplus today. Meanwhile, there were people talking at length about setting a ratio of direct and indirect taxes. These were, in fact, just theories. In practice, even with a narrow tax net, there is surplus in the government revenue. This kind of academic debates are of little help to us.

I will praise the Financial Secretary in a fair manner today as he has drawn up this year's Budget after making extensive consultations. The Liberal Party welcomes the measure in widening the tax band, which in turn may relieve the burden of the middle class in tax payment. Besides, we also welcome the proposal of reducing rates from 5.5% to 5%. In fact, we have for two consecutive years proposed the reduction to the Government and we are glad that it will finally be implemented this year. However, it is doubted that with the increase in rental value the public will not be genuinely benefited. Nonetheless, if the rates were not reduced, the public might have to pay even more, and we therefore support this proposal. On the other hand, we are in favour of increasing the basic allowance so that more people can be benefited. Although less people will pay tax, we do not have to worry about the present financial situation.

As the Government has had a surplus of \$31.7 billion this year, together with the favourable forecasts in the Financial Secretary's Budget, which the Liberal Party agrees with, the future surplus of the SAR Government will be extremely huge. As I have mentioned before, a government which is particularly wealthy will not do us any good.

Mr President, the Liberal Party has all along been supportive to proposals relating to the construction and sale of public housing units so that most people

in Hong Kong can live in their own property. Regarding the consultation paper on the sale of public housing units, the Liberal Party has conducted a survey on the district level, and has learnt that the public generally welcomed the proposal, but the majority of them considered the price too high as compared with the current rents they are paying. The Liberal Party shares their views. Therefore, we think it would be appropriate for the Government to recover only the construction cost. We request the Government to take this into serious consideration.

The Liberal Party is also concerned about the fostering of our human resources as we have no other resources available in the territory. Yet, as we look at the present education system, we must admit that something has gone wrong. Though I am not an expert in education, I have plenty of chances to contact some vice-chancellors and professors of universities. Whenever the topic of student quality is brought up, they would shake their heads in disapproval. For the average students, not only is their English below standard, their command of Chinese is also rather weak. This situation will, in the long run, be highly detrimental to the future of Hong Kong. I think it would be our primarily task to improve the language proficiency of our students, and it is an issue which has much to do with the quality of our teachers. If we have high quality teachers, there is the chance of fostering high quality students, and we are in support of a four-year curriculum for undergraduates. In the interest of the future of Hong Kong we must invest in our young generation. This is not only the Government's responsibility, but also its obligation for the well-being of the territory in future. We hope the Government will consider it seriously.

Mr President, with these remarks, I support the motion on behalf of the Liberal Party.

MR IP KWOK-HIM (in Cantonese): Mr President, today is again the "big day" for the annual Budget debate in this Council. As the fruit of Sino-British co-operation, this year's Budget is unique and unprecedented in the history of Hong Kong. Since this Budget is one for the transitional period, covering three months of British rule and nine months of Chinese rule, it embodies the financial philosophy and monetary-management of the present Government and the Special Administrative Region (SAR) Government. It has to keep in line with the current condition of Hong Kong at this turning point of history. The Budget should take into account the overall interest of Hong Kong and aim at enhancing

the confidence of Mainland China and overseas investors. It should be a "through-train" Budget, designed to maintain the confidence of the general public as well as the confidence of the local, mainland and overseas investors in the continuing economic prosperity of Hong Kong.

The Democratic Alliance for the Betterment of Hong Kong (DAB) would describe this Budget which will straddle the transfer of sovereignty as follows: "a budge bearing delight and sorrow, embracing worries and consideration, and filled with too much prudence and inadequate development". The delight in this Budget is that the Financial Secretary has fulfilled the DAB's demand for various tax arrangements, including the widening of the marginal tax band, increasing the basic allowance to \$100,000 and maintaining the profits tax at its present level.

After the Budget was announced, attention has been focused on the housing problem and the increase of Comprehensive Social Security Assistance (CSSA) payment for the elderly. All along, it has never been easy to find a "cosy nest" for oneself in Hong Kong. This Budget has little to say on the housing problem. During the past month, there were three instances of drastic actions to protest against the soaring property prices. After the bomb hoax, there were threats to poison the family of the Secretary for Housing, followed by a "sarin gas" scare. While the DAB is against such means of protest, they reflect the public's deep discontent over the property prices which they cannot keep up with. For many years, the DAB has demanded a tax allowance to cover spending on mortgage interest for first-time home buyers. It is indeed disappointing that the Financial Secretary should cruelly dismiss this with the words that "it would be wrong in principle to create a general tax concession...to cover investment in housing". The DAB is worried that if this problem cannot be solved effectively, it may become social worries for the future SAR Government.

On the question of increasing the CSSA payment for the elderly, the DAB has always insisted that it should be increased to one-third of the median wage. This year's Budget only provides for a 9.1% increase on welfare expenditure, which is less than the double-digit increase last year, and so it has already been criticized by members of the public. This year, there is not even a nominal increase to the CSSA payment. Has the Financial Secretary tried putting himself into the place of the elderly? Can he imagine how they live alone and eke out a living? To them, who live on the CSSA, this year's Budget is nothing but sorrow for them.

Since Hong Kong lacks natural resources, Government support to industrial and commercial development is crucial to economic development. However, on the issue of support to the industry, apart from the earmarking of funds for the building of the Science Park, the second industrial technology centre and investigating the potential of a site for the fourth industrial estate in the Budget, the Financial Secretary has made no concrete suggestion for the need to maintain the competitiveness of Hong Kong's industries. Although the unemployment rate has slightly dropped recently, the Budget gives causes for worry by offering no solution to the problem of unemployment.

One can hardly expect this Budget entitled "Continuity in a Time of Change" to embrace many material changes to the financial position of the Government in this financial year. It cannot be denied that during the transition period, the public will feel a sense of insecurity about the future. With his emphasis on no change and continuation of the principles which have long been upheld to the benefit of Hong Kong's development, the Financial Secretary can be said to have hit on the best policy. The Budget that is to straddle 1997 cannot be too ambitious. It is understandable that continuity should be stressed. However, one of its inadequacies is that given the huge reserve, a super surplus budget is still prepared. It fails to plough back resources to the society to promote development or let the people keep their wealth. Another thing is that it has not adequately addressed the serious problem of imbalance in the supply and demand of flats and it fails to provide comprehensive solutions. Later on, other Members of the DAB will speak on different aspects of the Budget. I will speak on behalf on the DAB in respect of the civil service, education and environmental matters.

In order to maintain the stability and prosperity of Hong Kong, an efficient and dedicated civil service is essential. With the announcement of the Chief Executive's team designate, all senior civil servants will ride the through-train. This helps to maintain the confidence of the civil service and boost their morale. However, the civil service is faced with another problem, which is the progress of localization. After the ruling by the High Court, the use and proficiency of Chinese of expatriate contract civil servants who apply for a transfer to local terms have aroused controversy within the civil service. The Government must solve the problem through consultations with civil servants via appropriate channels. Otherwise, it will undermine the efficiency and the service rendered to the public by the Civil Service.

With the transfer of sovereignty, the working environment of civil servants will undergo a major change and their contacts with Mainland officials will become more frequent. To help civil servants gain a better understanding of China will be a key to helping them face this crucial moment of change. The allocation of more funds by the Civil Service Training and Development Institute to organize different talks and self-learning courses in order to help civil servants familiarize themselves with the Basic Law and the structure of the Chinese Government is worthy of our approval and support.

Mr President, in order for Hong Kong to continue its development and successfully make its way towards the next century, education and training are extremely important. This year, the expenditure on education will reach \$45 billion. In view of the rapid advancement of computer and information technology, \$300 million will be spent on providing computer facilities over the next two years. In addition, funds will be allocated for raising the language standards of tertiary students. These policies deserve our support. However, over the years, in its efforts in establishing whole-day primary schools and in increasing the number of graduate teachers, the progress of the Department of Education has been disappointing. This year, there is still no news to be excited about. With the increase in the number of new arrivals to Hong Kong, the number of children who need schooling has also increased. While the Department of Education has provided cash assistance to schools which have accepted new immigrant children, other supports are inadequate, merely just like a drop in the bucket. In the three academic years to come, we can expect more than 40 000 new immigrant children to arrive in Hong Kong. However, the number of places provided by the present school-based support programme is only 9 600.

Recently, the Department of Education has issued the Firm Guidance on Secondary Schools' Medium of Instruction to implement the proposals in the Education Commission Report No. 6 on mother-tongue education. The DAB welcomes this move. However, before enforcing the Guidance, the Department of Education must enhance teachers' training. Thus, the Budget's proposal to allocate funds to establish a Language Resource Centre merits our support. The determination on the part of the Department of Education to finally implement mother-tongue education will naturally be welcomed by those who have demanded the promotion of mother-tongue education for a long time.

Nevertheless, the voices of opposition in the community cannot be ignored. Thus, I hope that the Government will implement this policy with caution.

Mr President, as the spokesman of the DAB on environmental affairs, I am pleased to see in the Budget a 25% increase in the expenditure on environmental protection. The implementation of the Environmental Impact Assessment Ordinance and the Government's study into the introduction of the "sustainable development" concept show that the Government is beginning to realize the importance of environmental protection for Hong Kong people and for the overall future development of Hong Kong.

Besides these measures, the Government has made substantial improvement on certain environmental policies which the public are most concerned about. For instance, with regard to air quality, the Government has introduced more stringent emission standards, set up additional air quality monitoring stations and implemented the test scheme for LP-gas vehicles. These are all measures in the right direction.

With regard to the Strategic Sewage Disposal Scheme, a project everyone is concerned about, the DAB has always insisted that the Stonecutters Island sewage treatment works should carry out not only primary sewage treatment, but should also higher levels of treatment. The DAB has always been against the location of the sewage outfall in South China Sea before any environmental impact assessment has been conducted. However, we do note that the Budget mentions the establishment of an experimental sewage treatment plant by the Government in order to determine the optimal chemical dosage and the disinfection possibilities of sewage treatment on Stonecutters Island. In addition, it will co-operate with the Chinese Government in conducting an environmental impact assessment in South China Sea in the areas around the future outfall. Although these measures have come rather late, they prove that the Hong Kong Government is sincere and committed to solving the problem.

Mr President, although the Government has made improvements on several environmental protection policies, there are still many controversial items which remain to be dealt with. For instance, the monitoring of air quality in public vehicle tunnels is not yet up to present environmental protection standards. We are also disappointed by the fact that one has not yet come up with any study findings and concrete suggestions about whether to build the Centralized Incineration Facility, the Chemical Waste Treatment Centre and the standards for

setting the effluent treatment surcharge. In addition, the Budget provides for only a 2.2% increase for the expenditure on environmental protection education, publicity and community relations, which is a much smaller increase than that of last year. This makes us suspect that the Government has not kept up its efforts to promote environmental awareness.

Mr President, these are my remarks.

MR LAU WONG-FAT (in Cantonese): Mr President, the sound financial position of Hong Kong and hefty surpluses in recent years has won admiration from all over the world. As a result, expressions like "a reserve for the community" and "a dividend for the community" have become fashionable among officers in-charge-of our finances. The former Financial Secretary, Sir Hamish MACLEOD, had implemented some tax reduction measures in 1995-96, which were then referred to as moves to put money back into taxpayers' pockets. When talking about tax reduction measures in his Budget Speech, the present Financial Secretary, Mr Donald TSANG, also made similar remark. He said, "there is the case for the people of Hong Kong to enjoy a fiscal dividend from the success they have created."

When a principal government official talks about "a dividend for the community", this expression carries a lot of weight. At this time when our economy manages to generate record high surpluses in successive years and our fiscal reserve topping \$350 billion, such remark gives the impression that the Government is much better off now and is able to let our people have a fiscal dividend, so that the fruits of prosperity can be shared by all. It is deeply disappointing, though, that the measures proposed by the Government under the slogan of "a dividend for the community" are just a few tax concessions on salaries tax. I do not think these measures alone can really achieve the objective of "a dividend for the community".

The reasons are very simple. The great majority of our people pay no tax at all or just a very small sum because of their low income. As such, the Government's tax concessions are of no real benefit to them. In other words, most of our people have not benefited from the goodwill policy of "a dividend for the community". As for those who are really wealthy, whether there is tax concession or not has no great concern for them. Only the remaining sandwich class households in our society actually get some good out of it. According to the example set out in the Supplement to the Budget, sandwich class households can generally save several thousand dollars on tax payment. However, it is

exactly people in this class who are facing the greatest financial pressure in our society, mainly on the expenditure for housing. Many sandwich class households have to spend a large part of their monthly income on mortgage repayment. In view of the spiralling property prices, those sandwich class households who cannot afford to buy their own homes have to pay correspondingly soaring rents for private housing. Even for those who are lucky enough to get a Home Ownership Scheme flat, mortgage repayment remains a heavy burden. Therefore, as far as these people are concerned, tax concessions presently proposed by the Government are blatantly inadequate and can do nothing to help them overcome their problems.

Mr President, the Financial Secretary pointed out that we now have a Gross Domestic Product per head of US\$24,500, which is indeed a figure we could be proud of if we are just looking at the surface of it. However, after taking into account the factor of uneven distribution of wealth and allowing for the high expenditure of many "mortgagees" and "tenants", a lot of families in Hong Kong have no spare money at all to improve their quality of life. This has led to a strange phenomenon where even families with quite handsome income have to live frugally. In recent years, the businesses of food establishments, the wholesale and retail industry and the taxi trade have all dropped. The situation may be closely related to this phenomenon. It clearly reveals the problem that so long as the general public are forced to pay a high price for housing, they cannot really be better off. In other words, the most effective way to ensure that there is a "fiscal dividend for the community" is to solve the housing problem faced by the people of Hong Kong in all walks of life.

It is the Government's responsibility to solve the housing problem faced by the general public, particularly to create the conditions which can facilitate home ownership at more affordable terms by a great majority of people. Some sociologists point out that the greater the proportion of home ownership in a society, the more harmonious and stable it will be. The Financial Secretary has also stressed in his Budget Speech that "it is also a government objective to encourage as many as families as possible to become home owners". However, the Budget has offered no exciting proposal to potential home buyers. I agree that the fundamental solution to the housing problem is to increase land supply. Nevertheless, it does not mean that the Government need not implement other measures to ease the financial burden of home buyers and to promote home ownership. Such measures are of particular importance at the time when property prices remain at a high level.

Given that mortgage repayment is recurrent expenditure, the Financial Secretary's proposal to lower the stamp duty on property transactions below \$4 million in value brings little real benefit to home buyers. I still consider that a tax relief on mortgage repayments for first-time home buyers is a viable and effective solution to ease their financial burden. I cannot agree with the Financial Secretary's argument for not implementing such tax relief. According to the Financial Secretary, "it would be wrong in principle to create a tax concession, regardless of the individual family's needs, to cover investment in housing". Such remark is clearly exaggerating. In the first instance, I believe that it is possible to devise a mechanism to make sure that tax concession on mortgage repayments will only be enjoyed by families in genuine need, such as by requiring that the applicants must be first-time buyers, or their household income should be within a certain limit, or such tax relief is only provided for a certain number of years, or the applicants can only claim such relief for the first five years from the date they buy their flats, or the applicants have to pay back any tax concession claimed to the Government if they sell their property within a certain period. Therefore, as long as a suitable mechanism is in place, tax concession on mortgage repayments should be able to help those families with heavy financial burden but having a genuine need for home ownership. At the same time, it can prevent individuals from abusing the scheme to make profit from speculation in property transactions. By ignoring the root of the problem and other voices in the society, the Government is evading the issue and it is "unwilling rather than unable to solve the problem".

Mr President, I would like to talk about rates as well. It seems really ridiculous that rates are put under the heading of "A Dividend for the Community" in the Budget Speech and their reduction is treated as one of the means to do so. As pointed out quite often in reports about the Budget, although the Financial Secretary has reduced the overall rates percentage to 5 per cent, the revaluation of rates in 1996-97 has actually increased, rather than reduced, rate payments of the general public. Furthermore, from July this year, nearly 1 million families are required to pay government rent in accordance with the relevant provisions set out in the Joint Declaration and the Basic Law. As such, the public are paying more and being loaded with extra burdens. It is hard to understand how this could be described as "a dividend for the community".

With regard to the levy of rates, the Government has the so-called practice of routine revaluation of rates. Under the circumstances where Hong Kong is

facing a short supply of housing and soaring property prices, the Government derives huge income from land auctions and collects higher rates calculated on the basis of rateable values that are constantly rising due to rocketing property prices. As a result, people's lives have become harder and harder, for on top of high property prices and high rental, they have to pay high rates as well. Given the Government's intention of "paying dividend to the community", it should go a bit further in terms of rates. The Government's current proposal to impose a 20% cap on increases in rates for this financial year and the next is not sufficient to ease the financial burden of the public. In fact, at this time when Hong Kong's financial position is so sound, the Government can suspend the so-called routine revaluation when property prices are rising and resume revaluation till prices in the property market cool down and become stable again. Such measures will surely be welcomed by the public.

Mr President, the Budget reveals that there was an underspending of \$5.5 billion from the Capital Works Reserve Fund, with \$1.5 billion underspending on land acquisition due to delays in land resumption and clearance. Why are there delays in land resumption and clearance? Are they caused by a shortage of manpower in the relevant government departments? No explanation has been given by the Financial Secretary at all. However, given that the Government sought to maintain zero growth in the staffing of departments in the past, it is likely that staff deployment may have something to do with the said delays. As time is money, the departments concerned should make extra efforts to solve the problem. Otherwise, not only great economic losses would be incurred, certain development projects would also be behind schedule, thus slowing down our social development.

Mr President, although there are areas in the Budget that require further examination, it is nevertheless a prudent budget. At this critical moment when Hong Kong's sovereignty is to be returned to China shortly, it is correct to handle the financial matters of Hong Kong in a prudent and steadfast manner. More importantly, the 1997-98 Budget was produced through a process of consultation with consensus reached in the Budget Expert Group established under the Sino-British Joint Liaison Group. This should ensure that this budget which straddles the reign of two political entities is a unified budget. Its effect on the smooth transition of Hong Kong is well-understood.

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

MR PAUL CHENG: Mr President, if I were a cartoonist looking at the task facing the Financial Secretary in the preparation and delivery of his historic transitional Budget, I would have depicted him as a juggler walking on a tightrope across a raging river while, back on the river bank, different interest groups are tugging at the rope in the hope of getting the Financial Secretary's — or the media's — attention.

With that image in mind, I was not surprised when the Financial Secretary talked a lot about balance — a balance between continuity and change during the exceptional year the Budget itself straddles.

For Hong Kong generally, to have a transitional Budget supported by the existing Administration, the incoming Administration and the future sovereign power through the Joint Liaison Group is a tremendous boost to confidence, especially at a time when — on the political front at least — a rather distorted picture is being painted overseas about Hong Kong's future.

I applaud the Financial Secretary for seizing the opportunity to deliver a positive and upbeat message, reinforcing Hong Kong's special status under the Basic Law, and underlining our unwavering commitment to the fundamental principles on which Hong Kong's success is founded — the principles of free enterprise, an open market economy, minimum government intervention, the rule of law and a simple and low taxation system. This will, hopefully, go a long way in balancing off comments being made by pessimists who are now overseas claiming that they are telling the truth about Hong Kong.

I do not believe it is very meaningful to nit-pick on this year's Budget because the process is that either we support it or we reject it in its totality. Whilst I am very sympathetic to calls for more support for the elderly, it is with mixed emotions that I hope the Budget will not be torpedoed because of a single issue. I very much hope that the Government will find a way to increase the Comprehensive Social Security Assistance (CSSA) monthly allowance to at least \$2,300, perhaps if possible even to \$2,500. We really must find a solution to enable those elderly who really need the support of the whole community to pass their rainy days with some dignity.

As we move towards a new era in Hong Kong's history, I believe the Hong Kong Special Administration Region (SAR) Government must conduct critical review on certain issues. We can no longer prepare future Budgets simply by

manipulating percentages up and down. What we need to do is to ask ourselves what we would like to achieve in certain critical areas within a given time frame and be bold and innovative enough to put proper financial resources to actually make things happen. The three areas that I feel require this sort of treatment and attention are:

- Overall competitiveness
- Education
- Housing

Competitiveness

The global market place is changing and becoming even more competitive. We can no longer sit back and comfort ourselves that there is an annual net gain from new companies coming to set up shops in Hong Kong than companies leaving to go somewhere else in the region. By the time we see a deficit, it would be too late.

We must put more resources and streamline our promotional efforts to attract international investments. With an elaborate global network of Trade Development Council and Industry Branch offices around — sometimes tripping over each other in promoting Hong Kong, I am somewhat surprised that the Financial Secretary is proposing to set up yet another new unit within his office to promote Hong Kong. The intention is good, but we really must stop the proliferation and start consolidating so that our efforts can be better co-ordinated and with real punch. We must do something about the ever increasing high costs of doing business here. We need to ensure our taxation, legal, accounting and regulatory systems remain attractive to international investors. A more flexible and realistic labour importation scheme will also help alleviate the pressure from a tight labour market in certain sectors.

Professor Michael ENRIGHT wrote an enlightening article in this Monday's issue of the *South China Morning Post* and I would like to quote part of his comments as follows:

"Hong Kong has prospered, not because it followed the same strategy as other economies, but because it has followed its own path. To enhance

the territory's prosperity, it would be better to reaffirm and extend these features, to become more like the stereotype of Hong Kong, not less.

Lowering corporate taxes, opening up protected service industries, reducing government involvement in particular sectors, and ensuring greater entry and competition are all steps that would enhance Hong Kong's position as a regional centre and improve its ability to benefit from opportunities in Asia.

While some of these moves might be practically or politically difficult in Hong Kong, that is the whole point. How much more difficult would they be for Hong Kong's competitors to match? Thus the essence of strategy, not following others down the same well-worn paths, but breaking new ground where others cannot or dare not go."

We need to be both bold and innovative and we need to re-ignite our competitive spirit!

Education

The University Grants Committee in its "Higher Education in Hong Kong" report published last year talked about a vision of excellence. The Government must not only restrain from cutting funds — instead we actually need to increase our funding to ensure we achieve our desire to build Hong Kong as a top education centre. A programme to attract more foreign students would also help maintain our unique international status and help create our reputation as a centre of excellence.

Having said that, care must be taken that proper balance be given in allocating resources not only to higher education, including calls for more research-based activities, but that equal treatment be given to secondary education and to re-generating polytechnic education.

Housing

This is already a major social issue. The primary issue here is not just land — but accessible land. There is an urgent need to build more roads and related infrastructure so that more affordable housing can be made available and supply of low cost housing can be speeded up to shorten the waiting period.

Rezoning flexibility and making the approval process more efficient would help, but these actions do not address the core of the problem. The Government's new measures to combat property speculation will, by themselves, have limited effect — they, in fact, raise a broader question on the Government's policy of minimum intervention in a free market economy.

The key, in my view, is that we must put more emphasis on building the road infrastructure so that more accessible land can be made available across the board.

Hong Kong has crossed many rivers and climbed many mountains, but the sternest test of all lies ahead. The Budget presented by the Financial Secretary is sound and enjoys broad support — and will enjoy even more support if the concerns about the elderly are properly and promptly addressed. The Budget also introduces a welcome measure of certainty and stability at a rather uncertain time.

I urge my fellow Members to look at the bigger picture in voting for this year's Budget, and I hope the "through train" Civil Service will take note of the areas I have highlighted when they start deliberating on the 1998-99 Budget.

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

MR DAVID CHU: Mr President, the transitional Budget has many good things and some glaring shortcomings. I will not dwell on the good things. The Financial Secretary knows what they are. I will focus on the shortcomings, hoping that these can be fixed for the next Budget, the first for the Hong Kong Special Administrative Region.

Shortcoming number one is inadequate Comprehensive Social Security Assistance (CSSA) for the elderly who get by with less than \$2,000 a month. This is hardly enough to feed a person, let alone enable him or her to live in dignity which is what the Government has promised over and over again.

We have the means and now we must have the moral responsibility to help the needy elderly. Our fiscal surplus will be \$15 billion for this year and \$32 billion for the next. Our total reserves amount to nearly \$360 billion. Our Land Fund will top \$160 billion. Even a portion of the interest dividends on

these riches can more than pay for a few hundred dollar increase to the CSSA monthly payment for each elderly recipient.

We can also give more to the elderly without distorting welfare expenditure. We can achieve this by targeting welfare spending at the elderly and not at the able bodied who should fend for themselves.

Too generous a CSSA acts as a disincentive to those of the working age. CSSA as incentive or disincentive means nothing for the elderly who can no longer work. We must understand that the money we put into helping the elderly today is basically a one-time payment. With the establishment of the Mandatory Provident Fund, the next generation of retirees will have pensions and will not rely on the charity of a government.

Some people want welfare expenditure to increase more than the 9.4% offered in this Budget. They point to the past five Budgets in which social welfare expenditure rose by an average of 17% a year. This rate cannot be sustained forever. At an annual 17% rate of welfare spending increase, our welfare expenditure would exceed the total Budget in 16 years.

Shortcoming number two is excessive tax allowance for single parents. Single parents will see their allowance rise 66% from \$45,000 to \$75,000 in this Budget. The allowance and also the CSSA payment to single parents, most of whom are women, have become in effect taxpayers subsidizing irresponsible fathers.

Shortcoming number three is housing, the policy of which was recently reviewed. The Government pledges to spur on a record-setting pace of private and public housing development. But the latest Budget shows that the Government is better at talking than doing anything serious about the problem. Housing expenditure is set to rise by merely 9.2% for the year. This is certainly not enough to enable the Government to meet its own annual target of building 54 000 public sector flats and of getting the private sector to develop 31 000 units for a total of 85 000 — which is roughly 50% more than the current production rate. The Government additionally forecasts that from 2001 to 2006 an annual average of 39 000 public housing flats and 34 000 private ones will have to be built to satisfy demand. If the Government should fall short of its own quota, then it will only drive more people to the private sector and inflate the already sky high flat prices.

Shortcoming number four is the Administration's stinginess with district board members. We cannot pay lip service to the importance we attach to grassroots representation and then expect these members to put in so much time and shell out their own money to pay for their staff, office rental and other expenses. Personal sacrifice for the public service can only go so far. I have asked repeatedly for a 50% increase in district board members' monthly personal allowance of \$17,000. An increase of 50% on this modest sum can lessen the hardship on district board members whom I would like to call district councillors to reflect their real role.

Mr President, I support the motion and commend the Financial Secretary for the prudent Budget which says a lot about the way we are: Better safe than sorry.

Thank you, Mr President.

MR EDWARD HO (in Cantonese): Mr President, to be frank, this Budget speech of the Financial Secretary on the last Budget of Hong Kong under British rule was rather boring. The listeners could find nothing new to hear when the Secretary was quoting for half an hour the articles and provisions in the Basic Law that promise the Hong Kong Special Administrative Region (SAR) financial autonomy. The lengthy description of Hong Kong's success story in the speech is just a repetition of the statistics regularly released by the Information Services Department. Nothing in the Budget can give us a surprise for there is no announcement of any new infrastructure projects; there is no new plan for solving the problem of housing in Hong Kong and no additional financial assistance proposed for the elderly.

What is heartening is that there is an unexpectedly huge surplus of \$15.1 billion for 1996-97. It is forecast that the surplus for 1997-98 will amount to \$31.7 billion. In contrast with these figures, another surprise is the slight reduction in duty on alcoholic beverages. It serves no significant purpose, other than affording some delights to this boring afternoon.

Up to here, if my speech has started to make the Financial Secretary feel somewhat uneasy, he can now relax because those are all my criticisms against his Budget and his speech. Although this Budget is the last one under the British Administration, we all know that it was compiled by the joint efforts of

the British Hong Kong Government and the Chinese Government after 16 rounds of meetings. Of course, this Budget not only applies to the first three months of the current fiscal year under the existing sovereignty, it is also effective for the remaining nine months of the financial year when Hong Kong will have already become a SAR of China.

Such being the case, not only the general public of Hong Kong, but also the international community, are paying attention to this Budget. In order to ensure that this wide spectrum of listeners can fully understand the commitment of the Basic Law in relation to the autonomy of the SAR in financial and other affairs, the Financial Secretary's elaboration in this area is well justified. Unfortunately, over the past few months, the international community has often been misled by some agitating doomsday remarks about Hong Kong's future, which were made by certain leading figures in the Government and political leaders. These comments are certainly damaging to Hong Kong. The most effective way to counter these comments is to prove with the fact that after the establishment of the SAR, Hong Kong can preserve the existing freedom and way of life as well as the rule of law under the Chinese sovereignty. More importantly, Hong Kong people should join together to prove that we can put in practice the concept of "Hong Kong people ruling Hong Kong" and that we can ensure the continued stability and prosperity of Hong Kong.

In less than 100 days, Hong Kong will be handed over to China. At this critical moment, the financial position of Hong Kong is so strong and healthy that it has outperformed expectations. This shows that Hong Kong people and overseas investors are still full of confidence in Hong Kong's future.

The Hong Kong SAR will begin its new life with sound public finances, that is, with total reserves of around \$330 billion (including the Land Fund as at 1 July 1997). Hong Kong's financial performance certainly outshines any other regions and this is significant to Hong Kong in this transitional period. We often talk about "stability and prosperity". But in fact the order of these two concepts can be reversed because no stability can be maintained without prosperity.

The Financial Secretary is criticized by many sectors as showing no concern for the elderly because he has not increased the Comprehensive Social Security Assistance (CSSA) payment for them. Although he explained that expenditure was subject to constraint by the so-called "golden rule", it is difficult

to comprehend why the Government still firmly refuses to give a little bit more assistance to the elderly when the treasury is flooded with surplus. I would like to take this opportunity to reiterate that Hong Kong must implement mandatory provident fund schemes as soon as possible in order to solve the problem of the ageing population. Although the establishment of provident funds cannot solve the financial problem of the elderly in the short term, it is nevertheless the fundamental and ultimate way to provide protection for the livelihood of the elderly.

There are some other problems that remain unresolved. For instance, some statistics show that in Hong Kong, 600 000 people are living in abject poverty. Against such a context, how can Hong Kong be proud of its prosperity? How can we justify the situation that more than 100 000 households in such an affluent community are placed on the Waiting List awaiting suitable housing?

Quality of Life

Mr President, if we take a look around us, it is not difficult to see that, in many aspects, the quality of life in Hong Kong is unacceptable. Although it is said that the average rate of income growth is higher than the inflation rate, most people make a living by sweat and toil. After a whole day's hard work, they return to their exceedingly small flats. Those who can reside in a crowded flat together with their own family members are lucky enough, because there are many more unfortunate cases where people even have to share a tiny flat with several other families.

It is beyond all doubt that Hong Kong has achieved a lot of success which we can take pride in, but we still have a lot of unsolved problems. If Hong Kong can complete the mammoth Airport Core Programme within five years, it must have possession of the same ability to solve all those social problems and basic housing problems which have been troubling Hong Kong for years. The question is: when will the Government have the same determination and devote the same resources to solving these problems? For instance, many Members have been requesting the Government to speed up land vetting for the production of residential flats in order to expedite the construction process. I have been continuously putting forth this request for years. Once again, I would like to urge the Government to review the situation in a pro-active manner and make substantial improvements to the system and the procedures involved.

I mentioned quality of life just now. As an architect, I am often greatly upset by the poor environment in the urban areas, especially the overcrowded old districts, the heart of Kowloon and even the so-called new towns as described by the previous generation. These districts are featured by overcrowdedness and shabby buildings, mainly a result of the poor quality of building materials used at the design stage in the earlier days and a result of improper monitoring of the construction process. Furthermore, the lack of maintenance and misuse of facilities have also led to early deterioration.

Regular maintenance of buildings should be the responsibilities of the owners or tenants. If they cannot afford to take up this responsibility, the Government may have to consider introducing a mandatory maintenance scheme by legislation. If this scheme is still not feasible, the only alternative is to expedite massive urban renewal programmes as a fundamental means to improve our environment. But this will make the problem even more difficult to be solved. Experience in the past few years tells us that the paces of urban renewal projects undertaken by both the Land Development Corporation and private developers are disappointing. During the past two years, the Government published a lot of consultation documents such as the Territorial Development Strategy Review, Town Planning Bill, Urban Renewal in Hong Kong, and the recently published Long Term Housing Strategy Review Consultative Document and so on. However, as the Chinese saying goes, "We hear footsteps on the stairs but nobody comes down". How long do we have to wait before those basic livelihood problems, that is, housing and environmental problems, can be solved?

Professional Services

In last year's Budget debate, I welcomed the establishment of a Task Force on Services Promotion by the Government. This year, we received an exquisite report prepared by the Task Force. We know from the report that professional services generated about 2.7% of Hong Kong's Gross Domestic Product (GDP) in 1995 and provided jobs for 79 000 people in 1996. Notwithstanding that, the Report does not contain any concrete proposal or action plan to promote professional services. The services sector of Hong Kong is facing increasingly keen competition from overseas countries due to the exorbitant business costs in Hong Kong. The commissioning of a large number of overseas consultants by the Government has strengthened the advantageous position of overseas consultant companies in Hong Kong and the Southeast Asia, while failing to

bring to Hong Kong technological transfer which is much needed by us. This has resulted in a negative rather than a positive impact on the development of professional services in Hong Kong.

Mr President, there may be diverse opinions on different areas in the Budget, but the Financial Secretary has indeed laid down a strong financial basis for the Hong Kong SAR. This is conducive to solving some of the problems mentioned above after the establishment of the SAR. Mr TUNG Chee-hwa, the Chief Executive Designate, will have to draw up his policy address in the coming months. The Budget debate we have in these two days shall be a valuable reference point for him. I hope the SAR Government can embark prudently on land development and infrastructure projects in order to meet industrial, commercial and residential needs. If this is the case, we should thank the Financial Secretary for the reserves he has made.

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

DR LAW CHEUNG-KWOK (in Cantonese): Mr President, the Budget this year is a historical document drawn up by the British Government and the Chinese Government jointly in preparation for the resumption of the exercise of sovereignty over Hong Kong by China on 1 July. Apart from adhering to the traditional principles of financial management, the Government has clearly indicated that this Budget was drawn up in compliance with the relevant provisions of the Basic Law. This is of enlightening significance.

On the revenue side, the Budget manages to achieve some breakthrough within the framework of financial prudence. There are reasonable adjustments on the allowance for salaries tax, the marginal tax rates and tax bands and so on. Commitment is also made for conducting a comprehensive review of profits tax next year. I am of the view that Hong Kong's tax system has always been too conservative. It can no longer measure up to the community's expectation of the Government. The scope of such review should therefore cover various aspects of the tax system. More importantly, narrowing the gap between the rich and the poor should be one of the objectives of the review. We consider that the introduction of a moderate progressive tax system is a means to promote an effective and reasonable reallocation of resources in our society.

Furthermore, I have to reiterate that the Government should step up its effort against tax evasion and tax avoidance activities so as to ensure the stability of government revenue and the fairness of our tax system. According to the Government, during the period between April 1996 and February 1997, the Inland Revenue Department has conducted investigation into 1 740 cases, with an additional tax and penalty of nearly \$2 billion assessed. These figures suggest that the problem of tax evasion is very serious in Hong Kong. The Government should continue to adopt effective policies to put a stop to tax evasion and tax avoidance activities.

On the front of boosting our economic development, the Financial Secretary suggests a new unit to promote our service industries. At the same time, the Government will identify the types of services it provides currently that can be taken up by the private sector. These initiatives are very positive indeed. As to the imbalance between the supply and demand of land, the Financial Secretary has also agreed that a high level committee should be set up to deal with this problem.

From these suggestions on the setting up of new policy groups, we can see that in the process of structural transformation of our economy, the existing government structure can no longer cope with the needs of economic developments. Given that the Financial Secretary is to chair several task forces himself on top of his daily heavy schedule, he may not be able to oversee all matters unless he is a superman. In this regard, I strongly urge the Government to make reference to the experiences of Singapore and Taiwan and set up an economic development board to take up the overall responsibility of formulating an economic development strategy and co-ordinating various related matters, as well as allocating resources for this initiative. The economic development board, independent of the Financial Secretary, should be tasked to provide new ideas, as well as formulate and implement new comprehensive economic policies.

Let us look at the example of Singapore. After its independence in 1959, it introduced its first economic development plan and set up the Economic Development Board in 1961. The functions of the Board are to implement economic development plans, encourage domestic and foreign investments and provide financial and technical assistance to industries. The Board even extends medium-term to long-term loans to industries directly, and for small

enterprises which may otherwise have difficulty in securing loans from banks, short-term loans are also provided.

Various types of technical assistance the Economic Development Board provides to industries include feasibility study, market research, industrial research, formulation of standards and technical and management training. Supports for product development and industrial design are also provided in a limited scale. In addition, the Economic Development Board of Singapore has worked together with the industry sector to draw up the blueprint for manpower training and establish vocational training schools and industrial training centres.

In the 1970s, the Economic Development Board of Singapore decided to develop technology-intensive industries and directly subscribed shares of large-scale enterprises. State enterprises are moving towards privatization in recent years. The Board has played a leading role in the development of Singapore in the past few decades, enabling her to go way ahead of Hong Kong in terms of the development of high-technology industries. In particular, manpower training for high-end technologies in Singapore is far more successful than those in Hong Kong. We can indeed learn from its experience.

In Taiwan, there is also a body similar to the Economic Development Board in Singapore. In order to strengthen its economic development, the Republic of China ("ROC") government has restructured its Council for Economic Planning which was then merged with the finance section under the Executive Yuan to form the Council for Economic Planning and Development in 1977. The new Council was mainly tasked to plan for, co-ordinate, study and evaluate economic developments for the purpose of boosting the overall economic development of Taiwan.

While the Council for Economic Planning and Development is set up under the Executive Yuan of the ROC government, it is independent of major government departments such as the Ministry of Finance and the Ministry of Economic Affairs. The Council has 10 departments, including the Overall Planning Department, the Economic Research Department, the Sectoral Planning Department, the Manpower Planning Department and the Urban and Housing Development Department. The Council for Economic Planning and Development of Taiwan has succeeded in boosting the economic growth of Taiwan and maintaining a relatively reasonable distribution of income. I think Hong Kong can also learn from the experience of Taiwan.

In the Budget for this year, it is estimated that Hong Kong will record an exceptionally remarkable surplus of \$31.7 billion. Our fiscal reserves plus the balance of the Land Fund are estimated to reach \$360 billion by 31 August 1998. With such huge surpluses, the people will surely urge the Government to make better use of our resources so that the people of Hong Kong can truly enjoy a fiscal dividend and have their livelihood improved.

As to the Land Fund, I think that after 1 July 1997, it should become part of the fiscal reserves of Hong Kong and be managed by the Monetary Authority through the Exchange Fund. This is by far the most viable option. Yet the present investment strategies for our fiscal reserves must be reviewed for the purpose of achieving a better rate of return which should be higher than the rate of inflation.

The expenditure for this fiscal year is 5.3% higher than that of last year in real terms. The increase in recurrent expenditure is 5.6%, which is in line with actual economic growth. However, despite the expectation of this Council and the public for a substantial increase in the Comprehensive Social Security Assistance payment, as well as higher expenditure in the areas of welfare for the elderly, basic education, housing, labour training and so on, the Government is still very conservative when formulating the relevant policies. It just keeps the fiscal surpluses in its own pocket on the pretext of financial prudence.

The Government stressed that this Budget was prepared in line with Article 107 of the Basic Law, which provides that the Hong Kong Special Administrative Region should follow the principle of keeping expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product. If we are to analyse this provision in detail, we can see that "keeping expenditure within the limits of revenues" is a principle which relies on, firstly, a fiscal balance and secondly, keeping the budget commensurate with the growth rate of gross domestic product.

The Budget prepared by the Government this year only fulfils the second requirement and is a far cry from the first one, maintaining a fiscal balance, which is much more important. Therefore, the situation is somewhat like "opposing the red flag while hoisting the same". We very much hope that the Financial Secretary will take into account the enormous surpluses we now have,

and devise new and more effective measures for the betterment of the people's livelihood when he is considering amendments to this Budget.

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

DR HUANG CHEN-YA (in Cantonese): Mr Deputy, the 97-98 Budget is a product jointly produced by the old and new masters of the colony of Hong Kong. It is a shameful and harsh budget. On the one hand, the Government retains a large surplus and declares to the world Hong Kong is extremely rich. New surplus for this year amounts to 15 billion dollars. On the other hand, it says it lacks the money to help the elderly and the poor out of their plight because it lacks the resources to tackle issues such as unemployment and falling income due to economic restructuring. Still, civil servants need to defend such a budget. What a pity!

In the Budget, the Financial Secretary pointed out: "the elderly have always been the concern of this Council and the people of Hong Kong. The Government is also concerned about the plight faced by the elderly". Regrettably, maybe it is because someone has likened our welfare spending to "a speeding car about to crash out of control and kill its passengers", but the Government only talks a lot about its concern without providing any assistance. The Government turns a deaf ear to the earnest request of the community to add \$300 to the Comprehensive Social Security Assistance (CSSA) payment for single elderly people. In fact, with 100 000 elderly people at present, an extra \$300 a month in CSSA payment means a total of about \$360 million. This amount is only approximately 2% of the \$15.1 billion surplus in the current financial year. The Financial Secretary would rather lower the wine duty to benefit the rich than to use the \$110 million saved to benefit the elderly who, after a life-time of hard work, are old and have no one to turn to. This is absolutely absurd.

Mr Deputy, while the gap between the rich and the poor is widening, the spending on social welfare takes an unexpected nose-dive. The growth in real terms in the share of the public expenditure for social welfare is only 9.4%, which is far less than the 14.7% in 1996 and 13.2% in 1995. There has been a 20% increase in the number of CSSA cases in recent years, but the growth rate in CSSA expenditure in real terms keeps dropping instead of rising. The resource

input by the Government for other pledges such as those for rehabilitation and new immigrant services are also disappointing.

In medical care, the Government is again money-oriented. It thinks money is most important and human lives are insignificant. On the one hand, the Government is worried that the medical expenditure will rise and tries hard to make patients pay more. On the other hand, it is never willing to put in more resources in the prevention of chronic diseases. Without additional resources for the prevention of cancer, stroke and cardiovascular diseases, and without developments in health centres for the elderly and for women, which can only provide service for 1% of the elderly and the women now, how can we curb the rise in the number of such diseases and prevent the fees for curing these diseases from soaring? Moreover, the present preventive work is limited and lacks quality control or clear indices to monitor its effectiveness. In medical education, is promotion effective? Has it helped the people of Hong Kong reduce habits harmful to their health? Have they become more sensitive to early symptoms of cancer? We do not have any information on these questions. Hence resources, which are already scarce, will inevitably be wasted and chronic diseases continue to be on the rise.

On the economic front, the Budget is also disappointing. The world economy is undergoing a huge restructuring process. The United States has been successful in raising its productivity and its economic growth is strong. Japan and Europe are leaving their difficulties behind. The economic growth of Hong Kong, however, slackens from 9% in the sixties, to 7.5% in the eighties, and 5% now. It has the worst performance among the little dragons of Asia. Up to now the Government still fails to make timely efforts sufficient to restructure the Hong Kong economy. The delay may further deteriorate the economy of Hong Kong. The public will have to pay a high price for the mistake made by the Government.

An urgent task for the economic development of Hong Kong is to sharpen its competitive edge. Training is extremely important. But there is no significant increase in investment in education. In recurrent expenditure for education, increase in real terms has been shrinking in the past five years. Expenditure on education for 1997-98 is 2.8% of the GDP, which compares poorly with 5% to 7% in advanced countries. According to a recent international survey on mathematics and science, the scientific knowledge of Hong Kong school children is even worse than those from Iceland and Thailand.

Hong Kong ranks 24 among 41 countries. With such a low level in technological knowledge, how can the goal to hi-tech manufacturing be achieved? The result is obvious. Labour-intensive industries disappear; hi-tech manufacturing is just a beautiful but empty slogan. It is right that the Government should not subsidise individual industries, but successful hi-tech industries require first-class research centres, adequate technological personnel, sufficient start-up funds, information network and entrepreneurship. Does Hong Kong have all these? What kinds of investment has the Government made? What has it done? Almost nothing. Tax concessions, innovative exchanges, technological databases and subsidised visits by overseas technological personnel can make technology more commercialized and commerce more technological. In these areas, however, the Government has given little encouragement, the education policies lack clear objectives, and human resource planning shows no sense of direction at all. As the report compiled by the Massachusetts Institute of Technology says, the Government has only limited knowledge about technological awareness. The present Government structure must be reviewed to strengthen its awareness in technological and economic policies.

Technologies in manufacturing industries and service industries change with each passing day. To be able to grasp just one skill may not help one keep one's job or increase one's income. To change from jobs requiring low level skills to those requiring high level skills and to keep one's job and avoid a decrease in salary, one must be educated continually for life. Last year, the Government accepted the proposal of the Democratic Party to introduce a new tax allowance for personal training to encourage employees to receive retraining. This year, the Democratic Party proposes to raise that allowance, which the Government has accepted. We welcome this. However, these measures are not enough. The Democratic Party thinks that the Government should encourage employers to provide training to their employees with tax incentives. For example, companies which provide courses to their employees may deduct profits tax payable by 1.5 times of the training expenses. The Government should also increase funds set aside for training on new technology to assist companies to send their employees to learn new technologies.

Since 1992, the Democratic Party has been making requests for the establishment of a department dedicated to providing support to the service industry, formulating policies for this sector to secure Hong Kong' position as a first-class service centre in the world, and promoting and formulating suitable

measures. This year, the Government Task Force on Services Promotion has completed its final report. The Financial Secretary finally agreed to set up a new unit dedicated to helping business and promoting services. The Democratic Party welcomes this too. On the other hand, the support provided by the Industry Department and the Hong Kong Productivity Council (HKPC) has been extended from the manufacturing industries to the service sectors, but there is no corresponding increase in funding to cover expenditure. What is worrying is that the Industry Department and the HKPC are doing less work in support of the industries. Although the manufacturing industries are shrinking now, the Industry Department and the HKPC are just doing nominal work to promote the services. Furthermore, although part of the work of the Industry Department and the HKPC should provide assistance to the small to medium-scale enterprises, they are obviously doing less than they profess. They have not set indices for their work or formulate specific plans such as finance loans, and information network and human resource training for the small to medium-scale enterprises.

Despite its large amount of surplus, the Government is still reluctant to increase expenditure to satisfy needs for people's livelihood and the economy. It is said the Government is doing so to conform to the principle of cutting its coat according its cloth. But the fact is: of the budgets for the past 11 years, expenditures were over-estimated in seven of them while income was under-estimated in seven of them, and surpluses were under-estimated in nine of them. So, budgets that are supposed to conform to the above principle are in fact budgets with more income than expenditure.

Moreover, the Government links expenditure to economic growth. However, over the past 11 years there has not been any fixed relationship between economic growth and the surplus of the Government. Medium range growth forecast can only be regarded as a means of estimation and not a reliable standard. The Government usually uses 0.5 as a unit of calculation for the first decimal point in medium range economic growth. If 0.01% is omitted, the Government will be able to cut two billion dollars in expenditure for that year. The amount can cover expenditure for monthly CSSA payments of \$200 for ten years. In the past eight years, the accumulated Government expenditure is 0.9% lower than the rate of economic growth. In other words, there is more than 100 billion dollars in expenditure which should have been spent. The Government owes this amount to the people of Hong Kong for the unsatisfied needs of people's livelihood and economic development.

In fact, large amounts of surpluses retained without being used will be continually eroded away by inflation. Putting fiscal reserves for 1996 in the Exchange Fund attracts only a rate of return of 5.72%, which is 1.28% lower than the rate of inflation. That is to say there is a loss of at least 1.9 billion dollars. This sum alone is sufficient to cover an extra \$300 in CSSA payment for five years. Will helping the poor cause a "car-crash" but wasting the sum in this way is no big deal?

If the Government is really for the people, it should follow exactly the principle of cutting its coat according to its cloth. When necessary, the Government should use the surplus for a certain year to cover the expenditure for the next year rather than seeking to accumulate reserves. Thus we can have it both ways: there will not be a deficit and social needs will not be neglected. If the Government is truly for the people, it can inject the surplus into the CSSA fund for the elderly so that the capital expenditure of the CSSA can have a stable source of income. The Government may inject the surplus into the retraining fund so that workers can continue to upgrade their skills. The Government may inject the surplus into the sewage fund to relieve the burden of the people or into a reserve for compensation for the provident fund so that people do not have to worry about their life-time saving disappearing after private fund management companies have wound up. These injections can return wealth to the people without giving rise to long-term burden in the form of recurrent expenditure. The Government has not done any of these injections not because it cannot do so but because it is reluctant.

Some people say we should leave more surplus for the Government of the Hong Kong Special Administrative Region (SAR). They must have forgotten that no matter before or after July 1, Hong Kong people are still Hong Kong people and Hong Kong is still Hong Kong. Why must the need of the community not be satisfied until next year? Why most people living in poverty and misery need to wait till the next financial year or till the Chief Executive of the SAR gives orders before their livelihood can be improved? Do the poor have to suffer and Hong Kong's economic growth have to slow down simply for the sake of Mr Tung's honour and reputation? Would these political manoeuvres not be too harsh?

Mr Deputy, the outgoing colonial government leaves a finishing touch on this contemptible Budget while the in-coming autocratic government turns over a new page of policy insensitive to the needs of the masses in this Budget. The moral is clear: without democracy, people can never expect to lead a decent life.

MR CHAN WING-CHAN (in Cantonese): Mr Deputy, as we all know, this Budget which will cover the transitional period is too "prudent" and not "surprising" enough. As expected, it brings no surprises. However, what has come as a small "surprise" and gain is that in the speech made by the Financial Secretary in the Legislative Council on the Budget, he talked at length about the Basic Law, thus teaching the people of Hong Kong, including the 60 Legislative Councillors, a lesson about the Basic Law.

The Financial Secretary quoted many articles of the Basic Law related to economic issues to show that this transitional Budget was drafted on the basis of the Basic Law. By constantly reminding Members of this fact, the Financial Secretary has indeed taken much pains to drive it home.

Mr Deputy, in any case, I very much appreciate the Financial Secretary's conscientious attitude in drafting this transitional Budget based on the financial principles of the Basic Law. This is indeed commendable.

Looking at the Budget, the part that attracts most criticisms is the sharp decline in the increase of welfare expenditure, which has greatly disappointed various sectors of the community, especially those people in need of help.

The welfare for the elderly in Hong Kong has always been strongly criticized by the community. In terms of improving the living standards of the elderly recipients of Comprehensive Social Security Assistance (CSSA), the Government always makes mere gestures without follow-up action. Its policy also lacks flexibility. With regard to this Budget, I will sum up my comments as follows:

First, one gets the impression that the Government is being rather "maladroit". The Government has proposed to spend \$19.5 billion on welfare next year. Compared with the welfare expenditure for the year 1996/97, there is

only an increase of 9.4% in real terms, which is the smallest increase for the last few years and even slightly less than the Government forecast.

Undoubtedly, a large proportion of the budget for social welfare next year will be allocated to social security, which is approximately \$12.3 billion, of which \$7.75 billion will be the provision for CSSA and \$4.1 billion will be the provision for social security services, that is, old age allowance and disability allowance. In fact, during the past five years, the number of applications for and expenditure on CSSA have risen drastically. In the year 1991-92, there were around 73 000 CSSA cases, while the expenditure was approximately \$1.13 billion. Up to January this year, the number of CSSA applications has exceeded 160 000, while the expenditure was over seven billion. The rate of increase is shocking indeed. In recent years, unemployment has risen as a result of the economic downturn. The number of CSSA applications as a result of unemployment has risen from around 9 200 last year to around 14 000 for the same period this year, which represents an increase of over 50%.

I would like to stress that the gravity of the problem lies not only in the rate of increase, but also in the Government's failure to provide adequate resources for social welfare, since it has overlooked the reality of the substantial increase in the number of CSSA recipients. As a result, the elderly who rely on the meagre CSSA payments fail to get an increase on the payments in order to improve their quality of life.

On the other hand, by relaxing the restriction on the departure date of the elderly CSSA recipients leaving Hong Kong for the Mainland, the Government tries to get out of its commitment to pay medical expenses for these elderly people. Recently, I have proposed a motion to demand that the Government should provide medical support to the elderly retiring to the Mainland, which was unanimously supported by Members of this Council. The Government is also well aware of the plan of the Social Welfare Department to make arrangements for the elderly to settle in the Mainland. However, the Government fails to set aside funds for this purpose in this Budget. We are deeply disappointed by the Government's indifference to the real needs of the elderly receiving assistance.

In fact, the Government decided to relax the residence requirement for elderly CSSA recipients in March last year and this was implemented with effect from 1 April, 1997. However, up to now, there has not been any official exchange between Hong Kong and Guangdong on this issue. In my opinion, this unilateral administrative measure by the Hong Kong Government shows that it does not take the co-ordination between Hong Kong and Guangdong seriously. As a result, it fails to provide real convenience to the elderly CSSA recipients to facilitate their settlement in Guangdong. Nor can it help the Hong Kong elderly retire to the Mainland.

Basically, the Government is indifferent to the problems of household registration, medical and housing arrangements, which the elderly are most concerned about. The Hong Kong Federation of Trade Unions (FTU) and the Democratic Alliance for the Betterment of Hong Kong (DAB) find this most disappointing and doubt whether the new policy will work. Earlier, some Mainland officials publicly query whether these elderly people who retire to the Mainland can pay the relevant medical fees. Under the medical system in the Mainland, which is different from Hong Kong, patients have to pay a "deposit" before they can get medical services. Thus, if the Hong Kong Government fails to provide guarantees for medical expenses or medical insurance for the elderly returning to China, I very much doubt the feasibility and actual effect of the relevant policy.

Mr Deputy, there are some parts in the Budget which are extremely baffling. Since the Budget was released, the community has criticized the Government for "caring more about red wine than the elderly". There have also been repeated calls for the Government to increase the CSSA payments. The demands range from an increase of \$200, \$300 to \$500.

Although I do not wish to describe this Budget with the lines of a poem which say "While wine and meat rot behind vermilion gates, people at the roadside freeze to death", I urge the Government to take the existing problems seriously and solve them. We members of the FTU have always believed that the CSSA payments should be increased to one-third of the median wage, in order to relieve the difficulties of poor families and the elderly and help them attain a reasonable living standard. Some time ago, the DAB suggested that the Government should conduct a comprehensive review of its elderly policy and

specific elderly services. They proposed that \$15 billion should be taken from the fiscal reserves to set up a "Fund to Improve the Quality of Life of the Elderly". The return obtained from investments made with the fund should be spent on providing an extra allowance of around \$500 to the elderly CSSA recipients in order to help improve their quality of life. Furthermore, social workers and some private organizations concerned about the elderly problem have made various proposals to help improve the welfare of elderly CSSA recipients and repeated calls on this have been made.

Mr Deputy, while the above-mentioned views might not be the same and the methods are based on different rationales, their objectives to improve the welfare of the elderly are clear and definite. They are asking the Government not just to "make money while caring nothing about the people" and become a miserly government that only knows how to hoard its wealth. I am also convinced that the present Government is capable of making further commitment or improving the welfare of the elderly to a certain extent. Lastly, Mr Deputy, I sincerely hope that the Financial Secretary Mr Donald TSANG and the relevant government officials could show more love and care to the elderly receiving assistance and give them more support and help.

Mr President, these are my remarks.

MR LAW CHI-KWONG (in Cantonese): Mr Deputy, I am not going to sing a song this year. The problem which was brought to the attention of the whole community last year was that the Government was prompted to action only after the tragic loss of so many lives. This year has been a bit fortunate — both for the elderly people and the Government — in that there have been no chilly winds and so no elderly people have died as a result of cold weather. Therefore it may not be appropriate for me to sing that song again this year. However, since the publication of this year's Budget, I have not heard of any criticisms echoing those of last year, such as the metaphorical expressions of "a speedy car went out of control and crashed, killing those inside it" or "welfare is a form of spiritual opium". The main criticism which I have heard has been that this is a mean Budget.

I cannot help but flare up whenever I hear government officials say that Hong Kong's social welfare service is a three-star service. As revealed in the

Budget for next year, the number of places in Care-and-Attention Homes will only increase slightly to over 8 000 while the number of elderly people on the waiting list is far more than 10 000; there will not be any increase in the number of places in Long Stay Care Homes for Discharged Mental Patients while some 900 such patients are waiting for the 500-odd places available. I can still go on and on to account in every detail for the shortage in the provision of various social welfare services. The first metaphor which I can imagine is: the current level of resources allocated for social welfare service in Hong Kong is only comparable to a horse in class 6, which will have dire consequences if no additional resources are made available to make it run faster.

Before the publication of the Budget, the media have heard of words that the increase in welfare spending for next year would be less than 10%, which I repeatedly refused to believe then. In recent years, problems concerning individuals, families and society have drastically increased in both number and magnitude with increasing poverty for those in the low-income group. Welfare spending should grow by 11.5% to meet an increase in the number of the Comprehensive Social Security Assistance (CSSA) cases alone even if no improvement is to be made to other social welfare services. If spending on other services is to catch up with the increasing demands, the overall spending should increase by at least 14% even if the quality of services is not improved or waiting time is not shortened. An increase of less than 10% means that the provision of social welfare services will not be able to catch up with the increase in demands for such services, let alone alleviating their shortage. Today's spending on welfare is like a boat sailing against the current: it will be driven back if it does not advance. Unfortunately, my belief has proved wrong. The information which the media obtained was true.

The social welfare portion of the Budget can be described as "overblown". The application for supplementary provisions to the Legislative Council Finance Committee in January was to meet the increase in CSSA cases. At that time, according to the information provided by the Government, the spending on CSSA for 1996-97 was \$7.3 billion, but the amount listed in this year's Budget is less than \$7 billion, representing a reduction of over \$300 million. On the other hand, according to the Government's own estimate, the number of CSSA cases will increase by 20.7% next year while the spending will go up by a mere 11%. All together, the Government has underestimated the spending on CSSA by as much as \$1 billion. As the representative from the social welfare sector, I fully understand why the Government has "overblown" the Budget. If it does not

take full account of the increase in spending on CSSA payments, there would not be any increase in spending on other welfare services, and all government departments as a whole will not have any additional resources. Why? You may remember that in May and June last year, when the Government consulted the Legislative Council Members on the 1997-98 Budget, the Financial Secretary told us that only \$800 million of new resources would be made available to government departments as a whole in 1997-98. If the Government has not underestimated the spending on CSSA by \$1 billion, there would not be any additional resources, not even a cent, for all government departments for next year. I was asked by a reporter whether I should be more sympathetic to the Government's situation no matter it has "overblown" or miscalculated the figures, instead of "uncovering" its dilemma? However, a piece of paper cannot contain the spread of a fire. It will be a safe bet that the Government will sooner or later seek supplementary provisions of about \$1 billion from the Legislative Council Finance Committee for CSSA payments.

Let us have a look at the level of accuracy of the Government's estimates of demands for various social welfare services over the past few years. As widely expected, the result of the analysis points to consistent underestimates by the Government regarding the increase in demands for welfare services. For example, in the past 3 years, the growth in the number of CSSA cases has been underestimated by up to 10 % on average. Will its estimated increase of 20.7 % in the number of such cases this year repeat the same mistake, that is an underestimate of 10 %?

As pointed out by many of my colleagues just now, CSSA payment for the elderly is a major focus of attention in this year's Budget. An overwhelming majority of the Legislative Council Members are in favour of increasing CSSA payment for the elderly. We are infuriated by the Government refusing to increase CSSA payment for the elderly when its coffers have reached full capacity. I wonder whether the Financial Secretary has the habit of taking out some banknotes from the reserves every night and iron them.

The Government has told us that the expenditure part of this Budget has been fully utilized. If the monthly CSSA payment for the elderly were to increase by \$300, the Government would have to slash \$360 million from other heads of expenditure. The Secretary for the Treasury has also told us that the expenditure part of the Budget has a 1 % margin of error. As this year's overall expenditure will be \$200 billion, a 1 % margin of error means \$2 billion, which

is more than enough to increase the monthly CSSA payment for each elderly recipient by \$1,600.

It is also reported in the media that some government officials think that the Democratic Party has deliberately made life more difficult for the Government by demanding an increase of \$300 in CSSA payment for the elderly after the Budget has been printed. We should not forget that in last year's Budget, the \$200 "Lai See" (a Chinese New Year special grant) and the \$320 special grant for recreational and social activities were not included in the CSSA payment for the elderly. The Government sought supplementary provisions from the Legislative Council Finance Committee for such payments after the passage of the Budget.

After the publication of the Budget, I wrote to all the Legislative Council Members (except the President), calling on them to take concrete actions to strive for an improvement to CSSA payment for the elderly. I would like to remind all parties and colleagues in the Legislative Council of the fact that during the election campaign in 1995, most parties and candidates demanded an improvement to welfare service and CSSA payment for the elderly. While we are still Legislative Council Members, if we talk about demanding the SAR Government to increase CSSA payment after 1 July, we will be shirking our responsibilities. The incumbent Legislative Council has been pressing the Government for improving CSSA payment for the elderly for over three years. If the Legislative Council Members are still talking about increasing CSSA payment for the elderly without taking any concrete actions, that will be a testament to some people's criticism that the Legislative Council Members were nothing more than "great empty talkers". I do not want to see surpluses for the Government every year, while at the same time, CSSA payment for the elderly is not increased.

Mr Deputy, these are my remarks.

MR ERIC LI (in Cantonese): Mr Deputy,

A perfect Budget in terms of accounting

If judged solely from an accounting perspective, the amalgamation of figures in the 1997-98 Budget can be regarded as "perfect".

The surplus exceeds the estimate by several times, the forecast for future profits breaks the record and the opulent reserve suffices to cover the total expenditure for one and a half years. There remains only a small financial commitment to fixed asset investment. Visible loans, together with contingent liabilities, are still within the safe limit. Our international credit rating remains at A level.

On the whole, the way in which the Hong Kong Government manages its finance is very reliable. The Special Administrative Region Government will receive a healthy balance sheet and a robust system of revenue and expenditure.

Mapping out the future with a sense of responsibility

Hong Kong people, who are accustomed to prospering harmoniously, hope that the Financial Secretary will co-operate sincerely with China to compile a Budget that can straddle 1997 and be regarded as mapping out the future of Hong Kong. They hope that Government departments can maintain normal operation, all basic policies concerning public finance and monetary markets can transit smoothly, and major long-term infrastructure plans can be implemented soon.

The Financial Secretary has not let Hong Kong people down. At this important juncture of transition, his timely "message" about our sure and stable economy relieves both the local community and international investors.

Macroscopic prosperity and microscopic poverty

From the perspective of macro-economy, the Budget displays a scene of prosperity. However, a Budget which is reasonable on the whole is still trapped in a wave of objections because the scene of prosperity at large stops short of covering up the scenes of ubiquitous poverty apparent under a microscopic analysis of people's livelihood.

Needs of the society are constantly evolving while administrative measures can also vary with endless combinations. Under all circumstances, it is always easy to pick out some issues from the extensive scope of the Budget to exert political pressure. However, a fair assessment should start from a judgement of the overall co-ordination of the Budget. Of course, specific proposals should be

put forward for debate in order to pool the wisdom of the masses, but they should not become casual causes for total repudiation of the Budget.

Golden but tight-fisted

On the day when the Financial Secretary announced the Budget, I responded with the comment: "It's golden but tight-fisted; there's no pleasant surprise yet no worry either."

The wealth of the Government is well revealed both inside and outside the gold-covered Budget. The glittering \$30-billion surplus and the \$300-billion reserves cast doubt on the Government's motivation to accumulate wealth and its sincerity to promote the high-sounding policy of "returning wealth to the people".

It seems that the Financial Secretary is not at all embarrassed by a surplus and reserves that doubled in a year's time. In the Budget of last year, he defended the need to maintain huge reserves by stating that "with all its inherent uncertainties (there is) the need to preserve the reserves for torrential downpours"

One week before the announcement of the Budget this year, members of the International Monetary Fund were visiting Hong Kong. Financial leaders from different parts of the world unanimously made optimistic comments about the future of Hong Kong's economy. The Budget published immediately after the event completely changed the arguments it has been upholding in the past years. It just cited a far-fetched and weak pretext that capital has to be contributed to the Railway Development Strategy.

Last year, a reserve of \$1.6 billion was considered appropriate. One year later, the amended \$15.1 billion was said to be more appropriate. Yet after another year \$31.7 billion will also be correct. In merely 12 months' time, the Government adopted different justifications and criteria to assess the appropriateness of the level of reserves. I find these changes difficult to justify themselves. Without open, fair and clear principles, how can the public know and judge when the Government is sticking to its established policy, and when it is just being insatiably avaricious?

Reviewing the revenue system to enhance competitiveness

In the present circumstances, I welcome the Financial Secretary's proposal to comprehensively review the profits tax with a clear objective to simplify the taxation system and enhance our commercial competitiveness. At the same time, I also support the general direction of further relieving the tax burden of the taxpayers in the medium income band. Moreover, I suggest that the Government should expeditiously draw up a reasonable policy to keep the total reserves at a reasonable level.

In fact, the coming year will be a good time for the Government to conduct a comprehensive and serious review on its revenues in view of several favourable conditions it enjoys at present. Firstly, it has enormous reserves to back it up. Secondly, political doubts have basically been eliminated. Thirdly, there will be new sources of income such as Government rent from the New Territories and extra revenue from land sales, as well as the forthcoming "return" of funds upon the commission of the new airport. The recurrent revenue of the Government is only just "overflowing"; it has in fact reached a stage of "uncontrollably flooded".

When the Government deals with expenditure, it is always prudent in planning and judicious in execution, and thus highly commended by financial experts. In comparison, when it comes to revenue, it seems that the Government is collecting indiscriminately, and craving for money.

I hope that the Government would try to avoid relying too much on land sales and land-related income when it reviews the revenue. According to statistics, more than half of the Government's revenue comes from land sales, land premium, stamp duty, rates and Government rents.

In the 1997-98 fiscal year, it seems that the Government will rely more heavily on the "government rents in disguise" with the increase in Government rents on lands in the New Territories and income from extra land sales. It is worth noting that when the economy fluctuates or gets affected by political or even executive interventions, the prices of land and property would be badly hit, causing precarious volatility and aggravating the instability of the fiscal revenue. Precautions have to be taken against this.

Keeping one year's reserve and using the remainder wisely

Reasons for the Government to store up grain against a lean year will be no more than the following:

- (1) to maintain the exchange rate of the Hong Kong dollar in times of political unsuitability;
- (2) for infrastructure development;
- (3) against the unstable revenue;

If analyzed in depth, the reasons listed above do not seem very sound. A few hundred billion dollars is too insignificant a sum to safeguard the Hong Kong dollar. It would be more practical to use negative interest rate as the weapon and to net up with other Asian-Pacific currencies.

In most cases, capitals for infrastructure developments can be calculated in advance, and the timing in this respect is controllable. Moreover, as the Hong Kong Government rarely resorts to loans, its credit rating has always been high. It can ask for and put to use flexibly an appropriate amount of loan at any time. As for revenues, the Government has extensive sources of taxes and high efficiency in levies. There is also a sound legal system to protect these sources.

As judged in the present situation, the chances for a prolonged and substantive slide in revenue are no more than once in a blue moon. Over the past 40 years, deficits only occurred five times and they were all small figures. This can never be taken as an excuse to keep the reserves at a level equivalent to two years' Government recurrent expenditure.

It is forecast that new sources of taxes will keep emerging the years to come, whereas recurrent surplus will keep appearing. Therefore, while making sure that inflation would not be stimulated, the Government should make appropriate and concrete efforts to materialise the slogan of "returning wealth to the people".

Setting up funds and returning wealth to the people

I believe that it is already highly conservative and reasonable to keep one year's public expenditure, that is, \$260 billion, for reserves. In order to foster the spirit of self-assistance and economic vigour of the public, the remaining \$90 billion can be divided into three major parts to set up different funds for

infrastructure development, protection to the livelihood of the elderly and assistance to the youth in launching their businesses. The specific proposals are as follows:

- (1) \$50 billion should be reserved for the comprehensive railway development plan;
- (2) \$30 billion should be allocated to set up a fund to improve the living quality of the elderly. In this respect, priority should be accorded to injecting funds to a mandatory retirement protection scheme, so that the people who are facing retirement can receive subsidy immediately to make up for the minimum pension of \$2,600 per month without having to rely on the Comprehensive Social Security Assistance (CSSA).

The advantage of this plan is that it can immediately provide minimum protection at the commencement of the retirement protection scheme. Although people who are about to retire may only have a short contribution period, this form of subsidy still embodies the spirit of contribution by all three parties.

In the long-run, the subsidy will gradually decrease to zero in a dozen years or so, as the contribution period will increase. Hence the subsidy should not be counted as part of the recurrent expenditure. Besides, a longer amortization period would not stimulate inflation and can gradually alleviate the pressure on CSSA, and then the elderly who still have to receive CSSA can get more living allowance;

- (3) I hope that another \$10 billion can be used to set up a business-launching fund to assist youths or people with inadequate capital to launch their own business. This fund can also be complementary to the retraining programmes. The details of this proposal have already been discussed in the policy address debate so I would not repeat here. I just want to stress that business-launching funds have been set up in foreign countries, and, in the long-run, they not only foster the spirit of self-assistance and economic vigour, but also generate profits, and so they are not recurrent expenditure.

The concepts of the funds that I conceived above all comply with the four principles of having time limit, being non-recurrent, fostering long-term economic development and "returning wealth to the people". In the long run, the profuse and continuous economic vigour created in the hands of the Hong Kong people is the best guarantee to maintain the strength of the Hong Kong dollar. It is far better than suffering the inevitable outcome of the actual depreciation caused each year by sitting on enormous savings and adopting conservative investment strategies.

Cost of living: an invisible burden

I have just mentioned how to resume the overall balance between recurrent revenue and expenditure through tax-reduction and how to set up funds to gradually "return wealth to the people" by using the already overweight reserves. The last thing I have to talk about is that the cost of living in Hong Kong has reached such a threatening stage that it has become an invisible burden to the general public.

Each time the Government increases or reduces taxes, the sandwich class is always the most affected. While they may benefit from the reduction of taxes, they may also be victimized by tax increases. For example, rates and fuel duty impose the most direct impact on the families with medium income. The Government may, unconsciously, "stuff money in their pocket with its right hand and pull the money out at once with its left hand". After all, the benefits they enjoy are very limited.

The soaring property price at present is in fact the major factor behind the back-breaking cost of living. Not only do CSSA recipients have to consider retiring to China, now many middle-class people also have to face the same choice of being forced out of Hong Kong after retirement.

Behind the superficial scene of prosperity, many people who have contributed to Hong Kong for many years still find it difficult to stay here for their retired life. Moreover, the ever-soaring cost of living has degrading hundreds of thousands of Hong Kong people to poverty. The unfair social phenomena have already reached such a stage that the Government can no longer follow the old suit and sit back without doing anything.

The expenditures on CSSA, education and welfare have been debated many times in this Council. Due to limited time, I just express my spiritual support for them here and I do not intend to "add inflammatory details" to them anymore.

Representing the profession to thank for the responses

The Budget this year has made many positive responses to the opinions expressed by the Accountancy sector. They include the amendments to the marginal tax structure of salaries tax, the reduction of taxes withheld in foreign countries, and so on. I would like to express my welcome to these responses here.

Under my arrangement, a group of public finance experts from the Accountancy profession have made preliminary contact with the Secretary for the Treasury and have exchanged useful opinions on how to increase the transparency and accuracy of public accounts by adopting the accrual accounting practice. It is hoped that, by pooling the wisdom of the masses, the efficiency and accountability of allocating and managing public money can be enhanced.

No pleasant surprise yet no worry either

It is a correct strategy for the Budget to stick closely to the upper limit of expenditure. Although it has not brought much pleasant surprise to the community, the collective strength of local finance is shown in this banality and practicality, and thus sets Hong Kong people's mind at rest.

It is obviously not the right time to initiate great reforms at this juncture of sovereignty transfer in 1997. As everyone thinks this way, why can we not act a bit on the conservative side?

"A defensive practice is good policy". This is the magic spell for the Financial Secretary to have the Budget pass the three barriers. The community will surely understand why it is so difficult for the Financial Secretary to be very generous this year and to dispense welfare as much as possible. If the Budget is not compiled this way, it would not have passed the scrutiny of the Sino-British Joint Liaison Group easily.

Mr Deputy, with these remarks, I support the Financial Secretary's proposal so that he can clear this second barrier of the Legislative Council, and thus allowing him to clear the third barrier of the Provisional Legislative Council with confidence.

MR CHOY KAN-PUI (in Cantonese): Mr Deputy, the Budget this year was compiled with much discussion between the Chinese and the British sides. It is an extraordinary Budget that straddles 1997, covering the two different periods before and after the handover of Hong Kong. The Financial Secretary has quoted various provisions in the Basic Law to prove that this Budget has fully reflected the spirit of the Basic Law, which assures that the previous social system of Hong Kong shall remain unchanged for 50 years, and to guarantee that our budgetary policy after 1997 shall also remain unchanged. This will be a great help to boost the confidence of the Hong Kong people and overseas investors. It is indeed a financially sound and prudent Budget that has taken into account the interests of all parties concerned.

In preparing its budgets, the Government all along adopts the fiscal principle of pegging its spending with the overall growth of the economy. This principle guarantees that there are adequate revenues to pay for the known spending commitments and that deficit budgets can be avoided. This is worth our support. Among the main revenue sources of the Government, volatile sources such as land revenue and stamp duties represent quite a large portion. Furthermore, since our tax base is rather narrow, our place lacks resources, and our economy has to rely on the service and financial sectors which are not at all stable, it is therefore understandable that we need to save up colossal reserves for the rainy days. A surplus budget at this particular period will play an instrumental role in Hong Kong's smooth transition. However, it is not economical for the Treasury to sit on a colossal surplus for a long time. After 1997, when the stability of Hong Kong has been secured, the excessive surplus should be devoted to long-term projects such as infrastructure construction, housing, education and assistance for the industrial and business sectors, so that our people will gradually have their livelihood improved and enjoy a fiscal dividend.

Mr Deputy, I welcome the Financial Secretary's proposal to set up two special task forces in relation to housing and services promotion this year. Housing problem is already a hot issue. Property speculation in Hong Kong is

rife, and the prices have already soared to a level "out of reach" of the public. High property prices, high rents and high inflation rate have already given a heavy blow to people's livelihood, taking a toll on their quality of life and putting the less fortunate members of our community in a plight. I sincerely hope that this special task force to be chaired by the Financial Secretary and composed of different secretaries will come up with some concrete and effective measures to address the local housing problem, instead of window-dressing to vent people's anger. It is hoped that the Government will stipulate some remedial policies directing at the basic causes of the prolonged high property prices, so that supply of land can be increased, restriction on plot ratios relaxed and construction of public housing quickened. As such, a balance will be achieved between the housing demand and supply, the speculative activities will be suppressed, and the property market will develop healthily.

Another special task force will also be chaired directly by the Financial Secretary. Its two main responsibilities are helping business and services promotion. In 1995, the services sector accounted for 83.8% of our Gross Domestic Product (GDP). Even if the public sector was excluded, the share was still 72.8%. At present, three out of four members of the working population are involved in the services sector, which has also provided job opportunities to the unemployed who have lost their jobs in the manufacturing industry due to economic restructuring. We can see the importance of the services sector to the economy of Hong Kong. However, some service industries also begin to move to China and the economy of Hong Kong will face restructuring again. I hope that this special task force can take into account this factor, so that the services sector can help promote the local economy effectively and take in a larger portion of the working population.

Mr Deputy, while paying special attention to the development of the services sector, we must not neglect our local industries. Hong Kong should place more emphasis on the development of high technology and high value-added industries, in which Hong Kong lags far behind the other three "little dragons" of Asia. In this Budget, the Government has earmarked \$400 million for Phase I of the Science Park project. This is at least a driving force to press further ahead. In the past 10 years, owing to the Government's industrial policy and inadequate tax concessions, our industries are still at the fledgling stage. Some of them cannot further develop because they lack funds. Mr Deputy, I propose that the Government should set up a seed fund to lend a hand to industrial development, offer loans for studying high-technology industries, and

provide assistance to the development of high-value added industries, so as to offset against the economic recession caused by the shrinking manufacturing industry, and to provide more job opportunities.

Mr Deputy, I would like to move on to the following issues about people's livelihood:

(1) *Taxation*

The Financial Secretary has spelled out several tax concessions proposals in this Budget, and it is indeed a welcome step. In particular, the Financial Secretary has listened to the public and proposed to increase salaries tax allowance by 11.1%, which is well above the rate of inflation. The allowances for single parents, disabled dependants and training courses will even be increased by about 70%. Apart from increasing tax allowances, the marginal tax band and marginal tax rate will also be adjusted to an extent that 210 000 people will fall out of the tax net. The proposals of the Financial Secretary are basically welcomed. In the long run, however, we have to keep reminding ourselves of the consequences of unstable tax revenues caused by a small tax net and a narrow tax base. After 1997, the Government of the Hong Kong Special Administrative Region (SAR) should review the present taxation structure in due course.

Mr Deputy, we certainly welcome the tax concessions proposed by the Financial Secretary. However, we have to ask what benefits will the lower class people obtain since they are simply outside the tax net. They are not asking the Government for tax concessions. Instead, they want it to create opportunities in a positive manner to improve their living environment and working conditions. Such improvements include more job opportunities, better education and career training for them to live on their own, escape from poverty and even become taxpayers.

Furthermore, I would like to give special mention to the rates. The overall rates percentage charge will be reduced from 5.5% to 5%. However, a revaluation of rates will be carried out this year and the average increase in rateable values for domestic properties will be 23%. As a result, the rate charge has actually been increased, not decreased. Not only the rich are affected, the poor and the lower classes living in public housing also have to pay larger amounts of rates. How can the people of Hong Kong be said to enjoy a fiscal

dividend when the Government has a colossal surplus but they are still required to pay high rates? The Government has made a big fortune from high property prices, high rents and high rateable values. Furthermore, starting from July this year, people living to the north of Boundary Street and in the New Territories have to pay an additional land tax equivalent to 3% of the rates. This will further worsen the situation of the public. Since the Government has said that public housing rents will not be pegged at market level, it is hoped that the Government will not pass the increase in rates to public housing rents, so that the burden on the tenants can be reduced, the public can really enjoy a fiscal dividend and the quality of living of the lower classes can be improved.

(2) *Education*

The total expenditure on education this year will exceed \$45 billion, and there will be a substantial increase in the resources devoted to basic education, which is indeed a progress as compared with the case of last year. As the saying goes, "High buildings rise from the ground," if our students fail to lay a solid foundation in their primary and secondary school days, we will have university graduates in quantity but not in quality. Obviously, it is a right direction for the Government to allocate more resources to both secondary and primary schools. The Hong Kong Progressive Alliance is in full support of this proposal, hoping that more high calibre people can be trained for the future, and the overall quality of our human resources can be upgraded.

(3) *Social Welfare*

Mr Deputy, lastly, I would like to discuss the issue of social welfare, which is also of public concern. The most disappointing part of this Budget is that standard Comprehensive Social Security Assistance (CSSA) payments and CSSA payments for the elderly are only adjusted in line with inflation rate. The amount has not increased in real terms. It is a pity for the government to make such a decision. In particular, the Government has injected far too few resources to elderly services. The Government has the responsibility to look after the elderly, who have made great contributions to the prosperity of Hong Kong, and let them enjoy the fruit of our success in their twilight years. Regrettably, the Government has failed to attach due importance to this problem.

Lastly, I have to point out that without a comprehensive social policy to address the problems of poverty of the lower classes, unemployment and the plight of the elderly, increasing social welfare spending can only satisfy the most urgent needs. Hong Kong is now undergoing a drastic economic restructuring. The Government has to show great foresight in preparing a long-term Budget to direct the community for a smooth transition. Only by this means can our great ambitions of improving people's livelihood and facilitating them to live in a dignified way and lead a happy life be fulfilled. It seems that this important mission is falling on the shoulder of the SAR Government.

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

MR HOWARD YOUNG (in Cantonese): As expected by many people, this year's Budget is a rather conservative one. There are few changes from the 1996-97 Budget. The Financial Secretary did take into account many suggestions from different parties and produced a transitional budget which is on the whole acceptable to most people when Hong Kong approaches a new era.

Excess Reserve

The Financial Secretary says that we need reserves for investment in the Railway Development Strategy. Although the amount for it has not been fixed, I think the Financial Secretary need not worry too much, as the investment is not solely shouldered by the government in cash. The project can be funded by means of loans, debts, or other forms of funding. The Government need not be the only party to pay, so the need for holding up huge amounts for reserves.

Wine Duty

Reduction in wine duty has aroused much controversy in this year's Budget. Same as the Financial Secretary, I am advised by many people that the 90% duty on wine is too high. It should be noted that the Financial Secretary is not lowering wine duty at the expense of the welfare for the elderly. Compared with the huge expenditure on Comprehensive Social Security Assistance (CSSA) and other subsidies to the elderly, wine duty is virtually nothing. Therefore, reducing wine duty has no impact on the CSSA payment for the elderly.

Some Members of the Legislative Council have clearly told the Financial Secretary that wine duty should be lowered. May I take this opportunity to remind those colleagues who have made their views known to the Financial Secretary on this matter that the Financial Secretary has accepted these views. Hence they should not criticize him for not raising the CSSA payment to the elderly but reducing wine duty. There is no direct relation between the two items. The Liberal Party also thinks that there is something more than the Government can do for the elderly who have contributed their youth to our society. We have been asking the Government to raise the CSSA payment to \$2,700 per month, but the issue is not related to wine duty.

Moreover, it is the effort of the tourism, especially the hotel industry, that now bear fruit. The industry can finally celebrate the Government's proposal in reducing wine duty from 90% to a more reasonable level of 60%. The various sectors of tourism involved in inbound services welcome the Government's move. Hong Kong being an international trade, finance and tourism centre, wine or well-known brands of spirits and liquors are often found on the dinner table. Tourists and international businessmen can easily compare prices of the better known brands in Hong Kong and their counterparts in other tourist destinations of the region. When tourists find high wine and spirit prices in Hong Kong, they may not think that these are the result of the heavy duty imposed by the Government. Instead, they may think that Hong Kong businessmen are profiteers who unreasonably mark up prices. The image of Hong Kong as Shoppers' Paradise and a tourist destination may be damaged. While it is justifiable to reduce the duty to a more reasonable rate, I think it should be extended to brandy and whisky as well.

Medical

The accident and emergency departments of public hospitals are often overcrowded over holidays and weekends due to non-emergency patients seeking assistance. Many of them are patients of private doctors who do not open on holidays and Sundays.

Due to insufficient resources, out-patient clinics of the Department of Health cannot provide full-scale services during holidays. I hope that the Government will allocate more resources to the Department to keep clinics open

over holidays to ease the burden on the hospitals operated by the Hospital Authority. Secondly, many patients just know of the accident and emergency wards and are unaware of out-patient clinics. Therefore, in addition to the contingency and improvement measures adopted by the Department of Health, I would like to make two suggestions:

1. In the same way as hotels and the Convention and Exhibition Centre, higher pays and allowances should be offered to encourage general staff or part-time staff, mainly nurses and clerical staff, to work overtime to maintain service levels during evenings.
2. The authority concerned should work with the Medical Council to encourage private doctors to inform their patients of the address and opening hours of the Department of Health clinics nearby which can provide Sundays and holidays services so that patients would know that they can approach other venues for consultation other than the Accident and Emergency wards. This will not take business away from private doctors, as this measure will only be adopted during holidays.

The provision for the Hospital Authority has been increased by 6.4%, which is higher than the economic growth of Hong Kong. Personal emoluments and staff on-costs make up 83% of the total income of the Hospital Authority, which is much higher than other places in the world. The high percentage of personal emoluments and staff on-costs directly raises the costs of private hospitals. The costs are eventually passed on to their patients. With higher prices, patients of private hospitals will shift to public hospitals and compete for the limited resources with those who are financially worse off and really cannot afford private health care. While such often abused pretexts as "drugs and medication being very expensive" prevails, the personal emoluments and staff on-costs of doctors and nurses take up over 80% of the total expenditure of the Authority. Would the Government say that ours is a sound health care system?

The Liberal Party also suggests the Government should allocate subvention to Chinese practitioners and Chinese herbal studies so as to enhance and the development of Chinese herbal medication, which will be the trend in Hong Kong. The Government should consider how the subventions will be funded: whether it will be part of the existing subvention to western practitioners

or it will be a new, separate subvention allocated to Chinese practitioners only. The Liberal Party hopes the Government will carefully consider this issues.

Airport Charges

The new airport is scheduled to open in April 1998. The international civil aviation industry is concerned that the Airport Authority is quite ready to raise the landing charges at Chek Lap Kok substantially, which may double that of Kai Tak Airport. It is true that the new airport is more spacious and can offer more than what Kai Tak Airport is offering. This is, however, not a reason for such a huge increase in charges. To raise airport related charges substantially will on the one hand weaken the competitive edge of Hong Kong in attracting foreign airlines to come to Hong Kong and take it as a hub, and on the other hand increase the operating costs of airlines, and will thus reduce their viability. We must remember that even the profit margin of one of Hong Kong's successful international airlines is only 7% of its turnover, and many international airlines which fly to Hong Kong are still operating in the red.

Neither is such practice in line with the spirit of Articles 119 and 128 of the Basic Law, which seek to promote tourism and trade and to maintain the status of Hong Kong as a centre for international and regional aviation. If the Airport Authority insists on such substantial increase in charges, the airlines will not be able to bear the costs and the passengers will be the ones who suffer when the costs are passed on to them. Airlines will also consider cutting services on short haul routes as means to contain their costs.

The Airport Authority did not appear to take the airlines' concern into consideration during recent discussions with the international airlines. Airlines are not opposing adjusting charges at the new airport and accept the "user pays" principle. But they want a more reasonable and acceptable rate, one that does not drive Chek Lap Kok to top the list of the most expensive airport except those in Tokyo and Osaka of Japan. Outbound travel has become a popular activity and overseas trips have become a part of life for many people in Hong Kong. A large number of people, especially those who travel with families on short haul and regional trips, will be affected by this move of the Airport Authority.

Apart from their dissatisfaction with the landing charges, the airline industry is also disappointed that the Government still ignores their request to replace the Departure Tax with "Airport Service Charge". Such a charge will conform the "user pays" principle if it is used for improving services for airport customers. It is ethically unfair to tax some 10 million foreign visitors who do

not enjoy any of Hong Kong's social services provided out of general revenue. Most countries in the world use money collected on departure as an Airport Service Charge and it is collected directly by the airport authorities. I hope the Government will consider this request in the financial year 1998-99 prior to the opening of the Chek Lap Kok airport.

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

THE PRESIDENT resumed the Chair.

MR LEE KAI-MING (in Cantonese): Mr President, as the Financial Secretary said, "..... 1997 is a very special year for Hong Kong. The eyes of the world will be upon us as we set out on our historic journey.....", we therefore need to compile a budget which will provide continuity for the current fiscal framework and public services, be ready to respond to various events which may occur, and be able to largely meet the requirements by the Chinese and British Governments while at the same time, take into account the interests of all walks of life in the society. The 1997-98 Budget reflects the tough job faced by the Financial Secretary and his colleagues.

The Financial Secretary has predicted a surplus of \$15.1 billion in 1996-97, which represents a considerable discrepancy from the original estimate of \$1.6 billion which he made when unveiling the 1996-97 Budget. Leaving aside the reasons concerning expenditure, land revenue alone will be \$1 billion higher than originally forecast. Recently, there has been more good news in this respect.

On 25 March 1997, the Government auctioned off a piece of land in Siu Sai Wan for \$11.82 billion which was 88% higher than the Government's own estimate of \$6.3 billion. It seems that the Government will have to revise the final surplus figures again. Although it is good to see an increase in land revenue, it is also a cause for concern.

Hong Kong has little land but a relatively huge population. Each year, more than 50 000 legal immigrants from China alone come to settle in Hong Kong, which puts a considerable strain on Hong Kong in the provision of

education, housing, medical service, employment and so on. As far as the property market is concerned, a chronic shortage of supply, coupled with hoarding by developers, rampant speculative activities, the policy of high land price adopted by the Government and the passive way by which it reduced interference in the property market, has repeatedly sent property prices in Hong Kong to record-breaking heights, making them way beyond the reach of ordinary people.

An important indication for a civilized and wealthy society is that the majority of its people should own their properties. Otherwise, how can it be called a wealthy society? However, the reality in Hong Kong is that more than three million people are living in public housing subsidized by the Government and hundreds of thousands of people have to wait for years before they can move into public housing blocks. It is known that the Financial Secretary himself does not own property in Hong Kong. He seems to be another victim of high property prices. In the face of this situation, it is no use talking about a Gross Domestic Product per head of US\$24,500 and indulging in boasting our own achievements. We should pay more attention to the plight of those who are less fortunate in our society and think more about how to return the wealth to the people and to give the people "a shower of blessing", enabling people in the middle and lower classes of the society to share the success of our society.

The Secretary for Housing announced on 26 March 1997 that the Government would adopt three measures in the property market, but their effects on curbing property prices remain to be seen. It is well known that the policy of high land price adopted by the Government has been one of the major factors contributing to high property prices. As the saying goes, "The one who tied the knot should untie it", it is incumbent upon the Government to take further effective measures as soon as possible to increase the supply of land and manage the property market properly without delay. If the bubble bursts, the results would be disastrous. So the Financial Secretary should be extremely prudent on this matter.

Mr President, in 1997-98, the Government will allocate \$45.3 billion as recurrent expenditure on health and welfare services, \$19.5 billion of which will be spent on welfare, representing an increase of 9.4% over 1996-97 in real terms, which is still some way off real needs. Starting from 1 April 1997, the Government relaxed the 180-day residence requirement for elderly people, allowing them to retire to Guangdong while receiving the Comprehensive Social

Security Assistance (CSSA) payment. The Government makes CSSA payments to those elderly through the Red Cross. However, this "good news" has not brought much joy to the elderly in need. It is known that only 10% of them are willing to take up the offer. One of the main reasons for this is that the Government only provides the monthly standard CSSA payment of \$2,100 while such special allowances as those for medical care and housing, which amount to more than \$800, are not available to those elderly CSSA recipients. Now that the Government has allocated provisions for social welfare services, why is it so mean with the medical and housing allowances which are much needed by these elderly people? Such an act is tantamount to reducing welfare benefits for the elderly. The Financial Secretary has turned a deaf ear to appeals made by many organizations for an increase of \$300 in CSSA payment for the elderly. By so doing, does he not feel ashamed of himself in face of the elderly who have devoted their whole life to the prosperity of our society? Welfare spending should be put to use worthy of its cause, to help those individuals and families that are in genuine need, so as to demonstrate that ours is a caring society. It is not worthwhile saving so little at the expense of being called a "miser".

It is said that the 21st century will be a century for Asia. The focus of the development in Asia will be on China. The reunification with China in 1997 should put Hong Kong in a unique and advantageous position which would be beneficial to the development of our economy. Unfortunately, the Government, due to its lack of vision, has stubbornly stuck to a passive policy characteristic of a free market economy and failed to take the initiative to promote the development of industries. Our investment in the development of technology has lagged far behind those of the other three dragons, namely South Korea, Singapore and Taiwan. Our industry is characterized by enterprises of small to medium sizes and it is simply impossible for them to develop high-tech and high valued-added industries on their own, let alone upgrading the manufacturing industry. The inevitable result of such failure was the gradual demise of our manufacturing industry and a large number of workers becoming victims of structural unemployment. The creation of an advanced technology base proposed by the Financial Secretary has remained at the planning stage up to now. Although the Government has earmarked funds for Phase I of the Science Park, it is estimated that only \$400 million will be used by the Planning Committee to examine the project in more detail in the next five years. The project will not begin until the site in Tai Po becomes available. The construction of the second industrial technology centre will also have to wait until 1998. The land bank of the Hong Kong Industrial Estates Corporation is expected to be fully taken up by

2004. Only by then will the new industrial estate be completed. Judging by this, the Government seems to increase funding for the development of technology in a rather passive way and has failed to speed up the pace of investment in technology. With such a slow progress, when will the goals of promoting technology and developing industry be achieved?

We are in an era of information bang. The essence of the race is the competition of human resources. Our continued prosperity depends on raising the education level of our people. I am glad to see that the Government has started to pay more attention to education. In the new fiscal year, the expenditure on education will be more than \$45 billion, representing an increase of 7.7% over 1996-97 in real terms. The Government will improve basic education through the allocation of additional resources, promote mother-tongue teaching on a full scale, which will help students learn in a more effective way and improve their grasp of knowledge so as to achieve better results. The Government will also improve the quality of tertiary education, support our institutions to develop their strengths to become centres of excellence. Moreover, the Government will make efforts to improve language and interpersonal skills of our university students and is formulating a comprehensive strategy to enhance manpower training and retraining to meet the needs of the 21st century. I am appreciative of all these efforts.

Mr President, the Financial Secretary seems to be full of confidence in our economy. Therefore, he did not mention issues concerning employment. According to official statistics, the provisional unemployment rate between December 1996 and February 1997 was 2.4%. However, a survey by three scholars from the Polytechnic University, the City University and the Hong Kong University showed that the unemployment rate in Hong Kong in January 1997 was 6.7%. This discrepancy may be due to the different statistical methods used, but it does raise the alarm that issues concerning employment must not be underestimated. We must not neglect the issue of the importation of foreign labour in particular. Any misjudgement in this matter will cause us to repeat the same mistake as we made in the past. As our economy is undergoing a process of restructuring, wages of workers in the manufacturing industry have been suppressed or even seen negative growth. Problems such as unemployment and the disparity between the rich and the poor are factors which will bring instability to the society. I hope the Financial Secretary will pay serious attention to them and take the initiative to tackle them.

In this era of historic changes, everyone should contribute his part to the prosperity and stability of Hong Kong. Nothing is insurmountable if we make a united effort. I hope the Financial Secretary will not be content with just being a prudent "bookkeeper" and will pluck up courage to use an appropriate portion of our reserves in a skilful way to improve the livelihood of the people. By using the reserves competently to bring benefit to the homeland, he will become a civil servant who is highly regarded by everyone.

Mr President, these are my remarks.

DR ANTHONY CHEUNG (in Cantonese): Mr President, red wine and the Comprehensive Social Security Assistance (CSSA) payment for the elderly have become a hot topic of conversation since the Financial Secretary unveiled the 1997-98 Budget. Why does the demand for an increase of a mere \$300 in the CSSA payment have to be linked with the Government's proposal to reduce duty on red wine, instead of being linked with our fiscal reserves which stand at more than \$160 billion? In my opinion, the main reason for this is that according to established policy, the Government is reluctant to use even a penny from its fiscal reserves to increase CSSA payment for the elderly. We cannot help but ask: "What does the Government keep such a huge amount of reserves for?"

First, let us have a look at the trend in the growth of the Government's fiscal reserves in the past few years. The fiscal reserves in the hands of the Hong Kong Government have been steadily increasing in the past few years, with the balance reaching \$163 billion¹ in 1996-97.

The land premium which has been injected into the Hong Kong Special Administrative Region (SAR) Government Land Fund has also increased significantly in the past few years. The net assets of the Land Fund have reached \$111.2 billion² by the end of March 1996. According to the Government's own estimates, the total assets of the Land Fund will reach \$163.5 billion³ by the time the SAR Government is established. Putting these two reserves together, Hong Kong's fiscal reserves will top \$330 billion.

¹ The figure is quoted from Appendix A to the Budget.

² See Annual Report 1996 of the Hong Kong Special Administrative Region Government Land Fund, P.22.

³ See Appendix A to the 1997-98 Budget.

These fiscal reserves of more than \$330 billion are the common assets of the people of Hong Kong and their use is naturally something of public concern. As we consider this question, someone may argue strongly against the use of fiscal reserves. Their arguments are probably based on four points.

Some people think that, to save for a rainy day, sufficient fiscal reserves are necessary to guard against unexpected social or political turmoil which may occur during the early stage of the SAR Government after 1997.

This view seems plausible. To maintain a reasonable level of financial reserves is necessary, particularly in view of the social tension which may be caused after the establishment of the SAR in case some inconceivable and unpopular actions and measures may appear in the Mainland. However, this view involves a more significant question: "What amount of fiscal reserves should be maintained before it can be considered reasonable?"

Let us take a look at how the Government has handled its policy on fiscal reserves in the past years. Between 1962-63 and 1976-77, the budgetary criteria were that "At the beginning of the financial year, the fiscal reserves should not be less than 50% of the recurrent expenditure proposed in the budget of that financial year". Between 1977-78 and 1985-86, the criteria were changed to: "At the beginning of the financial year, the free fiscal reserves should not be less than 15% of the total expenditure of that financial year". Between 1986-87 and 1992-93, the criteria were again changed back to: "At the beginning of the financial year, the financial surpluses should not be less than 50% of the expenditure of the public sector proposed in the budget of that financial year". Since 1993-94, the Government has not set any specific percentage and just stated that: "The Government aims to maintain adequate reserves in the long term"⁴.

As the meaning of expressions like "adequate" is open to subjective interpretations, the above view is in fact lacking any principle. If we adopt the budgetary criteria in the late 1980s, that is, the fiscal reserves should be equal to

⁴ See TANG Shu-hung, "The Development of Financial System and Policy Hong Kong before and after 1997" 《一九九七年前後香港財政制度與政策之發展》, Fig 4, P, 309 in CHU Yuan-han et al, "Hong Kong's Political and Economic Situation in the run up to 1997 and the Relationship between Hong Kong and Taiwan" 《一九九七年前夕的香港政經形勢與臺港關係》, Ye Qiang Publishing House (業強出版社), 1995.

50% of public expenditure, as total public expenditure for 1997-98 is \$248.3 billion⁵, fiscal reserves should only be \$120 billion.

Even if the more conservative criteria are used, under which the fiscal reserves should be equal to 100% of public expenditure, the fiscal reserves we need to maintain are just a little more than \$200 billion. In fact, the total fiscal reserves will be more than \$330 billion by the time the SAR Government is established. In other words, the amount of fiscal reserves is much bigger than that of expenditure. Therefore, to "save for a rainy day" should not become a justification to impose constraint on the reasonable utilization of fiscal reserves.

The second argument is that using reserves will spur inflation simply because that will increase public expenditure, which in turn will push up inflation.

This argument seems reasonable because Hong Kong adopts a pegged exchange rate system which means that the Government can only use fiscal policy instead of monetary policy to control inflation. An increase in the Government's recurrent expenditure will inevitably spur inflation. However, judged by actual experience, the growth in government expenditure does not have a simple and direct relationship with inflation. For example, in 1994-95, government expenditure saw a negative growth of 2.2% in real terms while the inflation rate during the corresponding period was as high as 8.8%; in 1993-94, government expenditure grew by 17.3% and the inflation rate in the same period remained at 8.8%⁶. In other words, government expenditure does not have a simple causal relationship with inflation. There are many factors contributing to inflation, including high rents, an increase in fees charged by public utilities and the Government and so on, which are the price pressure borne by the public and enterprises in terms of consumption. Therefore, neither is the argument that using reserves will definitely spur inflation justified.

As Article 107 of the Basic Law provides that "The Hong Kong Special Administrative Region shall follow the principle of keeping expenditure within

⁵ See Paragraphs 77-78 in the 1997-98 Budget Speech by the Financial Secretary.

⁶ See TANG Shu-hung, "Living within our means is not the golden rule" 《量入為出非金科玉律》 the Hong Kong Economic Times, 13 March 1997.

the limits of revenues in drawing up its budget", the third argument suggests that using reserves may go against this principle.

In fact, this argument bears no relationship with the use of reserves. First, as the fiscal reserves come from the Government's revenue in a broad sense since they are reserves for government revenue, the Government can of course use them. There is no question about this. Moreover, the Government should not interpret the principle of "living within our means" rigidly. To put it simply, the assessment of revenues means assessing the amount of government expenditure by using the estimated revenues of the Government in a financial year. However, the principle of "living within our means" should be based on a longer period instead of a single financial year for the purpose of making estimation and calculation. The Government has said that one should not apply mechanically the principle of "living within our means" based on a single financial year. It should be based on the medium range forecast spanning five financial years⁷. In fact, if the Government is able to achieve a balanced budget in every financial year, in other words, "living within our means", then there would be no need to have reserves. The purpose of keeping reserves is to prepare for the unexpected. When the unexpected comes, they should be used. Therefore, we should not use the principle of "living within our means" as the argument against the use of reserves.

Another argument is that using reserves may contradict Article 107 of the Basic Law, which provides that the Budget should "..... keep the budget commensurate with the growth rate of its gross domestic product." And using reserves will inevitably lead to an increase in expenditure which may exceed the growth rate of the economy.

This argument does not stand either. Let us have a look at the intentions behind the amendment of this Article. In the draft Basic Law (For Solicitation of Opinions), this Article was originally found in the third paragraph of Article 105 which set a requirement for government expenditure: "In principle, the rate of increase of the budgetary revenues and the expenditure of the Hong Kong Special Administrative Region shall not exceed that of the gross domestic product over a number of fiscal years taken as a whole."

⁷ See TANG Shu-hung, "the Historic Significance of the Transitional Budget" 《過渡期預算案的歷史意義》, P, 45 in the Hong Kong Economic Journal Monthly (April 1997); and "The Development of Hong Kong Financial System and Policy before and after 1997", PP 328-330.

This paragraph was eventually replaced with "..... commensurate with the growth rate of its gross domestic product." in the draft Basic Law due to opposition from many sides, including the Government itself. So it is obvious that this amendment aimed at making the compilation of the budget more flexible, allowing the Government to spur the economy by increasing government expenditure at times of economic recession. The intention of this Article in the Basic Law is not to impose restraint on government expenditure mechanically. In fact, the growth rate of government expenditure is currently higher than that of our economy.

Mr President, now that the various arguments against using reserves are far from convincing, we have to ask a question: "What is a reasonable way to use reserves and where should our reserves be used on?" We do not subscribe to the so-called method of direct benefit (such as handing out cash to the public). In our view, reserves should be used on areas which will bring benefits to the whole society in the long run. Regarding the controversy on the use of reserves, we can first make use of the interest income earned on the reserves. Based on a rate of return of 5.72%⁸ for the fiscal reserves as a whole in 1996, the interest income works out to be more than \$18 billion on a reserve of \$330 billion, which is enough for us to formulate some preliminary policies which will bring benefits to our society in the long run on a number of areas, such as education.

Opportunities are most valued by the people of Hong Kong. For the general public, opportunities mean more than what they are now offered in the society. They are more concerned about opportunities for their next generation offered in the form of social mobility and career development through education. Over the past few years, many people, including some of our colleagues in this Council, have called on the Government to make more investment on education, and in particular basic education, so as to strengthen the competitiveness of our people. However, many problems in our education system have remained unresolved, such as the subject of debate in this Council, including basic education, whole-day primary schooling, the upgrading of all teachers to graduate status, improving language proficiency for both teachers and students, providing better equipment for schools and so on. Some of our colleagues just now talked about how to strengthen the development of our tertiary education so that our

⁸ See "Management of the Fiscal Reserves" — an information paper submitted to LegCo Panel on Financial Services by Financial Services Branch on 25 February 1997, para. 6.

people will be of genuine use to the development of our economy. Our spending on education accounts for just 3.2% of the GDP, which lags behind many of our neighbours in the region. Taiwan's spending on education is equal to 5.45% of its GDP, while the corresponding figures in South Korea, Japan and Singapore are 4.4%, 5.8% and 3.4% respectively. Of course, we should not just compare the percentages with other countries in a rigid and mechanical manner. But these figures do point to the fact that Hong Kong still has much room for improvement in its education system. If we are to be able to compete with the United States, Japan and Taiwan, as Mr Tung Chee-hwa, the Chief Executive (Designate), has said during his election campaign, we must substantially increase the percentage of our spending on education in the GDP. If we increase that percentage to 4%, that will mean an extra \$8 billion, which can be met with the interest earned from our reserves of more than \$300 billion as I have mentioned earlier.

Another topic frequently raised by our colleagues recently is an increase in the CSSA payment for the elderly. In fact, \$1 billion, which can be allocated from the interest earned from the fiscal reserves, will be enough to implement the proposal by the Democratic Party and other Members of this Council: each elderly person is to receive \$2,900 per month in CSSA payment. In fact, if the proposal for an initial increase of \$300 in CSSA payment as proposed recently by many of our colleagues is to be implemented, we only need an additional \$360 million, which is well within our means.

Mr President, we are not advocating spending the reserves without restraint and using them all up. After all, the reserves are public assets. However, leaving the reserves in the Government's coffer without spending a penny of it is also out of touch with reality. To do so would also show a disregard for the needs of our society. We can first spend the interest gained from the reserves, which, in my opinion, is a feasible first step to take. I hope this suggestion will be given serious consideration by the Financial Secretary.

Mr President, these are my remarks.

MR NGAN KAM-CHUEN (in Cantonese): Mr President, Hong Kong is now at the juncture of a great historic era at the turn of century. The return of sovereignty has created ample development opportunities for Hong Kong. While looking forward to the future, Hong Kong must devise long term plans to

maximize its developments to meet the challenges of the 21st century. Working for the well-being of the people, improving the protection for the people of Hong Kong, promoting a harmonious relationship and facilitating development in the community are the issues a responsible Government should always bear in mind.

The Financial Secretary has proposed a glittering "Budget" for the year 97-98. Judged from the proposals concerning planning and lands, the mandatory provident fund system and home affairs, this Budget should be acceptable. However, when it comes to the areas concerning people's livelihood and the comprehensive planning and development, there is still room for improvement.

Proper planning to develop the New Territories

Mr President, the Financial Secretary mentioned in the Budget that he would chair a special taskforce composed of relevant policy secretaries to look at the issues of land supply. The Democratic Alliance for the Betterment of Hong Kong (DAB) hopes that the Government, when considering this issue, will actively develop the extensive lands in the New Territories. With the population of Hong Kong moving northward, the population of the New Territories has increased from less than two million 10 years ago to over three million in 1996. In order to meet the challenges of the 21st century, Hong Kong should consider focusing its development on the New Territories. Consequently, the Government of Hong Kong has to change its traditional concept of land use in development by speeding up land development in the New Territories, so as to relieve the pressure exerted by inadequacy of land in the urban area.

The Government of Hong Kong has all along regarded the New Territories as rural areas. Apart from those areas earmarked for low density residential development, 63% of the land in the New Territories is reserved for farmland and recreation areas. If efficiency of resource deployment is considered, this is certainly a waste of resources. As a matter of fact, most of the farmland has already been lying wasted. Yet the Government officials turn a blind eye to these changes. They only know to stick to the old rules, leaving a lot of land abandoned. As there will be a review of land supply, the Government of Hong Kong should grasp this opportunity to re-examine the farming policy and convert extra farmland for other uses in order to optimize the effectiveness of land use.

Moreover, for political reasons, many pieces of land located at the border, including the areas around Sha Tau Kok and Lok Ma Chau, are marked as restricted areas. Nevertheless, after the sovereignty of Hong Kong is returned to China, we have to review whether the vast restricted areas are necessary. The Government of Hong Kong should consider this proposal seriously. If supported by proper planning and complementary facilities, this vast piece of land will certainly enjoy better development.

Yet, while developing new towns and increasing the number of new flats, we should not neglect the importance of a supporting transport network. The estimated capacity of the transport network and road design must meet the needs of long-term development, so as to avoid repeating the same mistake that caused traffic congestion in the north-western part of the New Territories. Furthermore, the Government should also learn from the mistakes they made in the past concerning new town development by focusing on finding a solution for the gridlock in the new towns and making efforts to develop a mass transit network with high capacity to link up new towns and the urban area. Though the Government failed to make adequate transport planning in the past, as it is "better late than never", the DAB hopes that the early commencement of the construction of the North West Railway and the opening of Route 3 will untangle the gridlock faced by the people living in the north-western part of the New Territories.

Speeding up urban redevelopment and upgrading the quality of life

Regarding urban redevelopment, in last year's Budget debate, I asked the Government to allocate more resources to urban redevelopment and formulate a comprehensive urban redevelopment strategy. A whole year passed, yet the Government has made no progress in this aspect and the living conditions of residents in the old areas have not been improved at all. How disappointing the case is! Urban redevelopment is not simply a commercial decision about the demolition and construction of buildings in old areas to increase the value of land through redevelopment. Instead, it involves complicated social and land policies on land resumption, rehousing, compensation and the community redevelopment. Hence, without the Government's comprehensive master plan to encourage active participation of organization specialized in redevelopment, including private developers, the Land Development Corporation and Housing Society, in redevelopment projects, it will not be possible for the community redevelopment work to accomplish anything.

The DAB urges the Government to establish an urban redevelopment authority as soon as possible to speed up the pace of urban redevelopment in order to offer favourable living conditions to the people living in old areas.

Facilitating building management and improving living conditions

Favourable living conditions are indispensable for people to live and work in peace and contentment. Proper building management helps residents solve problems with their living conditions. Regrettably, among the 30 500 private residential buildings in Hong Kong, only some 4 000 of them have their Owners' Corporations established. The figure represents less than 15% of the total number of private residential buildings. However, in this year's Budget, the amount of funds allocated to the Building Management Co-ordinating Team remains the same. Even though the Home Affairs Department will increase the number of liaison officers by 23, only two of them are responsible for matters relating to the establishment of Owners' Corporations. Restricted by human resources, this team will not be able to assist the owners to establish their Owners' Corporation.

At present, the assistance provided by the Home Affairs Department is superficial and does not help much in the actual operation of the corporations. Moreover, building management often involves legal matters and the Home Affairs Department offers no assistance in this respect. The DAB urges the Home Affairs Department to expedite a review on the services provided to the corporations, with a view to increasing manpower and resources, stepping up efforts to brief owners about matters related to the corporations, and assisting owners in establishing their corporations.

Furthermore, the Government plans to amend the Building Management Ordinance to increase the power of the Owners' Corporation in the maintenance and repair of the building. In future, provided that the majority of the owners resolve to repair and maintain the common parts of the building, the Corporation shall have the right to carry out the works concerned without obtaining the consent of all owners. The DAB hopes that the Government will soon table the relevant amendment bills to the Legislative Council to facilitate the building

management work undertaken by the corporations so as to improve the living conditions of the residents.

Improving the Mandatory Provident Fund (MPF) Schemes to protect the rights of employees

Mr President, while improving the environment of our community to make it a better place to live, we also have to make savings for the later days so that our people will be able to live an easy life at their old age.

A perfect retirement protection system is the long term goal the general working class has been striving for. The Government anticipates that the subsidiary legislation on the MPF schemes will be passed in the middle of the year to pave way for the early implementation of the MPF schemes. In order to promote the security and the reliability of the MPF system so that the rights of the employees will be fully protected, the DAB has put forward quite a number of proposals for further improvement. To our disappointment, the Government refused to extend the coverage of the residual schemes and did not allow employees to "opt in or opt out of their own accord". At present, the Government has decided to impose a "no rejection" requirement on the master trust schemes. The DAB opines that the Government has to establish an effective mechanism under the master trust schemes to take care of the low-income contributors. At the same time, the contributors should be guaranteed a minimum rate of return and MPF products with a guaranteed rate of return should be introduced. Furthermore, the Government should ensure that the administrative costs of the schemes concerned should be kept to the minimum so that the contributions of the employees will not be eaten up by the administrative costs and inflation.

In response to the suggestions of DAB, the Government proposes that the MPF Authority may designate a team of staff members to monitor the situation of the availability and affordability of the MPF products provided to low-income earners. Meanwhile, although the Government requires the MPF schemes to provide a "capital preservation product" to low-income earners, it refuses to guarantee a rate of return higher than that of inflation. Just imagine the situation when the low-income employees are forced to lead a frugal life in order to put their money earned by hard toil under the management of fund

management companies, yet they have no right to choose which MPF scheme to join. If the return rate of a scheme is lower than inflation, their stakes, virtually speaking, are compulsorily depreciated by the Government. Their normal standard of living will be adversely affected and they cannot maintain a decent life when they grow old. Such a situation is even more unfair to the low-income earners. Hence the DAB believes that in order to ensure the smooth implementation of the MPF scheme, the return rate of the "capital preservation product" provided to low-income earners should be guaranteed to be not lower than inflation. In addition to being responsible for the enforcement of legislation and monitoring the situation, the Government should provide subsidy, when necessary, to minimize the administrative costs which the employees have to pay towards the "capital preservation product", and to guarantee that the rate of return will keep abreast with inflation.

All in all, if we are to protect employees' rights more effectively, the Government must make bigger financial commitment to improve the effectiveness of the MPF schemes.

Assisting new immigrants and promoting harmonious relationship in the community

Finally, in order to help new immigrants integrate into our society, the Government allocates in this financial year more than \$178 million, which represents a drastic increase of 160%, to provide employment and education opportunities for the new immigrants from China. On the surface, the Government seems to be providing a lot of resources for the new immigrants. If we take a closer look, there is still room for improvement. For example, many immigrant children coming to Hong Kong have problems in their studies and find it difficult to get along with other people due to the language barrier. Not only are their studies adversely affected, their integration into the society is also hindered. Hence, apart from extending the duration of the English courses provided to students at school-age, the Government should provide them with language training, particularly in Cantonese. At the same time, counselling service should be provided to help them tackle certain problems concerning their studies and their daily life.

Mr President, these are my remarks.

MR JAMES TIEN: Mr President, by any definition, this transitional Budget is unique, being the first and only joint venture fiscal plan for Hong Kong between Britain and China. As a result, it has to be a tactful compromise to win the support of two countries which is not easy. This explains why the Budget has to be cautious to the point of being extremely conservative.

In the past four weeks, commentators have pondered every aspect of the Budget and found faults in many areas. Most of them are puzzled that a government so rich should be so stingy. Our treasury is the envy of the world with a fiscal surplus of \$15 billion for this year and \$32 billion for the next. By next spring, our total reserves should exceed \$360 billion and the Land Fund will be \$160 billion.

Such a windfall would in most places force governments to slash taxes or spend more. Our Financial Secretary has refused both. He has decided to hoard the surplus and deny the industrial and commercial sector a well earned tax reduction, even though we are responsible for 35 years of uninterrupted economic growth in the first place.

Our Financial Secretary argues that the tightness with the purse is necessary because \$50 billion shall be allocated to the new railway strategy. This is an excuse since the Western Corridor Railway is no sure thing and the Government has a track record of exaggerating expenditure and holding back on capital injection.

To make my case more systematic, I will present my views in a few broad themes:

On Infrastructure

Mr President, I support the Government on continuing aggressively with infrastructure development for our future. Democrats, unionists and activists see major capital projects as an expenditure when these should be regarded as an investment. To them, money is only well spent if it is put into social welfare programmes which redistribute wealth. They seem to be unaware that capital

projects can generate jobs and income to pay for their favourite social projects. Investment in infrastructure and investment in people are not mutually exclusive.

On Business Promotion

Our Secretary for the Treasury has invited the business community to praise the Budget. Yes, I do express gratitude to the Government for its good intentions. But I do regret that there is more talk than action or money. We specifically thank the Administration for allocating \$410 million to develop the Science Park. We also thank the Government for its plans for a second Hong Kong Industrial Technology Centre Corporation and the fourth Industrial Estate.

However, in recent years, our Government has been busy seeking advice but not turning the advice into programmes. We think the new Services Promotion Strategy Group, comprising officials and experts, is a sound idea. We are less enthusiastic about the Services Support Fund launched last year with only \$50 million to help 14 projects. We are even less impressed with the Small and Medium Enterprises Committee with a funding for this year of \$4.56 million, which is not that much.

All told, the Government will spend only 9% more on business promotion and economic services this year than last. The trouble is that we have not been informed about where the money is going to and how wisely it will be used.

On Fees and Charges

Mr President, we keep telling the world that Hong Kong has just about the lowest corporate taxes anywhere without adding that it also has just about the highest fees and charges. Those levies are not about to drop either since the Administration is committed to full cost recovery in all services. Rubbish collection, export licensing, chemical waste treatment and water surcharge; the fees for these constantly go up, and go up more than inflation.

Foreign investors will know that when we add the fees and charges to the corporate tax rate of 16.5% and to the various labour employment compensation schemes, Hong Kong is as expensive as Singapore. But Singapore offers generous tax breaks to business while we do not.

On Property Rates

We commend our Financial Secretary for lowering property rates from 5.5% to 5%. The concession, however, seems better on paper than in fact. Anyone who has received a rate receipt recently will have noticed that he will be paying more, not less.

Our Financial Secretary is right to lower stamp duty for buyers of flats priced at less than \$4 million to help the middle class group who are hurt most by the recent rises in the property market. Since the Government will not consider a tax rebate for home purchases, this modest concession is the next best thing.

On Wine Duty

Mr President, I congratulate our Financial Secretary for soberly lowering wine duty from 90% down to 60%. His predecessor raised the wine duty from 20% to 90% without consulting the public.

For tax purposes, the fermented and distilled drinks are divided into three arbitrary categories: hard liquor the duty of which is 100%, soft liquor with alcoholic content no higher than 30% pays 30% duty, and wine, the alcoholic content of which is not above 12%, pays 60% duty now.

To be fair, though, wine and soft liquor should be taxed a uniform 30%. Wine, far from being a vice, is a virtue according to recent medical studies which show its regular consumption can lower cholesterol levels and heart attacks.

Our usual champions of welfare have been whining about the cut on wine duty. They say the duty should be kept at 90% with the extra proceeds of around \$100 million going towards raising Comprehensive Social Security Assistance (CSSA) for the needy elderly. I am totally for increasing CSSA for the elderly as I shall explain later. But I am against confusing generosity towards them with the levy on wine.

Wines are not the drinks of the privileged any more, but are an aspect of a complete diet and healthy living. Are they for people enjoying themselves or are they for stifling the good life for those they claim to represent? Instead of keeping wine for the few, which is what high duty does, we should be opening it up to improve the quality of life for the mass.

Nowadays, wines are not just sold in exclusive wine shops any more, but in supermarkets. Lowered duty has brought the price of a typical table wine to around \$30 to \$40 a bottle, well within reach of an average family and not much dearer than quality beer. I again congratulate the Financial Secretary for taking wine out of the cellar and onto the shelves for every citizen of Hong Kong.

On Welfare

Mr President, there is one consensus in our Council and in the community today and, that is, giving the needy elderly a more reasonable CSSA. We of the business sector believe fully in giving more to the elderly to cater for their needs.

We object to too generous a CSSA programme for the younger people on the principle that welfare is to get them back on their feet rather than to keep them on the dole. We disagree that the Social Welfare Department should hand to a dependent family of four up to \$11,000 a month in CSSA with compassionate housing and other benefits on top while only giving the needy elderly less than \$2,000 a month.

The Government can assist the elderly better without bursting the welfare largesse and without returning to the double-digit welfare expenditure growth of the previous five years. I support the Financial Secretary scaling welfare spending increase down to 9.4% for the year. We can keep welfare expenditure from escalating and help the elderly a lot better at the same time by setting new priorities. Today, our priority is care for the elderly whose needs are pressing. Today, our priority is not forking over easy money for the idle but able bodied.

On Corporate Tax

Mr President, the global trend today is for tax cuts. Every government is doing it to stimulate their own economy and attract investments. A higher GDP growth eventually results in the Government getting its share of an enlarged economic pie.

Hong Kong has broken from the world trend in resisting corporate tax cuts, saying nobody should grumble about paying 16.5% of his profits to Inland Revenue. But certainly, we can afford the tax cut of 0.5% which would easily only trim from the brimming treasury one twentieth of the anticipated \$30 billion surplus this year. The gesture is also important in another way by conveying to international investors our commitment to business, to our economic vitality and to our considerable confidence.

The Hong Kong General Chamber of Commerce, the Federation of Hong Kong Industries and other groups have repeatedly lobbied the Government for a tax cut, but to no avail. Whether the cut is more symbolic than substantive does not matter. What counts is the act of courage and conviction at a time when the global focus is on us.

On Income Tax

Our Financial Secretary and his immediate predecessor have both prided themselves as annual salaries tax cutters. For five consecutive years now, the Government has raised personal allowances higher than inflation. This means some 68% of the middle classes will pay less tax and around 96% of all taxpayers will pay less in varying degrees. In the past five years, Hong Kong has consistently kept 1.4 million income taxpayers in the revenue net. Instead of sharing the Financial Secretary's view that this is an achievement, I fear it may be a mistake in the long term as the already narrow tax base narrows even further. Over the past half decade, the Hong Kong labour force has expanded by 10% and income has risen by an average of 9%.

What results is that the top 100 000 salary earners are bearing around 65% of the income tax burden. While the rich contributing more to the treasury is only fair up to a point, they should not be turned into an Atlas who must shoulder the sky. A crunch for Hong Kong will come if financial misfortune should befall the 100 000.

Mr President, the ultimate praise for the bountiful Budget belongs not only to the Government, but also to the people of Hong Kong. Our hard work, drive and enterprise have made the Government's fiscal planning relatively easy. We have been generating more money than the Administration can spend, and this says a lot about our thrifty character. The wealth creating genius of the business sector is perennial, given the right spur from the Government. We intend to carry on doing the same even with greater resolve in the new era.

Mr President, I wish to congratulate our Financial Secretary and his team, despite my earlier comments. I am sure his next Budget will improve greatly on the present and past ones as he becomes his own man rather than an agent of a sunset administration. We, the whole of our society, anticipate with high hopes the dawn of another age in which we shall have a government that is of Hong Kong, by Hong Kong and for Hong Kong.

Let me finish not just with an endorsement of the Budget, but with a short reflection on the finances of Hong Kong down the decades of British rule. I believe we have done wonders for ourselves and for the United Kingdom through our diligence, talent, and grit. When we were down, we were never out. We always persevere. We have not only triumphed over adversity, but learned from it. This has been our story, particularly so through the transitional period lasting 13 years during which there have been so many ups and downs. Most countries and territories with great natural resources saddle their offsprings with crippling debts. We, with no natural resources to speak of, are to bequeath a very large inheritance to our children, a legacy on which we can rest our minds. We have similarly served China exceedingly well and it is this boundless vitality of ours which has secured for us this "one country, two systems" and "Hong Kong people ruling Hong Kong with a high degree of autonomy". We have a distinct culture and administration because of our economy which is our source of inspiration at home and admiration from abroad. We must never, ever, diminish our economic advantage. We must use economics to advance politics and not the other way around.

With those words, Mr President, I support the historic motion to pass the 1997-98 transitional Budget.

MR CHIM PUI-CHUNG (in Cantonese): Mr President, this is a unique and very special Budget that has to go through a lot of tests. It needs to be endorsed by Britain and China. It is under debate by Members of the Legislative Council today and tomorrow, and the policy secretaries will give responses in the following week. Personally, I entirely agree that the Provisional Legislative Council is also entitled to examine the Budget because nine of the months covered by the Budget are under the administration of the Hong Kong Special Administrative Region (SAR) Government. Mr President, you may also have a

chance to speak on the Budget by the time the PLC debates on the Budget, though you may possibly not do so.

As far as the budgetary policy of the Hong Kong Government is concerned, many people say that there are lots of funds in surplus. However, we have to look at our surplus more clearly. As estimated by the Government, the Land Fund will grow to \$142 billion by 1 July this year. In other words, the Hong Kong Government will have the same amount of revenue through land sales, because for more than a decade, land premiums are shared equally between the Hong Kong Government and the future SAR Government, while the share of the future SAR Government is entrusted with the Land Fund. The financial reserve of the Hong Kong Government in the current year will be over \$163 billion. How much does the surplus of the Hong Kong Government exceed the Land Fund? In other words, most of the surplus enjoyed by the Government comes from premium income through land transactions. There is nothing surprising or special about the enormous amount of surplus because all the money in surplus is derived from land sales.

The high land price policy is not formulated by the incumbent Financial Secretary; rather, this has been a traditional budgetary policy of the Hong Kong Government. The pros and cons of such a policy are obvious. The advantage lies in the rates obtained by the Government through the high land price policy and rates basically account for 9.34% of government revenue. Rates not only provide for general government revenue, but are also the sources of income of the two Municipal Councils. Without rates and without the high land price policy, councillors of the two Municipal Councils might not be able to sit there so comfortably, or they might not be provided with the chance to rack their brains on how to spend the money. Furthermore, the high land price policy has enabled many Hong Kong people to emigrate to other countries. It even projects an image to people in other parts of the world that Hong Kong people are very well off because Hong Kong people have an edge over people in other parts of the world after selling their properties in Hong Kong. Therefore, whether the Government will reduce the land price depends on whether it is determined to put the entire high land price policy to test. This is a point that a wise Government with remarkable foresight should thoroughly understand.

Japan had once been proud of its high land price policy and of its economy some time in the past. The Japanese stock market index did hit the peak of 38 000 but what is their situation right now? The stock index in the United

States has soared a lot, yet the stock index in Japan has fallen to the present level of just over 18 000, which is less than half of its highest index. There have been ups and downs around this level for three or four years. Therefore, the Hong Kong Government must bear in mind that nothing in the world remains unchanged. If the high land price policy is maintained, when the bubble economy collapses and the environment changes, nothing can be done to remedy the situation.

I may not support the Honourable LEE Wing-tat's proposal of imposing a freeze for two years. However, if the Government really intends to moderate the abnormal and manipulated rise of the prices of luxurious flats, it can adopt some special measures to test the response of the market for six months or one year. Many people say that Hong Kong practises a positive non-interventionist policy. However, at critical moments, the Government would impose special measures, such as the time when the Government had to interfere with the rental level. Why can the same not be applied to property transactions? I think if the Government really has the determination to address the problem, it should take precautions before the situation deteriorates. The Government can take special measures to benefit first-time home buyers who buy flats for their own use. As for the speculators, the Government can impose a moratorium on speculative transactions for one year to dampen the enthusiasm to speculate in the property market. Some speculators with properties in hand will try to create a buoyant market before putting their properties on sale. A few years ago, the price of luxurious flats was around \$3,000 to \$4,000 per sq ft but now some of the flats are priced at over \$20,000 per sq ft. Although there is prediction that the price will go down by about 10%, it will still stand at about \$17,000 to \$18,000 per sq ft. The Government should pay special attention to this unreasonable and abnormal situation and should give the above-mentioned proposal some thoughts. The Government will suffer a great loss if it allows the situation to deteriorate.

Mr President, we are here today to debate on the overall revenue and expenditure of the Government. That is why we have to focus on the Hong Kong Government and the industrial, commercial and financial sectors. Mr TUNG Chee-wah always says, "If Hong Kong does well, it will be fine for China; if China does well, it will be even better for Hong Kong." Of course he is referring to economic and not political development. As we all know, the Central Government does have a lot of experience in politics. We can therefore only offer assistance in the area of economic development in line with central government policies. Most of the policy secretaries are willing to ride on the

through train and they are ready to accept challenges brought by the historic moment. This is indeed an honourable moment. The whole world is setting their eyes on us and giving us support. The Government must make an effort to do something so as to gain recognition from the whole world and to tie in with China's open policy, thereby leading the people of Hong Kong to stride towards a better century ahead.

I did mention in the past how we could take advantage of the market arising from the 300 to 400 million population of the seven provinces along the Beijing-Kowloon Railway. We must bear in mind that Hong Kong owes much of its success to the high land price policy and also to the light industries from the 1950s till now. Hong Kong has gained a firm position in the world and its products have a good market share in China. We must bear in mind that the light industries provide many benefits to Hong Kong and we should do everything to improve them, instead of ignoring their development. Therefore, the Secretary for Trade and Industry, the Secretary for Financial Services and the Secretary for Economic Services, under the leadership of the Financial Secretary, should bear in mind that the light industries which contributed to the success of Hong Kong should not be abandoned lightly.

Mr President, as far as government revenue is concerned, recurrent taxes take up about 70% of the total, and the gross amount of corporate Profits Tax amounted to \$48.8 billion last year. The profits tax paid by Hong Kong's 10 leading corporations already accounted for 30% of the total amount of corporate Profits Tax payable to the Government. This is rather risky because if the 10 listed companies or leading corporations suffer any impact, for example, if severe blows are dealt to the real estate sector or the banking sector, these corporations will suffer great losses. In that case will the Government still record such a remarkable level of revenue as it does now? The Financial Secretary must therefore give some thoughts to expanding the tax base.

As we can see, 7.3% of our revenue comes from the bets and sweeps tax. The Hong Kong Government should look into the possibility of developing a modern betting centre that meets international standards on the other side of Lantau Island, that is, on the other side of the Chek Lap Kok airport. The betting centre that I refer to is not a casino *per se*. When I talk about this sensitive proposal, we will immediately think of Macau. If Hong Kong develops a casino, what will become of Macau? If we put Macau and Hong Kong on a par, then Macau will of course suffer from setbacks if Hong Kong

develops a betting centre. However, as a matter of fact, the population of Macau is only about half of a million, less than one-tenth of the six million population of Hong Kong. In view of the sound financial position of Hong Kong, when it is absolutely necessary, we can afford to provide financial assistance or other forms of assistance to Macau to help it achieve a balanced budget.

Such a modern betting centre can give impetus to the whole community and turn it into an entertainment centre. We must face the reality that Hong Kong has become the third consumption centre in the world. What have we got to attract people to spend their money here? What facilities do we have to attract people from other parts of the world and even China to come to Hong Kong? Hong Kong is a hub of transportation and telecommunications. We should not claim to be superior to others; rather, we should strike a balance to meet various demands. The betting centre that I propose resembles those in Las Vegas, the United States where inter-casino competition is also present. The Australian Government and even the Canadian Government have already pursued studies on assessing the impact of betting centres on their economic environments. People may think that my proposal is not feasible but the Government should do some research and wait for the result before making a decision. The contribution of the bets and sweeps tax to government revenue may increase from the present 7.3% to over 20% in future.

Mr President, we are given to understand that to safeguard the great profits of the banking sector remains one of the policies that the Government subscribes to. Twenty years ago, the capital of a bank was only in the region of \$5 million but nowadays the profits of a bank will easily amount to over \$10 billion. Of course, this can be attributed to the active expansion of services pursued by the banking sector but it is indisputable that the Hong Kong Government has always been adopting a policy that ensures great profits for the banking sector. Hence, something should be done to effect a more encouraging balance.

Mr President, being the representative of the financial sector, I have to respond to the comments made by the Financial Secretary in relation to stamp duty and brokerage charges. As at 31 March, the stamp duty, including that on property transactions, amounted to over \$16 billion, which accounted for 9.8% of the revenue. In view of the buoyancy of the market last year, my estimation is that the split is about 50/50. In fact, there is a growing trend world-wide to abolish stamp duty and I believe the Hong Kong Government should follow suit.

However, in consideration of the phenomenal amount of revenue generated by stamp duty, the Government will not continuously adjust the rate of stamp duty downward without careful consideration, lest a loss of revenue in the region of billions will be incurred each year. Since the commission charged by stockbrokers remains at a low level in comparison with that of other major markets in the world, the existing policy regarding brokerage charges therefore remains unchanged. In my opinion, the policy on brokerage charges should not be linked with the policy on stockbrokers. If not for the unification of the four stock exchanges initiated by the Government, the practice of stockbrokers in Hong Kong's stock market could have been dated back to more than a hundred years ago. Subsequent to the unification, the Government should review its own policies to see if local stockbrokers are groomed to compete with their counterparts in other countries. The Government always says that we should look forward and face up to international challenges, yet if we take a good look, do other regions and countries really outshine Hong Kong in this area? The purpose of the imposition of an average uniform rate of 0.025% for the commission charged by local stockbrokers is not a profiteering policy aimed at allowing the brokers to earn huge profits. Rather, a uniform rate can preclude the possibility of creating confusion in the market. However, instead of conducting a thorough study on this issue, the Government resorts to bargaining with the financial sector over the rate of commission. I believe a responsible government should not act in such a manner.

I will be most happy to consider other alternatives, if there is any, proposed by the Government. I do hope that the Government will consider it necessary to explore other alternatives. We support the Government in the development of Hong Kong as a financial centre, but we must bear in mind that the nature of Hong Kong's financial market has changed recently. Some foreign funds and major brokers' firms are using the Hang Seng Index Futures as a major transaction commodity and have turned the blue chips into trading commodities in order to make immense profits. I hope the Financial Secretary will look into this matter and make a proper assessment in future.

Mr President, these are my remarks.

MR LAU CHIN-SHEK (in Cantonese): Mr President, the two issues that I would like to speak on today relate respectively to the appropriation of funds for rendering assistance for the chronically ill, and to the allocation of resources for

promoting publicity and education on occupational safety. Both are not minor problems. There are over 200 000 chronically ill patients being hospitalized in Hong Kong. Those who have to stay at home are so numerous that it is just impossible to have any statistical data on their numbers. If they could not receive proper health care, their lives will be endangered at any time. Regarding occupational safety, half of the population of Hong Kong are in the workforce and they are vulnerable to accidents at workplaces. However, the Government seems to show no concern at all for these two issues that involve such a large part of the population. Year after year, it has made no commitment in these two areas in the budgeted expenditure. I am raising this issue today in the hope that the Government will give serious thoughts to and conduct reviews on these issues, so as to remedy the situation and avoid further tragedies before it is too late to do so.

A year ago in this Council, there was a motion debate on the provision of assistance for the chronically ill. Members of this Council described in detail the plight of these patients, pointing out that both the Government and the Hospital Authority (HA) had not committed themselves adequately to providing medical care for the chronically ill and that their policies were plagued with loopholes. However, the government officials who sat in this Chamber during the debate did not seem to have heeded our opinions. After a lapse of one year since the debate, those who suffer are continuing to suffer. Nothing has been done whatsoever to improve the situation of the chronically ill.

Last month a group of diabetic patients who were receiving treatment in the general out-patient (GOP) clinics of the Department of Health lodged a complaint with the Complaints Division of the Legislative Council. I was told that they needed professional health advice. Without such health advice, they would go blind, or suffer from the trauma of having to amputate their legs, or might even die as a result of a minor oversight. Unfortunately, they could not obtain any professional services. On the other hand, the specialist services for diabetics provided by the hospitals of the HA present to us quite another story. There are doctors and nurses with professional knowledge on diabetes to look after the patients concerned. There are professional dieticians to give dietary advice according to individual patients' conditions. There are chiropodists to examine patients' feet to prevent feet ulcer arising from deteriorating conditions. Blood test service is provided upon every follow-up visit. There are health talks on health care for diabetics presented by nurses who have received special training in caring for diabetics. There are annual general medical check-up

services for preventing complications. However, only a small number of diabetic patients have access to these services. As for the other 200 000 diabetics, arrangements have been made for them to receive treatment at the GOP clinics run by the Department of Health. These patients have no access to the specialist services rendered by doctors, dieticians, nurses and chiropodists. As a result, they do not have full knowledge on how to control the disease and how to prevent further complications. I do not think this is a fair arrangement for diabetic patients. All diabetics should be treated equally and be provided with professional health counselling.

A total of 200 000 chronically ill patients cannot be regarded as a small number. I am sure the people of Hong Kong will not allow the Government to neglect its duty of providing patients with proper health care services, which will result in the conditions of these patients taking a drastic downturn. However, when I looked at the 1997-98 Budget regarding the budgeted expenditure on the provision of primary health care by the Department of Health, I found that the Government would not put in substantial resources to provide the chronically ill with better services. I query this attitude of disregarding the importance of human lives and holding onto the huge amount of reserve without seeking to make any improvements. In addition, those patients suffering from chronic diseases such as kidney problems, cancer, diabetes, thalassemia, asthma, and pneumoconiosis have to shoulder up the heavy burden of medical expenses. Has the Government ever put in efforts to relieve their economic burden?

We were told a year ago that the Government would allocate \$20 million to the Samaritan Fund, which was dedicated to the provision of financial assistance for the chronically ill. However, it was not until recently that the \$20 million actually reached the Samaritan Fund. Why do we, the healthy people, often react so slowly, forcing the patients to wait in despair? Out of the \$20 million, the Samaritan Fund can only allocate \$2 million plus the interests generated to the patients each year. This is grossly inadequate. Definitely, such meagre amount of assistance can hardly meet the expenses required for special diet and health care. Moreover, many applications were turned down due to insufficient fund. I wonder why the Government has no sympathy for the chronically ill who are destitute?

Without healthy people, there can be no healthy society. I hope the Government will first of all set its mind on providing better primary health care for the people so as to enable the general public to be better informed of various kinds of diseases and of the way to keep themselves healthy and to look after themselves when they are ill. The chronically ill also have the right to seek happiness and the Government cannot disregard the human rights that they are entitled to. If the chronically ill receive proper health care services, they can work as normal people do, integrate into society and live happily. However, if the Government does not commit itself to these very basic items of expenditure and disregards the well-being of the chronically ill, how can such a government win the support of the public?

The second issue that I wish to comment on is also a matter of life and death. I understand that the Occupational Safety and Health Council (OSHC) has been sparing no effort in promoting and publicizing occupational safety. The income of the OSHC is mainly derived from a levy of 1% on the insurance premium of employees' compensation policies, in addition to a yearly block subvention of approximately \$2 million granted by the Government. However, the levy payable to the OSHC is decreasing because of the northbound movement of the manufacturing industry in recent years and the movement of high-risk industries out of Hong Kong. The total amount of levy payable to the OSHC dropped from \$31 million in the year before last to \$27 million last year. Early this year the amount receivable was only \$22 million.

There has been a spate of industrial accidents involving caisson works, container trucks, construction sites and so on in recent years, creating a lot of broken families. The situation was extremely appalling. The Government therefore hurriedly put forward several consultation documents in 1995. The Occupational Safety Charter and the Occupational Safety and Health Ordinance were introduced one after the other. This year, the Government also plans to amend the Factories and Industrial Undertakings Regulations, with a view to providing better legislative protection for safety at work. Subsequently, a series of legislation is put in place. However, if appropriate publicity campaigns on occupational safety are not launched, how can the lives and safety of workers be improved at all?

While we offer full support to the Government's commitment of injecting huge resources into the Employees Retraining Board and the Construction Industry Training Authority, we question the Government's reluctance to make commitment on the issue of occupational safety that relates directly to workers' lives. The Government always upholds "the user pays" principle and accordingly, a levy of 1% on the insurance premium of employees' compensation policies is effected to provide for the income of the OSHC. The amount received, however, has become insufficient to cover the expenditure of the OSHC. According to the budget prepared by the OSHC for 1997-98, there will be a deficit of more than \$20 million. The OSHC can of course recommend an increase in the percentage of levy to make up for the deficit, but such a slow remedy cannot meet the urgent need. I believe the immediate solution is for the Government to make an immediate and substantial grant to the OSHC to enable it to expeditiously launch publicity campaigns on the new legislation.

I learn that the OSHC is prepared to implement a new policy whereby OSHC staff will go to different districts to approach workers actively and directly in order to promote their awareness of occupational safety. Though it is expected that more manpower resources are required, this measure will surely provide the most direct and personal way to promote occupational safety.

I hope the OSHC will be able to achieve some positive results in this regard so that incidents involving injuries to workers out of human errors can be minimized. Yet the Government must first of all inject resources into the OSHC to enable it to draw up plans and carry out new tasks immediately.

The two issues that I have spoken on relate to the safeguarding of human lives. Both cannot afford any further delay. I do hope that the Government will not be stingy in providing financial support to these two areas of work.

Mr President, it is beyond doubt that Hong Kong is at a time of great change. The change that I am referring to is not simply the political change brought about by the transfer of sovereignty. It also includes changing demands for new services in the areas of housing, labour retraining, elderly welfare, new immigrants and so on, arising from the social development of Hong Kong in recent years. Therefore, if the Government simply seeks to "preserve continuity in a time of change", it is not only conservative, but also virtually "anachronistic".

The Financial Secretary may say that there has already been additional expenditure in the Budget for improving people's livelihood. However, as pointed out by many non-governmental organizations, the amount allocated for improving people's livelihood is virtually insufficient to meet the demand for various services. More importantly, against a Budget with more than \$30 billion in surplus, how can the Government decline to commit itself to increasing expenditure on social welfare and services? I believe the prevalence of "anachronism" in this year's Budget as the guiding thought has a significant connection with the uniqueness of the budget compilation process as remarked by the Financial Secretary. Evidently with the involvement of the Chinese side in the budget compilation process, the final say rested neither with the Hong Kong Government nor the Financial Secretary. The Chinese side was heavily involved and might even have the right to veto. In fact, as the Financial Secretary emphasized in his Budget speech, "the repeated public declarations by the Chinese side over the last year that their involvement in the budget process was unique". The purpose of so saying is to remind the Chinese side not to interfere in the budget compilation process again. On the other hand, the remarks also proved that extreme constraints were imposed by the Chinese side on this year's Budget!

The "car crash theory" was first mentioned by the leader of the Chinese side in the Budget Expert Group under the Sino-British Joint Liaison Group (JLG). The 19 rounds of Budget Expert Group meetings were all held "in camera". How can the people of Hong Kong be convinced that the Chinese side has not influenced the preparation of the Budget, or that the Chinese side has not pressed the Government not to increase expenditure on social services?

This "anachronistic" Budget is not the only thing that worries me. What is much more worrying is that the budgetary philosophy of disregarding the hardship of the people will continue to be upheld after 1997. The Financial Secretary made a number of quotations from the Basic Law in his Budget speech. He even took the unprecedented move of incorporating certain Articles of the Basic Law into the Supplement of the Budget with a view to reaffirming the financial autonomy of the Hong Kong Special Administration Region (SAR) Government provided by the Basic Law. In my view, the Articles of the Basic Law relating to the financial policies of the SAR Government are in fact extreme constraints that offer no room for manoeuvre to facilitate future development.

Article 107 of the Basic Law stipulates that "the Hong Kong Special Administrative Region shall follow the principle of keeping expenditure within

the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product." Article 108 stipulates that "the Hong Kong Special Administrative Region shall, taking the low tax policy previously pursued in Hong Kong as reference,". What does it mean by "the low tax policy previously pursued in Hong Kong"? Does it mean that the Profits Tax rate can never be increased at all? What does it mean by "keeping expenditure within the limits of revenues"? Does it mean that we cannot draw up a deficit budget even with a reserve of more than \$360 billion? I am sure these ambiguously-worded Articles of the Basic Law will definitely become the weapons used by the Chinese side and the industrial and commercial sector to oppose the increase of expenditure in future. It is therefore foreseeable that people's livelihood will not see any major improvement. This is what I worry about!

Mr President, these are my remarks. Thank you.

MR LO SUK-CHING (in Cantonese): Mr President, the Budget for this year published by the Financial Secretary cannot be considered entirely satisfactory but is basically acceptable. It is a kind of prudent and well-balanced Budget that falls in line with the principle of "keeping expenditure within the limits of revenues" as stated in the Basic Law, which facilitates a smooth transition. The most controversial part of the Budget lies in the expenditure on social welfare. The increase in welfare expenditure this year is 9.1% in real terms, less than a half of last year's 20.8%. As there have been substantial increases in welfare expenditure in the past few years, moderating the rate of increase in this year is understandable. Other than providing welfare benefits, the Government has other livelihood issues to take care of and the long-term development of society to consider. Hence there is a need for the Government to allocate the resources appropriately among areas such as education, housing, medical care and so on. Nevertheless, it can be seen from the Estimates of expenditure that the Government has put in far too few resources to tackle the worsening poverty problem faced by the lower class. In recent years, factors such as the ageing of the population, the pressure generated by the arrival of new immigrants, the economic downturn, unemployment and the drop in wages in real terms arising from industrial restructuring, and the lack of retirement protection, have all led to a rising demand for social welfare by the lower class. But regrettably, the Government has not responded positively in this respect. I hope that the

Government can allocate more resources and give priority consideration to measures benefiting the vulnerable groups comprising those who are poverty stricken and at the lowest stratum of our society.

As the surplus for the year 1996 is forecast by the Financial Secretary to be in the region of \$15.1 billion and the surplus in this year will well exceed \$31.7 billion, some people criticize the Government as being too conservative in its financial management and query the reasons for not spending more in line with revenue growth. I have reservation over this viewpoint. If we spend more when our earning grows, shall we cut down our expenditure when revenue falls? This is not feasible. The Government cannot close down some schools, cancel a number of hospital beds, lay off some civil servants or reduce their salaries simply because the economy is poor and the Government's revenue falls in a particular year. Hence, I support the Government's consistent approach in drawing up its Estimates of expenditure, that is, by pegging the growth rate of overall public expenditure to the rate of local economic growth, so as to ensure the continuous and steady growth of gross public expenditure.

The Financial Secretary sums up this year's Budget with the phrase "Continuity in a Time of Change" and this Budget does prove itself to be preserving "continuity in a time of change". Although the Government does have a huge fiscal reserve, considering that Hong Kong is facing the changeover of sovereignty, it is still an appropriate move to set aside a little more reserve so as to ensure a smooth transition.

I welcome the Financial Secretary's proposal to raise the basic allowance for salaries tax to \$100,000 this year, which will benefit the sandwich class in Hong Kong. It is also reasonable for the Government to maintain the *status quo* regarding the rate of corporate profits tax because comparing with our neighbouring countries, the rate of corporate profits tax in Hong Kong is already very low. Although many people have requested that the Government should provide first-time home-buyers with tax concessions by granting them an allowance to cover spending on mortgage interests to relieve the burden of the middle- and lower-class households in making mortgage repayments, it is regrettable that the Financial Secretary has rejected this proposal on rather weak grounds.

In general, the tax concessions proposed by the Financial Secretary are measures to be welcomed, but tax-cuts mean nothing to the grassroots who are not in the tax net at all. The Government should adopt some measures for their benefit. In fact, because of the rapid transformation in the economic and social structures, the manufacturing industry keeps shrinking while the service industry, especially the banking, insurance and real estate sectors, is developing at a high speed. This can be seen from the fact that the proportion of the GDP accounted for by the service industry has risen from 68% in the 1980s to 84% in the 1990s. Yet industrial restructuring has displaced a large number of workers who are middle-aged, not so well-educated or not equipped with specialized skills. As manpower resources remain one of the major resources in Hong Kong, the Government has the responsibility to upgrade the quality and productivity of the workforce. The Government should help the unemployed adapt to economic changes through education, training and retraining so that they will not become dependent on the society.

I welcome the Government's injection of \$500 million into the Employees Retraining Board and extending the retraining programmes to include new immigrants. Furthermore, the Government should encourage enterprises to put more resources into manpower training to enhance the competitiveness of Hong Kong. As for direct means to help the unemployed, I suggest the Government should provide a special tax concession for employers hiring workers who have been displaced and retrained. This will make it easier for those workers who have been displaced by industrial restructuring and affected by the economic downturn to find jobs in other trades.

The Financial Secretary forecasts that only 37 500 new public rental housing and Home Ownership Scheme (HOS) flats will be completed this year, which falls far short of the demand. I hope that the special task force chaired by the Financial Secretary and consisting of the relevant policy secretaries could seriously look into the speeding up of land supply, so as to increase the supply of housing. The Government's long-standing high land price policy has created a whole lot of problems. Of course, the alteration of the high land price policy will affect the entire taxation system of the Government with far-reaching implications and therefore it has to be studied carefully and handled prudently. The housing problem cannot be resolved overnight, but the sky-high property prices and rentals have seriously affected the people's livelihood in Hong Kong. They are also the major causes leading to increasing financial hardship suffered by the underprivileged in our society. The sky-high rental levels also give rise

to great difficulties for industrial and commercial undertakings in running their business and even make foreign investors shy away. In the long run, the Government should revise its high land price policy, develop the suburban areas and allocate more resources for the construction of public housing to provide the public with reasonable shelters. The most urgent thing to do now is to curb speculation in the property market to bring the relationship between the supply of and demand for housing back to a reasonable level, and to establish a healthy and normal property market. I find that the three new measures introduced by the Government recently, including relaxing the requirement regarding the period of forward sales of uncompleted flats, setting a time-frame for the developers to put the flats on sale and stipulating the number of flats to be sold by the developers, are, after all, moderate and effective in combating unreasonable speculations. However, what counts most is the Administration's determination to change the existing high land price policy and formulate a genuine long-term housing strategy which takes into account the livelihood of the public.

Some parts of the Budget have been devoted to the measures aiming at promoting the service industry. In particular, the Budget mentions the actual deployment of resources to establish a high level Services Promotion Strategy Group. I find this worth supporting. Nevertheless, I think that the resources put in by the Government for the promotion of local economic development are far from sufficient. In this regard, among the four little dragons of Asia, Hong Kong is obviously outshone by the other three. The Government should also allocate resources to nurture industrial development. Particular consideration should be given to providing direct subsidies to industries manufacturing high value-added and high technology products, thereby improving the overall industrial structure and enhancing the productivity of Hong Kong. Although information technology has been developing very fast, the development in industrial technology still lags behind other areas in the Asia-Pacific region, let alone catching up with the other industrial super-powers in the world. This is indeed an obstacle to further upgrading the productivity of Hong Kong. At present, the Hong Kong Government's expenditure on technology research only accounts for 0.4% of the total expenditure of the Government, which is almost five or six times lower than those of the other three little dragons in Asia. The Government indeed has the responsibility to support the development of industries engaged in the production of high technology products by allocating more resources for this purpose, so that our resources can be fully utilized.

As for the diminishing fisheries and agricultural industries, I think that there is a need for more resources to be allocated to help modernize the industries to make them technologically more advanced. In particular, I urge the Government to consider subsidizing the development of distant-water fishing industry. Article 199 of the Basic Law stipulates that the Government of the Hong Kong Special Administrative Region shall formulate appropriate policies to promote and co-ordinate the development of various trades including agriculture and fisheries. Therefore, I think that the Government should not allow this industry to diminish as each economically independent area requires the existence of agriculture and fisheries, in addition to highly developed industrial, commercial, financial and service sectors. Agriculture and fisheries do not account for a high proportion in the GDP of Hong Kong, but its social function should not be overlooked. It provides the public with daily supply of non-staple food which accounts for a significant weight in the compilation of the Consumer Price Index (A) and therefore has a significant bearing on inflation. The very existence of agricultural and fisheries industries in Hong Kong can play a part in safeguarding people's livelihood by keeping the prices steady and ensuring the quality, quantity and hygiene of fresh agricultural and fisheries foods. In particular, when there is a shortage in the import of these foods, the local industry can immediately help replenish the stock. In addition, I especially hope that the Government will pay attention to the development of distant-water fishing industry. Hong Kong started out as a fishing port. In the absence of natural resources and with worsening pollution in our neighbouring waters, the local fishing industry should find other ways out. Given our people's sea-faring experience as well as their keen sense of and fast adaptability to the world market, Hong Kong has a great potential in developing distant-water fishing industry and competing in the market of ocean products in the world. With the changeover of Hong Kong's sovereignty, local fishing boats are expected to come under China's protection should they get tangled up in disputes in international waters. All these are favourable factors contributing to the development of our distant-water fishing industry.

All in all, in respect to the distribution of resources, I hope that the Government will, other than allocating more resources to building homes, supporting industrial development and assisting the development of the agricultural and fisheries industries, in particular, raise the amount of payment under the Comprehensive Social Security Assistance Scheme and increase the funding for services for the elderly. It is very disappointing that the

Government is only adjusting the provisions for these two areas in line with inflation.

Mr President, although there are certain aspects in the Budget that are less than satisfactory, as a Legislative Councillor and also a member of the Provisional Legislative Council, I support it because I find it acceptable as a whole. If we propose to amend the Budget because we do not agree to certain parts of it, the Budget is bound to be referred back to the Sino-British Joint Liaison Group for reconsideration and it will only give rise to more problems. As there are less than three months before the return of Hong Kong's sovereignty to China, if we think there are any shortcomings in this Budget, the simplest way is for the Special Administrative Region (SAR) Government, which will soon be established, to introduce a Supplementary Appropriation Bill into the Provisional Legislative Council for its endorsement.

Mr President, I so submit.

MISS CHRISTINE LOH: Mr President, I suspect one of the Financial Secretary's pet issues is probably the report he put to us on services promotion, so perhaps I could start with my comments on that. It is a very interesting and important report. It tells us that in the last 10 years, Hong Kong has undergone a massive economic shift from a manufacturing-based economy to a services one.

Services Promotion

In 1995, the services sector accounted for 83% of our Gross Domestic Product (GDP), up unfortunately only 15% from 1985. It probably shows that we are not as efficient as could be. However, there are now 2.4 million people employed in the services sector, up a staggering 63% more than 10 years ago. The report is also clear that employment needs of the services sector are continuing to change very rapidly. So we must meet that challenge.

What neither the report nor the Budget addressed was how the Administration plans to support Hong Kong's rapid shift to a service-based economy. Is it enough to meet future employment needs by simply calling for a computer literacy syllabus, or providing \$11 million for a New Technology Training Scheme? Mr President, surely not.

Mr President, you are also well aware that in a service economy, knowledge is the key factor to improving productivity. Another key aspect is the application of technology in all aspects of communication, design, marketing, management and production. Yet, the 1997-98 Budget only earmarked \$300 million to provide multi-media computers to schools. Is this not a pitiful amount if what we need is to get our future workforce up to scratch on computer literacy? And, what other serious attempts are we really making to reduce student: teacher ratio in the classroom?

Yet, the Budget allocates \$14 billion for infrastructure, mostly port-related, development. Next year, the Airport Core Programme will be completed at a cost of \$150 billion, or 20% of government expenditure over the last five years. When is the Administration going to get to grips with making realistic investments in the workforce of tomorrow?

I have spoken out against further port expansion beyond Container Terminal 9 for several years. The evidence is mounting that greater port expansion will seriously affect our people's quality of life. The Administration's own environmental assessment of the Territorial Development Strategy says in quite unambiguous terms that further port expansion under any of the Administration's growth scenarios will have serious pollution and public health impacts.

For example, the environmental assessment estimates that by the year 2011, most of Hong Kong's population will live with air pollution, on most days, at levels worse than the mandated health standards. So who is doing anything about that?

In the five volumes of the Territorial Development Strategy Review, packed with the vision of Hong Kong being a transport centre, a mere five paragraphs were devoted to what seems like a potentially exciting idea of a "high technology" corridor between Hong Kong and Guangdong to enhance Hong Kong's manufacturing abilities. Well, perhaps that is a more exciting vision than building hardware at a rate driven by estimated demand and not very much else. The MIT Report "Made in Hong Kong" and the "Hong Kong Advantage" carried out by Harvard, both recently published, I think, spell out perhaps some directions for tomorrow. What is not clear is how the Government intends to meet that challenge. I may be wrong, but for Hong Kong to capture the opportunities of going into certain industries that will be the industries of

tomorrow, perhaps Hong Kong has a window of five to seven years. If we do not address this issue urgently, we may simply miss the boat.

Mr President, I think the Administration knows in its heart that it needs to re-tool the education system as a fundamental part of helping the future workforce to be competitive in the global market-place. What it still has to do is to make the financial commitment to do so. Regrettably, the Financial Secretary's Report on Services Promotion did not take the opportunity to set down the expenditure priorities that will be necessary to better ready our workforce for increasing competition.

Land Supply

The second area that I would like to address, Mr President, is land supply. The hot topic at the moment is inadequate housing both in the private and the public sectors. It is acknowledged that land supply is a problem. However, what we do not know is really how the Government looks at using land and also as a revenue raising measure. If the Government is using it to raise funds and we can see the Government obtains, as a part of its annual income, a very high percentage from land sales and land related incomes, then is the Government not having a dual role of both anticipating demand for housing and other uses but also using the opportunity to raise funds? And is it not really the reason for why we have a high land price policy and is that also not the reason, Mr President, for the fact that the Government prefers harbour reclamation to developing land elsewhere? Perhaps, as a start, what the Government can do in the future is to increase transparency in its decision-making process on how it, for example, decides how much land to release in any one year, what are the criteria that it uses and how does it set the reserve price in land auction. Perhaps, we are going into a very difficult area because so many issues are tied up. But I do suggest to the Financial Secretary that he can start off by giving us some transparency in the process.

One of the consequences, one of the social consequences of the high land price policy, is that it is helping to widen the disparity of wealth in Hong Kong. For people who are lucky enough to hold property, well, they do very well, Mr President. But for those people who are not able to hold property, one of their problems is that they are constantly using possibly diminishing income in times to catch up with paying higher rents. For the lower to middle income families who are struggling to pay very high mortgages, I doubt in the last five years, they

have any real income increase. The Government tells us very happily that for the next year we can expect 5.5% real growth in GDP. What does that 5.5% really mean? It does not really mean very much at all in terms of assessing how quality of life has gone up or not. One of the issues that I think the Government hesitates to take seriously is the widening disparity in welfare in Hong Kong. It is not addressed in this Budget at all. I do not know whether the future Chief Executive in his upcoming budget is going to address this issue. I certainly hope so because I do believe it is going to be one of the most important issues for this community.

User Pays — Polluter Pays

The next point I would like to touch, Mr President, is the lack of mention in the Budget on the development in government thinking of using "user pays" and "polluter pays" principles to cover the costs of new services. I had hoped that the Financial Secretary would use this opportunity to spell out to the community at large how it intends to implement perhaps over a 10-year period the "user pays" principle and the "polluter pays" principle. The Honourable James TIEN comes from one direction to say people in business want to know what other charges they would be facing in the years to come. I think that is a very fair comment. Perhaps I can add an additional dimension. If we are serious about controlling pollution, then I think also people have to acclimatize themselves to the fact that they will have to pay more to clean up pollution. But right now, businesses are very concerned because they see increases coming left, right and centre every year. Perhaps what the Government should do is to come clean, be up front, and tell them what a 10-year programme is going to be, so that businesses and the community can be much better prepared for what we are supposed to pay. I am all in favour of "user pays" and "polluter pays", but I think it is fair for the community to be made aware of what the Government may be thinking in the longer term.

Government Services

Mr President, the last point I wish to make really arises from the question and answers we have had from the examination of draft estimates of expenditure. It seems that the Government actually has many good ideas and many good schemes. However, I doubt whether the community knows very much about them. Perhaps one of the reasons is that the Government relies on the District Offices for its key dissemination of information. But finally I do not think

Hong Kong folks show up very much at District Offices. So a lot of these wonderful leaflets and brochures that are left in District offices just do not get read, Mr President. In going through the questions and answers about the draft estimates of expenditure, I see that, for example, there is an older volunteers programme and that there is a Samaritan Fund which is established to offset the cost of surgical operations for those who cannot afford it. And, what about the fact that building owners committees can apply for government subsidies to help them? How many people know that there is a Seed Capital Fund to provide venture capital to new technology-based companies, and also that there is an Innovation Loan scheme for start-up technology companies? There are very good ideas and I also see from the information provided, for example, in the case of the Innovation Loan scheme, only one application was received. So, what is the problem? The Government has good ideas but may be it is not getting the maximum benefit and the community is not getting the maximum benefit from these ideas because people simply do not know that these good schemes exists. So, I would certainly urge the Government to review its information dissemination process so that its very good ideas are put out to the public. Another example that we can give is that survey after survey tell us that many of the old and poor people are unaware that they are eligible for perhaps a variety of public assistance and housing schemes. In response, the Health and Welfare Branch is apparently now going to conduct its own survey of public awareness of these schemes. Well, again, I suggest that the Branch can examine the effectiveness of its existing outreach efforts that the Government has, and if they are really not good enough, perhaps a major exercise for the Government is to see how to overhaul that system.

Having said all of that, I just wish to say that perhaps this time the Budget is not a very exciting one, but I do remember the last Financial Secretary reminding us that Budgets are not supposed to be exciting. They are supposed to plod along and makes gradual and slow changes. However, I do support this Budget and I look forward to the Government expanding on these various schemes as well as to speed ahead with looking into technology and other industries and challenges for the future.

MRS MIRIAM LAU (in Cantonese): Mr President, the Financial Secretary described this year's Budget as an "extraordinary" one. The Secretary for

Transport described this year as a year of harvest in transport infrastructure. I would describe this year as an "extraordinary" year of "heavy reduction" in terms of the Government's proposed expenditure on transport infrastructure.

The expenditures for some policy areas experience yearly increases, while those for some other areas increase and decrease in alternate years. However, transport infrastructure is the only policy area where its expenditures have experienced negative growth for three consecutive years. The rate of reduction has been soaring from 5% two years ago to 9.1% last year, and then to the staggering 22.8% this year. The rate of reduction for this year is the highest in the past three years.

The Secretary for Transport remarked that the commissioning of the Lantau Link, the Cheung Ching Tunnel and the Western Harbour Crossing would pave the way for the opening of the new airport. As I have pointed out on a number of occasions, even if the way to the new airport is well paved, it is not tantamount to having resolved the problem of traffic congestion in Hong Kong. Many roads in the urban areas are still plagued by the problem of serious congestion which needs urgent relieving.

The Government always boasts about its achievements in road construction. However, a rough comparison with Singapore is indicative of the inadequacy of roads in Hong Kong. With an area of 647.5 sq km and a population of three million, Singapore has a road network measuring 3 056 km. Hong Kong has an area of 1 095 sq km and a population size double that of Singapore, but there are only 1 743 km of roads in Hong Kong. While our area is 70% larger, the total length of roads in Hong Kong is almost 50% shorter than that in Singapore.

The White Paper on Transport Policy in Hong Kong published in 1990 confirmed the need to embark on a number of highway projects. It was proposed in the White Paper that the Hung Hom Bypass and the Island Eastern Corridor Link be completed by the mid-1990s, and that the Central Kowloon Route, Route 16 and the section of Route 7 between Kennedy Town and Aberdeen be completed in the late 1990s. However, there is still no definite plan for any of the above-mentioned projects, except the Hung Hom Bypass, which is expected to be completed by the turn of the century, and the Route 16 project, which might commence in a couple of years. The Island Eastern Corridor Link, the Central-Wanchai Bypass, the Central Kowloon Route, and the

section of Route 7 running to Aberdeen are all vital in linking up all the main routes. They are conducive to solving the problem of traffic congestion in Hong Kong. I do hope that the Secretary for Transport can clarify whether the planning of all these important infrastructural projects has already been terminated. If not, the Secretary should inform us of the proposed commencement dates of and the completion time-frame for these projects. For the problem of traffic congestion in Hong Kong to be solved, road construction should not be focused on airport-related roads only; instead, it should be planned from the perspective of the entire territory.

The Government defends itself by saying that, in assessing the overall improvement of transport infrastructural developments, one should take into account railway projects and private investment in transport infrastructure, in addition to government expenditure on transport infrastructure. It is self-contradictory for the Government to talk about railway projects. Of the three railway projects with high priority, while the Western Corridor Railway (WCR) and the Mass Transit Railway (MTR) Tseung Kwan O extension are settling into shape, the Ma On Shan/Tai Wai Rail Link has not been finalized. We can almost be certain that the completion of all these three railway projects will be behind schedule. Basically, all three railway projects have already failed to catch up with the developments in the regions that they serve. If the Government really attaches due importance to railway development, and puts due emphasis on meeting the demand for out-bound traffic in new towns, it should have made timely injection of resources into these projects, instead of procrastinating the progress of the projects time and again. Similarly, with the relocation of the Kai Tak Airport, there is a need for a new rail link to be constructed in eastern Kowloon to link up with central Kowloon in order to keep in line with the redevelopment of the urban areas. The Government should embark on the planning of the rail link at an early date, so as to avoid making the same mistakes.

As for private investment in transport infrastructure, private projects can of course play a supplementary role, but the main player is still the Government. I support the Government's reservation of financial provision for the purpose of injecting funds into the priority projects in the Railway Development Strategy. With the injection of public funds into the railway projects, the financial burden of the railway companies in connection with interest payments can be relieved, thereby alleviating the pressure for fare increases. However, I have to point out that the injected funds are, after all, the money of taxpayers. The injection

should be regarded as the investment of the Government, instead of a kind of subsidy. In other words, the injection can be regarded as the investment of taxpayers, instead of taxpayers subsidizing taxpayers. Investment should of course yield returns. Hence, it is not unreasonable for the Government to expect returns from its investment, provided that the fare is set at a reasonable level and the operation of the railway is satisfactory. On the other hand, these returns also belong to the taxpayers. Furthermore, railway development projects are capital-intensive items and part of the capital has to be obtained through loans. Since obtaining loans from outsiders is a necessity, the Government may consider requiring the railway companies to seek equity financing from the public by issuing bonds. This will allow the public to invest in the mammoth infrastructural projects, thereby increasing their sense of belonging to Hong Kong.

Apart from improving our internal transport, the Government should also improve our external transport, especially in the area of cross-border rail link. At present, the Kowloon-Canton Railway (KCR) provides the only rail link with the railway transport system in the Mainland. As for cross-border passenger transport, it is highly possible that the KCR's capacity will not be able to cope with future demand arising from developments in both Hong Kong and China. As regards freight transport, the inherent limitation of the Hung Hom Freight Yard makes it impossible to provide the convenient service which a freight rail should reasonably provide. Hence, another rail line providing cross-border passenger and freight services is urgently needed. Nobody will doubt the importance of the WCR in providing passenger transport, but some people are sceptical about the viability of the WCR in providing freight transport. Some people are not optimistic about the number of containers that the WCR may be able to handle, while others worry about the possibility that the capacity of freight transport by railway may be undermined by the inadequate provision of unloading bays in Hong Kong.

The Legislative Council Panel on Transport made a study tour to Britain, France, Germany and Singapore recently. What we saw and heard in the study tour were inspiring. The container terminal at Hamburg of Germany has a freight rail for containers running right into the terminal and the unloading yards next to the cargo ships, providing quick and efficient loading and unloading services. With its superior geographical location and the availability of a supporting package of financial and communication facilities, Hamburg has

become the centre of Europe's freight transport, with the whole of Europe as its hinterland.

There is much to be learnt from the Hamburg experience. Hong Kong urgently needs a freight rail that runs directly into the container terminals. Hong Kong has the same, if not more, merits that Hamburg has. In fact, Hong Kong has the busiest container terminal in the world. While Hamburg has Europe as its hinterland, Hong Kong has China. However, in the absence of such a railway line, we are giving away our competitive edge to other Chinese provinces or cities, and failing to avail ourselves of the opportunity of having such a big hinterland.

Mr President, the Government charges "tolls" from drivers using government tunnels, but drivers may use alternative toll-free highways to travel to their destinations. It has always been the Government's practice to charge tunnel-users (except for the Airport Tunnel), but not road-users. However, the Government has recently indicated its intention to collect "tolls" from drivers travelling to and departing from the new airport. The level of tolls is calculated on the basis of the entire Tsing Ma Control Area, including the roads and bridges therein. What is the rationale behind the inclusion of such roads within the Area in the Government's calculation of the level of tolls? According to the Government, the roads have to be priced because the construction project is expensive. If that is the case, what about Route 16, which will cost \$4.5 billion, the Hung Hom Bypass and Princess Margaret Road Link, which will cost \$1.37 billion, and the Castle Peak Road improvement, which will cost \$1.47 billion? Will these expensive projects be tolled too? Although it appears that the Government is willing to make a concession by lowering the tolls of the Lantau Link, it should explain to the public whether a road pricing policy is in place. If so, the public must be informed about how the level of tolls is determined, so as to dispense with the need to argue over which roads and which facilities have to be tolled on each occasion, just like haggling over prices in the market-place.

In last year's Budget debate, I suggested to the Government that more attention should be paid to overseas experience in the application of electronic technology, with a view to improving our traffic flow and relieving the problem of traffic congestion. This year, I am glad to hear that the Government has explored the application of the latest technologies. The Secretary for Transport has specially mentioned the intelligent navigation systems. It may take some time for those systems to be widely used, but there are quite a few technologies

which are now ready to be used, such as computer-aided route-mapping or road information retrieval. No matter how technology may develop, it is most important for the Government to actually inject resources into technological application, rather than just "mentioning" it.

Mr President, I shall now comment on the revenue proposals of the Government from the perspectives of transport by land, air and sea.

Regarding land transport, I voiced my dissatisfaction over fuel duty in last year's Budget debate, and devoted quite a lot of time explaining the impact of fuel duty increases on professional drivers. Complying with the aspirations of the public, the Financial Secretary lowered the duty on wine. But I am very dissatisfied with the increase in fuel duty, bearing in mind that fuel duty has significant impacts on the people's livelihood.

I really do not believe that it is necessary for the Government to repeatedly increase fuel duty. From the view point of generating revenue, fuel duty accounts for almost half of the prices of fuel which has already been much higher than those in many other countries. Fuel duty therefore has brought to the Government a large amount of revenue. A further 6% increase in the duty on diesel and petrol this year will generate an additional \$270 million revenue for the Government. But will the Government's financial position be jeopardized if it does not earn this \$270 million? Please be reminded that our surplus for last year alone totalled more than \$15 billion and the projected surplus for next year will be over \$30 billion. In assessing the impact on the people's livelihood, those professional drivers of diesel-engined vehicles are the most affected. In the past 12 months, the price of diesel has been increased time after time. The increase in diesel price and the introduction of low-sulphur diesel into Hong Kong, coupled with the 6% increase in fuel duty, have resulted in a cumulative increase of 18% in diesel price within one year. It seems as if the burden on the shoulders of the professional drivers is getting heavier and heavier. From the perspective of transport management, fuel is essential for vehicles. It is different from wine, which is a luxury. The Government may ask the public, including Members of this Council, to drink less wine, but it cannot ask professional drivers to use less fuel, as they cannot drive their vehicles without it. Also, a mere 6% increase in fuel duty cannot dissuade car owners from keeping their cars. Therefore, the increase in fuel duty has no effect on minimizing car usage. For the above reasons, I object strongly to any increase in fuel duty.

Regarding air transport, the new airport charges as determined by the Airport Authority are expected to be much higher than the existing level of charges. Hong Kong has been able to maintain its position as an international and regional air transport centre because our airport charges are set at a competitive level. A drastic surge in airport charges will not only undermine our competitiveness, but also increase the operating costs of airline companies, thereby pushing up the prices of air tickets. Having spent both money and efforts on the construction of the new airport, the people of Hong Kong want not only a grand-looking complex but also tangible benefits being brought to Hong Kong and the people themselves. Though the decision rests with the Airport Authority, the Government should do its best to ensure that the new airport will bring to Hong Kong tangible benefits, not obstacles.

The Government has injected tens of billions of dollars into the new airport, but it has not fully utilized the advantage of Hong Kong, which is surrounded by the sea on three sides. It has not injected more resources into the development of water-borne transport. We can take as examples the China Ferry Terminal at Tsim Sha Tsui and the Macau Ferry Terminal in Central. The number of passengers has been on the rise while the number of berths remains unchanged and the area of the waiting lobby is not enlarged. The Government has done nothing to improve the facilities but continues to levy \$25 departure tax from the passengers. Comparing with the proportion of Air Passenger Departure Tax against the prices of air tickets, the proportion of sea passenger departure tax against the prices of ferry fares is unreasonable. The departure tax accounts for 12% to 31% of ferry fares which currently range between \$85 and \$214. Such a proportion is much higher than that of Airport Passenger Departure Tax. I hereby urge the Government to lower the sea passenger departure tax, and to improve the facilities at ferry terminals.

Mr President, I now turn to an industry which I am very concerned about: the telecommunications industry.

The Government has been sparing no effort to promote our service industry in order to make Hong Kong a City of Service. As for telecommunications services, the Government will set up an Information Infrastructure Advisory Committee this year to help co-ordinate the development of Hong Kong's information infrastructure. I welcome this proposal.

In the past year, the Government has continued to open up the market and bring in competition. The public can now enjoy a great variety of telecommunications products and services. However, the more open and competitive the market is, the more insecure the personnel in the industry will feel. In fact, for the sake of maintaining the competitive edge of the companies, some of them dismissed some staff members, while others moved part of their operations out of Hong Kong to other regions of lower costs. The dismissal of staff members will entail the wastage of trained manpower in this field. Employers therefore will not put due weight on staff training as they did in the past. They would "poach" trained personnel from other companies by offering attractive salaries, rather than training new comers. This is surely an unhealthy trend that is not conducive to the long-term development of the industry.

I think the Government, while promoting the steady development of the telecommunications industry, does not wish to create a City of Unemployment. Hence, I urge the Government to pay attention to the situation that I have just mentioned, and avoid creating unnecessary competition just for the sake of opening up the market. The impacts of its policy on the industry as well as on the employees have to be considered. The Government should, at the same time, expedite manpower training in this field, especially in the provision of specialist technological training in our tertiary institutions, so as to match manpower training with the latest technological development.

Mr President, I so submit.

MR FREDERICK FUNG (in Cantonese): Mr President, on behalf of the Hong Kong Association for Democracy and People's Livelihood (ADPL), I will speak on housing and labour. Should the time permit, I would also like to express my views on the Comprehensive Social Security Assistance (CSSA) for the elderly as well.

I regret to say that the 1997-98 Budget fails to solve not only the housing problem for the lower stratum of our society, but also the problem of increasingly rampant speculative activities in the private property market.

According to the Research Report on the Spending Pattern of Low Income Households in Hong Kong published jointly by the Hong Kong Council of Social Service (HKCSS) and the Oxfam Hong Kong, about 10% to 15% of single-member and four-member households have to minimize their expenditure on food in order to save money to meet their housing expenditure. For families with two, three, five or more members, about 5% to 10% of them have to minimize their expenditure on food. The research report points out that the reason for the "food deficiency" suffered by the destitute households lies in the need for them to spare money to make up for the ever increasing expenditure on housing. Hence, the key to alleviating their "food deficiency" plight is to relieve their housing burden. The Budget has not given any positive suggestions on how to relieve the plight of these destitute households. The Government did not seek to provide rent assistance for those destitute households on the General Waiting List with a view to reducing their housing expenses. The Secretary for Housing pointed out that if necessary, the destitute households could apply for CSSA, and thus benefit at the same time from the rent allowances under the CSSA Scheme. But the existing situation is that, some families on the Waiting List but not eligible for CSSA have to minimize their expenditure on food in order to make up for the exorbitant rent for private premises. The money spent by these families on food is even less than that spent by CSSA families. This situation is appalling. The CSSA is therefore not a fundamental solution to this problem. I would like to put on record my dissatisfaction with the Government's indifference to the problem.

Moreover, the Budget not only fails to respond to the recent property speculation, but even indirectly fuels it. The Financial Secretary's proposed drastic reduction in the stamp duty rate on property transactions has undoubtedly given an indirect encouragement to property speculators, fanning the already red hot speculation in the property market. The Government does not allocate in the 1997-98 financial year additional resources for monitoring the private property market, nor does it impose taxes on the profits obtained in the short term resale of properties in order to suppress property speculation. The ADPL and I are of the opinion that should property owners sell their flats within six months of procurement, a 60% tax should be levied on the profits thus generated. The proceeds gained by the Government shall be dedicated to housing purposes, such as providing larger loans to the Land Development Corporation (LDC) or the Hong Kong Housing Society (HS) for increasing flat supply or for accelerating urban renewal programmes.

Another important element is the provision of assistance to property users in purchasing their own property. The Government should allocate funds to set up an independent department for the certification of first-time property buyers in mortgage applications, thereby facilitating the banks to differentiate between first-time home buyers and speculators. A 90% mortgage can then be offered to first-time home buyers to enable more users to acquire their own property in the private property market, thereby solving their housing problem.

As for the problem of squatter control, I do not think the Government has the determination to effect a radical cure of this problem or to improve the living conditions of the squatters. Clearance and rehousing plans are provided only for squatters on Government land. However, in the urban area, there are more than twenty thousand people living in squatter structures situated on both Government land and private land. I do not think it is a well-considered strategy for the Government to clear only such squatter structures situated upon the land which is to be resumed for public projects. I am disappointed with the existing clearance programme. The Government should allocate funds for the clearance of all squatter structures and offer rehousing to all those in need, so that their living conditions can be improved.

As for the labour issue, the entire Budget neither addresses nor solves some of the very important problems.

In a meeting last year with Mr Donald TSANG, the Financial Secretary, the ADPL asked the Government to set up a fund, the Unemployment Assistance for the Temporarily Unemployed, in the 1997-98 Budget, and to raise the monthly allowances for retrainees to two thirds of the median wage.

However, the Government only promised to set up a new employment service centre, to implement computerization programmes and to allocate additional funds to meet the expenditure on employee benefits, such as those relating to the compensation for workers suffering from pneumoconiosis and occupational deafness, maternity protection, year-end bonus and long service payment, with additional funds to be allocated to effect the changes proposed in the relevant legislation.

As regards assisting the unemployed in finding jobs, the Government promises that it will implement the recommendations made in the reports on the

reviews of the Vocational Training Council and on the Employees Retraining Scheme.

Can the above measures really solve the unemployment problem now faced by our workers? I do not think so.

Why not? The problem of unemployment currently haunting our workforce is one that arises from economic restructuring. The only solution lies in the implementation of the Employees Retraining Scheme.

Taking the Review of the Employees Retraining Scheme published in December last year as an example, I think some of its recommendations cannot solve the problem of unemployment at all. The most obvious one is the proposal to replace the existing retraining allowance with a new one. Under the new scale, the weekly allowance will be reduced from \$1,000 to \$500. This will dampen the desire of the unemployed to attend the retraining courses.

In fact, according to the Census and Statistics Department, among the 92 600 unemployed in Hong Kong, 63 200 are male and 29 400 are female. The unemployment rate for men is 3.2%, and that for women is 2.4%. Moreover, the unemployment rate for men with primary education is 3.7%, which is the highest among all groups with different education levels. However, over 80% of retrainees taking courses funded by the Employees Retraining Board are female. This is mainly attributed to the fact that men, as the breadwinner of their families, cannot afford the risk of having no income. They would rather take up undesirable jobs than taking retraining courses. Hence this recommendation is actually undermining the effectiveness of the retraining scheme. It was mentioned in the Budget that the Government will implement the recommendations made in the Review of the Employees Retraining Scheme. This runs contrary to what the ADPL has been requesting and is not addressing the root of the problem.

Other recommendations in the Review of the Employees Retraining Scheme include the phasing out of the existing on-the-job training programmes and the introduction of a placement-tied and performance-based payment system for training organizations. Most labour organizations, non-governmental organizations and the ADPL have criticized these recommendations as failing to get the unemployment problem solved. I am not going to elaborate on this issue

since all the relevant analyses, discussions and recommendations have been forwarded to the Government.

In connection with the labour issue in the Budget, the ADPL has asked for the setting up of the Unemployment Assistance for the Temporarily Unemployed. The purpose of this fund is to provide financial assistance to people who are out of work temporarily and involuntarily and to help them sustain a minimum living standard and more importantly, to help them switch to other fields of work.

However, the Budget is completely silent on the provision of assistance for the unemployed! Of course, the Government can say that the unemployed can apply for the CSSA, but the CSSA and the Unemployment Assistance for the Temporarily Unemployed proposed by the ADPL represent two entirely different concepts.

Lastly, Mr President, I would like to talk about the CSSA. Recently, the public and many political parties, including the ADPL, have been urging the Government to increase the CSSA for the elderly. Government officials, however, turned down the request with many excuses. In fact, with the recently announced fiscal reserve of more than \$150 billion, together with the Land Fund to be handed over after 1997, our total reserves and surplus amount to more than \$320 billion. The elderly are entitled to enjoying a fiscal dividend of our bountiful surplus. Given their advanced years, they are not expected to enjoy that dividend for long. I really cannot see any justification in not giving them something in return now. In fact, to put it bluntly, I think our society has exploited the elderly at the time when they were young.

A survey recently conducted by us in Shamshuipo shows that in that district, the CSSA paid to the elderly is so low that their normal daily needs cannot be satisfied. They suffer from malnutrition as a result of inadequate food, with substandard daily intakes of calories and calcium.

I would like to point out that, as a matter of fact, back in the 1960s, 1970s and 1980s when the elderly were in the prime of their life, they contributed a lot to Hong Kong. At that time, our society did not attach due importance to the provision of welfare services for the elderly. With no social welfare, such as

the CSSA, people really lived from hand to mouth and at the mercy of God. For various reasons, the elderly could not enjoy any welfare benefits when they were young. Of course, we cannot turn back the clock and there is nothing we can do about the past. The Government then was not willing to and could not afford to provide welfare services. Now that it is financially viable, why does the Government still behave like a miser? Why does it have to hurt the dignity of the elderly?

Recently, on various public occasions and through the media, many Government officials discussed and argued with political parties and groups of the elderly over an increase of \$300 in the monthly payment of the CSSA. Actually, such scenes hurt the elderly deeply. It looks as if they were begging for charity from the Government. I wonder if the Government realizes how hurtful these discussions can be. Actually, the amount of CSSA increase that the elderly fight for may be no more than the cost of a dinner for an average family. However, the discussions have made the elderly feel that they are being abandoned by their relatives or their children. How can our Financial Secretary bear to do it?

I so submit.

MR FRED LI (in Cantonese): Mr President, quite a number of Members have concentrated their speech on the Comprehensive Social Security Assistance (CSSA) payments for the elderly today. In the Budget debates in recent years, there has never been an occasion like ours today, where the discussion is focused on one topic. This reflects that the issue is of great concern to Members, regardless of their political background. I, as spokesman on the welfare policy of the Democratic Party, would centre my discussion on this issue today. Of course, I will not confine myself to the CSSA; services for the elderly will also be discussed.

We all know that the Government will have accumulated reserves of around \$350 billions at the end of this financial year. The wealth comes from the people, but those in abject poverty cannot share it. In fact, the Government suppressing expenditure on welfare, turning a deaf ear to the social needs and aggravating the disparity between the rich and the poor will upset social stability and lead to social unrest. This will indeed "wreck the car and destroy the life"!

Various tax allowances and concessions proposed in the Budget sound attractive and some people will be benefited. However, there is no commitment for the underprivileged. Although disparity between the rich and the poor is aggravating, the Government puts a brake on social welfare expenditure. Despite a continuous increase in this expenditure, compared with the past two years — I do not want to repeat it because as many colleagues have already mentioned it — such a regression is disappointing.

The past four years saw a surge in applications for the CSSA. The number of cases increased from 80 000 in late 1992 to 160 000 in late 1996, representing 100% increase within four years. This growth rate worries us. Although the Government forecasts that CSSA applications will keep on increasing by 20%, actual expenditure is estimated to be increased by 11% only, which is much lower than 38% in the previous year. This poverty-stricken team are leading a dog's life. They are so poor that they do not have enough food. However, the Government turns a blind eye to it and refuses to give a definition to "poverty line". The Government has implicitly refused to recognize the existence of poverty in our society. This makes us suspect that the Government has no sincerity to care about the underprivileged and to solve the problem of poverty.

Let us turn to the welfare for the elderly. In Paragraph 61, the Financial Secretary said, "The group for which this Council and the community have expressed the greatest concern is the elderly. We share this concern." In the Budget, it is announced that the Government will open 30 new social, day care or multi-services centres, provide five new nursing homes and an extra 1 546 residential care places in other facilities. However, these additional facilities are just to make up the shortfall in the past.

In fact, elderly services provided by the Government in the past few years have not missed the target laid down in the Five Year Plan For Social Welfare Development and there is a serious shortfall. If things go on like this, we can never fulfil the needs. Just take a look at the number of applicants on the waiting list for nursing homes. In 1995, there were more than 13 000 people waiting for places in nursing homes. In February 1997, the number of elderly people on the waiting list increased to more than 17 000 and the average waiting

time required was 30 months or more than two and a half years. Probably, quite a number of old people would have already died before their admission into nursing homes.

The Government merely repeats its slogan of caring for the elderly; it has not provided any assistance to them in terms of CSSA payments. The Government has turned a deaf ear to the community's strong request for increasing CSSA payments for the single elderly by \$300. Starting from 1 April 1997, CSSA payments for the single elderly is adjusted from \$1,935 to \$2,060 according to the inflation rate.

Paragraph 62 of the Budget is the only paragraph which has touched upon CSSA payments. However, it is only concerned about the relaxation of residence requirement for elderly people who retire to Guangdong. This has been discussed by many colleagues. Such an arrangement renders little assistance to the elderly as the problem lies in the medical fees to be borne by the old people in China. So far only 17 people have applied for it. We can see people's response to such an arrangement as there are only 17 applications among the 80 000 to 90 000 elderly CSSA recipients. In the Budget, there is only one paragraph to cover this arrangement.

In fact, as there is no retirement protection in Hong Kong, many workers belonging to the middle- and low-income groups have no protection when they get old and retire. Single elderly with no relatives to take care of them will be more miserable. Among the 160 000 applications for the CSSA, about 60% are elderly applicants. During the past five years, such applications have grown by more than 100%. This growth rate is higher than the rate of increase in the population of the elderly. It reflects that the problem of poverty suffered by the elderly has been aggravating.

A few days ago, some newspaper headlines read, "The elderly suffer from serious malnutrition due to low CSSA payments." An old man told a reporter that although he can afford normal food at the beginning of a month, he has to resort to very cheap meals at the end of it because he is usually penniless by then.

Mr President, what does the Government think after hearing so many Members' opinions concerning the adjustment of CSSA payments for the single elderly?

Assuming that there are 100 000-old people, an additional \$300 in the CSSA payments a month will cost the Government extra expenditure of only \$360 million a year. In the previous financial year, 1997-98, the surplus was \$15.1 billion. In addition to that, the Government has a revenue of \$11.8 billion from land sale at Siu Sai Wan. Compared with these figures, how trivial is \$360 million!

Mr President, in the opinion of the Democratic Party, the Government should increase the standard CSSA payments for the elderly even though the Government does not intend to increase the standard CSSA payments for all recipients. In similar vein, the Government should increase the standard CSSA payments even though it has no intention to increase rent allowance or special allowances because their daily expenditure is to be met by the CSSA payment. The elderly people have to face not only poor material life but also pressure of life and poor health. They have to face more problems than young people.

Finally, during the past few weeks after the Budget was published, the Financial Secretary has repeatedly said that he has fully consulted all political parties and Members of the Legislative Council. But he has never heard of our proposal to increase the CSSA payment by \$300. That is correct. But I want to point out what is more correct: regardless of the political party we come from, be it the Democratic Alliance for the Betterment of Hong Kong, the Hong Kong Federation of Trade Unions, the Hong Kong Confederation of Trade Unions, the Democratic Party, the 123 Democratic Alliance, the Hong Kong Association for Democracy and People's Livelihood, the Liberal Party and so on, we should support the proposal to increase the CSSA payment for the single elderly to \$2,700 or \$2,900. No matter which party has proposed it, the increase should be \$500 to \$800, instead of \$300. We have voiced this but the Secretary said that we have never said so and now the Government cannot do it. Is it ridiculous? We propose to increase more than \$300, not just \$300. Does it mean that a request for lesser increase will be entertained but a request for bigger increase will be put aside? I want to strongly respond to the Secretary's inequitable statement during the past few weeks. He said that we did not voice

our request for a \$300 increase in the CSSA payment and now it is too late to implement it, even for the year 1997-98. I find it difficult to accept his words. We earnestly want to support this Budget, especially during the transitional period. But the fact is that many of our friends as well as private organizations have conducted some surveys — surveys on poverty and the CSSA payment — which fully reflect that the elderly cannot make both ends meet and the CSSA payment cannot meet their expenditure. So we just echo the request of the public. In this Budget debate, we voice our opinion which is a strongly held consensus. If the Government does not make any commitment or any positive response, it is difficult to persuade Members of the Democratic Party to vote for it. It is difficult for the Government to face the public too. If we vote for it, it is doing injustice to ourselves. Next Wednesday, we will listen to the response of the Financial Secretary and the Secretary for the Treasury before we come to a finalized decision. That is the last chance of the Government and I hope that it will listen to our sincere request. We will find it hard to support the Budget if there is no response from the Government.

I so submit.

MR LEE CHEUK-YAN (in Cantonese): Mr President, this year's budget is undoubtedly unique. It straddles the transfer of sovereignty in 1997 and is unprecedentedly drawn up jointly by China and Britain. It is beyond doubt that this budget is extraordinary. However, it turns out to be a budget which cherishes the old and defective practices, and one which is grossly unsympathetic. In the speech of the Financial Secretary, words such as "prudence", "financially sound" and "continuity" appeared 31 times in total. Certainly, the Financial Secretary does not mind being criticized as conservative but the thing is, the so-called "virtues" of the Financial Secretary, such as being conservative, prudent, and laying stress on continuity are tantamount to being unsympathetic to members of the public.

In every policy address of the Governor or during visits of senior government officials in overseas countries, the distinguished economic achievements of Hong Kong will certainly be recounted as a rule. The *per capita* Gross Domestic Product (GDP) of Hong Kong, which stands at US\$25,000, ranks the fourth in the world, exceeding that of Britain and catching

up with the United States. Hong Kong also ranks the eighth in terms of the total trade value; the seventh in terms of the foreign exchange reserve and the eighth in terms of the market value of the securities market. We have the busiest container port and the third busiest international airport in the world. While these economic achievements deserve our recognition, the living standard of the people is equally important. Economic development should help improve the living standard of the people and not just turn the place into one where the most tycoons live. It is a pity that while the economic development of Hong Kong is comparable to that of a developed country, some people are leading lives in the "Third World" and worse still, the development in respect of social security in the territory even lags behind the Third World. This is indeed a disgrace to Hong Kong. Research surveys show that in Hong Kong 640 000 people are living below the poverty line, having difficulties even to cope with the basic necessities. There are over 220 000 people living on the Comprehensive Social Security Assistance (CSSA) and the number of them is increasing by 20% yearly. 180 000 people do not have adequate housing; 1.5 million of the population have education below Form Three; two-third of the working population lack retirement protection; and the working hours of local workers rank the fourth in the world. This is the picture of people's livelihood in Hong Kong.

It is against this background of increasing poverty that the Financial Secretary introduces this year's Budget. It is fairly clear that this budget seeks to hide the riches and ignore poverty. The Hong Kong Government has a reserve of over \$200 billion, and to be exact, it should be some \$300 billion. This year, we have a surplus of \$15 billion; the estimated surplus for 1996-97 is \$32 billion; and the surplus for the three fiscal years from 1997-98 to 2000-2001 will total \$58.9 billion. Mr President, could it be the principle of "living within our means" as suggested by the Financial Secretary? Could it be that our people will have to "tighten their belts" when our reserve has doubled because we have to build the Northwest Railway? The Government is "rolling in money" and yet, it has refused to increase expenditure for the improvement of the people's lot. The CSSA payment is to remain unchanged; whole-day schooling in primary schools will not be fully implemented in the foreseeable future; the growth in welfare expenditure is at an all-time low over the past six years; the one-off injection of \$500 million last year in the training of human resources marks the end of the Government's investment in this respect for the Government considers its obligation fulfilled. Surely, the Financial Secretary will, as usual, invoke his

"sacred rule" that public expenditure must not exceed economic growth. The huge surplus amassing every year proves that the government revenue has far exceeded expenditure. I have made some calculations and found that if this year's expenditure is to be increased by some \$20 billion so that the public expenditure will increase to 20% of the GDP from the existing 18%, the forthcoming budget will then be a balanced budget without surplus. Some people are of the view that deficit budgets have to be avoided in Hong Kong. Yet, a surplus budget is similarly undesirable. While it is not advisable to spend money in advance, it is also a misdeed that not a cent is spent.

Under the proposals in the Budget, the upper class is wreathed in smiles. For the middle class, what they lose will be more than what they gain. The grassroots are not in the least benefited. In lowering the wine duty the Treasury's income will be cut by \$100 million. The upper class, which has a fancy for wine, will obviously be wreathed in smiles (and on the day the Budget was unveiled this Council also broke into deafening cheers and perhaps we have become part of the upper-class circle). Reducing the wine duty is actually nothing serious but when the Financial Secretary refused to increase the CSSA payment for the elderly by \$300 while reducing the wine duty substantially, a marked contrast thus emerged: Behind the door of the rich family is the aroma of wine but on the road there are old people earning a living by collecting scraps. I learn from the newspaper that the Honourable David CHU has bought wine at a cost of \$1 million so behind the door of the CHU family there is certainly the aroma of wine. On the contrary, some single elderly people still have to pick cardboard or aluminium cans for resale to sustain their living. This is the reality. I do not oppose the reduction of wine duty at all because it is really not a cause for concern but why do we not do more for the elderly in Hong Kong? To those who is fancy of wine, lowering the wine duty makes perfection even more perfect. Nonetheless, increasing the CSSA payment is a timely relief for the poor. Now that the Financial Secretary is only minded to make perfection even more perfect with no intention to provide a timely relief for the poor. This is not only regrettable but also infuriating to the poverty-stricken elderly.

With regards to rates, although the Financial Secretary has made great play of a dividend for the community, rates will still be increased and in some cases, the increase is almost 20%. In addition, residents of some districts are required to pay government rents so they will have to shoulder a heavier burden next year. Some ratepayers will have to pay around 50% more for rates together with the

government rent. This will certainly add to the burden of owners and tenants of private housing and cause inflation to rise. Under the circumstance, the grassroots are surely not in the least benefited. On the whole, the measures on salaries tax in the budget are most praiseworthy. A widened tax band will alleviate the tax burden borne by the middle class but I would say that what they lose will eventually be more than what they gain because the Financial Secretary has not suggested any specific measure to contain property prices. Despite the tax reduction, they will have to put up with high rent and high mortgage repayment. This is the situation of the middle class. Even though they will pay less salaries tax, what do they actually gain in the end?

Mr President, I would very much like to vote for this year's budget on behalf of the Confederation of Trade Unions. Let me reiterate, just as the Honourable Fred LI has said earlier on, that the Confederation of Trade Unions and this Council, including most of the Members from the various political parties, as well as social service agencies and organizations which are concerned with the rights of the elderly, have all urged the Financial Secretary to increase the CSSA payment by \$300. While it means an increase in expenditure by over \$300 million next year, it is merely a drop in the ocean in view of the financial strength of Hong Kong. The Secretary for the Treasury has urged this Council to look at the budget as a whole but it is not my wish to see that in looking at the budget as a whole, we, Members of this Council, should sacrifice the well-being of 100 000 poverty-stricken elderly people. If we do not lend a helping hand even to them, this budget is, by any standard, fragmentary. Therefore, I urge Members of this Council to put it across to the Financial Secretary clearly that this Council will unanimously vote against the budget if the CSSA payment is not to be increased. Let us not just mention this only casually next Wednesday. That said, I certainly hope that this Council will vote for this budget unanimously and I myself would very much like to vote for it this year. So long as the Financial Secretary accepts good advice and takes the views of the majority of Legislative Councillors, then I could, for the first time, vote for the budget. I hope I will be able to vote for it.

I so submit. Thank you, Mr President.

MR AMBROSE LAU (in Cantonese): Mr President, while making the Medium Range Forecast in this year's Budget, the Financial Secretary envisaged that the Hong Kong Special Administrative Region Government would need to

contribute a sum in the region of \$50 billion in the next three years towards the construction of the high priority projects under the Railway Development Strategy. Unfortunately, the Financial Secretary did not mention anything about upgrading Hong Kong's industrial infrastructure and developing high-tech industries.

Mr President, as stated by the Financial Secretary in paragraph 41 of his Budget speech, funds have been earmarked for Phase I of the Science Park project and the second industrial technology centre. Moreover, investigation has been under way to look into the potential of a site in Tuen Mun for the fourth industrial estate. However, these piecemeal projects can in no way be used as a cover-up for the Government's prolonged failure to put in place a comprehensive plan on industrial development.

It is a pity, in particular, that in paragraph 27 of his Budget speech, the Financial Secretary strove hard to shift the responsibility of promoting the industrial development of Hong Kong off the shoulders of the Government and cover up the potential risks in the territory's hollow and unrooted industrial base. The Financial Secretary so stated, "The Government's job is to provide the right environment for business to grow. We do not pretend to be better at forecasting the nature and trends of market demand than businessmen risking their own capital. Unlike some others in Asia who were caught by the slump in the electronics industry, Hong Kong emerged in good shape from 1996."

Mr President, the Government's excuse for shirking its responsibility of developing new high-tech industries is specious. Indeed, some countries in Asia are experiencing an overdevelopment of their electronics industry. However, this phenomenon is no proof that the new and emerging industrial regions in Asia have taken a wrong path in industrial development. Thanks to the timely promotion of high-tech industrial development in the face of industrial restructuring, the new and emerging industrial regions in Asia have built up a high-tech and high value-added industrial base. As to the oversupply of certain products, this is only a problem of timely regulation of product structure. In the case of Hong Kong, there is indeed a lack of a high-tech and high value-added industrial base.

Mr President, without a strong high-tech and high value-added industrial base, Hong Kong will lose the strong pillar necessary for its stability and

prosperity. At present, the total value of the service industry accounts for 90% of the Gross Domestic Product (GDP) whereas that of the industries only accounts for 10%. With its heavy reliance on the service industry, Hong Kong economy hinges on external factors and the economic environment. It will be subject to a heavy blow should fluctuations in the economic environment arise.

As a valuable asset of Hong Kong economy, the service industry should of course be further developed. The property market, which is a pillar of Hong Kong economy, seems to have reached saturation. The Government's prolonged policy of high land premiums and property prices has brought about social crisis and aroused strong confrontational sentiments in society. As revealed by the potential crisis in the property market, if nothing is done to develop high-tech industries, the territory's service industry is bound to encounter difficulties in its course of development. For example, the serious structural displacement as a result of the swift slackening of the territory's manufacturing industry is the crux of the problem of poverty and the worsening of public order in the territory as well as the major factor conducive to the uncontrolled increase in the territory's welfare spending such as the expenditure on payments under the Comprehensive Social Security Assistance (CSSA) on account of unemployment.

Mr President, as pointed out by many people who show concern for the territory's industrial development, Hong Kong is in a position to develop high-tech and new industries for several reasons. First, Hong Kong boasts of a sound and well-developed financial system. Second, the territory is equipped with an advanced information industry. Third, Hong Kong has strong potentials to open up new markets. Comparatively speaking, what Hong Kong lacks at present is technological research but China has advanced technological and research developments. What China lacks are exactly the three assets that give Hong Kong an edge. Therefore, what Hong Kong can do now is to take advantage of these favourable conditions and establish a complementary relationship with China. With enhanced co-operation with China, the territory is hopeful of a smooth evolution towards a restructured economy. During the last restructuring of the economy, Hong Kong made use of the cheap land and labour available in mainland China to facilitate its move from a manufacturing base to a service base. Now that Hong Kong industries are caught in a difficult position, Hong Kong can make use of the technological advances in China to promote technological development in industries.

Mr President, as Singapore, Korea, Taiwan, and other new and emerging industrial countries and regions have for long attached much importance to the upgrading of industrial infrastructure, they have already set up a base for high-tech and new industries. Since its independence in 1965, Singapore, by providing various incentives, has successfully attracted large multi-national enterprises to invest and set up offices there. As a result, many large electronics enterprises came huddling in Singapore, making the place a production base for high-tech products. As for Korea, within the 30 years from 1962 to 1992, the country spent US\$7 billion to import over 8 000 high-tech items from foreign countries. Korea's investment in technological development has amounted to 3.5% of its Gross National Product (GNP), similar to those of the United States of America and Japan. The Korean Government even undertook that the investment in technology made by the Government and the community would account for 5% of GNP by 2001. However, in the case of Hong Kong, funds earmarked for technological development at present only take up a few thousandths of the territory's GDP, reflecting a gross neglect on the part of the Government for the development of high-tech industries. As for Taiwan, a technological park was set up in Hsinchu as early as 18 years ago. By providing five-year tax-free incentive and government subsidies for the research and development of high-tech products, many technological professionals were attracted to start their businesses in the technology park. As a result, Taiwan developed a leading edge in the development of personal computers and semi-conductors in the past two decades. As compared with the other three dragons in Asia, Hong Kong has missed the opportunity of developing high-tech and new industries. The stagnation in the territory's industrial development is closely related to the Government's excuse of positive non-intervention policy.

Mr President, on the economic front, the Budget has neglected technological development. On the livelihood issue, it has paid little attention to taking care of our people in the middle-income bracket. In the new financial year, people making \$51,300 a month (that is, an annual income of \$616,000 or above) will not benefit from the increase in various kinds of allowances and the revised marginal tax bands. However, people in the middle-income bracket who earn a monthly income of \$50,000 to \$60,000 are the pillars of the territory's economy. Many of them are engineers and professionals in different fields. According to the report published by the Census and Excise Department in January this year, the gap between the rich and the poor is enlarging, with the

rich getting richer, and the poor getting poorer. Moreover, members of the middle-income class may slip into the low-income bracket. The report also indicated that the disposable income of the middle-income group has dropped. Such phenomenon is attributed to the fact that the tax system is unfair to the middle-income class, who have to shoulder heavy tax and hence their actual income is reduced. Moreover, they are not entitled to public housing or the home ownership schemes. Since the number of flats provided under the Sandwich Class Housing Scheme is very small, most middle-income families have to pay exorbitant rents or buy expensive private property.

Mr President, in order to relieve the middle-income families of the burden of mortgage repayment, the Hong Kong Progressive Alliance (the Alliance) wrote to the Governor in 1995, urging the Government to consider providing Salaries Tax concessions for mortgage interest for first-time home buyers. Regrettably, the proposal was not adopted. Its grounds for not accepting the Alliance's proposal were insufficient. Reasons given included: the proposal, if implemented, would complicate the tax system and there would be practical difficulties in identifying first-time home buyers. In fact, all these difficulties can be overcome. As to the Government's claim that if tax concession was provided to first-time home buyers, it would be unfair to other taxpayers and home-buyers who did not need to take out a mortgage, I think that such an argument does not hold because those who need not take out a mortgage are those who are well off and they do not need the tax concession provided by the Government. As for second-time home buyers or those who have bought and sold flats for many times, they may have already benefited from the soaring property prices. Therefore, the proposal to provide tax concession for mortgage interest for first-time home buyers belonging to the middle-income bracket deserves due consideration by the Government. As for other livelihood issues, in particular the increase in the allowance for the elderly under the CSSA scheme, the Honourable CHOY Kan-pui has spoken on them on behalf of the Alliance and I am not going to repeat.

Mr President, these are my remarks.

SUSPENSION OF SITTING

PRESIDENT (in Cantonese): In accordance with Standing Orders, I now suspend the Sitting until 2.30 pm tomorrow.

Suspended accordingly at four minutes to Eight o'clock.

Note: The short titles of the Bills/motions listed in the Hansard, with the exception of the Administration of Justice (Miscellaneous Provisions) (No.2) Bill 1997, Transfer of Sentenced Persons Bill, Auxiliary Medical Service Bill, Civil Aid Service Bill, Noise Control (Amendment) Bill 1997, Merchant Shipping (Collision Damage Liability and Salvage) Bill and Appropriation Bill 1997, have been translated into Chinese for information and guidance only; they do not have authoritative effect in Chinese.