



DAILY INFORMATION BULLETIN

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FS STRESSES IMPORTANCE OF MAINTAINING FINANCIAL STRENGTH

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, TODAY (WEDNESDAY) SAID THAT IN FRAMING HIS BUDGETARY PROPOSALS, HE HAS BEEN ACUTELY AWARE OF THE NEED TO MAINTAIN HONG KONG'S FINANCIAL STRENGTH SO AS TO ENABLE THE TERRITORY TO MEET ITS COMMITMENTS IN THE YEARS AHEAD WITHOUT UNDUE STRAIN.

"NO BUDGET SHOULD BE JUDGED EXCLUSIVELY BY REFERENCE TO ITS SHORT-TERM IMPACT. THE LONGER TERM IS GENERALLY OF MUCH GREATER IMPORTANCE," SAID SIR PIERS IN PRESENTING HIS BUDGET FOR 1991-92 TO THE LEGISLATIVE COUNCIL.

SIR PIERS RECALLED THAT WHEN HE PRESENTED HIS BUDGET LAST YEAR HE DREW ATTENTION TO THE FACT THAT THE INTERNATIONAL SCENE WAS CHANGING SWIFTLY AND DRAMATICALLY.

"SINCE THAT TIME, EVENTS ACROSS THE WORLD HAVE INTRODUCED AN EVEN HIGHER DEGREE OF UNCERTAINTY.

"WHILST THERE IS OFTEN LITTLE WE CAN DO TO ALTER THE COURSE OF EXTERNAL EVENTS, I WOULD NOT FOR ONE MOMENT WISH TO SUGGEST THAT WE ARE TOTALLY UNABLE TO GUIDE OUR OWN DESTINY," HE SAID.

SIR PIERS POINTED OUT THAT HONG KONG REMAINED ITS STRONG AND RESILIENT SELF, BUT IN AN UNCERTAIN WORLD IT WAS VITAL THAT THE TERRITORY MAINTAINED THE STRENGTH OF ITS FINANCIAL POSITION SO THAT IT COULD FACE THE FUTURE WITH CONFIDENCE.

"I HAVE REPEATEDLY STRESSED THE IMPORTANCE THAT WE PLACE UPON CONTROLLING THE GROWTH OF PUBLIC EXPENDITURE.

"WE MUST CONTINUE TO MANAGE OUR RESOURCES WITH PRUDENCE AND REALISM. NOT ONLY MUST WE KEEP OUR PUBLIC EXPENDITURE UNDER CONTROL; WE MUST ALSO OBTAIN VALUE FOR MONEY.

"THE CONTROL OF PUBLIC EXPENDITURE IS, FURTHERMORE, ONE WAY IN WHICH THE GOVERNMENT CAN PLAY ITS PART IN THE FIGHT AGAINST INFLATION," SIR PIERS SAID.

IN THE LIGHT OF THIS, THE FINANCIAL SECRETARY SAID HE HAD THEREFORE ALTERED THE STRUCTURE OF HIS SPEECH THIS YEAR AND WOULD DEVOTE THE FIRST PART TO THE CONTROL OF PUBLIC EXPENDITURE, EXPLAINING HOW FINANCIAL DISCIPLINE WAS IMPOSED ON THE PUBLIC SECTOR THROUGH BUDGETARY GUIDELINES AND DESCRIBING THE MECHANISMS THAT HAD BEEN ADOPTED, WITH SOME CONSIDERABLE SUCCESS.

"GIVEN THE LEVEL OF OUR RECURRENT COMMITMENTS AND THE AMBITIOUS CAPITAL PROGRAMME WE HAVE SET OURSELVES, IT IS ESSENTIAL THAT WE PLAN CAREFULLY SO THAT THE REQUISITE RESOURCES ARE AVAILABLE AS WE NEED THEM," HE SAID.

/SIR PIERS

SIR PIERS SAID HE WOULD, AS USUAL, COMMENT ON HONG KONG'S ECONOMIC PERFORMANCE FOR THE PAST YEAR AND THE PROSPECTS FOR THIS YEAR.

"FORECASTING THE PERFORMANCE OF HONG KONG'S DYNAMIC ECONOMY IS NEVER EASY, AND IN THE CURRENT WORLD SITUATION IT IS NOW PARTICULARLY DIFFICULT," HE SAID.

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FS OUTLINES CONTROL GUIDELINES FOR PUBLIC EXPENDITURE

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, IN HIS BUDGET FOR 1991-92 PRESENTED TODAY (WEDNESDAY), SET OUT IN SOME DETAIL THE WAYS IN WHICH THE GOVERNMENT REACHED DECISIONS ABOUT THE LEVELS OF PUBLIC EXPENDITURE.

SIR PIERS ALSO DESCRIBED THE VARIOUS PROCEDURES DEVELOPED TO ENSURE THAT GOVERNMENT RESOURCES WERE PRUDENTLY AND EFFECTIVELY ALLOCATED AND THAT IT WAS GETTING VALUE FOR MONEY.

HE SAID FUNDAMENTAL TO THE BUDGETARY STRATEGY WAS THE PRINCIPLE THAT THE PUBLIC SECTOR MUST NOT BE ALLOWED TO ABSORB TOO GREAT A SHARE OF HONG KONG'S ECONOMIC RESOURCES, OTHERWISE THE PRIVATE SECTOR WOULD BE LESS ABLE TO GENERATE THE WEALTH ON WHICH THE TERRITORY'S WELL-BEING DEPENDED.

IN APPLYING THIS PRINCIPLE, THE GOVERNMENT HAD ALWAYS USED THE GROSS DOMESTIC PRODUCT (GDP) AS A MEASURE OF THE SIZE OF HONG KONG'S ECONOMY, HE SAID.

"IF WE ARE TO KEEP THE PUBLIC SECTOR WITHIN BOUNDS, THEN PUBLIC EXPENDITURE SHOULD ONLY BE ALLOWED TO GROW BROADLY IN LINE WITH THE GROWTH IN GDP.

"I SHOULD ADD THAT, IN THIS CONTEXT, PUBLIC EXPENDITURE COMPRISES THE TOTAL EXPENDITURE - CAPITAL AS WELL AS RECURRENT - OF THE GOVERNMENT, THE HOUSING AUTHORITY AND THE URBAN AND REGIONAL COUNCILS," HE SAID.

SIR PIERS SAID IT WAS NOT PRACTICABLE TO KEEP THE GROWTH RATE OF PUBLIC EXPENDITURE PRECISELY IN LINE WITH THAT OF GDP, NOR WAS IT NECESSARY OR DESIRABLE TO DO SO.

"IT IS INEVITABLE THAT HEAVY CAPITAL EXPENDITURE WILL FOR A TIME TAKE US SOMEWHAT BEYOND OUR GUIDELINES.

"NEVERTHELESS, WE AIM TO CONTROL PUBLIC EXPENDITURE, PARTICULARLY RECURRENT EXPENDITURE, SO THAT, OVER A PERIOD OF YEARS, THE GROWTH RATE IN GDP AND THE GROWTH RATE IN PUBLIC EXPENDITURE REMAIN CLOSE TOGETHER.

/"THIS DISCIPLINE

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"THIS DISCIPLINE APPLIES EVEN WHEN WE ARE RUNNING SUBSTANTIAL SURPLUSES. IN THIS WAY, OUR EXPENDITURE PROGRAMMES CAN BE SENSIBLY MANAGED WITHOUT SUFFERING UNDULY FROM THE EFFECTS OF A STOP-GO CYCLE," HE SAID.

THE FINANCIAL SECRETARY SAID THE GOVERNMENT'S EXPENDITURE PLANNING WAS THEREFORE BASED ON TRENDS, AND NOT ON YEAR TO YEAR FLUCTUATIONS IN ECONOMIC PERFORMANCE, AND THE KEY INDICATOR WAS THE TREND GROWTH RATE IN GDP.

"ALTHOUGH OUR ASSUMED RATE IS REVIEWED FROM TIME TO TIME, IT IS NOT ADJUSTED WHEN FACTORS APPEAR THAT ARE LIKELY TO HAVE ONLY A SHORT TERM EFFECT," HE SAID.

"ONCE WE HAVE DECIDED ON A TREND GROWTH RATE FOR GDP WE CAN BEGIN TO PLAN OUR PROGRAMME OF EXPENDITURE.

"IN BRIEF, EXPENDITURE IS DETERMINED BY WHAT THE ECONOMY CAN AFFORD AND NOT SOLELY BY THE AMOUNT OF MONEY WE HAVE AVAILABLE.

"THUS, SOMETIMES IT WILL BE APPROPRIATE TO ADD TO OUR RESERVES, AS WE HAVE BEEN DOING IN RECENT YEARS; AT OTHER TIMES IT WILL BE APPROPRIATE TO DRAW ON THEM TO SOME EXTENT."

SIR PIERS SAID USING THE GDP TREND GROWTH RATE ASSUMPTION, THE GOVERNMENT PROJECTED OVER A LONG PERIOD OF YEARS THE LEVEL OF PUBLIC EXPENDITURE IT COULD ALLOW CONSISTENT WITH THE PRINCIPLE THAT EXPENDITURE SHOULD GROW IN LINE WITH THE GROWTH IN THE ECONOMY.

THIS FIRST PART OF THE EXERCISE PROVIDED USEFUL PLANNING PARAMETERS, BUT IT DID NOT OF ITSELF SET EXPENDITURE LIMITS, HE SAID.

THE FINANCIAL SECRETARY WENT ON TO EXPLAIN REVENUE AND ITS PLACE IN THE BUDGETARY PLANNING PROCESS, SAYING THAT GENERALLY, THE GOVERNMENT AIMED TO ADJUST RATES OF DUTY, FEES AND CHARGES TO MAINTAIN THEIR REAL YIELD, AND PERIODICALLY REVIEWED TAX THRESHOLDS IN THE LIGHT OF INFLATION.

THE GOVERNMENT ALSO SOUGHT TO MAINTAIN RECURRENT REVENUE AT LEVELS WHICH WOULD COVER THE RECURRENT EXPENDITURE, PRODUCE A SURPLUS SUFFICIENT TO FINANCE AT LEAST HALF THE CAPITAL EXPENDITURE, AND ALLOW THE GOVERNMENT TO MAINTAIN ITS RESERVES AT AN ADEQUATE LEVEL, HE SAID.

"MOST OF OUR SOURCES OF REVENUE ARE DIRECTLY AFFECTED BY THE PERFORMANCE OF THE ECONOMY," HE SAID.

"IN YEARS OF STRONG ECONOMIC GROWTH OUR REVENUE YIELD IMPROVES. BUT IN LINE WITH THE PRINCIPLE I HAVE STATED, OUR EXPENDITURE WILL STILL BE LIMITED TO THE TREND GROWTH IN THE ECONOMY.

"HENCE THE HIGHER REVENUE YIELDS NORMALLY RESULT IN BUDGET SURPLUSES.

"CONVERSELY, WHEN ECONOMIC GROWTH IN A PARTICULAR YEAR IS BELOW THE TREND WE DO NOT AUTOMATICALLY REDUCE OUR EXPENDITURE.

/"THE LOWER

"THE LOWER REVENUE YIELDS ARE THEREFORE REFLECTED IN SMALLER SURPLUSES OR EVEN IN BUDGET DEFICITS."

THE NEXT STAGE IN THE BUDGETARY PLANNING PROCESS WAS THE PREPARATION OF THE MEDIUM RANGE FORECAST, SIR PIERS SAID.

THIS FORECAST COVERED A FIVE YEAR PERIOD, A SHORTER AND MORE MANAGEABLE PERIOD THAN THAT USED IN THE INITIAL PROJECTION, AND WAS THUS MORE PRECISE, AND SET SPENDING LIMITS WHICH THE GOVERNMENT AIMED TO OBSERVE, HE SAID.

HE ADDED THAT RECURRENT EXPENDITURE AND CAPITAL EXPENDITURE WERE CONSIDERED SEPARATELY ALTHOUGH, AT THE END OF THE DAY, IT WAS TOTAL PUBLIC EXPENDITURE THAT MATTERED. THE INITIAL SEPARATE CONSIDERATION RECOGNISED THE DIFFERENT NATURE AND PATTERN OF THE TWO KINDS OF EXPENDITURE.

IN BUILDING UP THE MEDIUM RANGE FORECAST FOR RECURRENT EXPENDITURE, SIR PIERS SAID: "WE BEGIN BY CALCULATING THE COST, OVER THE PERIOD OF THE FORECAST, OF MAINTAINING THE EXISTING LEVEL OF PUBLIC SERVICES AND OF MEETING INCREASED DEMAND FOR THEM.

"WE THEN MAKE ALLOWANCE FOR THE ADDITIONAL COST OF OPERATING NEW FACILITIES WHICH WILL COME INTO USE IN THAT PERIOD, AND THE COST OF NEW OR IMPROVED SERVICES AND POLICIES WHICH HAVE ALREADY BEEN AGREED.

"THIS PART OF THE FORECAST SHOWS THE LEVEL OF EXPENDITURE OVER THE NEXT FEW YEARS WHICH, IN THE ABSENCE OF MAJOR SAVINGS IN EXISTING PROGRAMMES, IS PROBABLY UNAVOIDABLE IF WE ARE TO CONTINUE TO PROVIDE THE SERVICES TO WHICH WE ARE COMMITTED.

"THE RESULTS ARE THEN TESTED AGAINST OUR LONG TERM PLANS IN ORDER TO ENABLE US TO JUDGE THE EXTENT TO WHICH FURTHER EXPENDITURE ON NEW OR IMPROVED SERVICES CAN BE ALLOWED."

HE SAID A SIMILAR PROCESS WAS FOLLOWED IN RELATION TO CAPITAL EXPENDITURE, IN PARTICULAR FOR PUBLIC WORKS.

"AS A FIRST STEP, WE ASSESS THE COST OF COMPLETING THE CAPITAL PROJECTS WHICH ARE ALREADY UNDER WAY OR COMMITTED.

"THE LEVELS OF EXPENDITURE DERIVED FROM THIS ASSESSMENT ARE COMPARED WITH OUR LONG TERM PROJECTIONS.

"THE DIFFERENCE BETWEEN THE TWO SETS OF FIGURES INDICATES THE SCOPE FOR ALLOWING NEW PROJECTS TO BE FINANCED."

SIR PIERS SAID FOR BOTH RECURRENT AND CAPITAL EXPENDITURE, THE BALANCE OF FUNDS AVAILABLE WAS THEN ALLOCATED TO NEW PROJECTS AND SERVICES BY MEANS OF AN ANNUAL RESOURCE ALLOCATION EXERCISE, A SYSTEM WHICH WAS INTRODUCED ABOUT FIVE YEARS AGO.

TO IMPLEMENT THIS SYSTEM, THE GOVERNMENT HAD ESTABLISHED WHAT HAD BECOME KNOWN AS THE STAR CHAMBER.

"THE EXERCISE INVOLVES THE CHIEF SECRETARY AND MYSELF, ALL THE POLICY SECRETARIES AND THROUGH THEM THE HEADS OF DEPARTMENTS," SIR PIERS SAID.

"POLICY SECRETARIES ARE ABLE TO ARGUE THEIR CASE FOR NEW SERVICES AND PROJECTS, BUT THEIR ARGUMENTS MUST INCLUDE AN ASSESSMENT OF THE LONG TERM FINANCIAL IMPLICATIONS OF EACH PROPOSAL.

"RESOURCE ALLOCATION IS THUS AN IMPORTANT PART OF THE WHOLE PROCESS, CONDUCTED AT THE HIGHEST LEVEL WITHIN THE ADMINISTRATION."

HE SAID NOT SURPRISINGLY, THE COST OF ALL THE PROPOSALS PUT FORWARD INVARIABLY EXCEEDED THE BALANCE OF FUNDS AVAILABLE, USUALLY BY AN EMBARRASSING ORDER OF MAGNITUDE, AND SO IT WAS NECESSARY TO DETERMINE PRIORITIES.

"THIS IS THE MAIN FUNCTION OF THE RESOURCE ALLOCATION EXERCISE," SIR PIERS SAID.

HOWEVER THE FINANCIAL SECRETARY POINTED OUT THAT IN 1990 THE GOVERNMENT DECIDED TO EXTEND ITS SCOPE BY LINKING IT TO THE ONGOING ATTACK ON RECURRENT EXPENDITURE AND TO VALUE FOR MONEY STUDIES.

HE SAID IN HIS SPEECH LAST YEAR, HE EMPHASISED THE NEED TO LOOK PRIMARILY TO BASELINE EXPENDITURE, THAT WAS, THE COST OF EXISTING SERVICES, IN ORDER TO ACCOMMODATE IMPROVEMENTS AND NEW SERVICES.

"THIS IS NOW BEING DONE.

"IT HAS REQUIRED AN IMAGINATIVE, CRITICAL AND RADICAL LOOK AT ALL EXISTING SERVICES, WITH THE ACTIVE INVOLVEMENT OF EVERY DEPARTMENT AND POLICY BRANCH.

"THE STARTING POINT IS A GENERAL REVIEW OF EXISTING BASELINES, IN WHICH WE IDENTIFY THOSE AREAS WHERE WE WANT SOME EXPANSION, THOSE WHERE WE LOOK FOR ZERO GROWTH, AND FINALLY THOSE WHERE NEGATIVE GROWTH SHOULD BE IMPOSED."

THUS, THE STAR CHAMBER'S ROLE IN THE ALLOCATION OF NEW RESOURCES HAD BEEN EXPANDED TO INCORPORATE A SYSTEMATIC EXAMINATION OF AREAS WHERE SAVINGS COULD BE ACHIEVED AND PRODUCTIVITY INCREASED, HE SAID.

"IDEAS MAY FLOW FROM THE STAR CHAMBER ITSELF, OR FROM POLICY SECRETARIES OR FROM HEADS OF DEPARTMENTS.

"WHERE APPROPRIATE, THOSE IDEAS ARE PURSUED THROUGH VALUE FOR MONEY STUDIES.

"SOME 200 ITEMS ARE PRESENTLY ON THE ACTIVE LIST," THE FINANCIAL SECRETARY SAID.

HE SAID VALUE FOR MONEY STUDIES WERE CONDUCTED BY FINANCE BRANCH AND CONTINUED TO TARGET SPECIFIC ACTIVITIES OR SOMETIMES THE FUNCTIONS OF A WHOLE DEPARTMENT. AS A RESULT OF THESE STUDIES, MORE THAN 2,500 POSTS HAD BEEN DELETED SINCE 1988.

ON LEGCO MEMBERS' COMMENTS ON THE NEED TO ADOPT MODERN TECHNOLOGY IN THE INTERESTS OF INCREASING PRODUCTIVITY IN THE PUBLIC SECTOR, SIR PIERS AGREED THAT TECHNOLOGY COULD PROVIDE YET ANOTHER MEANS OF CONTROLLING EXPENDITURE GROWTH AND OF ACHIEVING GREATER VALUE FOR MONEY.

"AMONGST THE BENEFITS THAT MAY BE REALISED ARE BETTER STAFF PRODUCTIVITY, IMPROVED SHARING OF INFORMATION, A MORE RAPID RESPONSE IN RELATION TO EXISTING SERVICES, AND OPPORTUNITIES TO MEET DEMANDS FOR AN INCREASING RANGE OF SERVICES OF ENHANCED QUALITY.

"THE PRODUCTS USED IN THIS ENDEAVOUR RANGE FROM PERSONAL COMPUTERS TO AN AIRCRAFT RECOVERY TRANSPORT SYSTEM, WHICH WAS DESIGNED IN HONG KONG AND IS THE FIRST OF ITS TYPE IN THE WORLD," HE SAID.

HE SAID OVER THE PAST FEW YEARS, PROCEDURES GOVERNING THE ACQUISITION OF OFFICE EQUIPMENT HAD BEEN SIMPLIFIED TO ENCOURAGE CONTROLLING OFFICERS TO CONSIDER ALTERNATIVES OFFERED BY MODERN AND DEVELOPING TECHNOLOGY. AS A CONSEQUENCE, INCREASES IN DEMAND AND IMPROVED SERVICES DID NOT NECESSARILY RESULT IN STAFF INCREASES.

A STRATEGIC APPROACH TO INFORMATION SYSTEMS WAS BEING PROMOTED THROUGHOUT THE ADMINISTRATION, AND THE INFORMATION TECHNOLOGY SERVICES DEPARTMENT HAD BEEN CONSIDERABLY STRENGTHENED TO TAKE ON THIS TASK.

"BY WAY OF ILLUSTRATION, WE NOW HAVE SOME 160 MAJOR SYSTEMS RUNNING ON 21 MAINFRAME COMPUTERS AND 80 MINICOMPUTERS," SIR PIERS SAID.

"OVER 4,200 MICROCOMPUTERS HAVE BEEN INSTALLED IN DEPARTMENTS SINCE 1987 TO PROVIDE ADMINISTRATIVE AND OPERATIONAL SUPPORT. FAX MACHINES ARE NOW THE NORM."

HE SAID OVERALL, THE RESULTS HAD BEEN ENCOURAGING AND THE SAVINGS WERE SIGNIFICANT, WITH CONTROL OVER EXPENDITURE BEING COMPREHENSIVELY ASSERTED.

"OVER HALF OF ALL GOVERNMENT DEPARTMENTS WILL HAVE THEIR ESTABLISHMENTS FOR 1991-92 HELD AT OR BELOW THE CURRENT YEAR'S REVISED LEVELS. THE DEPARTMENTS INVOLVED ACCOUNT FOR 84,000 POSTS OUT OF A SERVICE TOTALLING 161,000.

"IN THE COMING YEAR, THE CIVIL SERVICE WILL GROW BY ONLY 0.8 PER CENT, FROM 161,000 TO 162,000," HE SAID, ADDING THAT THESE FIGURES RELATED TO ESTABLISHMENT, THAT WAS, THE NUMBER OF APPROVED POSTS, AND NOT TO STRENGTH, OR THE NUMBER OF ACTUAL BODIES IN POST.

SIR PIERS SAID ANY REDUCTION IN THE EXISTING FIVE PER CENT VACANCY LEVEL WOULD, OF COURSE, INCREASE THE ACTUAL NUMBERS EMPLOYED. NEVERTHELESS, THE FIGURES SHOWED THAT THE GOVERNMENT HAD A FIRM GRIP ON THE SIZE OF THE SERVICE.

THE FINANCIAL SECRETARY FURTHER OUTLINED THE VARIETY OF APPROACHES THE GOVERNMENT HAD ADOPTED IN THE WHOLE PROCESS.

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IMPROVEMENTS IN PRODUCTIVITY HAD BEEN MADE IN THE ELECTRICAL AND MECHANICAL SERVICES DEPARTMENT; A MECHANISED LETTER SORTING SYSTEM HAD BEEN INSTALLED IN THE POST OFFICE; VARIOUS URBAN SERVICES - ABATTOIRS, MARKET CLEANSING AND STREET SWEEPING - WERE TO BE CONTRACTED OUT, AS WAS THE MANAGEMENT OF THE ABERDEEN TUNNEL; AND RADIO TELEVISION HONG KONG AND THE CITY AND NEW TERRITORIES ADMINISTRATION WERE BEING STREAMLINED.

"THESE ARE JUST A FEW EXAMPLES," SIR PIERS SAID.

"BUT THEY INVOLVE ESTIMATED ANNUAL SAVINGS OF SOME \$400 MILLION, NEARLY ALL TO BE SECURED WITHOUT ANY DIMINUTION OR DETERIORATION IN SERVICES."

THE FINANCIAL SECRETARY SAID THE GOVERNMENT HAD ACHIEVED MUCH BUT THERE WAS STILL A LOT TO BE DONE AND THE GOVERNMENT MUST THEREFORE CONTINUE WITH THE TASK.

HE PAID TRIBUTE TO ALL SECRETARIES, HEADS OF DEPARTMENTS AND THEIR STAFF, AND TO THE CIVIL SERVICE GENERALLY, FOR THEIR WHOLEHEARTED CO-OPERATION AND PARTICIPATION THROUGHOUT.

"WE COULD NOT HAVE ENJOYED THE MEASURE OF SUCCESS WE HAVE ACHIEVED SO FAR WITHOUT THEIR HELP, AND WE WILL NEED THEIR SUSTAINED SUPPORT AND ASSISTANCE IF WE ARE TO MAINTAIN AND STRENGTHEN FINANCIAL DISCIPLINE IN THE PUBLIC SERVICE," HE SAID.

"I ALSO GRATEFULLY ACKNOWLEDGE THE FORBEARANCE OF MEMBERS OF THIS COUNCIL IN NOT BEING TOO DEMANDING FOR ADDITIONAL GOVERNMENT EXPENDITURE," HE ADDED.

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STRONG FINANCIAL BASE MAKES POSSIBLE MAJOR INFRASTRUCTURAL PLAN

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THE GOVERNMENT WILL CONTINUE TO FINANCE ITS CAPITAL PROGRAMME FROM OPERATING SURPLUS AND CAPITAL REVENUE TO THE EXTENT THAT IT IS POSSIBLE TO DO SO, BUT IT IS CLEAR THAT THE GOVERNMENT WILL FOR A TIME NEED TO LOOK ELSEWHERE FOR ADDITIONAL RESOURCES, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY (WEDNESDAY).

THE FINANCIAL SECRETARY, IN PRESENTING HIS 1991-92 BUDGET, SAID THAT THE GOVERNMENT PLANNED AND CONTROLLED PUBLIC EXPENDITURE WITHIN ITS BUDGETARY GUIDELINES AND AIMED, OVER A PERIOD OF YEARS, TO ENSURE THAT THE TREND GROWTH RATE IN EXPENDITURE DID NOT EXCEED THE TREND GROWTH RATE IN GDP.

"BECAUSE OF THIS STRUCTURED AND CONTROLLED APPROACH TO EXPENDITURE, AND BECAUSE OF SOUND FINANCIAL MANAGEMENT GENERALLY, WE HAVE BUILT UP A FINANCIAL POSITION WHICH MANY OTHER ECONOMIES MIGHT ENVY," SIR PIERS SAID.

/"IT IS

"IT IS BECAUSE WE HAVE SUCH A STRONG FINANCIAL BASE THAT WE ARE ABLE TO CONTEMPLATE THE MAJOR INFRASTRUCTURAL BUILDING PROGRAMME THAT LIES AHEAD OF US."

EXPLAINING HIS STRATEGY FOR FINANCING THE OVERALL PROGRAMME OF CAPITAL WORKS, THE FINANCIAL SECRETARY POINTED OUT THAT WE WERE STILL AT THE PRELIMINARY STAGES OF A LONG TERM PROGRAMME, BEGINNING WITH THE NEW AIRPORT PROJECT AT CHEK LAP KOK.

"WHILST PRIORITY IS BEING GIVEN TO THE AIRPORT, I SHOULD STRESS THAT WE HAVE ALSO MADE PROVISION FOR A HIGH LEVEL OF INVESTMENT IN OTHER MAJOR INFRASTRUCTURAL AREAS - THE PORT, THE ENVIRONMENT, WATER SUPPLY, AND TRANSPORT.

"AND WE ARE CONTINUING TO INVEST SUBSTANTIALLY IN OTHER PROGRAMME AREAS SUCH AS EDUCATION, SOCIAL SERVICES AND NEW TOWNS DEVELOPMENT," THE FINANCIAL SECRETARY SAID.

"THAT SAID, THE CONSTRUCTION OF THE NEW AIRPORT AND THE RELATED TRANSPORT INFRASTRUCTURE DOES INVOLVE A LARGE FINANCIAL COMMITMENT.

"I DO NOT THINK I NEED ELABORATE YET AGAIN UPON THE ARGUMENTS FOR PROCEEDING; THE IMPORTANCE OF THE NEW AIRPORT TO THE CONTINUED ECONOMIC GROWTH OF HONG KONG IS, I KNOW, FULLY UNDERSTOOD BY THIS COUNCIL.

"WHEN COMPLETED, THE AIRPORT WILL BRING LONG-TERM BENEFITS FAR GREATER THAN THE COST OF THE INVESTMENT," HE SAID.

THE FINANCIAL SECRETARY SAID THE IMPORTANCE OF THE NEW AIRPORT WAS SUCH AS TO JUSTIFY ACCEPTING THE LEVEL OF CAPITAL EXPENDITURE ENVISAGED AND, FOR A LIMITED PERIOD OF TIME; DEVIATING FROM THE GOVERNMENT'S BUDGETARY GUIDELINES TO DO SO.

"WE WILL ENSURE THAT OBSERVANCE OF THE GUIDELINES IS REINSTATED ONCE EXPENDITURE HAS PEAKED," HE STRESSED.

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HK'S RESERVES TO STAND AT HISTORICALLY HIGH FIGURE

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HONG KONG'S RESERVES ARE EXPECTED TO STAND AT AN HISTORICALLY HIGH FIGURE OF \$72.7 BILLION AT THE END OF 1990-91, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY (WEDNESDAY).

"BASED ON THE DRAFT ESTIMATES, AND AFTER REVENUE MEASURES, THE RESERVES AT THE END OF 1991-92 WILL REPRESENT OVER 60 PER CENT OF THE ESTIMATED EXPENDITURE.

"THIS POSITION IS EXTREMELY HEALTHY BY COMPARISON WITH THAT OF MOST OTHER ECONOMIES," SAID SIR PIERS WHEN PRESENTING HIS 1991-92 BUDGET.

/HE EXPLAINED

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HE EXPLAINED THAT THE LEVEL OF THE RESERVES DID NOT TAKE ACCOUNT OF THE VALUE OF OUR SUBSTANTIAL INVESTMENTS IN THE MASS TRANSIT RAILWAY CORPORATION, THE KOWLOON-CANTON RAILWAY CORPORATION, THE HOUSING AUTHORITY AND THE NEW HONG KONG TUNNEL COMPANY.

"FOR EXAMPLE, OVER THE YEARS WE HAVE MADE CASH INVESTMENTS IN THE MASS TRANSIT RAILWAY CORPORATION AND THE HOUSING AUTHORITY TOTALLING SOME \$33 BILLION.

"THESE INVESTMENTS HAVE MADE AN IMPORTANT CONTRIBUTION TO HONG KONG'S WELL-BEING AND PROVIDE A SOURCE OF FUTURE REVENUE. THEY ARE PART OF OUR WEALTH," HE SAID.

SIR PIERS POINTED OUT THAT THE ROLE OF THE FISCAL RESERVES WAS IMPORTANT IN THREE ASPECTS.

"FIRST, WE HAVE TO ALLOW FOR CERTAIN CONTINGENT LIABILITIES. THESE LIABILITIES INCLUDE GUARANTEES TO QUASI-GOVERNMENT BODIES SUCH AS THE HONG KONG EXPORT CREDIT INSURANCE CORPORATION.

"SECONDLY, WE NEED A CUSHION AGAINST UNEXPECTED ECONOMIC SETBACKS WHICH MIGHT AFFECT OUR REVENUE YIELD FROM TIME TO TIME. OUR RESERVES ENABLE US TO COPE WITH ANY SHORTFALL IN REVENUE WITHOUT ABRUPT ADJUSTMENTS TO OUR PROGRAMME OF PUBLIC EXPENDITURE.

"THIRDLY, AND THIS IS PARTICULARLY RELEVANT TO THE FINANCING OF THE AIRPORT, OUR RESERVES ARE AVAILABLE TO COVER TEMPORARY DEFICITS WHICH MAY ARISE AS A RESULT OF PEAKS IN THE PATTERN OF EXPENDITURE."

HE ADDED THAT IN DISCUSSING HONG KONG'S OVERALL FINANCIAL POSITION, NOW AND IN THE FUTURE, WE SHOULD NOT OVERLOOK THE FUND ESTABLISHED IN ACCORDANCE WITH THE SINO-BRITISH JOINT DECLARATION WHICH RECEIVED THE SHARE OF LAND PREMIUM INCOME ACCRUING TO THE FUTURE HONG KONG SPECIAL ADMINISTRATIVE REGION GOVERNMENT.

"THIS SHARE AMOUNTS TO 50 PER CENT OF NET LAND PREMIUM INCOME AFTER DEDUCTING LAND PRODUCTION COSTS.

"BY THE END OF MARCH 1990 A TOTAL OF \$17.4 BILLION HAD BEEN PAID INTO THE FUND AND A FURTHER \$3 BILLION IS EXPECTED TO BE TRANSFERRED TO THE FUND IN 1990-91.

"ACCOUNT MUST ALSO BE TAKEN OF THE INTEREST BEING EARNED."

"THE FINANCIAL SECRETARY SAID THERE WOULD BE FURTHER PAYMENTS INTO THIS FUND UP TO 1997, WHEN IT WOULD FORM PART OF HONG KONG'S RESERVES.

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SHORT TERM GOVT BONDS TIMELY FOR HK
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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, TODAY (WEDNESDAY) SAID THAT A WELL STRUCTURED AND MANAGED BORROWING PROGRAMME THROUGH THE ISSUE OF SHORT TERM GOVERNMENT BONDS WOULD NOW BE APPROPRIATE FOR HONG KONG.

THE FINANCIAL SECRETARY, IN PRESENTING HIS 1991-92 BUDGET, STRESSED THAT THE GOVERNMENT'S GUIDELINES WOULD ENSURE THAT IT WOULD NOT UNDER ANY CIRCUMSTANCES BE BORROWING TO FUND RECURRENT EXPENDITURE, ALTHOUGH MANY COUNTRIES DID.

"THE CONSEQUENCES OF IMPRUDENT BORROWING ARE ALL TOO APPARENT FROM THE EXPERIENCE OF OTHERS, WHO ARE OFTEN BURDENED BY DEBT SERVICING OBLIGATIONS WHICH PRE-EMPT TOO LARGE A PART OF RECURRENT REVENUES.

"IT IS MY INTENTION THAT THE PROCEEDS OF THIS NEW BORROWING PROGRAMME WILL BE FOR THE CAPITAL INVESTMENT FUND OR FOR THE CAPITAL WORKS RESERVE FUND, AND WILL ACCORDINGLY BE USED CLEARLY AND ONLY FOR CAPITAL PROJECTS," HE SAID.

THE FINANCIAL SECRETARY SAID DETAILS OF THE PROGRAMME WERE BEING WORKED OUT BY THE NEWLY ESTABLISHED OFFICE OF THE EXCHANGE FUND AT THE MONETARY AFFAIRS BRANCH, ADDING THAT HE WOULD LIKE TO COMMENCE FAIRLY SOON THE DEVELOPMENT OF THE PROGRAMME, WHICH WOULD BE HANDLED BY THE OFFICE OF THE EXCHANGE FUND, AND THAT PROPOSALS WOULD BE PUT TO THE LEGISLATIVE COUNCIL DURING THE COURSE OF THE YEAR.

ON THE OPTION OF GOVERNMENT BORROWING AS A STRATEGY FOR FINANCING HONG KONG'S MAJOR INFRASTRUCTURAL PROJECTS, SIR PIERS SAID IN THIS CONNECTION, HEALTHY RESERVES REASSURED POTENTIAL LENDERS AND INVESTORS.

"BORROWING FOR CAPITAL DEVELOPMENT IS ELSEWHERE CONSIDERED A PERFECTLY ACCEPTABLE AND CONVENTIONAL APPROACH.

"INDEED, THERE CAN BE FEW GOVERNMENTS OR LARGE ORGANISATIONS IN THE WORLD WHO DO NOT BORROW FOR THIS PURPOSE. HONG KONG IS NO STRANGER TO THE CONCEPT.

"THE MASS TRANSIT RAILWAY CORPORATION IS ALREADY A SUBSTANTIAL BORROWER OF HIGH INTERNATIONAL REPUTE," HE SAID.

THE GOVERNMENT ITSELF HAD ALSO ON OCCASIONS INCURRED A MODEST AMOUNT OF DEBT, FOR EXAMPLE, BORROWING FROM THE ASIAN DEVELOPMENT BANK TO ASSIST IN FINANCING CERTAIN SPECIFIC PROJECTS, AND IN 1976 AND 1984 THE GOVERNMENT ISSUED BONDS TO ASSIST IN FUNDING PART OF THE CAPITAL WORKS PROGRAMME.

"THESE BORROWINGS HAVE BEEN FULLY REPAID AND THERE IS NOW NO OUTSTANDING GOVERNMENT DEBT OTHER THAN THAT IN THE FORM OF EXCHANGE FUND BILLS, WHICH ARE ISSUED TO FACILITATE EFFECTIVE MONETARY MANAGEMENT," SIR PIERS SAID.

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"THIS LATTER DEBT IS FOR THE ACCOUNT OF THE EXCHANGE FUND AND FUNDS BORROWED ARE NOT AVAILABLE FOR THE GENERAL PURPOSES OF THE GOVERNMENT."

THE FINANCIAL SECRETARY SAID THERE WAS A GOOD AND WIDELY ACCEPTED JUSTIFICATION FOR BORROWING TO FINANCE LARGE SCALE CAPITAL PROJECTS.

"THE BENEFITS OF SUCH PROJECTS WILL ACCRUE TO FUTURE GENERATIONS, AND IT IS NOT UNREASONABLE THAT THOSE GENERATIONS SHOULD MAKE SOME FINANCIAL CONTRIBUTION," HE SAID.

"OFTEN THE PROJECTS THEMSELVES WILL GENERATE INCOME ADEQUATE TO SERVICE AND REPAY THE FUNDS BORROWED SO THAT THERE SHOULD BE NO EXTRA OR UNDUE BURDEN ON TAXPAYERS.

"IN HONG KONG IN RECENT YEARS IT HAS NOT BEEN FOUND NECESSARY TO INCUR DEBT FOR THE PURPOSES OF FINANCING CAPITAL PROJECTS.

"WE HAVE ENJOYED SUBSTANTIAL OPERATING SURPLUSES WHICH, TOGETHER WITH CAPITAL REVENUE, HAVE BEEN SUFFICIENT TO COVER ALL OUR CAPITAL EXPENDITURE AND STILL PROVIDE AN OVERALL SURPLUS TO BE ADDED TO OUR RESERVES.

"BUT IT IS CLEAR THAT THE LEVEL OF CAPITAL EXPENDITURE BOTH ON DIRECT CAPITAL WORKS AND ON EQUITY INVESTMENT IN STATUTORY BODIES WILL RISE SIGNIFICANTLY IN THE NEXT FEW YEARS.

"WHILE THE OPERATING SURPLUS TOGETHER WITH CAPITAL REVENUE WILL STILL FINANCE THE MAJORITY OF OUR CAPITAL EXPENDITURE, WE SHOULD NOT ASSUME THAT WE WILL BE ABLE TO COVER ALL OUR REQUIREMENTS IN THIS WAY," SIR PIERS SAID.

SIR PIERS SAID BORROWING BY MEANS OF A PROGRAMME OF GOVERNMENT BONDS COULD NOT BE MATCHED PRECISELY TO OUR CASH FLOW REQUIREMENTS.

"THE AMOUNTS TO BE RAISED WILL HAVE REGARD TO THOSE REQUIREMENTS BUT WILL ALSO TAKE INTO ACCOUNT THE NEED TO HAVE A CONTINUING RANGE OF GOVERNMENT BONDS, WHICH IS IMPORTANT TO THE DEVELOPMENT OF A GOVERNMENT BOND MARKET.

"FUNDS NOT IMMEDIATELY REQUIRED WILL BE PRUDENTLY MANAGED, ALONG WITH OUR RESERVES," HE SAID.

HE SAID SINCE THE BEGINNING OF LAST YEAR, THE GOVERNMENT HAD GAINED VALUABLE EXPERIENCE IN THE RUNNING OF THE EXCHANGE FUND BILLS PROGRAMME, WHICH CONSISTS OF ISSUES WITH MATURITIES OF UP TO ONE YEAR.

"IN ORDER TO ENSURE THAT THERE IS A REASONABLY CONTINUOUS SPECTRUM OF MATURITIES FOR TRADING AND HEDGING PURPOSES, I INTEND, FOR THE PROGRAMME OF GOVERNMENT BONDS, TO START WITH ISSUES OF TWO OR POSSIBLY THREE-YEAR MATURITIES.

"THE PROGRAMME WILL PROVIDE FOR PERIODIC ISSUES OF RELATIVELY SMALL AMOUNTS.

"THIS APPROACH WILL ENHANCE THE FURTHER DEVELOPMENT OF THE GOVERNMENT DEBT MARKET. IT WILL ALSO HELP TO ESTABLISH OUR REPUTATION, AND ENABLE US TO ATTRACT FUNDS AT THE FINEST RATES."

SIR PIERS SAID FROM THE POINT OF VIEW OF DEVELOPING THE MARKET, WHAT HE WAS PROPOSING WOULD BE A NATURAL EXTENSION OF WHAT THE GOVERNMENT HAD BEEN DOING SO FAR.

IT SHOULD BE RECOGNISED, HOWEVER, THAT EXCHANGE FUND BILLS WERE FOR THE ACCOUNT OF THE EXCHANGE FUND AND THE MONEYS RECEIVED WOULD NOT BE CREDITED TO GENERAL REVENUE. THE NEW GOVERNMENT BONDS WOULD BE FOR THE ACCOUNT OF THE GENERAL REVENUE, HE SAID.

THE FINANCIAL SECRETARY SAID HE BELIEVED THAT THERE WERE LONG TERM BENEFITS FLOWING FROM A WELL DEVELOPED, LIQUID GOVERNMENT DEBT MARKET.

"I AM ENCOURAGED BY THE SUPPORT THAT WE HAVE BEEN GETTING FROM MARKET PARTICIPANTS, PARTICULARLY THE MARKET MAKERS OF EXCHANGE FUND BILLS.

"WHILE I LOOK FORWARD TO SECURING AN ADDITIONAL MEANS OF FUNDING THE GOVERNMENT'S CAPITAL PROGRAMME, THE ISSUE OF GOVERNMENT BONDS SHOULD ALSO PROVIDE BUSINESS OPPORTUNITIES FOR MARKET MAKERS AND AN ATTRACTIVE FINANCIAL INSTRUMENT FOR INVESTORS.

"AS I HAVE ALREADY INDICATED, THE MAJOR PART OF OUR CAPITAL EXPENDITURE WILL CONTINUE TO BE FINANCED BY OUR OPERATING SURPLUS AND CAPITAL REVENUE," HE SAID, ADDING THAT GOVERNMENT BORROWING WAS, OF COURSE, QUITE SEPARATE FROM ANY FINANCE RAISED BY STATUTORY CORPORATIONS SUCH AS THE MASS TRANSIT RAILWAY CORPORATION AND, IN THE FUTURE, THE AIRPORT AUTHORITY.

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FS SUMS UP PERFORMANCE OF HK'S ECONOMY

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, TODAY (WEDNESDAY) SAID THE ECONOMY OF HONG KONG CONTINUED TO BE AFFECTED BY DEVELOPMENTS IN ITS MAJOR MARKETS.

SUMMING UP THE TERRITORY'S ECONOMY IN 1990 IN HIS 1991-92 BUDGET, SIR PIERS SAID HONG KONG ALSO SUFFERED FROM CAPACITY CONSTRAINTS FOLLOWING UPON THE RAPID GROWTH OF THE ECONOMY IN THE LATTER PART OF THE 1980'S.

"DEVELOPMENTS IN THE MIDDLE EAST AND THE ECONOMIC DOWNTURN IN THE UNITED STATES CREATED MUCH UNCERTAINTY.

"WHILE THE RATE OF ECONOMIC GROWTH FOR 1990 WAS MODEST, PERFORMANCE PICKED UP IN THE SECOND HALF OF THE YEAR. THERE WERE IMPROVEMENTS IN BOTH THE EXTERNAL AND THE DOMESTIC SECTORS," HE SAID.

GIVEN THE SLOW GROWTH OF THE LABOUR FORCE AND THE STRUCTURAL SHIFT IN EMPLOYMENT FROM MANUFACTURING TO SERVICES IN RECENT YEARS, SIR PIERS SAID THERE WAS CONTINUED UPWARD PRESSURE ON WAGES AND SALARIES, AND THE LABOUR MARKET REMAINED GENERALLY TIGHT NOTWITHSTANDING THE MODERATE ECONOMIC ACTIVITY.

"APART FROM HIGHER LABOUR COSTS, HIGHER PRICES OF IMPORTS, PARTICULARLY OIL PRODUCTS, HAVE ALSO ADDED TO THE COST OF LIVING.

"AFTER A SLIGHT EASING EARLIER IN THE YEAR, THE RATE OF INCREASE IN THE CONSUMER PRICE INDEX (A) [CPI(A)] EDGED UP AGAIN INTO DOUBLE-DIGITS IN THE FOURTH QUARTER.

"FOR 1990 AS A WHOLE, THE CPI(A) ROSE BY AN AVERAGE OF 9.8 PER CENT, REGRETTABLY, TOO CLOSE TO THE INCREASE OF 10.1 PER CENT RECORDED IN 1989."

AS FAR AS HONG KONG'S TRADE WAS CONCERNED, SIR PIERS SAID THE GROWTH RATE OF RE-EXPORTS PICKED UP STRONGLY DURING THE YEAR, MAINLY BECAUSE OF A REVIVAL IN RE-EXPORTS TO CHINA. THERE WAS ALSO A RAPID INCREASE IN RE-EXPORTS OF CHINA ORIGIN.

FOR 1990 AS A WHOLE, TOTAL RE-EXPORTS GREW BY 16 PER CENT IN REAL TERMS. MUCH OF THIS INCREASE WAS RELATED TO THE CONTINUED EXPANSION IN OUTWARD PROCESSING ACTIVITIES ACROSS THE BORDER.

THE STRONG GROWTH IN RE-EXPORTS LARGELY OFFSET THE WEAK PERFORMANCE OF DOMESTIC EXPORTS AND PROVIDED THE MAIN IMPETUS TO OVERALL EXPORT GROWTH.

INDEED, IN 1990 NEARLY TWO-THIRDS OF THE TERRITORY'S TOTAL EXPORTS WERE RE-EXPORTS; THIS CONTRASTED MARKEDLY WITH THE POSITION ONLY THREE YEARS AGO, WHEN THE PROPORTION WAS LESS THAN HALF, HE SAID.

SIR PIERS SAID DOMESTIC EXPORTS SHOWED VIRTUALLY ZERO GROWTH IN 1990, ALTHOUGH THERE WAS SOME IMPROVEMENT IN THE FOURTH QUARTER, PARTICULARLY IN RELATION TO EXPORTS TO CHINA AND GERMANY.

"THE GROWTH IN IMPORTS OF 11 PER CENT WAS MAINLY ASSOCIATED WITH THE RAPID GROWTH OF RE-EXPORTS OVER THE YEAR. BUT THERE WAS SOME REVIVAL IN RETAINED IMPORTS, IN LINE WITH AN IMPROVEMENT IN DOMESTIC DEMAND.

"FOLLOWING A DECLINE IN THE FIRST HALF OF THE YEAR, THE GROWTH RATE OF RETAINED IMPORTS INCREASED IN THE SECOND HALF.

"FOR 1990 AS A WHOLE, RETAINED IMPORTS ROSE BY SIX PER CENT, WHEREAS IN 1989 THERE HAD BEEN ALMOST NO GROWTH.

"OVERALL, THE VISIBLE TRADE ACCOUNT WAS JUST ABOUT IN BALANCE, HE SAID.

AS REGARDS INVISIBLE TRADE, SIR PIERS SAID EXPORTS OF SERVICES GREW BY SIX PER CENT AND IMPORTS OF SERVICES BY 10 PER CENT.

"APART FROM THE FURTHER INCREASE IN TRADE-RELATED SERVICES, THERE WAS A SUBSTANTIAL RECOVERY IN TOURISM.

"THE NUMBERS OF INCOMING VISITORS AND OF LOCAL RESIDENTS TRAVELLING ABROAD WERE BOTH SIGNIFICANTLY HIGHER.

"AS IN PREVIOUS YEARS, THERE WAS A SURPLUS ON THE INVISIBLE TRADE ACCOUNT," HE SAID.

IN THE DOMESTIC SECTOR, PRIVATE CONSUMPTION EXPENDITURE PICKED UP AFTER THE FIRST QUARTER, MAINLY DUE TO INCREASED EXPENDITURE ON SERVICES AND CONSUMER DURABLES. A GROWTH RATE OF FOUR PER CENT WAS ATTAINED IN 1990.

GOVERNMENT CONSUMPTION EXPENDITURE WAS EIGHT PER CENT HIGHER.

INVESTMENT IN 1990 IMPROVED SIGNIFICANTLY. BUILDING AND CONSTRUCTION EXPENDITURE BY THE PUBLIC AND PRIVATE SECTORS INCREASED BY SEVEN AND EIGHT PER CENT RESPECTIVELY, GIVING AN OVERALL INCREASE OF ABOUT EIGHT PER CENT.

IN PARTICULAR, TOWARDS THE END OF THE YEAR THERE WAS STRONG GROWTH IN THE PRIVATE SECTOR. EXPENDITURE ON PLANT AND MACHINERY PICKED UP MARKEDLY IN THE FOURTH QUARTER.

FOR 1990 AS A WHOLE, THIS EXPENDITURE ROSE BY FOUR PER CENT. THE REAL ESTATE DEVELOPERS' MARGIN IS ESTIMATED TO HAVE RISEN BY 10 PER CENT.

AS A RESULT OF THESE INCREASES, THE GROWTH RATE OF INVESTMENT IMPROVED ENCOURAGINGLY TO AROUND SIX PER CENT IN 1990, FROM ONLY ABOUT ONE PER CENT IN 1989.

SIR PIERS SAID HONG KONG'S GDP ATTAINED A MODEST GROWTH OF 2.4 PER CENT IN 1990, ROUGHLY THE SAME AS IN 1989. BUT THE UNDERLYING TREND WAS DIFFERENT. ECONOMIC GROWTH SLOWED DOWN IN THE COURSE OF 1989 WHEREAS IN 1990 THE GROWTH RATE ACCELERATED AS THE YEAR ADVANCED.

THIS WAS A WELCOME DEVELOPMENT AND DEMONSTRATED ONCE AGAIN THE RESILIENCE OF THE HONG KONG ECONOMY.

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HK'S ECONOMY IS SOUND DESPITE HIGH INFLATION RATE

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, TODAY (WEDNESDAY) SAID THAT ALTHOUGH INFLATION REMAINS HIGH, HONG KONG'S ECONOMY IS STILL FUNDAMENTALLY SOUND.

PRESENTING HIS 1991-92 BUDGET, SIR PIERS SAID INFLATION WHICH AFFECTED EVERY MEMBER OF THE COMMUNITY REMAINED A MATTER OF GREAT CONCERN, BUT THERE WERE NO EASY ANSWERS.

"WHAT WE ARE EXPERIENCING IS IN PART A REFLECTION OF AN ECONOMIC ADJUSTMENT," HE SAID.

/HE EXPLAINED

HE EXPLAINED THAT THE UNDERLYING REASONS WERE: "FIRST, THE ECONOMY HAS BEEN BUOYANT FOR A NUMBER OF YEARS. THE LABOUR MARKET HAS TIGHTENED AND THE PRESSURE ON WAGES HAS INCREASED AS THE DEMAND FOR LABOUR RESOURCES HAS EXCEEDED SUPPLY. UNFORTUNATELY, INFLATIONARY PRESSURES HAVE PERSISTED EVEN THOUGH THE RATE OF ECONOMIC GROWTH HAS NOW SLOWED DOWN CONSIDERABLY.

"SECONDLY, AND MORE RECENTLY, THE INFLATION RATE HAS BEEN AFFECTED BY INCREASES IN OIL PRICES," HE SAID.

SIR PIERS SAID: "ALTHOUGH INFLATION REMAINS HIGH, OUR ECONOMY IS STILL FUNDAMENTALLY SOUND.

"WITH THE UNEMPLOYMENT RATE RETURNING TO AN HISTORICALLY LOW LEVEL IN RECENT MONTHS, JOB OPPORTUNITIES ARE ABUNDANT.

"FURTHERMORE, IN RECENT YEARS THE TIGHT LABOUR MARKET HAS HELPED TO BRING ABOUT A STRUCTURAL CHANGE IN THE ECONOMY. WITH A RELOCATION OF THE MORE LABOUR-INTENSIVE MANUFACTURING PROCESSES TO GUANGDONG AND ELSEWHERE, OUR OWN WORKERS HAVE OFTEN BEEN ABLE TO MOVE TO MORE REWARDING JOBS IN BOTH THE MANUFACTURING AND NON-MANUFACTURING SECTORS," THE FINANCIAL SECRETARY SAID.

HE POINTED OUT THAT THERE HAD ALSO BEEN SUBSTANTIAL INVESTMENT IN NEW MACHINERY AND EQUIPMENT, WHICH IN TURN HAD RAISED PRODUCTIVITY.

"AS FAR AS THE IMPACT ON THE LABOUR FORCE IS CONCERNED, EARNINGS HAVE BEEN MOVING AHEAD OF INFLATION AND MEMBERS OF THE COMMUNITY IN GENERAL HAVE ENJOYED A HIGHER STANDARD OF LIVING," HE SAID.

HOWEVER, HE CAUTIONED THAT EXCESSIVE PAY INCREASES CARRIED WITH THEM AN INFLATIONARY PENALTY AND THIS APPLIED TO BOTH THE PUBLIC AND PRIVATE SECTORS.

"OVER TIME HIGH INFLATION CAN EAT INTO SAVINGS AND ERODE THE WEALTH OF THE COMMUNITY. AND SO WE HAVE TO ASK OURSELVES WHAT REMEDIES THERE ARE," HE SAID.

ON THE ARGUMENT BY SOME FOR DIRECT INTERVENTION BY THE GOVERNMENT TO CONTROL INFLATION, SIR PIERS SAID THAT WAS NOT THE SOLUTION.

"HONG KONG MUST BE ABLE TO ADJUST EFFECTIVELY TO CHANGING ECONOMIC CONDITIONS.

"ANY MEASURES WHICH TEND TO REDUCE THE FLEXIBILITY OF THAT ADJUSTMENT WILL NOT BE CONDUCIVE TO OUR WELL-BEING IN THE LONGER TERM.

"THE ARTIFICIAL SUPPRESSION OF PRICE INCREASES WOULD NOT WORK IN HONG KONG. IT WOULD HAMPER THE FLEXIBILITY OF OUR PRICE STRUCTURE, DISTORT THE ALLOCATION OF RESOURCES AND EXACERBATE SHORTAGES.

"IF WE ARE TO MAINTAIN OUR FREE AND OPEN ECONOMY, WE MUST NOT TAMPER WITH THE PRICE MECHANISM," HE SAID.

WHILE CONCEDING THAT THE RECENT WEAKNESS OF THE U.S. DOLLAR CARRIED WITH IT, UNDER THE LINKED EXCHANGE RATE SYSTEM, THE LIKELIHOOD OF AN INCREASE IN IMPORTED INFLATION, SIR PIERS MAINTAINED THAT THE BENEFITS DERIVED FROM THE SYSTEM FAR OUTWEIGHED ANY DISBENEFITS.

"THE LINKED EXCHANGE RATE SYSTEM CONTINUES TO PROVIDE US WITH A HIGH DEGREE OF MONETARY STABILITY AGAINST THE UNCERTAINTIES AND EXTERNAL SHOCKS WHICH HONG KONG HAS SO OFTEN HAD TO FACE.

"I DO NOT INTEND TO TAMPER WITH IT," HE SAID.

IN IDENTIFYING THE LABOUR SHORTAGE AS A FACTOR CONTRIBUTING TO INFLATIONARY PRESSURES, SIR PIERS SAID HE ACCEPTED THE VALIDITY OF THE ARGUMENT BY THOSE WHO HAD SUGGESTED THAT BRINGING IN MORE FOREIGN WORKERS COULD PROVIDE RELIEF.

HOWEVER, SIR PIERS SAID IT WAS IMPORTANT THAT WE ALSO LOOKED AFTER THE INTERESTS OF THE LOCAL LABOUR FORCE.

"LET ME SAY THEREFORE THAT WE ARE NOT SEEKING A MASSIVE, INDISCRIMINATE IMPORTATION OF LABOUR.

"WE DO WISH, HOWEVER, TO REMOVE THE CONSTRAINTS THAT A SEVERE SHORTAGE OF LABOUR IN CRUCIAL AREAS IS IMPOSING ON THE PRODUCTIVE CAPACITY OF THE ECONOMY. THUS OUR SCHEMES CONCENTRATE ON IMPORTING LABOUR IN THOSE JOB CATEGORIES WHERE LABOUR SHORTAGES ARE CAUSING BOTTLENECKS TO GROWTH.

"THE HIGHER ECONOMIC GROWTH THEREBY OBTAINED WILL BE OF BENEFIT TO ALL," HE SAID.

OVER THE LONGER TERM, THE KEY DETERMINANT OF OUR GROWTH POTENTIAL WOULD STILL BE HIGHER LABOUR PRODUCTIVITY, FOR WHICH IMPORTATION OF LABOUR WAS NOT AN ADEQUATE SUBSTITUTE.

"OUR EFFORTS TO IMPROVE THE QUALITY OF THE LOCAL WORKFORCE THROUGH EDUCATION AND TRAINING ARE VERY MUCH DIRECTED TOWARDS THAT OBJECTIVE," HE SAID.

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FASTER ECONOMIC GROWTH RATE ENVISAGED

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THE HONG KONG ECONOMY THIS YEAR WILL GROW AT A FASTER RATE THAN IN 1990 FOLLOWING THE PICK-UP IN ECONOMIC ACTIVITY IN THE LATTER PART OF LAST YEAR, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY (WEDNESDAY).

PRESENTING HIS BUDGET FOR 1991-92, SIR PIERS SAID THE FORECAST OF THE GDP GROWTH RATE FOR THIS YEAR WAS 3.5 PER CENT.

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WITH SUCH A GROWTH RATE FOR THE GDP, HE SAID THE ECONOMY WAS EXPECTED TO GROW AT A RATE BROADLY COMPARABLE WITH THAT IN THE LATTER PART OF LAST YEAR.

"CAPACITY CONSTRAINTS AND IMPORTED INFLATION, PARTLY THE RESULT OF WEAKNESS IN THE US DOLLAR, WILL CONTINUE TO AFFECT LOCAL PRICE LEVELS. IN VIEW OF THESE FACTORS, I FORECAST THAT THE CONSUMER PRICE INDEX (A) WILL INCREASE BY AN AVERAGE OF 9.5 PER CENT IN 1991," THE FINANCIAL SECRETARY SAID.

HE ADDED THAT THE GDP DEFLATOR WAS EXPECTED TO RISE BY 8.5 PER CENT IN 1991, SIMILAR TO THE INCREASE IN 1990.

"THIS IMPLIES A GDP GROWTH RATE OF 12.3 PER CENT IN CURRENT PRICE TERMS. ON THIS BASIS, HONG KONG'S PER CAPITA GDP IS EXPECTED TO RISE TO AROUND HK\$105,000, OR US\$13,400, WHICH SHOULD CONTINUE TO RANK AMONGST THE HIGHEST IN ASIA," SIR PIERS SAID.

HE POINTED OUT THAT THE WORLD WAS BESET BY UNCERTAINTIES.

HE SAID THE GULF WAR AND ITS AFTERMATH, THE POSSIBILITY OF A LONGER RECESSION IN SOME OF OUR MAJOR MARKETS, THE PROBLEMS SURROUNDING THE TRADE NEGOTIATIONS UNDER THE AUSPICES OF THE GATT, ALL RESULTED IN A WORLD ECONOMIC SITUATION IN WHICH THE PERFORMANCE OF EVERY ECONOMY, PARTICULARLY TRADING ECONOMIES SUCH AS OUR OWN, WAS BOUND TO BE AFFECTED.

TURNING TO HONG KONG'S MAJOR MARKETS, SIR PIERS SAID THE CURRENT WEAKNESS OF THE UNITED STATES ECONOMY CONTINUED TO DAMPEN THE TERRITORY'S EXPORT PROSPECTS THERE.

ON THE OTHER HAND, FURTHER EXPORT OPPORTUNITIES WILL FLOW FROM THE ROBUST PERFORMANCE OF THE GERMAN ECONOMY, THE IMPROVED ECONOMIC SITUATION IN CHINA, AND THE DYNAMIC GROWTH OF THE ASIA PACIFIC REGION GENERALLY.

"I EXPECT, THEREFORE, THAT OUR EXPORT MARKETS WILL CONTINUE TO DIVERSIFY, EVEN THOUGH THE UNITED STATES WILL STILL BE OUR SINGLE MOST IMPORTANT MARKET," HE SAID.

SIR PIERS SAID HONG KONG'S RE-EXPORT TRADE HAD BEEN OF PARTICULAR SIGNIFICANCE.

"CONTINUING THE TREND IN RECENT YEARS, GROWTH IS EXPECTED TO REMAIN STRONG IN 1991.

"THIS REFLECTS BOTH THE IMPORTANCE OF HONG KONG'S ROLE AS A REGIONAL ENTREPOT AND THE SUSTAINED DEVELOPMENT OF OUTWARD PROCESSING ACTIVITIES ACROSS THE BORDER," HE SAID.

OVERALL, RE-EXPORTS WERE FORECAST TO INCREASE BY 15 PER CENT IN 1991.

THE FINANCIAL SECRETARY SAID AS IN THE PAST FEW YEARS, HONG KONG'S DOMESTIC EXPORTS WERE LIKELY TO GROW AT A MUCH SLOWER RATE THAN ITS RE-EXPORTS.

"OUR PERFORMANCE IN MAJOR MARKETS THIS YEAR WILL PROBABLY CONTINUE TO BE MIXED. WHILE DOMESTIC EXPORTS TO THE UNITED STATES ARE EXPECTED TO FALL FURTHER, THIS IS LIKELY TO BE OFFSET BY MARKED INCREASES TO GERMANY, CHINA AND SEVERAL OTHER ECONOMIES IN EAST ASIA.

"DOMESTIC EXPORTS TO THE UNITED KINGDOM AND JAPAN WILL PROBABLY SHOW A MODERATE INCREASE, IN CONTRAST TO THE DECLINE EXPERIENCED LAST YEAR.

"TAKEN TOGETHER, THE GROWTH RATE OF OUR DOMESTIC EXPORTS FOR 1991 IS FORECAST TO BE 2.5 PER CENT," HE SAID.

SIR PIERS SAID EXPORTS OF SERVICES WERE FORECAST TO GROW BY SIX PER CENT.

HE ADDED THAT ALTHOUGH RECEIPTS FROM TOURISM MIGHT NOT GROW AS RAPIDLY AS THIS, GIVEN THE GULF SITUATION, EXPORTS OF TRADE-RELATED AND OTHER BUSINESS SERVICES SHOULD CONTINUE TO SHOW A HEALTHY INCREASE.

ON THE IMPORT SIDE, SIR PIERS SAID IMPORTS OF GOODS WERE FORECAST TO RISE BY 10.7 PER CENT, MAINLY REFLECTING THE EXPECTED RAPID INCREASE IN RE-EXPORTS, WHILE IMPORTS OF SERVICES WERE FORECAST TO GROW BY SEVEN PER CENT.

IN THE DOMESTIC SECTOR, HE SAID PRIVATE CONSUMPTION EXPENDITURE WAS FORECAST TO INCREASE BY 3.5 PER CENT.

"CONTINUED IMPROVEMENT IN REAL INCOMES SHOULD GIVE SUPPORT TO CONSUMPTION DEMAND, ALTHOUGH THE UNCERTAIN ECONOMIC OUTLOOK MAY WELL AFFECT SPENDING TO SOME EXTENT. THE FORECAST GROWTH RATE OF GOVERNMENT CONSUMPTION EXPENDITURE IS SIX PER CENT," HE SAID.

ON THE OVERALL CAPITAL INVESTMENT FOR THE ECONOMY, SIR PIERS SAID IT WAS FORECAST TO INCREASE BY 4.6 PER CENT.

"THIS IS NOT UNSATISFACTORY.

"IN LINE WITH THE IMPROVEMENT IN OVERALL ECONOMIC PERFORMANCE, INVESTMENT IN PLANT AND MACHINERY IS EXPECTED TO GROW BY FOUR PER CENT THIS YEAR.

"WITH A MAJOR CAPITAL WORKS PROGRAMME NOW UNDER WAY, PUBLIC SECTOR ACTIVITY ON BUILDING AND CONSTRUCTION IS EXPECTED TO CONTINUE TO GROW QUITE RAPIDLY AT EIGHT PER CENT," THE FINANCIAL SECRETARY NOTED.

HE SAID PRIVATE SECTOR EXPENDITURE ON BUILDING AND CONSTRUCTION WAS FORECAST TO INCREASE BY FOUR PER CENT. TOTAL CONSTRUCTION OUTPUT WAS THUS EXPECTED TO GROW BY 5.5 PER CENT.

WEDNESDAY, MARCH 6, 1991

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STATE OF PUBLIC FINANCES IS HEALTHY: FS

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THE STATE OF THE PUBLIC FINANCES IN 1990-91 IS HEALTHY, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY (WEDNESDAY).

PRESENTING HIS BUDGET FOR 1991-92, SIR PIERS SAID THE GOVERNMENT HAD KEPT THE GROWTH IN RECURRENT EXPENDITURE WITHIN ACCEPTABLE BOUNDS.

"ALTHOUGH CAPITAL EXPENDITURE HAS BEEN GROWING FASTER THAN EXPECTED, WE SHALL ACHIEVE A COMFORTABLE SURPLUS ON RECURRENT ACCOUNT, WHICH WILL ENABLE US TO FUND A MAJOR PART OF THIS EXPENDITURE.

"WE ARE EXPECTING AN OVERALL SURPLUS EVEN AFTER EQUITY INVESTMENTS AND SO WILL BE ADDING TO OUR RESERVES," HE SAID.

ON THE REVENUE SIDE, SIR PIERS SAID REVENUE FROM DIRECT TAXES WOULD REPRESENT 60 PER CENT OF ALL TAXES COMPARED WITH AN ESTIMATED 62 PER CENT.

"WE SHALL BEGIN THE NEW FINANCIAL YEAR IN GOOD SHAPE," HE SAID.

OVERALL, THE FINANCIAL SECRETARY SAID, AFTER TAKING ACCOUNT OF EXPENDITURE BY THE HOUSING AUTHORITY AND THE URBAN AND REGIONAL COUNCILS, TOTAL PUBLIC EXPENDITURE WAS EXPECTED TO GROW BY 7.6 PER CENT IN 1990-91, WHICH WAS LESS THAN HIS ESTIMATE OF 9.4 PER CENT.

THIS EXPENDITURE REPRESENTED ABOUT 18.3 PER CENT OF GDP.

"IN TERMS OF OUR GUIDELINES, WE AIM TO IMPOSE A DEGREE OF FISCAL DISCIPLINE SO AS TO ACHIEVE, AMONGST OTHER OBJECTIVES, A SURPLUS ON RECURRENT ACCOUNT ADEQUATE TO FUND AT LEAST HALF OUR CAPITAL EXPENDITURE," HE SAID.

THE REVISED ESTIMATES SHOWED THAT 63 PER CENT OF CAPITAL EXPENDITURE WOULD BE FINANCED FROM THE SURPLUS ON RECURRENT ACCOUNT.

"THUS WE ARE WELL WITHIN THIS PARTICULAR GUIDELINE," HE ADDED.

SIR PIERS SAID THE 1990-91 REVISED ESTIMATES SHOW THAT EXPENDITURE ON GENERAL REVENUE ACCOUNT BEFORE TRANSFERS TO FUNDS WAS EXPECTED TO BE \$63.1 BILLION, WHICH WAS ABOUT THREE PER CENT BELOW THE APPROVED ESTIMATE OF \$65.3 BILLION.

HE SAID PART OF THIS ANTICIPATED UNDERSPENDING ARISED FROM THE POSTPONEMENT OF THE ESTABLISHMENT OF THE HOSPITAL AUTHORITY.

PROVISION WAS MADE IN THE ESTIMATES TO COVER PART OF THE COSTS INVOLVED IN PROVIDING A SECRETARIAT FOR THE AUTHORITY AND FOR PAYMENTS TO GOVERNMENT STAFF CONVERTING TO THE AUTHORITY'S TERMS OF EMPLOYMENT.

"SOME OF THIS EXPENDITURE WILL NOW BE INCURRED IN 1991-92, AND APPROPRIATE PROVISION IS MADE IN THE DRAFT ESTIMATES FOR THAT YEAR," HE SAID.

/FURTHERMORE, SIR

FURTHERMORE, SIR PIERS POINTED THAT THE GOVERNMENT HAD CONTINUED TO EXPERIENCE A HIGH LEVEL OF VACANCIES IN THE CIVIL SERVICE ESTABLISHMENT AND THIS HAD HAD AN IMPACT ON STAFF-RELATED EXPENDITURE.

AT PRESENT, HE SAID, ABOUT FIVE PER CENT OF THE POSTS IN THE ESTABLISHMENT REMAINED VACANT.

THE COST OF THE 1990 GENERAL PAY AWARD AND OF OTHER PAY ADJUSTMENTS IMPLEMENTED IN 1990-91 HAD THEREFORE BEEN MET IN PART FROM SAVINGS IN PAYROLL EXPENSES ARISING FROM VACANT POSTS AS WELL AS FROM THE PROVISION IN THE ESTIMATES FOR ADDITIONAL COMMITMENTS.

"THE NEED FOR ADDITIONAL FUNDS TO MEET THESE LIABILITIES HAS THUS BEEN OBTAINED," SIR PIERS SAID.

EXPENDITURE FROM THE FUNDS AT \$26.6 BILLION WOULD EXCEED THE ESTIMATES OF \$25.7 BILLION BY FOUR PER CENT. THERE HAD BEEN AN INCREASED LEVEL OF HOME PURCHASE LOANS TO CIVIL SERVANTS FROM THE LOAN FUND.

"AS AGAINST THIS, SOME UNDERSPENDING FROM THE CAPITAL WORKS RESERVE FUND IS EXPECTED AS A RESULT OF SLIPPAGE IN THE PUBLIC WORKS PROGRAMME.

"MOST IMPORTANTLY, HOWEVER, THE PAYMENT FROM THE CAPITAL INVESTMENT FUND IN RESPECT OF CAPITAL FOR THE HOUSING AUTHORITY WILL EXCEED THE ESTIMATE BY \$1.7 BILLION," SIR PIERS SAID.

HE STRESSED THAT THIS WAS NOT AN EXTRA PAYMENT BUT THE EARLIER PAYMENT OF PART OF THE \$10 BILLION THE GOVERNMENT HAD UNDERTAKEN TO PROVIDE TO THE AUTHORITY THE OUTSTANDING BALANCE OF \$2 BILLION WAS PROVIDED FOR IN THE 1991-92 ESTIMATES.

TOTAL EXPENDITURE FROM GENERAL REVENUE ACCOUNT AND THE FUNDS TOGETHER WOULD BE \$89.7 BILLION, ABOUT ONE PER CENT BELOW THE ESTIMATES OF \$90.9 BILLION, HE SAID.

SIR PIERS ALSO SAID REVENUE TO THE GENERAL REVENUE ACCOUNT WAS EXPECTED TO BE \$83.1 BILLION IN 1990-91, marginally below the estimate of \$84.5 BILLION.

RECEIPTS FROM PROFITS TAX WERE EXPECTED TO BE BELOW ESTIMATE.

HE EXPLAINED THAT THIS WAS DUE IN PART TO SLOWER ECONOMIC GROWTH AND ITS EFFECT ON CORPORATE PROFITS.

HOWEVER, RECEIPTS FROM SALARIES TAX, STAMP DUTY AND BETS AND SWEEPS TAX WERE EXPECTED TO EXCEED THE ESTIMATE. RECEIPTS FROM OTHER SOURCES WITHIN THE GENERAL REVENUE ACCOUNT WERE EXPECTED TO BE CLOSE TO THE ESTIMATE, HE NOTED.

THE FINANCIAL SECRETARY SAID TOTAL REVENUE TO THE FUNDS WAS EXPECTED TO BE \$6.8 BILLION, WHICH WAS FIVE PER CENT BELOW THE ESTIMATE OF \$7.2 BILLION.

/"THE BIGGEST

"THE BIGGEST SINGLE COMPONENT OF REVENUE TO THE FUNDS - REVENUE FROM LAND SALES - IS EXPECTED TO BE 26 PER CENT BELOW THE ESTIMATE.

"IN THE MAIN, THIS DOES NOT REFLECT A FALL IN LAND PRICES, WHICH HAVE BEEN UP TO EXPECTATIONS," SIR PIERS SAID.

HE ADDED THAT THE RATE OF COLLECTION OF REVENUE WAS DETERMINED BY THE LAND SALES PROGRAMME, WHICH WAS OFTEN ADJUSTED DURING THE YEAR.

PUBLIC AUCTIONS OF LARGE SITES WERE SOMETIMES RESCHEDULED, AND THERE WAS, FURTHERMORE, A TIME LAG BETWEEN THE DATE OF SALE AND THE CREDITING OF THE GOVERNMENT ACCOUNTS WITH THE PROCEEDS OF SALE.

"THIS YEAR A DELAY IN THE SALE OF THREE MAJOR SITES IS THE MAIN CAUSE OF THE SHORTFALL," SIR PIERS SAID.

HE SAID THERE WOULD BE A SURPLUS ON GENERAL REVENUE ACCOUNT OF \$20 BILLION, AND A DEFICIT ON THE FUNDS OF \$19.8 BILLION.

SIR PIERS SAID A TOTAL OF \$20.5 BILLION WOULD BE TRANSFERRED TO THE FUNDS COMPARED WITH THE ESTIMATE OF \$22.9 BILLION.

"ON THE BASIS OF THE REVISED ESTIMATES, I AM NOW EXPECTING A CONSOLIDATED SURPLUS OF \$150 MILLION COMPARED WITH THE ESTIMATE OF A SURPLUS OF \$720 MILLION," HE NOTED.

"IN MY 1990-91 BUDGET, I ESTIMATED THAT GOVERNMENT EXPENDITURE WOULD INCREASE BY 9.5 PER CENT IN REAL TERMS OVER 1989-90 AND THAT RECURRENT AND CAPITAL EXPENDITURE WOULD GROW BY 10.4 PER CENT AND 7.4 PER CENT RESPECTIVELY.

"RECURRENT EXPENDITURE IS NOW EXPECTED TO GROW BY 7.1 PER CENT, THAT IS, BELOW THE FORECAST," HE SAID.

WHILST THIS LOWER RATE WAS PARTLY THE RESULT OF DEFERRING EXPENDITURE TO 1991-92, SIR PIERS SAID IT WAS ALSO A RESULT OF THE FIRM CONTROL THE GOVERNMENT WAS MAINTAINING OVER RECURRENT EXPENDITURE.

"WE ARE MOVING IN THE RIGHT DIRECTION BUT WE NEED TO CONTINUE OUR EFFORTS.

"I WOULD EMPHASIZE THAT IT IS THE GROWTH RATE OF EXPENDITURE WHICH WE AIM TO LOWER AND NOT THE LEVEL OF EXPENDITURE ITSELF," HE SAID.

ON CAPITAL ACCOUNT, SIR PIERS SAID EXPENDITURE WAS EXPECTED TO GROW BY A HIGHER FIGURE OF 9.5 PER CENT IN REAL TERMS.

TOTAL GOVERNMENT EXPENDITURE WOULD NOW GROW BY 7.7 PER CENT COMPARED WITH THE ESTIMATE OF 9.5 PER CENT.

SIGNIFICANT IMPROVEMENTS IN PUBLIC SERVICES PROMISED

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MEMBERS OF THE PUBLIC WILL STILL ENJOY SIGNIFICANT IMPROVEMENTS IN THE PROVISION OF PUBLIC SERVICES AND ADDITIONAL EXPENDITURE ARE BEING PLANNED TO ACHIEVE THESE, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY (WEDNESDAY).

SIR PIERS EMPHASISED THAT SPENDING ON PUBLIC SERVICES AS A WHOLE WAS NOT BEING CUT BACK IN ORDER TO PAY FOR THE NEW AIRPORT AND OTHER ESSENTIAL CAPITAL PROJECTS.

"I HAVE ALREADY EMPHASISED OUR DETERMINATION TO KEEP EXPENDITURE AT LEVELS THE ECONOMY CAN SUPPORT.

"SO WE CONTINUE TO PLAN THE GROWTH IN EXPENDITURE BY REFERENCE TO THE EXPECTED GROWTH IN THE ECONOMY.

"OUR FORECASTS OF ECONOMIC PERFORMANCE OVER THE NEXT FEW YEARS SHOW THAT WE WILL NOT BE ABLE TO ALLOW EXPENDITURE TO GROW AS QUICKLY AS HAS BEEN THE CASE IN RECENT YEARS," SIR PIERS NOTED.

PRESENTING THE DRAFT ESTIMATES EXPENDITURE IN HIS 1991-92 BUDGET, SIR PIERS POINTED OUT THAT THE ESTIMATES PROVIDED FOR EXPENDITURE FROM GENERAL REVENUE ACCOUNT OF \$73.6 BILLION, WHICH IN MONEY TERMS WAS 17 PER CENT ABOVE THE REVISED ESTIMATE FOR 1990-91.

"IN ADDITION, THERE WILL BE TRANSFERS TALLING \$26.7 BILLION TO FUNDS, THUS BRINGING THE TOTAL AMOUNT TO BE APPROPRIATED TO \$100.3 BILLION.

"EXPENDITURE FROM THE CAPITAL WORKS RESERVE FUND AND THE LOAN FUND IS ESTIMATED AT \$27.7 BILLION, AN INCREASE OF 37 PER CENT OVER 1990-91," SIR PIERS SAID.

HE SAID EQUITY INVESTMENT IN STATUTORY BODIES TALLING \$3.5 BILLION WOULD BE MADE FROM THE CAPITAL INVESTMENT FUND, SOME 45 PER CENT LESS THAN IN 1990-91, MAINLY AS A RESULT OF A RESCHEDULING OF INJECTIONS OF CAPITAL INTO THE HOUSING AUTHORITY.

IN SUM, HE SAID, THE TOTAL GOVERNMENT EXPENDITURE WAS ESTIMATED AT \$104.8 BILLION, AN INCREASE OF 17 PER CENT OVER THE CURRENT FINANCIAL YEAR.

SIR PIERS SAID THE ESTIMATE OF \$73.6 BILLION FOR THE GENERAL REVENUE ACCOUNT INCLUDED \$6.5 BILLION FOR ADDITIONAL COMMITMENTS TO COVER ITEMS FOR WHICH THE GOVERNMENT DID NOT HAVE FIRM FIGURES FOR INCORPORATION IN THE DETAILED ESTIMATES.

"AS WAS THE CASE LAST YEAR, SOME PROVISION IS MADE WITHIN THE ADDITIONAL COMMITMENTS FOR THOSE COSTS OF THE HOSPITAL AUTHORITY WHICH HAVE YET TO BE DETERMINED," HE SAID.

HE SAID EXPENDITURE FROM THE CAPITAL WORKS RESERVE FUND, AT \$25.7 BILLION, WOULD ALLOW FOR A 36 PER CENT INCREASE IN EXPENDITURE ON PUBLIC WORKS PROJECTS.

"PART OF THIS IS DUE TO HIGHER COSTS BUT IT MAINLY REFLECTS THE CONTINUING EXPANSION OF THE PUBLIC WORKS PROGRAMME ON TRANSPORT, THE ENVIRONMENT, NEW TOWNS, HOSPITALS, IMPROVEMENTS TO KAI TAK AND VARIOUS OTHER PROJECTS," THE FINANCIAL SECRETARY SAID.

HE ADDED THAT EXPENDITURE FROM THE LOAN FUND AT \$2.0 BILLION WOULD BE 47 PER CENT MORE THAN THE FIGURE FOR 1990-91.

HE SAID THIS INCREASE WAS ATTRIBUTABLE TO THE PROVISION OF INTEREST-BEARING REPAYABLE LOANS TO CIVIL SERVANTS TO ENCOURAGE AS MANY OF THEM AS POSSIBLE TO ACQUIRE THEIR OWN HOMES.

THE SAVINGS IN THE LONG TERM FROM THE REDUCED REQUIREMENTS FOR NON-DEPARTMENTAL QUARTERS WERE EXPECTED TO BE VERY SUBSTANTIAL INDEED.

ON GOVERNMENT RECURRENT EXPENDITURE IN 1991-92, HE SAID IT IS ESTIMATED TO INCREASE BY 6.5 PER CENT IN REAL TERMS OVER 1990-91, AND CAPITAL EXPENDITURE BY 22 PER CENT.

TOTAL GOVERNMENT EXPENDITURE WOULD THUS INCREASE BY 10.6 PER CENT.

AFTER ALLOWING FOR EXPENDITURE BY THE HOUSING AUTHORITY AND THE URBAN AND REGIONAL COUNCILS, TOTAL PUBLIC EXPENDITURE WAS EXPECTED TO BE ABOUT 8.2 PER CENT HIGHER IN REAL TERMS COMPARED WITH 1990-91, WITH RECURRENT EXPENDITURE GROWING BY 6.5 PER CENT AND CAPITAL EXPENDITURE BY 12 PER CENT.

"ON THE FACE OF IT THE RATE OF GROWTH IN RECURRENT EXPENDITURE FOR 1991-92 WOULD SEEM TO BE DECIDEDLY ON THE HIGH SIDE.

"BUT THIS IS LARGELY BECAUSE OF EXPECTED UNDERSPENDING IN 1990-91 AND THE DEFERMENT OF EXPENDITURE TO 1991-92.

"IF A COMPARISON WERE MADE OF THE 1991-92 ESTIMATE WITH THE ORIGINAL PRINTED ESTIMATE FOR 1990-91, IT WOULD SHOW THAT THE GROWTH OF RECURRENT EXPENDITURE WAS BELOW THE TREND GDP GROWTH RATE OF 5.5 PER CENT," SIR PIERS SAID.

THUS, HE SAID, THE GOVERNMENT COULD CLAIM A MEASURE OF SUCCESS IN CONTROLLING THE GROWTH IN STAFF NUMBERS AND IN REDUCING EXPENDITURE IN THOSE AREAS IDENTIFIED IN ITS ATTACK ON THE BASELINE.

"NEVERTHELESS, THE GROWTH RATE OF PUBLIC EXPENDITURE, IN PARTICULAR OF RECURRENT EXPENDITURE, OVER THE LAST TWO YEARS MUST GIVE US SOME CAUSE FOR CONCERN, SINCE IT HAS EXCEEDED THE TREND GROWTH IN GDP," HE SAID.

IN 1988-89, RECURRENT EXPENDITURE GREW IN REAL TERMS BY 6.3 PER CENT OVER THE PREVIOUS YEAR. IN 1989-90 THE GROWTH WAS 7.0 PER CENT.

"IN THE CURRENT YEAR WE ARE EXPECTING GROWTH TO BE ABOUT 6.8 PER CENT OVER ACTUAL EXPENDITURE FOR 1989-90, AND 6.5 PER CENT IN THE NEW FINANCIAL YEAR," SIR PIERS NOTED.

WHILST THIS LATEST TREND IS AN IMPROVEMENT, THE FINANCIAL SECRETARY SAID THE GOVERNMENT COULD NOT AFFORD TO RELAX ITS EFFORTS.

/"BUT LET

"BUT LET ME ADD THAT CONTROLLING GROWTH IN RECURRENT EXPENDITURE DOES NOT MEAN THAT THE SERVICES WE PROVIDE TO THE COMMUNITY WILL HAVE TO SUFFER.

"WE ARE IN FACT SPENDING MORE TO IMPROVE BOTH THE RANGE AND QUALITY OF OUR SERVICES AND WILL CONTINUE TO DO SO," HE SAID.

SIR PIERS SAID THE TASK OF BRINGING DOWN THE RATE OF GROWTH IN RECURRENT EXPENDITURE HAD NOT BEEN EASY.

"OUR EXISTING COMMITMENT TO MAINTAINING SERVICES, TO STAFFING AND MANAGING NEW FACILITIES, AND TO MEETING UNAVOIDABLE INCREASES IN DEMAND FOR OUR SERVICES PRE-EMPT MOST OF THE RESOURCES AVAILABLE.

"IN ADDITION WE HAVE ALREADY UNDERTAKEN TO EXPAND TERTIARY EDUCATION AND TO ESTABLISH THE HOSPITAL AUTHORITY. AFTER MAKING ALLOWANCE FOR THESE IMPROVEMENTS, THERE IS NOT MUCH LEFT.

"IF WE ARE TO FIND MORE RESOURCES FOR OTHER NEW OR IMPROVED SERVICES, WHILE STAYING WITHIN OUR EXISTING GUIDELINES IN RELATION TO PUBLIC EXPENDITURE, WE MUST CONTINUE TO SEEK MAXIMUM VALUE FOR MONEY BY CRITICALLY REVIEWING WHAT WE ARE ALREADY DOING," HE SAID.

THE GROWTH IN EXPENDITURE WOULD VARY FROM ONE PROGRAMME AREA TO ANOTHER.

ON EDUCATION THE GOVERNMENT WOULD INCUR SIX PER CENT MORE IN RECURRENT EXPENDITURE IN REAL TERMS AND 36 PER CENT MORE IN CAPITAL EXPENDITURE, AN INCREASE OF 11 PER CENT OVERALL.

ON SOCIAL SERVICES, RECURRENT EXPENDITURE WOULD INCREASE IN REAL TERMS BY 15 PER CENT AND CAPITAL EXPENDITURE BY 19 PER CENT - A TOTAL INCREASE OF 16 PER CENT.

ON SECURITY, RECURRENT EXPENDITURE WOULD REMAIN CONSTANT BUT VARIATIONS IN CAPITAL EXPENDITURE WOULD RESULT IN A THREE PER CENT FALL IN EXPENDITURE OVERALL.

ON COMMUNITY AND EXTERNAL AFFAIRS THERE WOULD BE ALSO A DROP IN TOTAL EXPENDITURE OF SIX PER CENT, LARGELY AS A RESULT OF REDUCTIONS IN RELATION TO DISTRICT ADMINISTRATION.

BY CONTRAST, SIR PIERS SAID EXPENDITURE ON THE ENVIRONMENT WOULD GROW BY 80 PER CENT, AND THIS ON TOP OF A 37 PER CENT INCREASE IN ESTIMATED EXPENDITURE IN 1990-91.

MODEST SURPLUS FORECAST: FS

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, FORECAST A MODEST CONSOLIDATED SURPLUS OF \$1.3 BILLION FOR 91-92.

SPEAKING ON THE DRAFT ESTIMATES OF REVENUE IN HIS BUDGET FOR 1991-92, SIR PIERS SAID HIS REVENUE PROPOSALS WOULD REDUCE DIRECT TAXATION BY \$340 MILLION AND INCREASE INDIRECT TAXATION BY \$3 BILLION.

OTHER REVENUE, INCLUDING INTEREST, WOULD INCREASE BY \$600 MILLION.

THE FINAL FORECAST, THEREFORE, IS A MODEST CONSOLIDATED SURPLUS OF \$1.3 BILLION," HE SAID.

THE FINANCIAL SECRETARY SAID REVENUE TO THE GENERAL REVENUE ACCOUNT WAS ESTIMATED AT \$93.5 BILLION BEFORE TAKING ACCOUNT OF ANY REVENUE MEASURES.

"THIS IS 13 PER CENT MORE THAN THE REVENUE EXPECTED IN 1990-91," HE SAID.

REVENUE FROM DIRECT TAXES WOULD INCREASE BY 20 PER CENT ALTHOUGH REVENUE FROM PROFITS TAX WOULD INCREASE BY ONLY 13 PER CENT.

DIRECT TAXES WOULD REPRESENT 63 PER CENT OF TOTAL TAXES COMPARED WITH 60 PER CENT IN 1990-91.

SIR PIERS SAID REVENUE TO THE FUNDS WAS ESTIMATED TO BE \$9.3 BILLION, WHICH WOULD BE 37 PER CENT MORE THAN IN 1990-91.

TOTAL REVENUE TO GENERAL REVENUE ACCOUNT AND THE FUNDS WOULD, AT \$102.8 BILLION, BE 14 PER CENT ABOVE THE FORECAST OUTTURN FOR 1990-91.

HE NOTED THAT THE DRAFT ESTIMATES OF EXPENDITURE AND REVENUE FOR 1991-92 SHOW A SURPLUS OF \$1.5 BILLION BEFORE TAKING ACCOUNT OF EQUITY INVESTMENTS TO BE MADE FROM THE CAPITAL INVESTMENT FUND.

"THESE INVESTMENTS ARE ESTIMATED AT \$3.5 BILLION AND SO I AM FORECASTING A CONSOLIDATED DEFICIT BEFORE REVENUE MEASURES OF \$2 BILLION," SIR PIERS SAID.

WEDNESDAY, MARCH 6, 1991

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GOVT'S EFFORTS TO BETTER CONTROL
EXPENDITURE GROWTH ARE BEARING FRUIT

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THE GROWTH OF RECURRENT EXPENDITURE IS UNDER BETTER CONTROL AND THE GOVERNMENT'S EFFORTS ARE NOW BEARING FRUIT, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY (WEDNESDAY).

SUMMARISING THE MAIN FEATURES OF THE ESTIMATES FOR THE NEW FINANCIAL YEAR AND THEIR IMPLICATIONS FOR PUBLIC FINANCES IN HIS BUDGET FOR 1991-92, SIR PIERS SAID:

"ALTHOUGH CAPITAL EXPENDITURE WILL CONTINUE TO GROW RATHER MORE RAPIDLY, OUR STRONG RECURRENT POSITION WILL PRODUCE A SURPLUS SUFFICIENT TO COVER MORE THAN HALF OF THAT EXPENDITURE."

HE SAID THERE WOULD BE AN OVERALL SURPLUS TO BE ADDED TO THE GOVERNMENT'S RESERVES.

AND ON THE REVENUE SIDE, SIR PIERS SAID THE MEASURES HE SHOULD BE PROPOSING WOULD MAINTAIN THE PROPORTION OF TAX REVENUE ACCRUING FROM DIRECT TAX AT 60 PER CENT, AS IN 1990-91.

THE FINANCIAL SECRETARY SAID IT WAS IMPORTANT TO RECOGNIZE THAT THE DRAFT ESTIMATES FOR 1991-92 HAD IMPLICATIONS FOR THE PUBLIC FINANCES WHICH EXTENDED WELL BEYOND THE YEAR OF ACCOUNT.

"I WISH TO COMMENT ON THESE IMPLICATIONS IN THE CONTEXT OF THE UPDATED MEDIUM RANGE FORECAST, WHICH COVERS THE PERIOD UP TO AND INCLUDING 1994-95," HE SAID.

SIR PIERS POINTED OUT THAT ONE OF THE MOST IMPORTANT ASSUMPTIONS IN UPDATING THE MEDIUM RANGE FORECAST CONCERNED THE FUTURE PERFORMANCE OF THE ECONOMY AND PARTICULARLY THE GROWTH IN GDP.

"WE HAVE CONTINUED TO ASSUME A TREND GROWTH RATE FOR GDP OF 5.5 PER CENT IN REAL TERMS. THIS IS A TREND RATE AND INDIVIDUAL YEARS MAY WELL VARY FROM THAT TREND.

"IT IS ALSO INEVITABLE THAT THERE WILL BE SOME UNEVENNESS IN OUR EXPENDITURE," HE SAID.

NEVERTHELESS, THESE FACTORS DID NOT INVALIDATE USING THE TREND RATE AS A PLANNING TOOL.

DURING THE PERIOD FROM 1991-92 TO 1994-95, SIR PIERS SAID OVERALL PUBLIC EXPENDITURE WOULD GROW BY AN AVERAGE OF 6.2 PER CENT PER ANNUM.

THIS FIGURE, marginally higher than the trend growth rate of GDP, combined both recurrent and capital expenditure.

THE GROWTH RATE FOR RECURRENT EXPENDITURE WAS, AT 5.2 PER CENT, WITHIN THE TREND GROWTH RATE, WHEREAS CAPITAL EXPENDITURE WAS FORECAST TO GROW AT A SOMEWHAT HIGHER RATE OF 8.3 PER CENT, HE SAID.

/"NOTWITHSTANDING THE

"NOTWITHSTANDING THE EFFECTS OF THE REVENUE MEASURES WHICH I SHALL BE PROPOSING IN THIS BUDGET, THE MEDIUM RANGE FORECAST INDICATES THAT THERE WILL BE CASH DEFICITS FROM 1992-93 ONWARDS," SIR PIERS CONTINUED.

HOWEVER, THE FIGURES IN THE FORECAST TOOK NO ACCOUNT OF POSSIBLE FUTURE REVENUE MEASURES, NOR WAS PROVISION MADE FOR ANY BORROWING.

"EVEN SO, OVER THE FORECAST PERIOD WE WILL ENJOY SUBSTANTIAL SURPLUSES ON RECURRENT ACCOUNT WHICH WILL ENABLE US TO COVER SOME TWO THIRDS OF OUR CAPITAL EXPENDITURE," HE ADDED.

THE FINANCIAL SECRETARY SAID HE HAD STRESSED ON MORE THAN ONE OCCASION THE IMPORTANCE OF ENSURING THAT THE RELATIVE SIZE OF THE PUBLIC SECTOR WAS NOT ALLOWED TO INCREASE TO THE POINT WHERE THE WEALTH-PRODUCING CAPACITY OF THE PRIVATE SECTOR WAS IMPAIRED.

"THERE IS NO HARD AND FAST RULE FOR DETERMINING THE OPTIMUM SIZE OF THE PUBLIC SECTOR. PUBLIC EXPENDITURE FOR THE FORECAST PERIOD WILL REPRESENT AN AVERAGE OF ABOUT 19.7 PER CENT OF GDP.

"THIS IS LARGELY THE RESULT OF THE ENHANCED LEVEL OF CAPITAL SPENDING, BUT IT IS STILL SOMEWHAT HIGHER THAN I WOULD WISH TO SEE FOR THE LONGER TERM," SIR PIERS NOTED.

AS MAJOR PROJECTS WERE COMPLETED, HE SAID HE EXPECTED CAPITAL EXPENDITURE TO RETURN TO LEVELS CLOSER TO THOSE THE GOVERNMENT HAD EXPERIENCED IN RECENT YEARS, WITH THE RELATIVE SIZE OF THE PUBLIC SECTOR FALLING ACCORDINGLY.

"IN SHORT, THE PRIVATE SECTOR WILL NOT BE CROWDED OUT BY THE PUBLIC SECTOR. THIS, I BELIEVE, IS THE BEST WAY TO ENSURE THAT HIGHER ECONOMIC GROWTH FROM WHICH ALL WILL BENEFIT," HE SAID.

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HK'S DEPENDENCE ON DIRECT TAXATION UNDER CONTINUED REVIEW: FS

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY (WEDNESDAY) HE HAS CONTINUED TO KEEP UNDER REVIEW THE EXTENT OF THE TERRITORY'S DEPENDENCE ON DIRECT TAXATION.

"I BELIEVE THAT MANY IN OUR COMMUNITY ARE NOW AWARE THAT THE YIELD FROM OUR TAX SYSTEM, AS PRESENTLY STRUCTURED, IS VULNERABLE TO FLUCTUATIONS IN THE ECONOMY," SIR PIERS SAID, WHEN PRESENTING HIS BUDGET FOR 1991-92.

SPEAKING ON REVENUE POLICY AND TAXATION MATTERS, SIR PIERS SAID RECENT EVENTS IN THE WORLD UNDERLINED THE FACT THAT HONG KONG'S ECONOMIC PERFORMANCE WAS AT RISK FROM CIRCUMSTANCES ENTIRELY OUTSIDE ITS CONTROL.

"IN CASE THERE IS ANY DOUBT, LET ME STRESS THAT THE NEED TO SECURE A MORE STABLE TAX BASE IS NOT FOR THE PURPOSE OF FINANCING THE AIRPORT PROJECT.

"WHAT I AM CONCERNED ABOUT IS THE REQUIREMENT TO PROVIDE A MORE STABLE SOURCE OF FUNDING OVER THE LONGER TERM FOR RECURRENT EXPENDITURE," HE SAID.

HE SAID IN HIS EARLIER BUDGET SPEECHES, HE HAD ARGUED THAT A POSSIBLE SOLUTION TO THE PROBLEM COULD LIE IN THE INTRODUCTION OF A BROADLY BASED SALES TAX.

"I RECOGNISE THAT SUCH A RESTRUCTURING OF OUR TAX SYSTEM, WHICH WOULD PLACE GREAT EMPHASIS ON INDIRECT TAXATION, WOULD NECESSARILY AFFECT THE WHOLE COMMUNITY INCLUDING THOSE WHO HAVE TO DATE PAID LITTLE OR NO DIRECT TAX.

"I BELIEVE, HOWEVER, THAT AS LONG AS ANY SUCH NEW TAX IS KEPT AT A MODEST LEVEL, AND THE ECONOMIC EFFECTS ARE MANAGEABLE, THERE SHOULD BE NO REAL CAUSE FOR CONCERN.

"WE ARE THEREFORE CONTINUING WORK ON THE PROPOSAL FOR A SALES TAX, PROBABLY AT THE WHOLESALE LEVEL," SIR PIERS SAID.

THE FINANCIAL SECRETARY POINTED OUT THAT AS HE SAID LAST YEAR, THE GOVERNMENT WAS NOT WORKING TO A SPECIFIC TIME-TABLE, AND HE WOULD FEEL HESITANT ABOUT INTRODUCING A SALES TAX WHILE INFLATION REMAINED AT ITS PRESENT LEVEL.

TURNING TO TAX EVASION AND TAX AVOIDANCE, SIR PIERS SAID IF THE PROBLEMS WERE NOT ADDRESSED, AND REVENUE WAS THEREBY LOST, THE AVERAGE TAXPAYER WOULD HAVE TO BEAR A HEAVIER BURDEN THAN NECESSARY.

"WITH REGARD TO EVASION, I AM NOT SUGGESTING THAT THE PROBLEM IS PARTICULARLY WIDESPREAD IN HONG KONG.

"WE ARE SATISFIED THAT MOST OF OUR TAXPAYERS COMPLY WITH THE LAW.

"I ATTRIBUTE THIS AT LEAST IN PART TO HAVING A SIMPLE TAX SYSTEM WITH LOW RATES," HE SAID.

NEVERTHELESS, SIR PIERS SAID THE GOVERNMENT COULD NOT AFFORD TO BE COMPLACENT; EVASION CERTAINLY EXISTED. FOR THIS REASON THE COMMISSIONER OF INLAND REVENUE CONTINUED TO DEPLOY STAFF IN TACKLING THIS PROBLEM, PRODUCTIVELY.

"FROM TIME TO TIME NEW MEASURES ARE ADOPTED TO ENCOURAGE COMPLIANCE, SOME MORE PAINFUL THAN OTHERS. IN THIS REGARD, THE COMMISSIONER IS PLANNING THE EARLY INTRODUCTION OF A "FIELD AUDIT" SYSTEM WHICH WILL INVOLVE OFFICERS INTERVIEWING TAXPAYERS AND CHECKING THE RECORDS AT THEIR BUSINESS PREMISES," SIR PIERS SAID.

THIS SYSTEM HAD BEEN ADOPTED IN A NUMBER OF COUNTRIES AND HAD PROVED TO BE AN EFFECTIVE DETERRENT, HE SAID.

WITH REGARD TO THE LEGAL AVOIDANCE OF TAX IN HONG KONG, SIR PIERS SAID POWERS OF A GENERAL NATURE WERE GRANTED TO THE COMMISSIONER IN 1986 TO ASSIST HIM IN COUNTERING THE PROBLEM.

RECENTLY, HOWEVER, SCHEMES HAD EMERGED WHICH CLEARLY PLACE SUBSTANTIAL AMOUNTS OF REVENUE AT RISK.

"SOME OF THESE SCHEMES ARGUABLY FALL OUTSIDE THE SCOPE OF OUR GENERAL ANTI-AVOIDANCE PROVISIONS. SO, FOR THE SAKE OF CERTAINTY, IT IS NECESSARY TO INTRODUCE SPECIFIC LEGISLATION TO SAFEGUARD THE REVENUE," HE STRESSED.

SUBJECT TO THE ADVICE OF EXECUTIVE COUNCIL, THE FINANCIAL SECRETARY SAID HE INTENDED TO INTRODUCE INTO THE LEGISLATIVE COUNCIL A BILL SEEKING AMENDING LEGISLATION FOR LIMITING THE USE OF LEVERAGED LEASING SCHEMES AS TAX SHELTERS LATER IN THE PRESENT SESSION.

"MEMBERS OF THIS COUNCIL HAVE FROM TIME TO TIME CALLED FOR A REVIEW OF OUR WHOLE TAX SYSTEM.

"FOLLOWING THE UNDERTAKING I GAVE AT THE CONCLUSION OF THE BUDGET DEBATE LAST YEAR, I INVITED THE JOINT LIAISON COMMITTEE ON TAXATION TO EXAMINE A WIDE RANGE OF REVENUE MEASURES.

"THIS EXAMINATION WAS NOT RESTRICTED TO MATTERS COVERED BY THE INLAND REVENUE ORDINANCE," SIR PIERS SAID.

AT THE BEGINNING OF THIS YEAR, HE SAID THE COMMITTEE GAVE HIM SOME INITIAL VIEWS ON GROUP LOSS RELIEF, TAXATION OF PROFITS FROM SHIPPING, STAMP DUTY, TAX TREATIES, SOURCE OF PROFITS AND INDIRECT TAXATION.

"I AM MOST GRATEFUL FOR THE SUGGESTIONS THE COMMITTEE HAS MADE SO FAR. EVEN WHERE I HAVE NOT FELT IT APPROPRIATE TO TAKE ACTION AT THIS STAGE, ALL SUGGESTIONS ARE BEING CONSIDERED.

"I LOOK FORWARD TO A CONTINUING DIALOGUE WITH THIS HELPFUL GROUP FROM THE PRIVATE SECTOR," HE SAID.

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THE FINANCIAL SECRETARY PROPOSES REVENUE MEASURES

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS TODAY (WEDNESDAY) PROPOSED MEASURES WHICH WILL YIELD ABOUT \$4 BILLION IN NEW REVENUE IN 1991-92, INCLUDING AN ADDITIONAL YIELD FROM GENERAL RATES, AND APPROXIMATELY THE SAME IN A FULL YEAR.

HE ALSO PROPOSED TAX AND DUTY CONCESSIONS WHICH WOULD COST ABOUT \$840 MILLION IN 1991-92, AND \$980 MILLION IN A FULL YEAR.

/PRESENTING HIS

PRESENTING HIS BUDGET FOR 1991-92, THE FINANCIAL SECRETARY STATED THAT THE GOVERNMENT STRATEGY FOR REVENUE WAS AIMED AT MAINTAINING RECURRENT REVENUE AT A LEVEL WHICH WOULD COVER BOTH RECURRENT EXPENDITURE AND AT LEAST HALF OF THE GOVERNMENT'S CAPITAL EXPENDITURE.

"IN ADDITION, WE SEEK TO KEEP OUR RESERVES AT AN ADEQUATE LEVEL.

"WE ARE ALSO CONCERNED TO ENSURE THAT WE DO NOT BECOME OVER-RELIANT ON DIRECT TAXES, WHILE RECOGNISING THE INFLATIONARY IMPACT OF SOME INDIRECT TAXES.

"THE REVENUE MEASURES IN THIS YEAR'S BUDGET ARE CONSISTENT WITH THIS STRATEGY," SIR PIERS SAID.

AS REGARDS INDIRECT TAXES, THE FINANCIAL SECRETARY SAID HE ASSESSED WITH CARE THE LIKELY EFFECT ON INFLATION OF ANY PROPOSED INCREASES.

"THIS YEAR, MY INDIRECT TAX MEASURES WILL HAVE SOME IMPACT ON THE COST OF LIVING, BUT LARGELY INVOLVING LUXURY OR NON-ESSENTIAL ITEMS WHERE THE INDIVIDUAL CONSUMER CAN CHOOSE WHETHER TO PURCHASE OR NOT.

"GIVEN THIS ELEMENT OF PERSONAL CHOICE, AND IN THE LIGHT OF THE NEED FOR ADDITIONAL REVENUE IN 1991-92, I BELIEVE THE TAX INCREASES I HAVE SELECTED ARE JUSTIFIABLE," HE SAID.

HYDROCARBON OILS

THE FINANCIAL SECRETARY PROPOSED TO INCREASE THE DUTY RATE OF HYDROCARBON OILS BY FIVE PER CENT.

HE POINTED OUT THE GOVERNMENT USUAL POLICY ON HYDROCARBON OILS HAD BEEN TO AT LEAST MAINTAIN THE DUTY YIELD IN REAL TERMS.

"SINCE THE START OF THE GULF CRISIS LAST AUGUST, CRUDE OIL PRICES HAVE BEEN PARTICULARLY VOLATILE. ACCORDINGLY, AND EXCEPTIONALLY, I PROPOSE ON THIS OCCASION TO INCREASE THE DUTY RATE BY ONLY FIVE PER CENT INSTEAD OF THE 10 PER CENT I WOULD OTHERWISE HAVE IMPOSED," HE SAID.

"THIS HAS THE ADDED ADVANTAGE OF CARRYING WITH IT LESS OF AN INFLATIONARY IMPACT THAN WOULD OTHERWISE HAVE BEEN THE CASE.

"THE RATE ON MOTOR SPIRIT WILL THUS BE INCREASED FROM \$3.58 TO \$3.76 A LITRE AND ON DIESEL OIL FOR ROAD VEHICLES FROM \$1.78 TO \$1.87 A LITRE. I ESTIMATE THE ADDITIONAL REVENUE YIELD TO BE \$135 MILLION," THE FINANCIAL SECRETARY SAID.

THE REFUND ON DIESEL OIL TO THE FRANCHISED BUS COMPANIES WOULD REMAIN AT 65 CENTS A LITRE. THE COST OF THE DUTY INCREASE TO ALL THESE COMPANIES TAKEN TOGETHER WOULD BE ABOUT \$12 MILLION.

/"THE EFFECT, ...

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"THE EFFECT, IF ANY, ON BUS FARES SHOULD BE MINIMAL," SIR PIERS SAID.

THE FINANCIAL SECRETARY REMINDED MEMBERS OF THE LEGISLATIVE COUNCIL THAT IN THE CONTEXT OF THE INTRODUCTION OF UNLEADED PETROL, IT WAS ANNOUNCED THAT THE DUTY RATE ON MOTOR SPIRIT WOULD BE USED TO ACHIEVE A PRICE DIFFERENTIAL IN FAVOUR OF UNLEADED PETROL OF ABOUT \$1 A LITRE.

"A RESOLUTION TO INTRODUCE THE MEASURE WILL BE PUT TO THIS COUNCIL BEFORE THE END OF THE MONTH, BUT IT IS NOT EXPECTED TO RESULT IN ANY ADDITIONAL REVENUE.

"THE PRICE OF DIESEL WILL NOT BE AFFECTED," HE SAID.

ALCOHOLIC BEVERAGES AND ALCOHOL

THE FINANCIAL SECRETARY PROPOSED TO INCREASE THE SPECIFIC DUTY RATES ON ALL ALCOHOLIC BEVERAGES AND ALCOHOL BY 15 PER CENT.

THE AD VALOREM RATES WOULD REMAIN UNCHANGED.

SIR PIERS SAID OVERALL, THE RESULT WAS AN INCREASE IN REAL TERMS AND WAS, HE BELIEVED, APPROPRIATE GIVEN THAT ALCOHOL CONSUMPTION REMAINED A MATTER OF CHOICE.

TAKING ACCOUNT OF CONSUMER RESISTANCE, THE ADDITIONAL REVENUE YIELD WAS ESTIMATED TO BE \$120 MILLION.

TOBACCO

THE FINANCIAL SECRETARY PROPOSED TO INCREASE THE DUTY ON TOBACCO BY 200 PER CENT WITH A PARTICULAR VIEW TO REDUCING THE ATTRACTIVENESS OF SMOKING TO YOUNG PEOPLE.

THE FINANCIAL SECRETARY SAID WHEN HE INCREASED THE DUTY ON TOBACCO BY 25 PER CENT LAST YEAR, HE MADE IT CLEAR THAT THE INCREASE WAS FOR FISCAL PURPOSES, HOWEVER, IT HAD BEEN PUT TO HIM PERSUASIVELY, THAT FOR HEALTH REASONS A HEFTY INCREASE WAS NOW JUSTIFIED.

IF THE FULL COST WAS PASSED ON TO THE CONSUMER, THIS WOULD RAISE THE PRICE OF A PACKET OF 20 CIGARETTES FROM THE PRESENT \$12 TO \$13 TO ABOUT \$20.

THE FINANCIAL SECRETARY ALSO REMOVED THE DIFFERENTIAL BETWEEN THE RATE FOR CHINESE PREPARED TOBACCO AND SMOKING TOBACCO, WHICH HE SAID WAS NO LONGER APPROPRIATE AND HAD GIVEN RISE TO ALLEGATIONS THAT HONG KONG HAD GIVEN PREFERENTIAL TREATMENT TO A PARTICULAR FORM OF IMPORTED TOBACCO.

THE ESTIMATED ADDITIONAL REVENUE YIELD AFTER ALLOWING FOR CONSUMER RESISTANCE WOULD BE ABOUT \$1.9 BILLION.

/COSMETICS

COSMETICS

THE FINANCIAL SECRETARY PROPOSED TO RAISE THE DUTY ON COSMETICS FROM 25 PER CENT TO 30 PER CENT FOR ADDITIONAL REVENUE YIELD FROM THIS SOURCE.

DUTY ON COSMETICS WAS RE-INTRODUCED IN THE 1985 BUDGET AND THE AD VALOREM DUTY RATE HAD REMAINED UNCHANGED.

ASSUMING LIMITED CONSUMER RESISTANCE, THE ADDITIONAL YIELD WAS ESTIMATED TO BE \$40 MILLION.

AIR PASSENGER DEPARTURE TAX

THE FINANCIAL SECRETARY PROPOSED TO INCREASE THE AIR PASSENGER DEPARTURE TAX FOR AN ADULT FROM \$100 TO \$150.

HOWEVER, CHILDREN WHO CURRENTLY PAID \$50, WOULD IN FUTURE NOT PAY THE TAX AT ALL.

THE FINANCIAL SECRETARY SAID THE INCREASE FOR ADULTS WOULD JUST RESTORE THE REAL VALUE OF THE TAX TO THE 1985 LEVEL, WHEN IT WAS \$120 AND ZERO-RATING THE TAX FOR CHILDREN WOULD AFFORD SOME RELIEF TO PARENTS.

THESE PROPOSALS WOULD COME INTO EFFECT ON APRIL 1 AND ESTIMATED ADDITIONAL REVENUE FROM THIS SOURCE WAS ABOUT \$390 MILLION.

VEHICLE FIRST REGISTRATION TAX

THE FINANCIAL SECRETARY PROPOSED TO INCREASE FIRST REGISTRATION TAX ON MOTOR VEHICLES AND THE MEASURES CAME INTO EFFECT THIS AFTERNOON.

THE PROPOSED RATE ON A BASIC PRIVATE CAR WOULD BE INCREASED FROM 80 TO 90 PER CENT; ON A SEMI-LUXURY CAR FROM 90 TO 105 PER CENT; AND ON A LUXURY CAR FROM 100 TO 120 PER CENT.

FOR MOTOR CYCLES, THE RATE WOULD INCREASE FROM 80 TO 90 PER CENT.

THE FINANCIAL SECRETARY ALSO PROPOSED TO INCREASE THE TAX ON VAN TYPE LIGHT GOODS VEHICLES NOT EXCEEDING 1.9 TONNES IN WEIGHT TO THE SAME RATE AS THAT FOR BASIC PRIVATE CARS, THAT WAS, 90 PER CENT.

VANS WEIGHING MORE THAN 1.9 TONNES, WHICH WERE LESS FREQUENTLY USED FOR PASSENGER CARRYING, WOULD BE SUBJECT TO TAX AT 50 PER CENT.

OTHER GOODS VEHICLES WOULD BE TAXED AT THE RATE OF 35 PER CENT. THUS THE PRESENT SINGLE 25 PER CENT TAX RATE FOR GOODS VEHICLES WOULD BE RESTRUCTURED INTO THREE BANDS OF 90 PER CENT, 50 PER CENT AND 35 PER CENT.

THE FINANCIAL SECRETARY POINTED OUT THAT FOR SOME YEARS, LIGHT VANS HAD BEEN PURCHASED FOR BOTH PRIVATE PASSENGER AND GOODS USE.

"OWNERS OF THOSE VANS WHICH HAVE BEEN USED FOR PRIVATE PASSENGER PURPOSES HAVE BEEN ABLE TO TAKE ADVANTAGE OF THE LOWER RATE OF FIRST REGISTRATION TAX INTENDED FOR GOODS VEHICLES AND THUS AVOID TAX AT A LEVEL APPROPRIATE TO PRIVATE VEHICLES. THE EFFECTIVENESS OF THE TAX AS A VEHICLE CONTROL MEASURE HAS ALSO BEEN REDUCED," HE SAID.

THE PROPOSED INCREASE WAS TO REMEDY THE SITUATION, THE FINANCIAL SECRETARY ADDED.

THE ADDITIONAL REVENUE ARISING FROM THESE INCREASES WAS ESTIMATED TO BE \$460 MILLION.

THE FOLLOWING ARE THE DETAILS OF THE EXISTING AND PROPOSED RATES OF MOTOR VEHICLE FIRST REGISTRATION TAX:

MOTOR VEHICLE FIRST REGISTRATION TAX

CLASS	EXISTING RATE (% AD VALOREM)	PROPOSED RATE (% AD VALOREM)
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PRIVATE CARS		
BASIC CARS (CIF VALUE BELOW \$30,000)	80	90
SEMI-LUXURY CARS (CIF VALUE BETWEEN \$30,000 - \$60,000)	90	105
LUXURY CARS (CIF VALUE EXCEEDING \$60,000)	100	120
MOTOR CYCLES AND MOTOR TRICYCLES	80	90
GOODS VEHICLES		
VAN-TYPE LIGHT GOODS VEHICLES :-		
NOT EXCEEDING 1.9 TONNES	25	90
EXCEEDING 1.9 TONNES	25	50
OTHERS	25	35
OTHER TYPES OF VEHICLES (TAXIS, PUBLIC AND PRIVATE LIGHT BUSES, PUBLIC AND PRIVATE BUSES, AND SPECIAL PURPOSE VEHICLES)	15	15
FEEES AND CHARGES		

THE FINANCIAL SECRETARY PROPOSED TO INCREASE THE TOLLS FOR THE ABERDEEN AND SHING MUN TUNNELS; RESTRICTED LICENCE BANK AND DEPOSIT-TAKING COMPANY LICENCE AND REGISTRATION FEES; VEHICLE AND DRIVING LICENCE FEES; PASSENGER EMBARKATION AND BERTHING FEES; AND THE TRANSFER OF VEHICLE OWNERSHIP FEE.

TOLLS FOR ABERDEEN AND SHING MUN TUNNELS

THE FINANCIAL SECRETARY PROPOSED TO INCREASE THE CURRENT TOLL OF \$3 FOR THE ABERDEEN AND SHING MUN TUNNELS TO \$5 WITH EFFECT FROM APRIL 1, 1991.

HE SAID THE TOLL OF THE ABERDEEN TUNNEL HAD NOT BE REVISED SINCE 1985 AND HE ESTIMATED THE ADDITIONAL REVENUE TO BE \$50 MILLION.

RESTRICTED LICENCE BANK AND DEPOSIT-TAKING COMPANY LICENCE AND REGISTRATION FEES

THE FINANCIAL SECRETARY PROPOSED TO INCREASE LICENCE AND REGISTRATION FEES FOR RESTRICTED LICENCE BANKS AND DEPOSIT-TAKING COMPANIES BY 40 PER CENT WITH EFFECT FROM APRIL 1, 1991.

HE POINTED OUT THAT THE GOVERNMENT HAD PREVIOUSLY UNDER-RECOVERED COSTS BY 30 PER CENT; THE INCREASE WOULD RECTIFY THIS.

THE ADDITIONAL REVENUE WAS ESTIMATED TO BE \$13 MILLION.

VEHICLE AND DRIVING LICENCE FEES

THE FINANCIAL SECRETARY PROPOSED TO INCREASE VEHICLE AND DRIVING LICENCE FEES GENERALLY BY 10 PER CENT TO MAINTAIN THE YIELD IN REAL TERMS, EFFECTIVE THIS AFTERNOON.

ADDITIONALLY, AND CONSISTENT WITH THE RESTRUCTURING OF THE FIRST REGISTRATION TAX ON GOODS VEHICLES, THE FINANCIAL SECRETARY PROPOSED FURTHER INCREASES IN THE ANNUAL LICENCE FEES FOR GOODS VEHICLES UP TO 5.5 TONNES.

THE FEE FOR VAN TYPE LIGHT GOODS VEHICLES NOT EXCEEDING 1.9 TONNES IN WEIGHT WOULD BE INCREASED FROM \$1,065 TO \$2,115; FOR VANS WEIGHING MORE THAN 1.9 TONNES THE INCREASE WOULD BE FROM \$2,080 TO \$4,140.

HE ESTIMATED THAT ADDITIONAL REVENUE OF \$290 MILLION WOULD BE GENERATED BY ALL THESE INCREASES.

PASSENGER EMBARKATION AND BERTHING FEES

THE FINANCIAL SECRETARY PROPOSED TO INCREASE THE PASSENGER EMBARKATION FEE PAYABLE BY THOSE DEPARTING FROM THE MACAU AND CHINA FERRY TERMINALS FROM \$19 TO \$21, APPROXIMATELY IN LINE WITH INFLATION.

AS THE FEE WAS LAST RAISED IN OCTOBER 1990, THE NEXT INCREASE WOULD TAKE EFFECT AS FROM OCTOBER 1991, SIR PIERS SAID.

THE CHARGE OF \$2 EARMARKED FOR THE VESSEL TRAFFIC MANAGEMENT SYSTEM WOULD BE INCREASED TO \$2.20 ACCORDINGLY.

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THE FINANCIAL SECRETARY FURTHER PROPOSED TO INCREASE BERTHING FEES BY 13 PER CENT FROM APRIL 1, 1991.

HE ESTIMATED TOTAL ADDITIONAL REVENUE ARISING FROM THESE INCREASES TO BE \$12 MILLION IN 1991-92 OR \$20 MILLION IN A FULL YEAR.

TRANSFER OF VEHICLE OWNERSHIP FEE

THE FINANCIAL SECRETARY PROPOSED TO TAX-LOAD THE FEE FOR THE TRANSFER OF VEHICLE OWNERSHIP.

THE PRESENT FEE PAYABLE ON THE TRANSFER OF OWNERSHIP OF A VEHICLE IS \$50. THIS PROPOSAL WOULD RESULT IN THE FEE BEING RAISED TO \$250 FOR MOTOR CYCLES AND TRICYCLES AND TO \$1,000 FOR OTHER TYPES OF VEHICLE.

THE INCREASE CAME INTO EFFECT THIS AFTERNOON AND THE ADDITIONAL REVENUE YIELD WAS ESTIMATED TO BE \$140 MILLION.

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CONCESSIONS ON PERSONAL TAXATION AND STAMP DUTY

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS TODAY (WEDNESDAY) PROPOSED TO REVISE THE MARGINAL RATES OF TAX FOR SALARIES TAX AND PERSONAL ASSESSMENT, AND TO INCREASE PERSONAL ALLOWANCES.

IN HIS 1991-92 BUDGET SPEECH, THE FINANCIAL SECRETARY ALSO PROPOSED, IN RELATION TO STAMP DUTY, TO REDUCE THE DUTY ON SHARE TRANSFERS AND EXEMPT DEBT INSTRUMENTS, AND PROVIDED A FURTHER SPECIFIC RELIEF IN RELATION TO CERTAIN CORPORATE RESTRUCTURING ARRANGEMENTS.

PERSONAL TAXATION

FOR PERSONAL TAXATION, THE FINANCIAL SECRETARY PROPOSED THAT SCHEDULE 2 OF THE INLAND REVENUE ORDINANCE BE AMENDED TO PROVIDE A SIMPLIFIED FOUR-BAND SCALE. THE NEW MARGINAL RATES WILL BE TWO PER CENT UPON THE FIRST \$20,000, NINE PER CENT AND 17 PER CENT RESPECTIVELY UPON THE NEXT TWO BANDS OF \$20,000 AND 25 PER CENT UPON THE REMAINDER.

SIR PIERS SAID TAXPAYERS WITH LOWER INCOMES STOOD TO BENEFIT MOST.

HE ALSO PROPOSED TO INCREASE BASIC AND MARRIED PERSON'S ALLOWANCES FROM \$32,000 AND \$66,000 TO \$34,000 AND \$68,000 RESPECTIVELY.

THUS, TAKEN TOGETHER WITH THE EXISTING ADDITIONAL ALLOWANCE, THE NEW PERSONAL ALLOWANCE WOULD BE \$41,000 FOR A SINGLE PERSON, AND \$82,000 FOR A MARRIED COUPLE. BELOW THESE INCOME LEVELS, THERE WOULD BE NO LIABILITY TO PERSONAL TAX, SIR PIERS SAID.

/THE FINANCIAL

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THE FINANCIAL SECRETARY DID NOT PROPOSE, ON THIS OCCASION, TO INCREASE THE ALLOWANCES FOR CHILDREN OR FOR DEPENDENT PARENTS. THESE ALLOWANCES WERE ADJUSTED IN THE 1990 BUDGET.

THE CONCESSIONS WOULD TAKE EFFECT FROM THE YEAR OF ASSESSMENT COMMENCING APRIL 1, 1991.

"THEREFORE, THE FIRST OCCASION ON WHICH THEY WILL APPLY IS TO PROVISIONAL AND FINAL SALARIES TAX ASSESSMENTS FOR 1991-92 AND ALSO TO 1991-92 PERSONAL ASSESSMENTS.

"I ESTIMATE THAT THE COST TO THE REVENUE IN 1991-92 WILL BE \$340 MILLION, AND \$480 MILLION FOR A FULL YEAR," SIR PIERS SAID.

STAMP DUTY

THE FINANCIAL SECRETARY HAD THREE CONCESSIONS RELATING TO STAMP DUTY.

FIRST, IN RECOGNITION OF THE WORLD-WIDE TREND TOWARDS ELIMINATING THE DUTY ON STOCK TRANSFERS, SIR PIERS PROPOSED TO REDUCE THE OVERALL CONTRACT NOTE DUTY FROM 0.6 PER CENT TO 0.5 PER CENT.

"THANKS TO MODERN TECHNOLOGY, STOCK MARKETS NEED NO LONGER BE CONFINED TO ANY PARTICULAR GEOGRAPHICAL LOCATION.

"THUS, IN PLANNING FUTURE BUDGETARY STRATEGY, WE MUST HAVE REGARD TO HOW TOTAL DEALING COSTS IN HONG KONG COMPARE WITH THOSE IN OTHER CENTRES.

"I AM OBLIGED, HOWEVER, TO MOVE CAUTIOUSLY, MINDFUL OF THE SUBSTANTIAL REVENUE WHICH IS AT STAKE. THIS CONCESSION WILL COST \$420 MILLION," THE FINANCIAL SECRETARY SAID.

SECONDLY, THE FINANCIAL SECRETARY PROPOSED TO EXEMPT REGISTERED DEBT INSTRUMENTS FROM STAMP DUTY SO THAT THEY WERE TREATED IN THE SAME WAY AS BEARER DEBT INSTRUMENTS.

THE COST OF THIS CONCESSION WOULD BE ONLY \$1 MILLION.

THIRDLY, THE FINANCIAL SECRETARY PROPOSED TO RELIEVE CORPORATE GROUPS FROM THE DUTY ON STOCK TRANSFERS UPON RESTRUCTURING OF THEIR INTRA-GROUP SHAREHOLDINGS.

"THIS IS TO FOLLOW THE EXISTING RELIEF FROM ASSIGNMENT DUTY UPON THE RE-ORGANIZATION OF INTRA-GROUP PROPERTY HOLDINGS AND WILL COST THE REVENUE \$80 MILLION," HE SAID.

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FINANCIAL SECRETARY PROPOSES REDUCTION IN TOTAL CHARGE TO RATES
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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS TODAY (WEDNESDAY) PROPOSED THAT THE TOTAL CHARGE TO RATES, TERRITORY WIDE, BE REDUCED FROM 7.5 TO 5.5 PER CENT.

"IN RESPECT OF THE URBAN COUNCIL AREA, THE GENERAL RATE WILL BE REDUCED FROM 4 TO 2.5 PER CENT WHILE THE URBAN COUNCIL RATE WILL BE REDUCED FROM 3.5 TO 3.0 PER CENT. IN RESPECT OF THE REGIONAL COUNCIL AREA, THE GENERAL RATE WILL BE INCREASED FROM 1.5 TO 1.75 PER CENT WHILE THE REGIONAL COUNCIL RATE WILL BE REDUCED FROM 6 TO 3.75 PER CENT," SAID SIR PIERS IN HIS BUDGET FOR 1991-92.

HE POINTED OUT THAT LAST YEAR HE RAISED THE GENERAL RATES, THAT WAS THE RATES WHICH WERE PAYABLE TO GENERAL REVENUE, BY 1.5 PERCENTAGE POINTS.

"DESPITE THIS INCREASE, RATES CURRENTLY PAYABLE, EXPRESSED AS A PROPORTION OF ACTUAL RENTS, REMAIN LOW COMPARED TO SEVERAL YEARS AGO," HE SAID.

HE RECALLED THAT AS MENTIONED IN HIS 1990 BUDGET SPEECH THAT ALL RATEABLE VALUES WOULD BE REVISED WITH EFFECT FROM 1991-92; AND IN NOVEMBER 1990, THE GOVERNOR DIRECTED THE COMMISSIONER OF RATING AND VALUATION TO PREPARE A NEW LIST OF RATEABLE VALUES IN THE URBAN AND REGIONAL COUNCIL AREAS, TO TAKE EFFECT FROM APRIL 1, 1991.

SIR PIERS STRESSED THAT THE GENERAL REVALUATION EXERCISE WAS NOT OF ITSELF DESIGNED TO INCREASE REVENUE FROM RATES.

"ITS PRIME PURPOSE IS TO ENSURE THAT THE BURDEN OF THE CHARGE IS SPREAD FAIRLY BETWEEN DIFFERENT CLASSES OF RATEPAYER ACCORDING TO THE CURRENT MARKET RENTAL VALUES OF THE PREMISES THEY OCCUPY," HE SAID.

HE POINTED OUT THAT THE PRESENT RATEABLE VALUES WERE BASED ON RENTS PASSING IN OCTOBER 1986.

GIVEN THE CONSIDERABLE INCREASE IN PROPERTY VALUES SINCE THEN, IT WAS NOT SURPRISING THAT THE NEW RATEABLE VALUES, WHICH WOULD BE BASED ON RENTAL VALUES IN JULY 1990, WOULD BE SUBSTANTIALLY HIGHER.

ALSO, IMPROVEMENTS IN TRANSPORTATION, AND INFRASTRUCTURAL AND OTHER DEVELOPMENTS, HAD CAUSED CONSIDERABLE DIFFERENCES IN THE INCREASES FOR INDIVIDUAL PROPERTIES WITHIN THE SAME CLASS, THE FINANCIAL SECRETARY SAID.

THE AVERAGE INCREASE IN RATEABLE VALUES WOULD BE ABOUT 65 PER CENT FOR DOMESTIC PROPERTIES AND 105 PER CENT FOR NON-DOMESTIC PROPERTIES, AND THE OVERALL AVERAGE INCREASE WOULD BE ABOUT 85 PER CENT, WITH WIDE FLUCTUATIONS BETWEEN DIFFERENT CLASSES OF PROPERTY.

HOWEVER, SIR PIERS SAID THAT A CHANGE IN RATEABLE VALUE BY ITSELF DID NOT DIRECTLY DETERMINE THE INCREASE A RATEPAYER WOULD PAY.

/"WHAT RATEPAYERS

"WHAT RATEPAYERS WILL EVENTUALLY PAY WILL DEPEND ON THE PERCENTAGE RATES CHARGE TO BE APPLIED TO THE RATEABLE VALUE AND ANY OTHER MEASURES TO BE INTRODUCED, SUCH AS RATE RELIEF," HE SAID.

ON RATE RELIEF, SIR PIERS PROPOSED TO SOFTEN THE INITIAL IMPACT OF THE INCREASED RATEABLE VALUES NOT ONLY BY REDUCING THE PERCENTAGE RATES CHARGE BUT ALSO BY INTRODUCING, FOR THE YEAR 1991-92, THE RELIEF MEASURES PROVIDED FOR IN THE RATING (AMENDMENT) ORDINANCE 1991, WHICH WAS ENACTED LAST MONTH.

"THE PURPOSE OF THE RATE RELIEF SCHEME, AS I HAVE PREVIOUSLY EXPLAINED TO MEMBERS, IS TO LIMIT THE INCREASE IN RATES PAYABLE TO A PERCENTAGE OF THE AMOUNT PAYABLE IN THE PREVIOUS YEAR.

"THIS PERCENTAGE IS DETERMINED BY A RESOLUTION OF THIS COUNCIL. I PROPOSE THAT IT BE SET AT 25 PER CENT FOR 1991-92," HE SAID.

SIR PIERS EXPLAINED THAT THIS MEANT THAT THE MAXIMUM ANNUAL RATE PAYMENT BY AN INDIVIDUAL RATEPAYER IN 1991-92 WOULD NOT BE MORE THAN 25 PER CENT ABOVE THAT PAYABLE IN 1990-91.

"RATEPAYERS IN ABOUT 31 PER CENT OF DOMESTIC PROPERTIES AND 64 PER CENT OF NON-DOMESTIC PROPERTIES WILL BENEFIT FROM THIS MEASURE," HE SAID.

THE FINANCIAL SECRETARY POINTED OUT THAT THE EFFECT OF THESE VARIOUS MEASURES WAS THAT THE AVERAGE INCREASE IN RATES IN 1991-92 FOR A SMALL PRIVATE FLAT WILL BE ABOUT \$38 PER MONTH, AND FOR A LARGE FLAT ABOUT \$137.

"AS REGARDS PUBLIC HOUSING, THE HOUSING AUTHORITY HAS IN THE PAST INITIALLY ABSORBED INCREASES IN RATES FOR ITS TENANTS.

"THE AUTHORITY'S RENTS, WHICH INCLUDE AN ELEMENT FOR RATES, ARE NORMALLY REVISED EVERY TWO YEARS ON A ROLLING CYCLE. IT WILL BE FOR THE AUTHORITY TO DECIDE WHETHER TO ABSORB ANY RATES INCREASES IN A SIMILAR MANNER THIS TIME.

"THE AVERAGE COST OF THE INCREASE FOR A HOUSING AUTHORITY FLAT WILL BE AROUND \$19 PER MONTH," HE SAID.

MOST RATEPAYERS, SAID THE FINANCIAL SECRETARY WOULD HAVE AN INCREASE IN RATES, BUT 57 PER CENT WOULD HAVE INCREASES OF LESS THAN THE 25 PER CENT MAXIMUM AND A SMALL NUMBER (AROUND 8 PER CENT) WOULD PAY LESS THAN BEFORE.

AFTER ALLOWING FOR THE EFFECT OF THE RATE RELIEF MEASURES, THE ESTIMATED RATES YIELD TO GENERAL REVENUE IN 1991-92 RESULTING FROM THESE PROPOSALS WAS IN THE REGION OF \$3.5 BILLION.

"THIS REPRESENTS AN INCREASE OF \$435 MILLION OVER THE EXPECTED YIELD FOR 1990-91. THE ESTIMATED YIELD FOR THE URBAN COUNCIL IN 1991-92 IS \$3.3 BILLION AND FOR THE REGIONAL COUNCIL IS \$1.65 BILLION.

"THIS REPRESENTS INCREASES OF \$920 MILLION AND \$195 MILLION RESPECTIVELY COMPARED TO 1990-91," THE FINANCIAL SECRETARY SAID.

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SIR PIERS POINTED OUT THAT ALTHOUGH THE TWO COUNCILS WERE AUTONOMOUS, THEIR MAIN SOURCE OF FINANCING CAME FROM RATES REVENUE.

"IN PROPOSING THE NEW PERCENTAGE RATES, THEREFORE, I HAVE TAKEN INTO ACCOUNT THE TWO COUNCILS' CURRENT FINANCIAL POSITION - IN PARTICULAR, THE URBAN COUNCIL'S ESTIMATED DEFICIT IN 1990-91 - AND THE RESOURCES THAT BOTH COUNCILS REQUIRE TO CONTINUE THEIR PLANNED PROGRAMME OF ACTIVITIES OVER THE NEXT THREE YEARS.

"IN THIS CONNECTION, THE COUNCILS HAVE BEEN ENCOURAGED TO DEFINE THEIR REQUIREMENTS IN THE LIGHT OF THE STATE OF THE ECONOMY AND TO HAVE REGARD TO THE GOVERNMENT'S STRATEGY FOR EXPENDITURE," HE SAID.

THE FINANCIAL SECRETARY SAID HE WAS GRATEFUL TO BOTH COUNCILS FOR THEIR RESPONSE AND FOR THE POSITIVE STEPS THEY HAD TAKEN TO EXERCISE DUE ECONOMY.

"THE URBAN COUNCIL HAS AGREED, FOR EXAMPLE, TO RESTRICT THE STAFF STRENGTH OF THE URBAN SERVICES DEPARTMENT TO THE OCTOBER 1990 LEVEL OVER THE NEXT THREE YEARS AND TO CONSIDER THE IMPLEMENTATION OF RECOMMENDATIONS ARISING FROM VALUE FOR MONEY STUDIES.

"THE REGIONAL COUNCIL, NOTWITHSTANDING ITS DEVELOPING ROLE AND THE NEED TO EXPAND SERVICES IN THE NEW TOWNS, HAS REVISED DOWNWARD ITS FORECAST OF EXPENDITURE FOR THE NEXT THREE YEARS.

"I AM PLEASED TO BE ABLE TO REPORT THAT THE REVISED PERCENTAGE RATES I HAVE PROPOSED HAVE BEEN DETERMINED IN FULL CONSULTATION WITH THE CHAIRMEN OF THE TWO COUNCILS," SIR PIERS SAID.

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PUBLIC REVENUE PROTECTION ORDERS SIGNED

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THE PROPOSALS ON DUTIABLE COMMODITIES, VEHICLE FIRST REGISTRATION TAX, VEHICLE AND DRIVING LICENCE FEES AND TRANSFER OF VEHICLE OWNERSHIP FEE CAME INTO EFFECT TODAY UNDER THE PUBLIC REVENUE PROTECTION ORDERS SIGNED BY THE GOVERNOR, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS ANNOUNCED TODAY (WEDNESDAY).

PRESENTING THE BUDGET FOR 1991-92, SIR PIERS SAID UNDER SIMILAR AUTHORITY, THE OTHER PROPOSALS ON AIRPORT DEPARTURE TAX, TUNNEL TOLLS, RESTRICTED LICENCE BANK AND DEPOSIT-TAKING COMPANY LICENCE AND REGISTRATION FEES, BERTHING FEES, AND RATES WILL COME INTO EFFECT ON APRIL 1, 1991.

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GOVT IS ACHIEVING IMPROVEMENTS WITHIN ITS MEANS: FS
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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS TODAY (WEDNESDAY) SAID THAT WHILST THE DRAFT ESTIMATES PROVIDE FOR CONTINUED IMPROVEMENT IN RECURRENT SERVICES TO THE COMMUNITY, AND ALSO FOR AN IMPRESSIVE PROGRAMME OF CAPITAL WORKS, THE GOVERNMENT IS NEVERTHELESS ACHIEVING ALL THIS WITHIN ITS MEANS.

SUMMING UP THE BUDGET FOR 1991-92, SIR PIERS SAID: "WE HAVE HEALTHY RESERVES, THE MORE SO IF WE TAKE INTO ACCOUNT THE SUBSTANTIAL EQUITY INVESTMENTS IN STATUTORY BODIES WHICH I MENTIONED EARLIER."

IN DESCRIBING HIS BUDGETARY STRATEGY THIS YEAR, THE FINANCIAL SECRETARY HAD SPOKEN OF THE GOVERNMENT PLANS FOR BORROWING.

"I FIRMLY BELIEVE THAT GOVERNMENT BORROWING, PROPERLY MANAGED, WILL BE A VALUABLE TOOL IN THE CONTEXT OF GOOD FINANCIAL MANAGEMENT. THAT TAKES US BACK TO THE STRENGTH OF OUR POSITION.

"POTENTIAL LENDERS LOOK TO THE CREDITWORTHINESS OF BORROWERS; ALL THE MORE IMPORTANT THEN FOR US TO ENSURE THAT OUR FINANCIAL POSITION REMAINS SOUND," SIR PIERS SAID.

ON THE REVENUE SIDE, THE FINANCIAL SECRETARY SAID: "I HAVE AGAIN THIS YEAR SOUGHT TO STRUCTURE MY PROPOSALS IN SUCH A WAY THAT WE WILL ACHIEVE GREATER REVENUE STABILITY, AND THIS WILL DO MUCH TO ASSIST US IN MEETING THE PROGRAMME OF PUBLIC EXPENDITURE THAT LIES AHEAD.

"IN REFORMING OUR TAXATION SYSTEM THERE IS CLEARLY MORE TO BE DONE.

"BUT I AM A FIRM BELIEVER IN THE STEADY AND PROGRESSIVE DEVELOPMENT OF A SOUND BUDGETARY POSITION. I DO NOT CONSIDER THAT WE NEED SHOCKS," HE SAID.

THE FINANCIAL SECRETARY SAID THE 1991-92 BUDGET, THE LAST THAT HE WOULD PRESENT TO THE LEGISLATIVE COUNCIL, WAS DESIGNED QUITE SIMPLY TO CONTINUE THAT PROCESS OF SOUND FINANCIAL MANAGEMENT UPON WHICH HE PLACED SUCH GREAT STORE.

"BESIDES MY REVENUE PROPOSALS, I HAVE INCLUDED MEASURES TO FURTHER ADVANCE HONG KONG AS AN INTERNATIONAL FINANCIAL CENTRE.

"MY PROPOSALS OVERALL SHOULD MAINTAIN OUR STRONG FISCAL POSITION THROUGHOUT THE COMING YEAR, AND ENABLE US TO FACE THE FUTURE WITH CONFIDENCE," HE SAID.

SIR PIERS SAID HE BEGAN BY REFERRING TO THE GENERAL STATE OF UNCERTAINTY WHICH PREVAILED WORLDWIDE AND TO HONG KONG'S VULNERABILITY TO EXTERNAL FACTORS.

"I BELIEVE NEVERTHELESS THAT MY PROPOSALS ARE SUFFICIENTLY ROBUST TO ENSURE THAT WE CAN CONTINUE TO IMPROVE OUR QUALITY OF LIFE AND TO BUILD FOR THE FUTURE.

/"HONG KONG

"HONG KONG IS A COMMUNITY THAT HAS EVERY REASON TO HAVE FAITH IN ITSELF.

"TODAY I HAVE PRESENTED A POSITIVE AND REALISTIC BUDGET FOR THE YEAR AHEAD AND BEYOND, AND AS SUCH I COMMEND IT TO THIS COUNCIL," SIR PIERS CONCLUDED.

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MTRC AND KCRC (AMENDMENT) BILLS INTRODUCED

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THE PURPOSE OF THE MASS TRANSIT RAILWAY CORPORATION (AMENDMENT) BILL 1991 IS TO PROTECT ALL PAST AND FUTURE TRANSACTIONS ENTERED INTO BY THE CORPORATION WHICH MIGHT BE AFFECTED BY A RECENT DECISION OF THE HOUSE OF LORDS, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, TOLD THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

IN MOVING THE SECOND READING OF THE BILL, SIR PIERS SAID: "THE MASS TRANSIT RAILWAY CORPORATION (MTRC), AS PART OF THE OVERALL MANAGEMENT OF ITS FINANCING REQUIREMENTS, HAS ENTERED INTO A NUMBER OF TRANSACTIONS, INCLUDING SWAP TRANSACTIONS, DESIGNED TO REDUCE ITS EXPOSURE TO INTEREST RATE AND CURRENCY FLUCTUATIONS.

"A RECENT DECISION OF THE HOUSE OF LORDS HAS CAST DOUBT ON THE ABILITY OF THE CORPORATION TO ENTER INTO SUCH TRANSACTIONS UNDER ITS EXISTING STATUTORY CONSTITUTION," HE SAID.

IN THE CASE OF HAZELL V. LONDON BOROUGH OF HAMMERSMITH AND FULHAM, HANDED DOWN BY THE HOUSE OF LORDS ON JANUARY 24 THIS YEAR, DOUBTS WERE CAST ON THE AUTHORITY OF STATUTORY CORPORATIONS TO ENTER INTO SWAP TRANSACTIONS, THE FINANCIAL SECRETARY NOTED.

HE SAID THE CASE INVOLVED A UK LOCAL AUTHORITY, ESTABLISHED BY STATUTE, WHICH HAD EMPLOYED SWAP FACILITIES BOTH AS HEDGING MECHANISMS AND AS SPECULATIVE TRANSACTIONS.

"THE HOUSE OF LORDS FOUND THAT, UPON THE INTERPRETATION OF THE LOCAL GOVERNMENT ACT, THIS LOCAL AUTHORITY, AND INDEED ALL SIMILAR LOCAL AUTHORITIES, HAD NO POWER WHATSOEVER TO ENTER INTO ANY FORM OF SWAP," SIR PIERS SAID.

FOLLOWING THIS HOUSE OF LORDS DECISION, THE MTRC OBTAINED AN OPINION FROM LEADING COUNSEL IN THE UK COUNSEL ADVISED THAT IN VIEW OF THE TREATMENT OF SWAPS IN THE HOUSE OF LORDS DECISION AS A SEPARATE AND DIVERSE ACTIVITY, DOUBT HAS BEEN CAST ON THE ABILITY OF THE CORPORATION TO ENTER INTO SWAP TRANSACTIONS UNDER ITS EXISTING STATUTORY CONSTITUTION, THE FINANCIAL SECRETARY SAID.

"FURTHERMORE, COUNSEL EXPRESSED CONCERN THAT, IF THE LOGIC APPLIED BY THE HOUSE OF LORDS TO SWAPS WERE ALSO APPLIED TO OTHER TYPES OF TRANSACTIONS, MANY OF THE HEDGING AND COLLATERAL TRANSACTIONS ROUTINELY ENTERED INTO BY THE CORPORATION TO SUPPORT ITS BORROWINGS COULD BE JEOPARDISED," SIR PIERS SAID.

"AT PRESENT THE MTRC IS PARTY TO HK\$11.5 BILLION EQUIVALENT OF SWAP AND SIMILAR HEDGING CONTRACTS. WERE THE CORPORATION NOT TO HONOUR THESE AGREEMENTS, THE IMMEDIATE CONSEQUENCE WOULD BE AN INCREASE OF EXPOSURE TO FLUCTUATING EXCHANGE RATES AND INTEREST RATES.

"THE GREATER CONSEQUENCE WOULD BE THE DAMAGE TO RELATIONSHIPS WITH INSTITUTIONS WHICH ARE OR MIGHT BECOME SWAP COUNTER-PARTIES. ALSO OF CONCERN IS THE POSSIBILITY OF INSTITUTIONS REFUSING TO HONOUR SWAP TRANSACTIONS WHICH ARE FAVOURABLE TO THE CORPORATION.

"FURTHERMORE, THE CORPORATION WOULD BE FACED WITH SERIOUS DIFFICULTIES OVER ITS FUTURE FUNDING REQUIREMENTS BECAUSE BANKS AND THE CORPORATION ITSELF HAVE INDICATED THAT THEY WOULD NOT BE PREPARED TO ENTER INTO ANY FURTHER HEDGING TRANSACTIONS UNTIL THE POSITION IS CLARIFIED," HE ADDED.

"IN ORDER TO AVOID ANY OF THESE DAMAGING CONSEQUENCES AND TO DISPEL ANY DOUBTS ABOUT THE STATUS OF TRANSACTIONS ALREADY ENTERED INTO BY THE CORPORATION WHICH MIGHT BE AFFECTED BY THE HOUSE OF LORDS DECISION, THE BILL SEEKS TO EMPOWER THE CORPORATION TO ENTER INTO ANY AGREEMENT THAT COULD BE ENTERED INTO BY A NATURAL PERSON," SIR PIERS SAID.

"THE NEW POWER HAS TO BE GRANTED WITH RETROSPECTIVE EFFECT AND BE CAST IN WIDE TERMS TO ENSURE THAT, IF NECESSARY, IT WOULD VALIDATE ALL OF THE MANY TYPES OF HEDGING TRANSACTIONS WHICH ALREADY HAVE BEEN ENTERED INTO BY THE CORPORATION AND THOSE TO WHICH IT MAY HAVE RECOURSE IN THE FUTURE," HE SAID.

THE FINANCIAL SECRETARY SAID IN RELATION TO FUTURE TRANSACTIONS BY THE CORPORATION, THE POWER WAS SUBJECT TO THE EXISTING LIMITATION PROVIDED BY THE ORDINANCE THAT THE GOVERNOR IN COUNCIL MIGHT GIVE DIRECTIONS TO THE CORPORATION.

"WERE THE NEED TO ARISE, THE GOVERNOR IN COUNCIL WOULD, THEREFORE, BE ABLE TO ENSURE THAT THE CORPORATION DID NOT ENTER INTO TRANSACTIONS WHICH WERE CONSIDERED TO BE TOO RISKY OR OTHERWISE INAPPROPRIATE.

"BUT, AS THE MTRC, UNDER ITS BOARD OF DIRECTORS APPOINTED BY THE GOVERNOR AND WITH ITS PROFESSIONAL MANAGEMENT, HAS ALWAYS ADHERED TO A POLICY OF RISK AVOIDANCE, THIS SITUATION IS MOST UNLIKELY TO OCCUR," HE SAID.

SIR PIERS NOTED THAT THE CORPORATION WAS REQUIRED BY ITS ORDINANCE TO PREPARE ANNUAL ACCOUNTS WHICH, TOGETHER WITH AN AUDITOR'S REPORT AND A REPORT ON THE CORPORATION'S OPERATIONS, WERE TABLED ANNUALLY IN THE LEGISLATIVE COUNCIL.

"THE MATTER HAS TO BE RESOLVED QUICKLY BECAUSE THE MTRC'S ANNUAL ACCOUNTS FOR 1990 ARE DUE TO BE FINALISED SHORTLY, AND ITS AUDITORS HAVE INDICATED THAT THESE ACCOUNTS WILL HAVE TO BE QUALIFIED IF REMEDIAL LEGISLATION HAS NOT BY THEN BEEN ENACTED.

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"FURTHERMORE, THE MTRC HAS A HK\$5 BILLION FUNDING PROGRAMME TO COMPLETE OVER THE REST OF THE YEAR. THIS PROGRAMME WILL LARGELY INVOLVE RECOURSE TO SWAPS AND, AS I HAVE ALREADY INDICATED, BANKS AND THE CORPORATION ITSELF ARE NOT PREPARED TO ENTER INTO FURTHER SWAP TRANSACTIONS OR SIMILAR DEVICES UNTIL THE CORPORATION'S LEGAL POWERS ARE CLARIFIED," THE FINANCIAL SECRETARY SAID.

SIR PIERS SAID THAT IN ADDITION TO THE NEW POWERS TO BE PROVIDED BY SUBSECTION 11A(1) FOR THE CORPORATION TO ENTER INTO FINANCIAL CONTRACTS OR ARRANGEMENTS, THE CORPORATION ALSO WOULD BE EMPOWERED TO FORM SUBSIDIARIES IN ORDER TO FACILITATE AN EXERCISE OF THAT POWER.

"IT IS COMMON PRACTICE FOR TRADING COMPANIES TO FORM FINANCING SUBSIDIARIES IN OTHER JURISDICTIONS BECAUSE MULTINATIONAL LENDERS ARE INVOLVED IN COMPLEX FINANCING TRANSACTIONS. THE PRACTICE IS LONG ESTABLISHED IN INTERNATIONAL FINANCIAL MARKETS AND IS RECOGNISED IN THE INLAND REVENUE ORDINANCE," HE SAID.

"CONCERNS HAVE BEEN RAISED AS TO THE PURPOSE OF THE PROPOSED SUBSECTION 11A(2). I SHOULD, THEREFORE, ADD THAT THE CORPORATION HAD ALWAYS BELIEVED ON THE BASIS OF LEGAL ADVICE THAT BY VIRTUE OF SECTION 6(1) IT ALREADY HAD THE POWER TO FORM SUBSIDIARIES TO CARRY OUT THE PURPOSES EXPRESSED IN THE ORDINANCE, IF TO DO SO WOULD BE EXPEDIENT FOR OR CONDUCTIVE TO THE CONDUCT OF ITS BUSINESS.

"IN THE PAST IT HAS DONE SO BUT HAS ONLY FORMED SUBSIDIARIES IN HONG KONG, AND NOT OVERSEAS. IT WAS CONSIDERED, HOWEVER, BY THE LEADING LONDON COUNSEL ADVISING THE CORPORATION IN RESPECT OF THIS BILL THAT IF A NEW POWER WERE TO BE GRANTED TO THE CORPORATION BY SECTION 11A(1) IT WAS ARGUABLE AS TO WHETHER SECTION 6(1) WOULD BE SUFFICIENTLY WIDE TO EMPOWER THE CORPORATION TO FORM SUBSIDIARIES TO CARRY OUT THAT NEW POWER.

"COUNSEL, THEREFORE, ADVISED THAT IT WOULD BE PRUDENT TO INCLUDE THE PROPOSED SECTION 11A(2) IN THE BILL IN ORDER TO PRECLUDE ANY FUTURE LEGAL CHALLENGE," THE FINANCIAL SECRETARY SAID.

"IT MAY ALSO ALLAY CONCERNS IF I EXPLAIN THAT THE CORPORATION IS NOT EMPOWERED BY SECTION 6(1), NOR WILL IT BE EMPOWERED BY PROPOSED SECTION 11A(2), TO FORM SUBSIDIARIES EXCEPT TO CARRY OUT THE FUNCTIONS OF THE CORPORATION SPECIFIED IN THE ORDINANCE.

"FURTHERMORE, THE POWER POSSESSED BY ANY SUBSIDIARY COULD BE NO GREATER THAN THOSE POSSESSED BY THE CORPORATION ITSELF. THIS NEW SUBSECTION IS NOT A DEVICE FOR MOVING THE CORPORATION'S OPERATIONS OFFSHORE NOR FOR CIRCUMVENTING THE CONTROLS IMPOSED ON THE CORPORATION BY THE ORDINANCE," SIR PIERS SAID.

MOVING LATER THE SECOND READING OF KOWLOON-CANTON RAILWAY CORPORATION (AMENDMENT) BILL 1991, SIR PIERS SAID THE REASONS FOR INTRODUCING THIS BILL WERE SIMILAR TO THOSE HE GAVE WHEN MOVING THE MASS TRANSIT RAILWAY CORPORATION (AMENDMENT) BILL.

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THE PROPOSALS IN THE KOWLOON-CANTON RAILWAY CORPORATION (AMENDMENT) BILL 1991 HAVE BEEN DISCUSSED WITH AND ARE SUPPORTED BY THE KOWLOON-CANTON RAILWAY CORPORATION.

HE SAID THE TWO BILLS WERE IN VIRTUALLY IDENTICAL TERMS.

DEBATES ON THE BILLS WERE ADJOURNED.

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THREE BILLS INTRODUCED INTO LEGCO

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THREE BILLS WERE INTRODUCED FOR FIRST AND SECOND READINGS IN THE LEGISLATIVE COUNCIL MEETING TODAY (WEDNESDAY).

THEY WERE THE MASS TRANSIT RAILWAY CORPORATION (AMENDMENT) BILL 1991, KOWLOON-CANTON RAILWAY CORPORATION (AMENDMENT) BILL 1991 AND APPROPRIATION BILL 1991.

DEBATES ON THE BILLS WERE ADJOURNED.

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FS'S SPEECH ON TV AND RADIO

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FOLLOWING IS THE TEXT OF THE BUDGET SUMMARY DELIVERED BY THE FINANCIAL SECRETARY ON TELEVISION AND RADIO STATIONS THIS (WEDNESDAY) EVENING:

"THIS AFTERNOON, IN THE LEGISLATIVE COUNCIL, I PRESENTED MY BUDGET FOR 1991-92 AGAINST A BACKGROUND OF MUCH UNCERTAINTY IN THE WORLD TODAY. THE GULF CONFLICT AND ITS AFTERMATH, AND RECESSION IN SOME OF OUR MAJOR MARKETS CLEARLY HAVE AN EFFECT ON HONG KONG'S OWN ECONOMY. BUT ALTHOUGH WE ARE VULNERABLE TO EXTERNAL EVENTS, THERE IS STILL MUCH THAT WE CAN DO TO GUIDE OUR OWN DESTINY. I STRESSED THAT HONG KONG REMAINS ITS STRONG AND RESILIENT SELF AND INDEED I EXPECT THE ECONOMY IN 1991 TO PERFORM BETTER THAN IT DID LAST YEAR.

"MY SPEECH CENTRED ON THREE MAJOR THEMES. FIRST, THE IMPORTANCE OF CONTROLLING PUBLIC EXPENDITURE. SECONDLY, THE STRENGTH OF OUR FINANCIAL POSITION. AND THIRDLY, HOW WE WOULD FINANCE OUR PROGRAMME OF MAJOR WORKS, INCLUDING THE NEW AIRPORT.

"IN MANAGING OUR FINANCIAL AFFAIRS, WE MUST ENSURE THAT WE ARE BOTH EFFECTIVE IN PROVIDING SERVICES, AND EFFICIENT IN OUR USE OF RESOURCES. I EXPLAINED THIS AFTERNOON HOW WE LOOK CAREFULLY AT WHAT WE SPEND, AND HOW WE CONTINUOUSLY SEEK SAVINGS, OFTEN THROUGH INCREASED PRODUCTIVITY. WE LOOK FOR IDEAS FROM POLICY BRANCH SECRETARIES, FROM DEPARTMENTS, AND INDEED FROM MEMBERS OF THE PUBLIC.

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"WE HAVE ACHIEVED SOME SUCCESS. THE CIVIL SERVICE WILL GROW IN 1991-92 BY LESS THAN ONE PER CENT, WITH OVER HALF THE DEPARTMENTS BEING HELD AT THEIR PRESENT STAFF LEVELS. PUBLIC EXPENDITURE IS UNDER FIRMER CONTROL. THESE ACHIEVEMENTS HAVE NOT BEEN AT THE EXPENSE OF THE COMMUNITY. WE SHALL IN FACT BE SPENDING MORE ON IMPROVING THE RANGE AND QUALITY OF SERVICES THAT ARE PROVIDED. FOR EXAMPLE, SPENDING ON THE ENVIRONMENT WILL RISE BY 80 PER CENT, AND TOTAL EXPENDITURE ON EDUCATION AND ON SOCIAL SERVICES WILL ALSO INCREASE SIGNIFICANTLY.

"I WOULD LIKE TO EXPLAIN WHY THE STRENGTH OF OUR FINANCIAL POSITION, THE SECOND MAJOR THEME OF MY SPEECH, IS IMPORTANT, AND PARTICULARLY SO AT THIS TIME.

"AT PRESENT OUR FISCAL RESERVES STAND AT OVER \$70 BILLION. THIS IS A HEALTHY LEVEL AND PROVIDES A CUSHION AGAINST UNEXPECTED ECONOMIC SETBACKS WHICH MIGHT LEAD US INTO TEMPORARY DEFICITS. IN TODAY'S UNSTABLE WORLD ESPECIALLY, SUBSTANTIAL RESERVES ARE OF CONSIDERABLE COMFORT. THE STRENGTH OF OUR RESERVES BECOMES OF EVEN MORE IMPORTANCE WHEN WE ARE EMBARKING ON A FAR REACHING PROGRAMME OF PUBLIC WORKS.

"THIS BRINGS ME TO THE THIRD THEME OF MY BUDGET SPEECH: HOW WE WILL FINANCE THE GOVERNMENT SHARE OF THIS PROGRAMME. WE WILL SEEK TO MEET AS MUCH OF THE CAPITAL EXPENDITURE AS WE POSSIBLY CAN FROM OUR SURPLUS ON RECURRENT ACCOUNT, AND FROM CAPITAL REVENUE. BUT OVER THE NEXT FEW YEARS CAPITAL SPENDING WILL INCREASE AND IT WOULD NOT NECESSARILY BE APPROPRIATE TO COVER ALL OUR REQUIREMENTS IN THE SAME WAY AS BEFORE.

"SO IT MAY BE DESIRABLE FOR THE GOVERNMENT TO BORROW. BORROWING IN ORDER TO MEET CAPITAL REQUIREMENTS IS A PERFECTLY ACCEPTABLE PRACTICE, AND INDEED WE HAVE DONE THIS BEFORE. IT IS A PRACTICE FOLLOWED BY GOVERNMENTS THE WORLD OVER. FURTHERMORE, THE BENEFITS OF LARGE PROJECTS WILL BE SHARED BY FUTURE GENERATIONS AND IT IS RIGHT THAT THESE GENERATIONS SHOULD BE ASKED TO MAKE SOME FINANCIAL CONTRIBUTION. POTENTIAL LENDERS NEED FIRST TO BE REASSURED, HOWEVER, THAT OUR POSITION IS SOUND AND THAT WE CAN REPAY ON TIME; OUR RESERVES AND OUR TRACK RECORD OF FINANCIAL MANAGEMENT WILL PROVIDE THAT REASSURANCE.

"TURNING NOW TO MY SPECIFIC PROPOSALS FOR THE FINANCIAL YEAR 1991-92, I ANNOUNCED A NUMBER OF MEASURES WHICH WOULD RAISE ADDITIONAL REVENUE TO MEET OUR PLANNED INCREASES IN EXPENDITURE. THESE MEASURES INCLUDE INCREASED DUTIES ON PETROL, LIQUOR AND TOBACCO, HIGHER VEHICLE LICENCE FEES AND THE USUAL ADJUSTMENTS TO OTHER FEES AND CHARGES. I ALSO ANNOUNCED SOME TAX CONCESSIONS.

"NEARLY HALF THE ADDITIONAL REVENUE OF AROUND \$4 BILLION THAT I AM RAISING WILL COME FROM A SUBSTANTIAL INCREASE IN DUTY ON TOBACCO, BUT THIS PROPOSAL HAS BEEN PUT FORWARD PRIMARILY AS A HEALTH MEASURE. SMOKING IN ANY EVENT IS A MATTER OF PERSONAL CHOICE.

"THIS YEAR, I HAVE NOT PROPOSED ANY INCREASES IN DIRECT TAXATION. I HAVE INDEED INCREASED PERSONAL ALLOWANCES AND HAVE ADJUSTED THE SALARIES TAX BANDS. TAXPAYERS WITH LOWER INCOMES WILL STAND TO BENEFIT MOST.

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"I ALSO PROPOSED CONCESSIONS IN RELATION TO STAMP DUTY ON STOCK EXCHANGE TRANSACTIONS AND ON CERTAIN COMPANY REORGANISATIONS.

"IN TOTAL THE VALUE OF CONCESSIONS IN MY 1991 BUDGET WILL AMOUNT TO NEARLY ONE BILLION DOLLARS A YEAR.

"RATEABLE VALUES ON PROPERTY WILL INCREASE AS A RESULT OF THE RECENT REVALUATION. AS I PROMISED WHEN I SPOKE TO YOU THIS TIME LAST YEAR, I HAVE LOOKED AGAIN AT THE PERCENTAGE RATE TO BE APPLIED BECAUSE IT IS THAT RATE WHICH DETERMINES HOW MUCH IS ACTUALLY PAID. I AM PROPOSING THAT THE TOTAL CHARGE TO RATES, TERRITORY WIDE, SHOULD BE REDUCED BY TWO PERCENTAGE POINTS.

"THE IMPACT OF HIGHER RATEABLE VALUES WILL BE FURTHER SOFTENED BY RATE RELIEF MEASURES. THE INCREASE IN RATES PAYABLE WILL BE LIMITED TO A MAXIMUM OF 25 PER CENT IN 1991-92, BUT FOR OVER HALF OF OUR RATEPAYERS THE INCREASE WILL BE LESS THAN THIS. THE EFFECT OF THESE VARIOUS MEASURES WILL BE THAT THE AVERAGE INCREASE IN RATES FOR A SMALL PRIVATE FLAT WILL BE UNDER \$40 A MONTH.

"MY REVENUE MEASURES TAKEN AS A WHOLE WILL INEVITABLY HAVE SOME EFFECT ON THE COST OF LIVING, BUT MAINLY RELATING TO LUXURY OR NON-ESSENTIAL ITEMS, WHERE THE INDIVIDUAL CAN CHOOSE WHETHER TO BUY OR NOT. I AM VERY CONSCIOUS OF WORRIES OVER INFLATION AND HOPE TO SEE IT REDUCED OVER THE COURSE OF THE YEAR. I HAVE FORMED MY BUDGET PROPOSALS WITH THIS IN MIND.

"OVERALL, MY REVENUE AND EXPENDITURE PROPOSALS FOR 1991-92 WILL RESULT IN A MODEST SURPLUS, SO THAT THE STRENGTH OF OUR RESERVES WILL BE MAINTAINED.

"THIS HAS BEEN MY LAST BUDGET AND, IN MANY WAYS, IT IS THE MOST IMPORTANT. GIVEN ALL THE UNCERTAINTIES PREVAILING TODAY, IT IS VITAL THAT OUR FINANCIAL POSITION SHOULD BE SAFEGUARDED. MY PROPOSALS ACHIEVE THIS. THE BUDGET I HAVE PRESENTED IS, I BELIEVE, BOTH POSITIVE AND REALISTIC AND WILL KEEP US ON THE RIGHT PATH IN THE YEAR AHEAD AND INDEED BEYOND.

"GOOD NIGHT."

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USEFUL TALKS WITH LU PING: GOVERNOR

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THE GOVERNOR, SIR DAVID WILSON, SAID TONIGHT (WEDNESDAY) THAT HE FOUND THE TWO SESSIONS OF TALKS WITH THE DIRECTOR OF THE HONG KONG AND MACAO AFFAIRS OFFICE OF CHINA'S STATE COUNCIL, MR LU PING, TO BE USEFUL.

SPEAKING TO REPORTERS BEFORE LEAVING FOR LONDON, SIR DAVID SAID: "I BELIEVE WE MADE SOME PROGRESS BUT THERE ARE THINGS WHICH WE STILL WANT TO GO ON TALKING ABOUT."

"THERE ARE A WHOLE RANGE OF ISSUES CONNECTED WITH THE AIRPORT AND I SHOULD MAKE IT CLEAR, WE HAVEN'T SIMPLY BEEN TALKING ABOUT THE AIRPORT.

"THERE ARE A LOT OF THINGS THAT GO ON BETWEEN HONG KONG AND CHINA WHICH ARE NOT SIMPLY LIMITED TO THE AIRPORT, EVEN THOUGH THE AIRPORT IS OF COURSE A VERY IMPORTANT PROJECT WHICH, I FOR ONE, WOULD LIKE TO GET ON WITH AS QUICKLY AS POSSIBLE. I BELIEVE IT IS VERY MUCH TO THE LONG-TERM ADVANTAGE OF HONG KONG," HE SAID.

ASKED ABOUT THE POSSIBILITY OF APPOINTING SOME CHINESE TO THE AIRPORT AUTHORITY, SIR DAVID SAID THAT A WHOLE RANGE OF ISSUES CONNECTED WITH THE AIRPORT HAD BEEN DISCUSSED WITH THE CHINESE AND THERE WERE STILL A NUMBER OF POINTS OF DISCUSSION TO GO.

"I WOULDN'T LIKE TO COMMENT ON THE DETAIL OF THAT PARTICULAR POINT. WHAT I WOULD SAY IS THAT I WANT AN AIRPORT AUTHORITY WHICH CAN EFFECTIVELY CARRY OUT IT'S TASK, THAT IS THE IMPORTANT THING," HE SAID.

"WE'VE ALSO HAD SOME DISCUSSION ABOUT A CONSULTATIVE COMMITTEE OR AN ADVISORY COMMITTEE. THERE I THINK THE IMPORTANT POINT IS WE WANT TO MAKE SURE THAT PEOPLE IN HONG KONG ARE WELL INFORMED ABOUT WHAT'S HAPPENING ON THE AIRPORT PROJECT.

"THAT IS THE KEY THING; TO TRY TO MAKE SURE PEOPLE ARE WELL INFORMED. THE EXACT WAY IN WHICH THAT IS GOING TO BE DONE, WE ARE STILL TRYING TO WORK OUT," SIR DAVID SAID.

THE GOVERNOR WILL BE GOING TO HANOVER, IN GERMANY TO OPEN A MAJOR EXHIBITION AND FAIR WHERE HONG KONG IS PLAYING A LARGE ROLE; AND HE WILL ALSO VISIT THE NETHERLANDS.

SIR DAVID WILL TRAVEL TO LONDON, BEFORE HIS TRIP TO GERMANY, WHERE HE WILL BE SEEING THE FOREIGN SECRETARY, MR DOUGLAS HURD; THE MINISTER WITH SPECIAL RESPONSIBILITY FOR HONG KONG, LORD CAITHNESS; AND SENIOR OFFICIALS AT THE FOREIGN AND COMMONWEALTH OFFICE.

THE GOVERNOR AND LADY WILSON WERE SEEN OFF AT THE AIRPORT BY THE CHIEF SECRETARY, SIR DAVID FORD; THE SENIOR MEMBER OF THE EXECUTIVE COUNCIL, LADY DUNN; AND THE SENIOR MEMBER OF THE LEGISLATIVE COUNCIL, MR ALLEN LEE.

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JLG 18TH MEETING IN PEKING NEXT WEEK

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THE FOREIGN AND COMMONWEALTH OFFICE ANNOUNCED THIS (WEDNESDAY) MORNING THAT THE 18TH MEETING OF THE SINO-BRITISH JOINT LIAISON GROUP ON HONG KONG WILL TAKE PLACE IN PEKING FROM MARCH 12 TO 14.

THE BRITISH TEAM WILL BE LED BY THE SENIOR REPRESENTATIVE, MR ANTHONY GALSWORTHY.

THE OTHER MEMBERS OF THE BRITISH TEAM WILL BE MR MICHAEL SUEN, SECRETARY FOR CONSTITUTIONAL AFFAIRS, HONG KONG; MR DOUG MARTIN, COUNSELLOR, OFFICE OF THE BRITISH SENIOR REPRESENTATIVE, SINO-BRITISH JOINT LIAISON GROUP, HONG KONG; MR ALAN PAUL, HEAD, HONG KONG DEPARTMENT, FCO; AND MR WILLIAM EHRLMAN, POLITICAL ADVISER, HONG KONG.

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GOVT RESPECTS TRADITIONAL CUSTOMS

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THE GOVERNMENT HAS ADOPTED A CONSISTENT POLICY OF RESPECT TOWARDS THE CUSTOMS OF LOCAL RESIDENTS WITH DIFFERENT CULTURAL BACKGROUNDS, THE SECRETARY FOR HOME AFFAIRS, MR PETER TSAO, SAID TODAY (WEDNESDAY).

MR TSAO WAS SPEAKING AT A WELCOMING PARTY HOSTED IN HIS HONOUR BY THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES.

HE SAID THE GOVERNMENT HAD SPARED NO EFFORT IN SUPPORTING ALL OTHER DEMANDS IN RESPECT OF BURIAL ARRANGEMENTS APART FROM BUILDING PUBLIC CEMETERIES. AN APPARENT EXAMPLE WAS THE CONSTRUCTION AND MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES, HE SAID.

MR TSAO SAID EVER SINCE THE ESTABLISHMENT OF THE BOARD IN 1913, CEMETERY FACILITIES HAD BEEN DEVELOPED PROGRESSIVELY UNDER THE STRENOUS EFFORTS OF THE PAST AND INCUMBENT MEMBERS.

"APART FROM THE ABERDEEN CEMETERY, THERE ARE THE TSUEN WAN AND CAPE COLLINSON CEMETERIES. THE JUNK BAY CEMETERY, WHICH WAS OPENED IN 1989, IS STILL BEING EXPANDED.

"SINCE THE BEGINNING OF THE 1960'S, NICHES HAVE BEEN BUILT CONTINUALLY FOR ASHES FROM CREMATION, WHICH IS GETTING INCREASINGLY COMMON IN HONG KONG.

"THE CHAI WAN COLUMBRIUM, WHICH IS STILL UNDER CONSTRUCTION, HAS A CAPACITY FOR 34,000 NICHES AND IS BELIEVED TO BE THE LARGEST FACILITY OF ITS KIND IN THE WORLD TODAY.

"THE JUNK BAY COLUMBRIUM, WHICH IS UNDER CONSTRUCTION, WILL PROBABLY ALSO ACCOMODATE 80,000 NICHES," HE SAID.

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ON THE CONSTRUCTION OF THE JUNK BAY CEMETERY, MR TSAO NOTED THAT IT WAS DIVIDED INTO FOUR PHASES, EACH PROVIDING 7,000-PLUS GRAVE SPACES, AND WOULD HAVE A TOTAL OF 30,000-PLUS GRAVE SPACES UPON COMPLETION.

"AS FOR THE ABERDEEN CEMETERY, A STUDY IS BEING UNDERTAKEN WITH THE BUILDINGS AND LANDS DEPARTMENT. IT IS HOPED THAT THE GOVERNMENT WOULD ADDITIONALLY MAKE AVAILABLE A SMALL PIECE OF LAND FOR BUILDING MORE NICHES," HE SAID.

"IT'S QUITE AN ACHIEVEMENT FOR THE BOARD TO HAVE CHALKED UP SO MANY PUBLIC FACILITIES DESPITE THE TERRITORY'S ACUTE LAND SHORTAGE," HE ADDED.

MR TSAO ALSO TOOK THE OPPORTUNITY TO PRAISE THE BOARD'S TWO COMMITTEES FOR BEING ABLE TO REMAIN FINANCIALLY SOUND EVEN AT THE TIME WHEN THESE MAJOR CONSTRUCTIONS WERE BEING UNDERTAKEN.

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MADAM XU VISITS SOCIAL SERVICE UNITS * * * * *

MADAM XU HANBING, WIFE OF MR JI PENGFEI, WHO IS IN TOWN, VISITED SOME OF THE SERVICE UNITS OF SOCIAL WELFARE DEPARTMENT TODAY (WEDNESDAY).

ACCOMPANIED BY LADY WILSON AND AN SWD REGIONAL OFFICER, MRS PATRICIA CHU, MADAM XU THIS MORNING VISITED THE DEPARTMENT'S CHOI WAN SHELTERED WORKSHOP.

DURING THE VISIT, MADAM XU AND LADY WILSON WERE BRIEFED ON HOW THE WORKSHOP PROVIDED DISABLED PEOPLE WITH GAINFUL EMPLOYMENT IN A SHELTERED ENVIRONMENT.

EARLIER, MADAM XU ALSO TOURED THE DEPARTMENT'S CHUK YUEN CHILDREN'S RECEPTION CENTRE WHICH PROVIDED TEMPORARY CARE TO CHILDREN UNDER THE AGE OF EIGHT AND HANDICAPPED CHILDREN UNDER THE AGE OF FIVE.

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WORK IN FIRE SERVICES COMMUNICATIONS CENTRE IMPORTANT

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THE WORK OF FIREMEN AND FIREWOMEN IN THE FIRE SERVICES COMMUNICATIONS CENTRE IS JUST AS IMPORTANT AS THAT OF THEIR COUNTERPARTS IN THE OPERATIONAL COMMANDS.

THE DEPUTY CHIEF FIRE OFFICER (HEADQUARTERS), MR TSANG KWOK-YU, TOLD THE GRADUATING SENIOR FIREMEN AND SENIOR FIREWOMEN THIS TODAY (WEDNESDAY) AT A PASSING-OUT PARADE HELD AT THE FIRE SERVICES HEADQUARTERS.

MR TSANG SAID THEIR CONTRIBUTION WAS AN INTEGRAL PART OF THE FIRE SERVICES EMERGENCY OPERATIONS AND THEIR EFFECTIVENESS WOULD HAVE A DIRECT BEARING ON THE SUCCESS OF THE OPERATIONS.

"THE RESPONSIBILITIES YOU ARE ABOUT TO UNDERTAKE WILL BE ENORMOUS," HE SAID.

"TO DO THE JOB COMPETENTLY, YOU WILL NEED THE SKILL IN THE MANIPULATION OF THE SOPHISTICATED TELECOMMUNICATIONS EQUIPMENT AND THOROUGH COMPREHENSION OF MOBILISING TECHNIQUES.

"YOU ALSO NEED TO HAVE A STRONG SENSE OF RESPONSIBILITY AND A MIND CAPABLE OF WITHSTANDING WORK PRESSURE," MR TSANG ADDED.

DURING THE INITIAL TRAINING, THE SENIOR FIREMEN AND SENIOR FIREWOMEN HAD BEEN TAUGHT THE BASIC SKILLS IN COMMUNICATION AND MOBILISATION TECHNOLOGY AND PROCEDURES.

MR TSANG SAID: "IF YOU CAN MAINTAIN YOUR LEARNING ATTITUDE AND ENTHUSIASM TO INCREASE YOUR KNOWLEDGE AND PUT THEM INTO PRACTICE, AND TAKE GUIDANCE AND ADVICE FROM YOUR SUPERVISOR AND FELLOW COLLEAGUES, YOU WILL NOT ENCOUNTER ANY PROBLEM IN PERFORMING SUCH DUTIES.

"I, THEREFORE, APPEAL TO YOU ALL THAT YOUR LEARNING HAS ONLY JUST STARTED."

HE POINTED OUT THAT WHEN THE \$100 MILLION SECOND GENERATION MOBILISING SYSTEM, SPECIFICALLY TAILOR-MADE FOR THE FIRE SERVICES, WAS PUT INTO OPERATION SOME TIME THIS YEAR, THERE WILL BE AN OVERALL IMPROVEMENT IN THE MOBILISATION EFFICIENCY OF THE SERVICES.

"YOU, AS THE OPERATORS OF THIS NEW SYSTEM, SHOULD BE PROUD OF YOUR WORK IN LEADING THE DEPARTMENT IN TO A NEW ERA OF MOBILISATION AND COMMUNICATION," MR TSANG SAID.

AFTER REVIEWING THE PARADE, MR TSANG PRESENTED THE BEST RECRUIT AWARD TO SENIOR FIREWOMAN CHENG CHUNG-KIU FOR HER OUTSTANDING PERFORMANCE DURING TRAINING.

A SQUAD COMPRISING SIX SENIOR FIREMEN AND SEVEN SENIOR FIREWOMEN TOOK PART IN TODAY'S PASSING-OUT PARADE. THEY HAVE JUST COMPLETED THEIR 12-WEEK BASIC TRAINING AND WILL BE POSTED TO THE FIRE SERVICES COMMUNICATIONS CENTRE SOON.

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FEAST FOR ELDERLY IN NORTH DISTRICT

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ABOUT 1,300 ELDERLY RESIDENTS IN THE NORTH DISTRICT, ALL AGED ABOVE 65, WILL BE TREATED TO A FEAST TOMORROW (THURSDAY) AFTERNOON.

SPONSORED BY THE NORTH DISTRICT BOARD, THE FEAST HAS BEEN ORGANISED BY THE DISTRICT'S CO-ORDINATING COMMITTEE FOR ELDERLY ACTIVITIES AS A TOKEN OF RESPECT TO SENIOR RESIDENTS IN THE DISTRICT.

THERE WILL BE CANTONESE OPERATIC SONGS AND A LUCKY DRAW. PARTICIPANTS WILL ALSO RECEIVE PRESENTS.

OFFICIATING GUESTS WILL INCLUDE THE ASSISTANT NORTH DISTRICT OFFICER (COMMUNITY AFFAIRS), MR PATRICK HO; THE DISTRICT BOARD CHAIRMAN, MR RAYMOND PANG; FRONTIER POLICE DISTRICT COMMANDER, MR MICHAEL WATSON; AND THE DISTRICT SOCIAL WELFARE OFFICER, MR KO HAU-MING.

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NOTE TO EDITORS:

MEDIA REPRESENTATIVES ARE INVITED TO COVER THE NORTH DISTRICT FEAST FOR THE ELDERLY, WHICH WILL BEGIN AT 4 PM TOMORROW (THURSDAY) IN CHOI WAH PALACE RESTAURANT, CHEUNG WAH ESTATE, FANLING.

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