



DAILY INFORMATION BULLETIN

ISSUED BY GOVERNMENT INFORMATION SERVICES
BEACONSFIELD HOUSE, HONG KONG. TEL.: 2842 8777

Wednesday, March 6, 1996

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Transcript of the Governor's media session

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Following is the transcript of the media session by the Governor, the Rt Hon Christopher Patten, after visiting Wong Tai Sin District this (Wednesday) afternoon:

Governor: This is the third official visit that I've made to Wong Tai Sin. I was very pleased indeed to see the work being done at the nunnery which I'd visited before. I'm delighted as well to see the work of the Spastics Association. Obviously the main issues of concern to the District Board members are questions affecting public housing and questions affecting the environment, for example the smell from the mullah. And we are addressing the concerns which they have expressed to me this afternoon. It's been a good visit and I'm continuing as you know my round of District Board visits. Perhaps I can say one other thing, now that Donald Tsang has completed his budget statement. This is the first budget by a local Hong Kong Chinese Financial Secretary, and I'm sure the whole community will have recognised that Donald Tsang has risen superbly to the occasion, that he has presented exactly the sort of strong and prudent and self-confident budget which the people of this community would expect. It's a self-confident budget for a successful community. He is as you know being prudent with our finances, but he is also being compassionate wherever he can. And I think what he said about the development of our economic base, the development of our service industries shows a vision for the future. Things don't stop for Hong Kong in 1997. They go on, and we hope they go on getting better. And that's why what the Financial Secretary had to say today about support for manufacturing industry and the support for the development of our service industries was so important. So I think it was a very good budget by a very good Financial Secretary.

Question: (on tobacco duty and cigarette smuggling from China)

Governor: We've considered that issue. We've considered it each year. But I think we took the view that it was a sensible increase to make this year. We don't believe that it should encourage smuggling and of course we're taking increasingly tough and effective measures both through Customs and with the police to discourage and prevent smuggling.

Question: (inaudible)

Governor: I believe that we've done what we honourably and decently and competently could to ensure that Hong Kong remains a free and open and successful community. I think that this week the Prime Minister gave a message as a strong and committed friend of Hong Kong. He made it clear that Britain's moral, legal and economic commitment to Hong Kong doesn't end in 1997, but goes on well beyond. Hong Kong will remain Europe's main gateway into Asia, just as Britain has been Asia's main gateway into Europe. So I do believe we've done what we reasonably could and I believe that will be recognised. But obviously, obviously, the test for us will be what happens in Hong Kong not on the 30th June 1997, but in the years after that. And I very much hope that people will be saying that we did as much as we reasonably could.

Question: The Government has already given a copy of the budget proposals to the Chinese side. What do you think about the response from the Chinese side?

Governor: I haven't heard that because I've been here enjoying myself in meeting people in Wong Tai Sin.

Question: (inaudible)

Governor: It is hugely in China's interest to do so. China has much the biggest stake in Hong Kong's continuing success. There are commercial interests, there are economic interests, there are matters of face. It matters very much that China does keep its word under the Joint Declaration, and of course everybody will be watching to see what happens. I think that people will take a continuing and very active interest in what happens in one of the most remarkable cities in the world.

Question: For the last budget, what aspect do you think is most important for the Hong Kong Government to co-operate with the Chinese side?

Governor: I think that we have a record which speaks for itself. It's a record of I think 36 years now of uninterrupted economic growth. It's a record which has turned this community into the 8th largest most successful trading community in the world. It's a record that means six million people in Hong Kong producing an economy which is worth over a fifth of China's gross domestic product. So it's been a very successful formula and we must continue that formula. You know what the crucial ingredient is. Of course it matters that we have a sensible tax policy. Of course it matters that we are an open market. Of course it matters that we keep a sensible control of public spending. But the thing that matters more than anything else is that Hong Kong should be able to go on running its own affairs, that Hong Kong should have that high degree of autonomy which is promised. When in the past government has changed in London, it's made no difference to the policies that are pursued in Hong Kong because Hong Kong has autonomy in economic and financial and trade affairs. And so long as that continues to be the case, so long as the people who are running the economy in Hong Kong have "Made in Hong Kong" stamped on them. So long as that is the case, I think Hong Kong will continue to be very successful.

Question: (inaudible)

Governor: I think that the British Government's policy on for example visa-free access announced this week is an extremely sensible one, and I was delighted that the Prime Minister announced it. It has nothing to do with immigration, it has nothing to do with right of abode. It has everything to do with ease of travel, and everything to do with the close, strong and important economic relationship between Hong Kong and Britain and between Britain and Asia.

Question: (on spending on social services)

Governor: No. We've taken the decisions that were required in order to continue to develop our welfare provision in Hong Kong and our education provision and other forms of services. Of course as you know during the last year we've told the Chinese side how in Hong Kong the budget is created. We've walked them through the whole budget process in a very sensible way so they know how we manage things here in Hong Kong. But the decisions, the decisions that we've taken, they are in the interest of people in Hong Kong. We've made substantial increases in priority programmes, for example in programmes for the needy, the disabled, the elderly, where spending has gone up by nearly 15 per cent in real terms. But we can afford to do that because we are a successful community. We are still only spending about 18 per cent of our GDP through the public sector. We're spending twice as much as a proportion of public spending on education as we spend on welfare. It is a very successful mix, and it is a mix which is so successful that we must remember compassionately the needs of those who haven't done as well as the rest of us in life. Thank you very much.

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Government to tackle discrimination step-by-step

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The Hong Kong Government has taken a step-by-step approach to study individual areas of possible discrimination, Principal Crown Counsel, Mr Stephen Wong, said at a meeting of the United Nations Committee on the Elimination of Racial Discrimination in Geneva yesterday (Tuesday).

The Government would initiate to study the question of racial discrimination later this year with a view to establishing to what extent problems existed that were not adequately catered for by the existing legislation or by other measures, he said.

Mr Wong, leader of the Hong Kong Government team attending the meeting as part of the British delegation, was responding to observations regarding the Bill of Rights Ordinance made by the Committee's Country Rapporteur, Professor Theo Van Boven.

The Committee has been examining the territory's 13th periodic report under the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD) during a one-and-a-half day meeting starting Monday (March 4).

Responding to committee member, Professor Zou Deci's concern over the wider use of Chinese in the courts of Hong Kong, Mr Wong said an eight-phase implementation strategy had been adopted.

"The aim is to put in place a framework which allows the use of Chinese, along with English, in all court proceedings in Hong Kong before July 1, 1997," he said.

Meanwhile, Professor Van Boven noted with satisfaction that Hong Kong had distributed and disseminated human rights instruments and previous reports under the Convention.

Responding, another team member, Assistant Secretary for Home Affairs, Mr John Dean, assured the Committee that the Hong Kong Government would, as a matter of normal practice, distribute the concluding observations to the Legislative Council, to the public and to interested non-government organisations.

As regards the treatment of foreign domestic helpers and effective protection of their rights, member of the Hong Kong team and Principal Assistant Secretary for Security, Mrs Maureen Chan, said the two-week rule applied on premature termination of contract.

"It was established to combat problems of overstaying and job-hopping," she said.

Foreign domestic workers received the same protection and rights under labour legislation as local worker, Mrs Chan stressed.

On the question on Vietnamese migrants (VMs), Mr Wong reiterated that Hong Kong had no wish to detain them, pointing out that the Hong Kong Government and the United Nations High Commissioner of Refugees had been counselling them to return to Vietnam voluntarily.

The living conditions in the camps had been made as amicable as possible within the resource available, he said, stressing that the long-term solution of the saga lied in the VMs returning to their homeland rather than wasting their lives in the camps.

Regarding reporting to the Convention in the future, the Country Rapporteur wished that suitable and special arrangements would be made between the Central Government of the People's Republic of China and the Special Administrative Region.

In their final remarks, the Chairman Mr Eduardo Ferrero Costa and the Country Rapporteur thanked the British and Hong Kong delegations for their comprehensive report, exhaustive replies and a frank and highly constructive dialogue.

Concluding observations of the Committee are expected to be published in about two weeks' time.

End

Governor visits Wong Tai Sin

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The Governor, the Rt Hon Christopher Patten, toured Wong Tai Sin today (Wednesday) to get first-hand information on the latest developments in the district.

Accompanied by the Director of Home Affairs, Mrs Shelley Lau, and the Wong Tai Sin District Officer, Mr Richard Luk, Mr Patten first called on the Spastics Association of Hong Kong's Jockey Club Conductive Learning Centre in Wang Tau Hom Estate, where he was briefed on the operation and teaching objectives of the centre which caters mainly to children with cerebral palsy.

The Governor then stopped at the Chi Lin Nunnery in Diamond Hill and was greeted by a group of about 10 elderly women, average 85 years old, performing Japanese dancing.

He also saw a model of the Chi Lin redevelopment plan as well as the process of making Buddhist statues.

This was followed by a tour in the Wong Tai Sin Shopping Centre before he met district board members and community leaders at a reception.

End

Budget Speech on Internet

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The full text of the 1996-97 Budget Speech delivered by the Financial Secretary, Mr Donald Tsang, in the Legislative Council today (Wednesday), is now available to Internet users via the Hong Kong Government Home Page at website <http://www.info.gov.hk>.

Copies of the Budget Speech will also be available for collection by members of the public from the Publishing Sub-division of the Government Information Services from 10 am and from all district offices from 4 pm tomorrow (Thursday).

A budget guide highlighting the major points of the 1996-97 budget and how they affect the average Hong Kong citizen is now being distributed free to the public.

Entitled "What the 1996 Budget Means for You", the leaflet is a bilingual publication with 200,000 copies to be issued by the Government today.

The easy-to-read leaflet, giving budget facts and figures at a glance, is now available at:

- * Mass Transit Railway stations in Central, Causeway Bay, Mong Kok, Wong Tai Sin, Kwun Tong, Tsim Sha Tsui, Tsuen Wan;
- * Kowloon and Sha Tin stations of the Kowloon-Canton Railway Corporation; and from 4.30 pm to 7 pm at:
- * the Publishing Sub-Division of the Government Information Services, 17th floor, Siu On Centre, 188 Lockhart Road, Wan Chai;
- * the Government Publications Centre, Queensway Government Offices, Lower Block, ground floor, 66 Queensway, and
- * all district offices.

End

Building numbering campaign

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The Rating and Valuation Department has started a Building Numbering Campaign to encourage owners and ratepayers of non-domestic ground floor premises to correctly display officially allocated building numbers. Some 80,000 campaign letters have been issued.

"Correct display of building number, apart from benefiting the public at large, will also enable public services to be provided to the owners/occupiers more efficiently," a spokesman for the department said today (Wednesday).

Any enquiries on the campaign should be directed to the Department's Technical Secretary (Information) at Hennessy Centre, 500 Hennessy Road, Causeway Bay, Hong Kong, either by telephone 2805 7614 or by fax 2504 4778.

End

Tsuen Wan lot to let

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The Lands Department is inviting tenders for the short-term tenancy of a piece of government land in Tsuen Wan.

The site, located at the junction of Cheung Wing Road and Yau Ma Hom Road, has an area of about 4,950 square metres. It is intended for use as a fee-paying public car park for the parking of vehicles including goods vehicles and container tractors and trailers.

The tenancy is for three years, renewable quarterly.

The closing date for submission of tenders is noon on March 22.

Tender form, Tender Notice and Conditions may be obtained from the District Lands Office, Tsuen Wan, 10th floor, Tsuen Wan Station Multi-storey Carpark Building, 174-208 Castle Peak Road, Tsuen Wan; the Lands Department, 14th floor, Murray Building, Garden Road and the District Lands Office, Kowloon, Yau Ma Tei Car Park Building, 10th floor, 250 Shanghai Street, Kowloon.

Tender plans can also be inspected at these offices.

End

Hong Kong Monetary Authority money market operations

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	\$ million -----	Time (hours) -----	Cumulative change (\$million) -----
Opening balance in the account	2,184	0930	+616
Closing balance in the account	2,137	1000	+616
Change attributable to :		1100	+616
Money market activity	+613	1200	+616
LAF today	-660	1500	+616
		1600	+613

LAF rate 4.00% bid/6.00% offer TWI 123.5 *-0.1* 06.03.96

Hong Kong Monetary Authority

EF bills		EF notes				
Terms	Yield	Term	Issue	Coupon	Price	Yield
1 week	4.68	2 years	2802	5.16	99.43	5.54
1 month	4.86	3 years	3901	5.57	99.60	5.80
3 months	4.99	5 years	5012	6.38	100.57	6.33
6 months	5.11	7 years	7302	6.02	96.76	6.72
12 months	5.19	5 years	M502	7.30	103.18	6.60

Total turnover of EF bills and notes - \$35,533 million

Closed March 6, 1996

End



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SUPPLEMENT

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Transcript of FS's press conference

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Following is the transcript of the Budget press conference held by the Financial Secretary, Mr Donald Tsang, today (Wednesday):

FS (in Cantonese): Thank you. I have been speaking for two hours and some of you had the opportunity to read the Budget Speech starting from noon today.

May I just give you a number of salient points in the Budget.

First in 1996-97, we expect the growth rate to be 5% and the inflation rate would drop to 7.5% and then in 1995-96 we will have a deficit which is \$2.5 billion and in 1996-97 this will disappear. We hope to be able to achieve an even budget and with a small surplus, around \$1.6 billion.

And in relation to expenditure I have said very clearly that the Governor's pledges in the Policy Address about CSSA will all be funded and that will be \$300 million and apart from that I have put in an additional \$200 million and there will be \$300 million for retraining and \$39 million for Education Commission Report No. 6 proposals and \$50 million for the Services Support Fund and another \$50 million for the Tourism Development Fund and in relation to the small and medium sized property, there will be a reduction in stamp duty.

As for profits tax, there's been some adjustment in order to increase the competitiveness of the financial sector.

And for the service sector I've also got an addendum on that and there will be Action Agendas and that's an important proposal and we have already commissioned Federal National Mortgage Association a very big mortgage corporation in the US to try and help us with the study of the setting up of a mortgage corporation in Hong Kong and we are now planning to have a Science Park and a fourth industrial estate and a second industrial technology centre.

And so that briefly is what I wish to say. I will be delivering what I have just said in English and then I will give you a chance for questions.

You have been listening to me for two hours in the Legislative Council and some of you might have also had a chance to look at the Budget in greater detail in the 'lock-up' session. I think some of you participated in that.

You will see from my Budget speech that I am forecasting that the economy will grow by 5% in 1996-97, and I also expect inflation to come down to 7.5% in the year. But for the current year, that is 1995-96, I'm forecasting a deficit of \$2.5 billion but we will then regain a balanced position in 1996-97, resulting in a forecast surplus of \$1.6 billion.

We already published the Expenditure Estimates last Friday, and then you know the results but there are a few new items in my Budget speech which I announced this afternoon. These include first of all that in addition to the \$300 million improvements in CSSA pledged by the Governor in his Policy Address, I propose to spend \$200 million more on a variety of improvements, with some particular emphasis on the elderly. I also propose to spend \$300 million on the Employees Retraining Board to increase its reserve capability so that it may then expand its programmes. There would be a \$39 million a year to make an early start in implementing the Education Commission Report No. 6 on the Improvement of Language Ability in Hong Kong. Then I propose to inject \$50 million each, one for the Services Support Fund and another to set up a Tourism Development Fund. Both of which will be very important in the development of our service industry.

On the revenue side I set out very generous salaries tax concessions at levels well above inflation and there was also a reduction which I have proposed to stamp duty for the purchase of lower/medium priced flats. There are some profits tax adjustments so as to improve our competitiveness for financial services.

So particularly on the promotion of service industry, I have set out in an addendum to my Budget speech what I consider to be important areas. An eight-point "Framework for Action" and there were 14 "Action Agendas". This is what we see as the present situation in the various service industries and what we should aim at in the years ahead.

And for the manufacturing I have proposed to get started on site selection for the Science Park and further planning on the second industrial technology centre and the fourth industrial estate.

So that perhaps is a snapshot of what I have proposed this afternoon. I am quite happy to answer you questions both in English and Chinese.

Question (Apply Daily, Chan Wei Yi) (in Cantonese): Mr Secretary, just now you have told us a lot of measures on tax concessions, that's good news, but still some LegCo Members think you are being mingy, so you have such a huge reserve, why don't you do something to improve the services for the elderly?

Now also some Members have said they will vote against some of the measures in the Budget. What's your view on that?

Now on the CSSA Review you say it has been completed and the report will be published on Friday. You will be spending an additional \$200 million. Does it mean that you will not accept other recommendations in the Review Report?

FS (in Cantonese): Now going back to CSSA, I think you had better wait until Friday when you see Mrs Fok, then you can discuss with her in detail the report of the Review, but don't say that we are only doing some of the measures and not others.

Now under the CSSA system, in the Policy Address the Governor has already pledged that there should be improvements costing \$300 million and now I am proposing an additional \$200 million so I think we are doing a lot already in that regard.

As for the broader question of CSSA and other welfare services for the elderly. I think we need to strike a balance somewhere, especially when we are talking about spending on the elderly. Now this year, in the year 1995-96, we have spent \$9 billion and that covers medical service, CSSA payments and so on, but other than that sum we have an annual increase. Now from 1992 until now we already have an increase of over 50% and then next year there will be yet another 17% increase.

Now right now we have an economic growth rate of 5%, so do you think under the circumstances we should have an even higher increase? I think we are already doing very well in terms of striking a balance.

Now on the question of the reserve, fiscal reserve. Now the fiscal reserve is not there to be spent. It is for emergency, for contingency. This is not just the policy of the Hong Kong Government to keep a reserve. Now all other overseas economists and experts, as I said in my speech, even the International Monetary Fund has done an in-depth survey in Hong Kong recently and the survey result was that we should not dip into our reserve, especially given the political uncertainties involving 1997. Also there is still a lot of speculation, currency speculation activities around the world. So under the circumstances we do not think we should dip into our reserve at the moment. Especially now we still have high inflation. Now spending is now under control so is it the time for us to expand our spending programme? So that's why having taken all these factors into account, we think that for social welfare and CSSA spending, that's an increase of over 14% already, and that's already good enough given the circumstances and I think this is just a right balance. If we go further than that it may not be appropriate, in my view.

Question (in Cantonese): When we look at last year's Budget and it was anticipated that this year the surplus would be \$5.9 billion and yet now it is about \$1.6 billion only. So in other words, it is less than anticipated. The most important point, probably, is because you are getting less from property transactions and you are paying more in tax allowances. So when you compare the figure you give this year and the original one, there is a reduction.

FS (in Cantonese): Yes, let me answer that question first. When you talk about revenue, last year Sir Hamish made a forecast and it was different from the figure that I have given now. That is because our forecast for 96-97 is different because at that time it was anticipated that the economy would continue to grow and the growth rate would be 5.5%. But now the figure is 4.6% only and so we do have a downturn.

But even though the rate itself is a good one, it is slowing down and it will go on to 96-97. It will affect a lot of things, for instance, stamp duty and property transactions, etc. And therefore, Sir Hamish gave a figure for 96-97 which I don't think we will be able to get and that is the reason why I have revised it to \$1.6 billion and that is quite a good figure already. And in 1997-98 we will see a growth and this is a balanced Budget and this is quite a practical forecast.

Question: The impression that I get from your Budget is it is more for business rather than people oriented. You have described the people of Hong Kong as your key software package. Are there any political considerations or any constraints economically or politically to redirect your Budget towards more economic, you know, macro economics rather than maybe more spending on social services and welfare?

FS: I believe it is always the same. I think I explained quite clearly in my Budget Speech our philosophical and economic beliefs and that is, we certainly rely on the market. And in that respect, I also explained the real meaning of economic growth. Economic growth is going to generate wealth and wealth will enable us to improve our standard of living and our spending capacity on social services and so on.

But the starting point must be economic growth and prosperous business opportunities, not only now but well into the next century. For that reason, what I am saying is, we must be able to develop our economy. We must be able to maintain our economic growth. And after we have done that, then in so doing we then reap the fruits of economic growth and invest that into our social infrastructure. And that is the whole purpose of it. So it is a Budget for the community as a whole, not only for one sector but for all the sectors.

Question (Asian Wall Street Journal): A two part question, Sir. One, could you explain, for the lower than expected revenue from land premium, which sites were those and could you sort of run through the numbers on that please?

And then as a second question --

FS: Can I deal with one question at a time. I am afraid I will not be able at this press conference to list out all the sites for you for the coming year. First of all, they comprise a programme for land disposal yet to be agreed by the Land Commission and we must let them agree it first before we can announce the details. But I can assure you we are taking a very broad view of land prices - prevailing land prices - and the value of various sites which we are going to put in the Land Disposal Programme. And then comes a realistic estimate of our total land revenue we are going to obtain in the year to come.

I'm sorry, at this stage I won't be able to give you all the details. You have to wait until we have formally consulted the Land Commission on this matter.

Question (Asian Wall Street Journal): and then a second question on financial services --

S for Tsy: Sorry, if I may add. It would not be correct to do a year on year comparison of land revenue because by definition, the value of individual sites vary depending on the location, the size, the permitted use, the permitted scale of development and so on. And once a site has been sold, it can't be included in next year's Land Sales Programme so it is not a like for like comparison. That is why we classify land revenue as a capital revenue and for capital revenue you can perhaps look at it on a trend basis but not on a year on year basis.

Question (Asian Wall Street Journal): As a follow up, Sir. You spoke at length about your commitment to promoting financial services. If you were to aggregate that, how much will you be spending, including the Government's spending on the TDC for its new role in promoting financial services?

FS: Well, there are a number of things. I haven't aggregated the whole amount because some of them are revenue measures and some of them are expenditure measures. But if you want to try to do a detailed analysis, I am sure my colleagues will be able to help you do that later on. But as you see, there are some in the form of tax concessions like in the profits tax concession and like special concessions for stockbrokers and so on, and some are in the form of expenditure like my support for the Services Support Fund and for the Tourism Development Fund.

But it could be very misleading, if I may say so Eric, to try to aggregate all of them into one whole figure. And then, because some of them are actual plans where there is no price-tag for them for the time being.

Question (Commercial Radio) (in Cantonese): Mr Tsang, you said for the 97-98 Budget you will be consulting the Chinese side, so would you first of all prepare the Budget and then listen to the views of the Chinese side, or how would you do it? And how would you take up discussions with the Chief Executive Designate?

FS (in Cantonese): Miss Ko, we have already laid down some criteria. I don't think it is a matter of who is taking the lead, what is important is that we have some initial consensus on the matter. Now at the last session of the Expert Group's Meeting, Mr Kwong has already talked to Mr Chen that we will be doing a full year budget but as to how we are going to prepare the budget and how we are going to conduct the consultation, we still need to think that through.

Hopefully, in the next meeting coming up in the middle of this month, we would have some detailed discussion. But in my Budget Speech I have made it clear that we need to strengthen co-operation. As long as we have the same objective, that is a smooth transition, then we will be able to draw up a good Budget for Hong Kong in the next year. So it is not a matter of who is to take the lead, that is not our major concern.

Question (Sing Tao Daily News) (in Cantonese): Now this year the theme is "Building our Prosperous Future" so why don't you allow for a deficit budget? Are you afraid of criticisms from the Chinese side that you are boosting your expenditure substantially? So how would you deal with that?

FS (in Cantonese): I think in my Budget Speech I've made it quite clear why we don't need any measures to stimulate the economy because in our view we don't see the need for that and also at the time we do have stable economic growth. At the same time inflation is going down. So I think for this year we have forecast an economic growth rate of 5%. Now we are in a mature economy, with such a result it is already very good. So if we want to stimulate the economy then it may be too much for us all.

But it has nothing really to do with the Chinese side. I think what is important is that we must look at whether we have a need to do certain measures or as I said there will only be certain circumstances when we will use our reserve. For example, 1995-96, we did dip into our reserve. We look at our trend growth curve for our expenditure. We don't look at the expenditure on the year on year basis. For example, you know we have a trend growth rate of 5% so if expenditure, GDP is above 5% there will be surplus and we would put it to the reserve but if GDP growth is below 5% then we will have a deficit. And that means we will have to dip into the reserves. So that's a prudent way, a sound way of dealing with our public finance. But of course when there are crises we would have to dip into our reserve.

Now as our economy progresses and develops in a steady manner, we shouldn't be big spenders. Now you asked when we had to use our reserve. In 1995-96 we have to do it and the sum could be \$2.5 billion.

S for Tsy (in Cantonese): In 1995-96, we have a deficit and if you look at the detailed figures then I am sure you are aware of the situation.

The most important reason is because with the MTRC and with the Airport Authority we have to have capital injection and so the reserve is for certain purposes. When we need to develop major infrastructure projects and we need to put in money then this is a source of resources for us.

Question (Hong Kong Daily News) (in Cantonese): You think that the growth rate is going slower and therefore the figure is now revised to \$1.6 billion, that is the surplus. And yet when we talk about tax concessions and also new initiatives we are talking about billions. And so how can you persuade the Chinese authorities that you are not spending too much money?

FS (in Cantonese): Well the most important thing is, this is a very balanced budget and we do have a surplus of \$1.6 billion and therefore we are not overspending. And if we talk about overspending, then probably we will have a bad deficit but we are not giving a deficit budget and last year we did have a deficit because we had to take care of very major infrastructure projects. So all along we have been taking a very prudent approach.

Now when you talk about tax concessions, yes we feel that we should have tax concessions because there's no reason why we should keep on accumulating surpluses and we do not expect that it will have a very severe inflationary impact then we should return some of the money to our tax payers.

And then of course you can also see that I have also increased some of our taxes. For instance, in relation to hydrocarbon oil, betting duty, tobacco duty etc., and so, by so doing I have the ability to put in the tax concessions. Now this is very important because to the man in the street and also to the tax payers, they feel that tax concessions are important. We have 96% of our salary tax payers benefiting from our tax concessions. Therefore I think it is worth our while and in the end we have a very balanced budget and we have \$1.6 billion surplus, so that is not overspending.

Question (Metro Broadcast) (in Cantonese): In formulating this year's Budget, did you consult the Chinese authorities and have their views been taken into consideration?

FS (in Cantonese): Mr Ma, in coming up with this year's Budget what we did with the Chinese authorities is that we show them how we go about working out the Budget. Now, of course, you are aware of the fact that they are worried about welfare expenditure, fearing that there might be adverse consequences. We did listen to their views and we also assessed the views of our public and our people and then you can see the result of our decision and we have increased our spending and that is within our affordability and ultimately our total expenditure is in fact within our trend growth rate and in so doing I think we have persuaded the Chinese authorities that it will not actually have long-term adverse impact.

Question (? organisation) (in Cantonese): A question for Mr Tsang. In talking about the service industry, you have two tax concessions and then you are also saying that in the year 2000 the cost to revenue will only be \$135 million. And \$135 million actually is very meagre for the whole sector. Will it actually be able to produce its effect?

FS (in Cantonese): Well, our tax is very low. What we need to do is actually to try and give it a push and our service industry is already fairly competitive so you can't really look at the amount and say whether it will be effective or not. If you talk to the people in the sector I'm sure that you will find that it will act as a catalyst.

Question (HK Economic Journal, Lam Kit-ye) (in Cantonese): I would like to talk about economic growth rate. As you have said, this year it is 4.6% and it is lower than anticipated. And then in the medium forecast you did revise it downwards and what are the factors that are beyond your expectation that lead to your having to repeatedly revise the rate, the percentage and why is it 5% next year?

FS (in Cantonese): Well, it's not that we keep revising it downwards but rather we have one trend growth rate, that is 5%. It's for last year, it's for this year, it's for next year. And last year, at the beginning of the year we expected it to be 5.5% and now we are talking about 4.6%. The reasons are very easy. Consumer consumption is slowing down and it is also the economic cycle that is there is a downturn and there are external factors affecting us. But this is not something that is worrying because when we talk about 4.6% in economic growth, it is a pass-mark already. As for next year, because of the external factors, they are improving, the US, Japan, China and the situation is improving and our economic cycle again is on the upward curve and therefore in 1996-97 we feel that we can have a 5% growth rate.

Question (? organisation) (in Cantonese): Now since your economic forecast remains the same, then why is it the public spending as a percentage of GDP growth, why is it it still exceeds 18% and is higher than the medium range forecast made last year?

FS (in Cantonese): Now I think we are still in the region of 17.98%.

Question (? organisation) (in Cantonese): But in the past few years the percentage has been 18.1%. Last year when you did the MRF it was 17.something per cent. Is it because the percentage of the private sector is reduced, that's why you have this figure?

S for Tsy (in Cantonese): In 1995 the growth rate of GDP was revised downwards and so the basis was reduced, and if you use that as the basis and then you work out the MRF forecast of 5%, then public spending in relation to GDP growth will be increased and that is why it is 18%.

FS (in Cantonese): I don't think you need to be too concerned about that, it is just our forecast. There could be some minor adjustment, it really depends on our economic performance at the time. But I think what is important is that we must always observe a principle, i.e. economic growth must be the indicator for our expenditure growth.

Question: (inaudible) with Chinese officials before this Budget, is this Budget generally in line with what they were looking for and were they made aware of the contents of it before you got up on your feet this afternoon?

FS: Well, you know we have got a plan for taking the Chinese through the preparation of this year's Budget and they have been involved throughout from April last year up till now and they have made certain views. We have listened to those views. But as far as giving them the Budget, yes we have briefed the Chinese side and copies of my Budget Speech were given to the Chinese side today, this afternoon, both in Peking and to the New China News Agency, and to Mr Chen Zou'er in the Expert Group, as well as Ambassador Chao of the Joint Liaison Group.

Question: My other point was, is the Budget generally in line with the discussions you had with the Chinese?

FS: I believe so far the Chinese side have expressed only general comments at the Expert Group. Perhaps Mr Kwong who is the leader on the British side will be able to tell you a bit more.

S for Tsy: I am afraid I would not be able to give you any details of the discussions in the Expert Group because we are bound by the confidentiality rules, as are the Chinese side. And in case, I think the decision on the expenditure are really made on the basis of our assessment of the priority expressed to us through LegCo and also various sectors of the community. At the end of the day, our aim is to provide a Budget which meets the community's needs while respecting strictly our budgetary guidelines. I am confident that the Financial Secretary's Budget has achieved that and I hope that the Chinese side will appreciate it.

Question (in Cantonese): Again on stimulating the economy. Why is it that you don't want to reduce the profits tax rate? And is the tax base too narrow, so next year when we have a poorer than expected economy, then would you have trouble?

FS (in Cantonese): Now what do you want? Do you want me to widen the tax base or reduce the profits tax rate? That is two separate things really. If you want to reduce the profit tax rate that is a very costly exercise. As I said, for every percentage of deduction we would have to pay a heavy price for that. And also, for people in the business sector, really I dare say they would not mind so much about how much profits tax they have to pay and what is important is they must make money first before they worry about taxes.

As I said in my Budget Speech, there was a survey done and for most in the business sector, especially senior executives and proprietors, they do not regard profits tax as their prime concern. So I think it is important that we consider where we should offer tax concessions - on salaries tax or profits tax. And after consideration, because of limited resources we decided we would offer tax concessions to salaries tax payers because that would benefit the community more. And I think that is the right approach.

Question (Oriental Daily, Chan Ka-lai) (in Cantonese): Why do you have to cut stamp duty for the low and medium priced property? Are you trying to stimulate the property market and do you expect the property market to go up?

FS (in Cantonese): Well, it is now stable, as we have said, and we do not really see speculation and we have a very sound and stable market and the measures that we have put in place have worked. What we are doing now, in fact, is in response to legislators; they want us to do something particularly for those who buy a small or medium sized property and so that is what we are trying to do. And we want to encourage home ownership in Hong Kong. This is very important, it will create social and political stability. And it has nothing to do with our trying to boost the property market and I don't think you should further speculate on the reasons.

Now what are we talking about, what sort of property are we talking about? We are talking about HOS flats. Those are not the flats for speculation, I am sure you are aware of that.

Question: To put it rather bluntly, what went wrong with the Airport Tax last year?

FS: Well, I just got a lot more flack than I thought I deserved. It was originally \$150. I slashed it to \$50. I thought I'd have got overall applause but indeed I did not have the applause. That is one thing wrong - on a personal level.

What really went wrong was the purpose of the reduction - to encourage those people who are on transit to come out of the airport and do more shopping so that they are going to buy more things from our market and at the same time will not cause congestion in the airport terminal itself. But unfortunately, that reduction did not achieve that objective and we still have lots of people wandering around in the airport terminal in transit. And at the same time, we have now discovered that the level of Air Passenger Departure Tax has almost no correlation with the passenger throughput at the airport. Then having regard to what other places have been collecting, I thought I can make use of that \$50 more and translate it in terms of tax concessions for other people.

Question (SCMP) (in Cantonese): This year you have two new tax concessions for salaries tax, one is for siblings and another one is in relation to training courses at approved institutions and it is as high as \$12,000. Now every year we have been asking for concessions with salaries tax and we have been told that we want a very simple tax system. When you talk about concessions for training courses, what are the factors that you take into consideration and are you afraid of a dangerous precedent?

FS (in Cantonese): Whatever we do we have to balance the factors. When we talk about an allowance for siblings I feel that this is very worthwhile and we hope to be able to enhance family values. There are people in Hong Kong, a lot of them, who will have to pay for the education of their brothers and sisters and so we should encourage them to continue to do so and to put their brothers and sisters through university as well. And so this is something that is worthwhile.

And when we talk about a deduction in relation to fees for training courses, actually this again is in response to suggestions from the Legislative Council. Our economy is undergoing transformation and there are people who will have to try and improve their skills in order to improve their standard of living. And how can we help them? I feel that therefore a deduction of \$12,000 per year is worthwhile.

Question (TVB) (in Cantonese): You have a lot of measures trying to promote business and promoting social services, promoting the financial sector, and does that mean that you are no longer going away from the non-intervention policy?

FS: In my Budget Speech I mentioned at least four times, i.e. we will minimise intervention and we will give them maximum support. We will not take the lead. Now if you look at the Addendum on social services you should be aware of our main direction but of course we need to get a positive response from the business sector first. Now, the principle is definitely that. And yet somehow we need to be proactive - the Government needs to be proactive - we have to be forward looking. And we will look at what the business sector is doing and we will give them whatever support we can.

Question (AP Dow Jones): You did announce some things regarding research and development - the new Industrial Park and the Science Park plans - is there any focus to these plans? Are you trying to lure any particular type of business or is it just we've got some real estate coming and locate something here? I mean what is the real focus with that plan?

FS: The focus quite clearly emanates from our recognition that the economy as a whole is changing very rapidly. It is changing rapidly in the sense that all the labour intensive manufacturing operations have now migrated northwards. We need a high value added technology based industry in Hong Kong and for that to materialise we have to do something special and in that regard we have consultancy reports studying a science park and come to some very positive recommendations. For that reason we want to make this bold step forward.

This is not in response to any specific proposal of sites or not that we have more sites to spare therefore we want to create a science park. But rather in recognition that we have now reached a state of development that in order to maintain a vibrant, a prosperous and a leading role for our manufacturing industry, we have to make further investment and this is one of the investment areas.

Question: some places ... target some ... industry (inaudible)

FS: We don't do that. We don't target. It is our philosophy that targeting is done by entrepreneur. As a government I should not lead the economy into specific field like, in some countries, might wish to go to ship building, the others might wish to go to electronics. It is a commercial decision which should be taken by manufacturers, by our industrialists, not by this government. Our role is to provide the environment where such decision can be made in a most convenient way.

Question (? organisation) (in Cantonese): Now Mr Tsang, in the process of the Budget preparation were you under serious constraints because we get the feeling that you are treading a very careful line? You don't want to give the Chinese side an impression of overspending and at the same time you are concerned that your Budget would not be approved by LegCo. So do you feel that you are under heavy constraints an also what is your assessment of the chance of the Budget being approved in LegCo?

FS (in Cantonese): I wouldn't say those are constraints, rather our society is progressing. Now every year we have done our budget in a certain way but now our society has progressed to a stage that we need some new strategies, new attitude and a pragmatic attitude in the preparation of the Budget. So that's the direction we are taking now. Of course, community aspirations are now higher, LegCo aspirations are also higher and also because of the change of sovereignty, there are now new political dimensions. But to me they are really secondary. What is important is how we would prepare the best Budget that would meet the needs of Hong Kong well into the next century. Especially we need to keep our competitiveness in the trade sector and so on, we need to keep our leadership position. So that's how we draw up our Budget. Of course we could listen to the views of different sectors and when there are difficulties, of course we must try to overcome them.

Whether we are under a lot of constraints - of course, we are. Everything we do, even you, you have a harder time trying to make a living, and for us we have a harder time making a living, LegCo Members have a harder time making a living. But it only means that society is progressing so it is nothing we need to be concerned about.

Question (? organisation) (in Cantonese): I don't think you have answered a part of my question. Do you think there is a good chance of the Budget being approved?

FS (in Cantonese): Now since the history of Hong Kong we have never had the case of a Budget not being approved. Now we have put in great effort in that regard and of course this is not unilateral effort. As I said from the outset of my speech this is not just my personal view. We have taken into account views of the community and views of LegCo Members, as far as possible.

Now there is some initial response from LegCo Members. Just now I watched on TV, press reports, that 70% of their wishes have been taken into account so I find that gratifying and you can already gauge what their voting would be like.

Question (Reuters): I'm just curious as to the Policy Reviews that you're asking the different departments to go through. What are you looking for, what are you expecting to come from that and how long do you expect that to take?

FS: Very good question. Maybe I'll ask the proposed Chairman of that Committee, the Secretary for the Treasury.

S for Tsy: We've only just started work on it. In fact, the work will be staged and the very first phase would be the selection of some services and some departments and some projects.

What I am thinking about for immediate action is about six in all. So that it would be manageable. We will look at, for example, the regulations, the controls, the way in which the selected departments interface with the business sector and look at how that could be streamlined, review whether certain regulations are outdated and should be, for example, completely deleted from our statute books and so on.

Our aim is to be able to report progress within about six months for this first phase.

FS: Thank you very much.

End

FS highlights the importance of Budget

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A Budget is not simply an accounting exercise. Neither is it just a routine report on the territory's economic and financial well-being, the Financial Secretary, Mr Donald Tsang, said in the Legislative Council today (Wednesday).

It is, with the Governor's Policy Address, one of the two set-piece occasions each year when the Government:

- * accounts for its stewardship of Hong Kong's economic and social affairs;
- * addresses the concerns of the community, which Members of the Legislative Council have articulated so forcefully; and
- * discharges its duty of leadership by offering a clear vision of what the future holds for Hong Kong.

Moving the second reading of the Appropriation Bill 1996, Mr Tsang said this was a very proud, a very privileged moment for him.

"Proud because I am the first Financial Secretary who grew up here. Privileged because I am delivering this Budget to the first fully-elected Legislative Council in Hong Kong's history.

"The fact that I, like all the Members of this Council, am very much part of this community gives the Budget special meaning and gives all of us a special responsibility. I say this because Hong Kong is our community. It is our home. And its future is our future," the Financial Secretary said.

"I spoke of a duty of leadership. It is a duty I and my colleagues in the Civil Service take very seriously. To put it simply, it is our duty to offer our community a clear description of what can be achieved and what we need to do to make our vision a reality."

Like his distinguished predecessor, Sir Hamish Macleod, Mr Tsang said he had made personal consultations with every Member of the Legislative Council a central feature of his budget preparations.

"In preparing my first Budget, I have continued this practice.

"The responsibility for the Budget is mine, of course, but the valuable contributions of Honourable Members have made my task a great deal easier. I am also grateful for the support and sheer hard work of my colleagues in the Civil Service in preparing my Budget," he said.

Mr Tsang said he had broken with Sir Hamish's approach in one respect.

"I want to make the Budget more accessible. I want to make it easier for the community, as well as for members of this Council, to get at the facts, the assumptions and the policy proposals which it contains," he said.

So, besides producing the entire set of budget documents in both English and Chinese for the first time, he had adopted a very simple, three-part structure.

In the first part, the Financial Secretary shall look back at the trends and developments which have shaped Hong Kong's economy and the way of life and brought Hong Kong people the prosperity they enjoy today.

In the second part, he will describe the current performance of the economy and look at the prospects for the year ahead.

In the final part, he will describe how, in the next century, Hong Kong can achieve its full potential as a world-class service economy.

End

Hong Kong success and Government's contributions

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The Financial Secretary, Mr Donald Tsang, in wrapping up the past success and government's contributions to the success of the economic history of Hong Kong, believed that the time had come to give the services sector the place it deserves in economic policies.

He said the economic history of Hong Kong could be summed up very simply.

"Manufacturing formed the backbone of our economy for three decades from the 1950s. During those years, the 'Made in Hong Kong' label came to mean high-class fashions instead of cheap textiles.

"This transformation became a symbol the world over of our determination to lay the foundations of the economic and social success we now enjoy," he said today (Wednesday).

However, the Financial Secretary noted that over the past 15 years, Hong Kong had undergone a second revolution in the way the people earned their living.

He said by last year, 72 per cent of the total workforce was employed in the services sector, and 83 per cent of GDP came from services and even if the public sector was excluded, services still account for an astonishing 73 per cent of GDP.

Mr Tsang said the change brought about, perhaps inevitable in a free-market economy, had been so swift that "it has taken us policy-makers time to catch up with the new economic reality".

"Entrepreneurs and markets, and not Financial Secretaries, must lead economic change.

"I believe that the time has come to give the services sector the place it deserves in our economic policies," he said.

According to Mr Tsang, a service economy simply means to enable people to earn their living by selling their skills, creativity, enterprise, professionalism and reputation for integrity or to put it another way, was to move up market as an economy and as a community.

Noting the achievements in this pursuit, Mr Tsang said Hong Kong now already had a well-educated and skilled workforce. The recurrent spending on education has increased 61 per cent in real terms in the past 10 years.

"We are now prosperous not only by the standards of our own past but prosperous by the standards of the developed world. Our per capita GDP has increased by 65 per cent in real terms in the past ten years," he said.

Mr Tsang went on noting that in putting Hong Kong's prosperity to good use by investing in its social as well as its physical infrastructure, the Government, as a result, had increased its recurrent spending on health, welfare and housing programmes by 117 per cent in real terms in the past ten years.

The results of these improvements are self-evident. For example, he said:

- * In the past ten years, we have built about 400,000 new public housing units.
- * Over the same period, the proportion of the relevant age group studying for degrees has risen from four per cent to 18 per cent.
- * Since 1984, life expectancy at birth has increased by two full years. Our life expectancy rates are now among the longest in the world.

"Hong Kong has much to be proud of. We have exercised self discipline, and we have made the investments which have brought us our success," Mr Tsang said.

However, he cautioned: "We cannot rest on our laurels. Past success is no guarantee of future prosperity."

He noted that this success would not have been possible without three fundamental economic developments which took place outside Hong Kong. They were:

- * the success of the GATT in opening up world trade and keeping protectionism at bay. World trade has doubled every six years since 1969.
- * the dramatic surge in China's growth. Thanks to its "open-door policies", China's real GDP has doubled every eight years since 1979. Hong Kong links with Chinese economy have grown so rapidly and so extensively that Hong Kong now play a vital part in the world's most dynamic economy.
- * the take-off into sustained economic growth of Hong Kong's neighbours in Asia. Trading with them has doubled every four years since 1966.

Turning to the Government's contribution, Mr Tsang said over the last forty years, Hong Kong had developed its own way of managing its economic and social affairs. It had its own blend of enterprise and regulation, balance between the public and the private sectors, formula for individual liberty and social responsibility.

"I do not think it is going too far to say that there is a distinct Hong Kong model of economic and social development.

"We might describe this model most simply as a commitment to markets and enterprise but with a recognition that, for these to work fairly and effectively, the Government cannot be passive.

"The community wants vigour and inspiration from its government, not lethargy," he said, adding that the Government's contribution had been:

- * to provide the legal and regulatory infrastructure which underpins free and fair markets;
- * to encourage enterprise through small government and low, stable and predictable taxation; and
- * to manage public finances to meet the community's priorities for a modern infrastructure, better homes and health care, better schools and social welfare.

End

Performance in 1995 remains robust

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The achievement of a real GDP growth of 4.6 per cent last year, though lower than the Government had originally hoped, was still robust, the Financial Secretary, Mr Donald Tsang, said today (Wednesday).

Reviewing the performance of economic growth in his first Budget speech, Mr Tsang noted that there was no better testimony to the success of the Hong Kong model than the simple fact that it had enjoyed unbroken economic growth since the Government began to compile GDP figures in 1961 with growth in some years had been faster than in others.

He said as in the past, last year Hong Kong experienced a cyclical adjustment following a period of particular buoyancy in domestic consumption and reduced private sector building activity as the property market consolidated with the growth in these two areas dampened by a sharp slowdown.

He pointed out that total exports of goods grew by 12 per cent in real terms. Imports of goods, however, grew more rapidly, by 14 per cent in real terms resulting in the visible trade deficit thus widened to ten per cent of the value of imports, somewhat above the average for the past decade.

Mr Tsang explained that this increased deficit reflected in part a 15 per cent increase in retained imports of raw materials for production and infrastructure construction, and in part an impressive 20 per cent growth of investment in machinery and equipment from which the Government should draw considerable encouragement.

"Our balance of trade has deteriorated principally because we have been investing in the expansion of our productive capacity. In due course, this will show itself in increased output, a growth in exports and higher GDP.

"We should also draw encouragement from an 11 per cent growth in real terms in our exports of services, and from the fact that the substantial invisible trade surplus largely offset our visible trade deficit," he emphasised.

Turning to inflation, Mr Tsang noted that the average rate for inflation during 1995, as measured by the CPI(A), was 8.7 per cent. Underlying this was a sharp fall, from 10.1 per cent in January to 6.6 per cent at the end of the year.

He explained that the easing of inflation owed a great deal to the way in which the US dollar gained strength in the latter part of the year. Also contributing were more stable world commodity prices, as well as a significant moderation in China's inflation.

In addition, locally-generated inflationary pressures eased. Specifically, rents and labour costs moderated, while the prices of consumer goods softened.

On labour market, Mr Tsang said last year, Hong Kong experienced an uncomfortable rise in the rate of unemployment.

The increase in the number of people looking for jobs was caused not so much by the lower than expected rate of GDP growth, but was largely a consequence of changes in the labour supply situation. He attributed the trend to the following reasons:

- * The total supply of labour increased by over three per cent in each of the last two years. More emigrants returned from overseas and more immigrants arrived from China. Also, there has been a larger proportion of women entering the workforce.
- * Total employment also increased healthily in 1995. But at two per cent, the rise was not sufficient to keep pace with the additional labour supply.
- * Consequently, the unemployment rate rose to 3.5 per cent at the end of the year.

He stressed that the employment situation, low though our rate is by international standards was a matter that the Government cannot be complacent about.

He said in the latter part of the year, the private sector was still reporting 50,000 vacancies and that the problem seemed to be less a lack of jobs than a mismatch between the skills on offer by the unemployed and the skills required by potential employers.

On the residential property market, Mr Tsang believed that, following the successful implementation of the measures devised by the 1994 Task Force, the property market, which continued to consolidate during 1995, had stabilised.

He said by the end of the year, average prices for residential flats were 24 per cent lower than the peak levels reached in the early part of 1994.

Although prices were some 20 per cent above the levels seen at the end of 1992, they were still lower in real terms than three years earlier, Mr Tsang however noted that the ground had been laid for the healthy development of the market in the future as flats had become generally more affordable to home-buyers, and speculation had subsided.

Turning to the financial markets last year, Mr Tsang noted that Hong Kong performed well in this aspect of economic activities as evidenced by the fact that: The stock market was the best performing in the region, with a 23 per cent increase in the Hang Seng Index for the year.

The futures market recorded over five million contracts for the year, an all-time high, although this was a year of reverses for overseas futures markets generally.

The banking sector saw solid gains. Total deposits and loans both rose by around 14 per cent. The Hong Kong dollar debt market increased by 29 per cent over the year to reach \$197 billion, an indication of its impressive liquidity.

Moreover, he pointed out that last year was also important because of the further reassurance it offered of the resilience of our financial institutions which he, in particular, referred to the linked exchange rate.

He cited an example that during the fall-out from the Mexican currency crisis in early 1995 which had also affected Hong Kong together with a number of other Asian currencies, the Hong Kong Monetary Authority handled the pressures decisively and demonstrated the effectiveness of its contingency measures to defend the linked rate.

He said during the year, the Monetary Authority took further steps to reinforce the stability of the territory's financial institutions and had strengthened ties with other regional central banks.

He disclosed that arrangements were now in place to exchange information with them on currency speculation, as well as for formal repurchase agreements to increase the liquidity of each parties' official reserves.

"The lessons of last year should be very clear. Our commitment to the linked exchange rate at its current parity is absolute.

"We will not allow speculators to undermine the stability of our financial system. We have both the expertise and the resources that we need to defeat them," he said.

On the Government's commitment to openness and transparency in the operations of the Exchange Fund, Mr Tsang an example as noting that last year, the Government increased the frequency with which we publish information about the Fund and was now doing so quarterly.

He was pleased to report that the underlying foreign exchange assets in the Exchange Fund rose again in the last quarter of 1995.

He pointed out that the figures of the Fund, now standing at US\$57.2 billion and 12 per cent higher than the corresponding total for the year before, were impressive indeed.

End

Deficit forecast

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The Government is now forecasting a deficit for the current year of \$2.5 billion. This is virtually the same as the deficit it originally estimated, the Financial Secretary, Mr Donald Tsang said.

In overall terms, this outcome has arisen because a reduction in revenue of \$8.2 billion has been offset by an underspending of \$8.3 billion.

However, the original estimates for both revenue and expenditure included the Post Office and the Office of the Telecommunications Authority.

During the year, these became trading funds.

"As a result, we have to account for their revenues and expenditures in the books of the new Trading Funds rather than, as previously, in the General Revenue Account," Mr Tsang said.

After eliminating the effect of this accounting change, revenue for the year is \$6.4 billion less than originally estimated, while underspending amounts to \$6.6 billion.

On the expenditure side, there are two main reasons for the underspending.

- * First, there has been underspending of \$4.5 billion from the Capital Works Reserve Fund. This is a result of reduced expenditure on land acquisition of \$ 1.5 billion and a slippage in capital works of \$3.0 billion.
- * Second, there has also been underspending of \$1.8 billion from the Loan Fund. This arises as a result of the payment of loans to the Housing Society being made in March 1995 rather than in the current financial year as anticipated when preparing the original estimates.

The underspending of \$4.5 billion in the Capital Works Reserve Fund amounts to 12 per cent of the original estimate. This is the third year in which underspending has been reduced from the high levels of over 30 per cent experienced in both 1991-92 and 1992-93.

On the revenue side, the Government has seen a shortfall in both capital and recurrent revenues as a result of two main factors:

- * First, land revenue. During the year, land prices have generally been in line with our expectations. Indeed, the total land premia collected in the year will exceed the original estimate. However, the premia for several sites will not be collected until the final quarter of the current financial year. Because of the sharing arrangements with the future Hong Kong Special Administrative Region Government, the Administration will not receive the proceeds of these land premia collected in the final quarter till the next financial year. As a result, our actual receipts of land revenue in 1995-96 will be \$3.0 billion less than originally forecast.
- * Second, recurrent receipts are lower than originally forecast, reflecting the slower pace of economic growth in 1995. The principal shortfalls in receipts are those from motor vehicle first registration tax of \$1.5 billion, duties of \$0.5 billion and internal revenue of \$0.9 billion.

End

Improved economic performance forecast

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The Financial Secretary today forecast in his Budget Day that GDP would grow in 1996 by five per cent in real terms - an improved economic performance from last year - with expectation of inflation, as measured by the CPI(A), to ease appreciably further to an annual rate of 7.5 per cent.

Mr Tsang noted that the moderating trend in both domestically-generated and imported inflation that had emerged in the latter part of last year was expected to carry over into the current year.

On the labour front, he expected that the level of unemployment would continue to depend primarily on the labour supply.

He said: "On current indications it seems unlikely the unemployment rate would revert quickly to the very low levels to which we are more accustomed" but on a positive outlook, he believed that the better economic prospects that he was forecasting would bring a gradual improvement to the situation.

Mr Tsang was also optimistic about the trading environment which he expected to be favourable, noting that economic growth in major overseas markets, including the United States, Europe and Japan, was generally improving coupled with the recent easing in interest rates.

He noted that in the Asia-Pacific region, growth continued to be dynamic, trade liberalisation was gathering momentum although the annual threat to China's most-favoured-nation status in the US market was still a "cloud on the horizon".

He also noted that the APEC initiatives on trade liberalisation were now winning wider support and was of the opinion that a key objective of China's Ninth Five Year Plan to ensure steady growth and to keep inflation in check would provide a solid foundation for the continuing healthy development of Hong Kong's trade and other economic links with China.

Overall, Mr Tsang forecast the total exports of goods to grow this year by ten per cent in real terms; a growth of only 0.5 per cent in domestic exports but a 12 per cent growth in re-exports, and for exports of services, continued robust growth also at ten per cent in real terms.

He expected that overall, the surplus on invisible trade would be enough to offset the deficit on visible trade.

Turning to the domestic economy, Mr Tsang said the business prospects also looked favourable with wages and salaries rising more moderately, and property prices and rentals unlikely to rebound sharply.

He anticipated that together with the recent substantial investment in machinery and equipment, all this promised well for holding down the costs of doing business and enhancing Hong Kong's competitiveness.

On domestic consumption, his forecast was for an accelerated growth in consumer spending to four per cent in real terms for 1996 as a whole, with probably a stronger pick-up in the second half of the year.

Consumer sentiment is expected to turn better following the rebound in both the stock and the property markets, to be helped further by the recent easing in interest rates.

On domestic investment Mr Tsang forecast the growth in fixed asset investment to be slightly less rapid than last year, at around six per cent in real terms.

He expected that construction work on our Airport Core Programme would peak this year, while private sector building activity was to bottom out while on the other hand, expenditure on machinery and equipment was likely to rise at a more moderate pace after two consecutive years of substantial growth.

End

"Feel-bad" factors cannot be ignored: FS

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Although the immediate economic prospects remain good, the so-called "feel bad" factor: the concerns about unemployment and persistent inflation and the cautious attitude on consumption, even though the situation has improved somewhat, cannot be ignored, the Financial Secretary, Mr Donald Tsang, said.

The economic statistics of higher GDP, lower inflation, stabilised unemployment rate, rising exports and increased investment are of little comfort to those who have lost their jobs or to businesses under pressure as consumers hold back spending.

In his Policy Address last October, the Governor announced a series of measures aimed at tackling directly the problems of unemployment and low incomes.

"Let me assure Members of this Council and the community that this Budget makes provision for funding all the measures announced by the Governor. Where possible, I shall be proposing that we go even further in improving and expanding these programmes," Mr Tsang said.

The first priority is to get the unemployed back to work. A major challenge is matching skills to jobs.

In 1992, the Government set up an Employees Retraining Scheme to provide retraining for displaced workers.

To date, the Employees Retraining Board has provided over 100,000 places on its courses, teaching workers new skills or helping them to upgrade their existing skills.

In 1992, a grant of \$300 million was made to the Board as its reserve. But its primary source of income is the levy imposed on employers of imported workers admitted under the various importation of labour schemes.

The freeze since April 1995 on the allocation of quotas under the General Importation of Labour Scheme has reduced the income of the Board from its levy.

Consequently, the Board has begun to draw down the \$300 million reserve, which now stands at \$186 million. The General Scheme has been replaced by the Supplementary Labour Scheme.

"This provides for the entry of a limited number of imported workers, which will further reduce the income available from the levy. I propose to inject another \$300 million into the Board's reserves to ensure that it has the financial resources to expand its programmes," Mr Tsang said.

But retraining is only part of the solution.

"When people have skills to offer which the market needs, workers have to be put in touch with potential employers.

"This is why our Job Matching Programme is so crucial. We have now extended the scope of this scheme to cover all job-seekers. Its success rate has been increasing steadily, and has now reached 71 per cent," he added.

End

CSSA review completed

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The Government has completed a review of the Comprehensive Social Security Assistance (CSSA) Scheme and identified areas for further improvements.

The Financial Secretary, Mr Donald Tsang, in his first Budget Speech to the Legislative Council today (Wednesday), gave a brief summary of the main benefits the Government would provide, including the additional improvements to the CSSA Scheme which would cost an extra \$200 million a year on top of the amount pledged by the Governor:

- * For adults not expected to work (for example, those in ill-health, single parents and family carers), taking into account the increases announced by the Governor the current monthly standard rate will be increased by \$600. This will be adjusted for inflation, as approved by members. As a result, the new rate will be \$1,935 a month for a single person and \$1,760 for a family member from 1 April. These new rates represent real increases of between 50 per cent and 57 per cent.
- * For adults expected to work but currently without jobs, taking into account the increase announced by the Governor the current monthly standard rate will be increased by \$300. Together with the inflation adjustment approved by Members, the new rate will be \$1,615 a month for a single person and \$1,440 for a family member from 1 April. These new rates represent real increases of between 25 per cent and 29 per cent.

- * For adults with a 50 per cent disability living in a family, the current monthly standard rate will be increased by \$140. Together with the inflation adjustment approved by members, the new rate will be \$1,760 a month. This new rate represents a real increase of nine per cent.

Mr Tsang said the standard rates were only one aspect of the review exercise. A number of other improvements are being recommended. For example:

- * Higher rent allowances will be available to CSSA recipients living in private housing.
- * A new special grant of \$320 a year will be payable to the elderly to reimburse their spending on social and recreational activities. They will also be paid a special allowance of \$200 at Chinese New Year.
- * The current rules will be revised to permit the elderly to receive CSSA standard rates and long term supplements if they retire to China.

Taking into account the proposed increases in standard rates and the special grants payable to those in need (such as rents, school expenses of children, water charges, etc), the Director of Social Welfare estimates that, from April 1:

- * a singleton household will on average receive \$2,940 a month; and
- * a four person household will on average receive \$10,270 a month.

End

Elderly caring is a top priority

The Financial Secretary, Mr Donald Tsang, today (Wednesday) confirmed the Government's commitment to providing continuous resources for the services the elderly need.

"I want to make it plain to honourable members today that our commitment to providing resources for the services our elderly need will continue. Caring for the elderly is, and will remain, a major priority," he said.

He said the Government had been reminded in recent weeks that the elderly were particularly vulnerable members of the community.

"It is for this reason that we are providing substantial resources to meet their needs," said Mr Tsang.

For example:

- * This year, the Government has provided \$9 billion both on financial assistance and on health and welfare services for the elderly. This represents an increase of 50 per cent in real terms over 1992.
- * Next year, expenditure on welfare services for the elderly will increase by 17 per cent.

He said the Government was putting these resources to good use:

- * By the end of next year, the Government will be subventing 16,455 residential care places, more than three times as many as ten years ago.
- * it will provide an additional 43 social centres for the elderly, six multi-service centres and three day care centres.
- * it has already provided four elderly health centres and three more will come on stream by 1997.

Mr Tsang said concern expressed over the welfare of elderly persons in the recent cold spell had focused attention on the issue of outreaching to elderly persons living alone.

In emergency situations like this, the Social Welfare Department mobilises a large number of professional staff to reach out e.g. those serving in Family Service Centres.

In normal times, in addition to the two elderly outreach teams in operation, staff of the Home Help service are in regular contact with elderly persons since 80 per cent of their clients are elderly.

Through these home visits, elderly persons with special needs are identified and referred by home helpers to other welfare services as necessary.

"We have doubled the number of these teams over the past six years. Next year, we will increase the total number to 126 teams enabling us to serve about 12,000 elderly people," said Mr Tsang.

He said volunteers were also used to reach out to elderly persons at risk through experimental programmes for older volunteers and other volunteer workers.

"This month, on a pilot basis, we will establish a multi-disciplinary team to provide intensive outreach services to elderly street sleepers," he said.

"As a new initiative, we will provide financial support for selected multi-service centres for the elderly to organise new services to reach out to elderly people at risk."

The Director of Social Welfare is now examining how best to take this forward through voluntary agencies who will be encouraged to make full use of volunteers to supplement the efforts of professional social workers.

As a direct result of the experience of the recent cold spell, the Director of Social Welfare is looking at ways to speed up the provision of special grants for such items as telephones for elderly CSSA recipients.

"In addition, we shall provide the resources needed to improve the facilities at temporary shelters operated by the Home Affairs Department," said Mr Tsang.

The Financial Secretary said the Government's programmes had been guided by a clear-sighted strategy. This is based on the landmark report in 1994 by the Working Group on Care for the Elderly chaired by the Secretary for Health and Welfare.

The Working Group made a total of 71 recommendations.

"We have funded, and we are implementing, every single one of these recommendations. But we cannot afford to stand still when it comes to taking care of the elderly members of our community. Next month, we will launch an important follow-up study into the needs of the elderly," said the Financial Secretary.

After the review of the Government's initiatives on unemployment, support for those with low incomes and help for the elderly, Mr Tsang summarised the Government's plans for expanding other social service programmes in the current year:

- * There will be further improvements in the education programmes, on which the Government proposes to spend \$34.5 billion in recurrent expenditure.
- * There will be major improvements in the medical and health services, on which the Government proposes to spend over \$22.6 billion in recurrent expenditure.
- * There will be major improvements to the social welfare programmes, on which it proposes to spend over \$16.5 billion in recurrent expenditure. This will represent an increase of 14.7 per cent in real terms.

"I want to make it absolutely plain to this Council and the community that we are in the fortunate position of being able to make all these improvements to our social welfare, health and educational programmes without breaching our budgetary guidelines.

"Indeed if there had been any danger of breaking our guidelines because of these improvements, we would not have made them," said Mr Tsang.

The new wealth generated by the robust economic performance will fully fund all these new measures, he added.

End

FS outlines "Seven Heavenly Virtues"

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The Financial Secretary, Mr Donald Tsang, restates the principles which are the foundations of the management of public revenue: the "seven heavenly virtues".

Mr Tsang said Hong Kong must:

- * retain a low, simple and predictable tax regime;
- * raise sufficient revenue to meet known spending commitments;
- * maintain a rigorous "user-pays" system for setting fees and charges so as to keep tax rates low;

- * keep adequate fiscal reserves to provide a cushion against future uncertainties;
- * combat tax avoidance and evasion;
- * provide concessions where most needed; and finally,
- * minimise the inflationary impact.

The Government has not devised these principles in isolation.

"I believe that they represent a community consensus. They have served us well in the past, and I am convinced that they must remain our guide for the future. These are the principles upon which I have framed my revenue proposals in this year's Budget," he said.

From time to time, there have been calls for the Government to implement bold revenue measures in order to "stimulate the economy", to reduce inflation or to cut unemployment.

"I have no doubt that the motives of those making such suggestions are genuine, and we share their concerns. But do they make practical sense in Hong Kong's circumstances? Total public spending as a proportion of GDP is 18 per cent. Government spending itself is only about 14 per cent of GDP. In consequence, we have been able to maintain low taxes."

With the standard rate of salaries tax at 15 per cent and corporate profits tax at 16.5 per cent, the tax rates are among the lowest of any advanced economy in the world.

Together they provide about 40 per cent of the Government's total revenue. As a result, the Government's ability to directly influence the overall level of economic activity through fiscal means is very limited.

In order to achieve any appreciable impact on GDP, taxes would have to be cut very substantially indeed.

For example, to engineer an increase of one percentage point in GDP, the Government would have to slash taxes by over 10 percentage points, throwing the Budget and the Government's financial guidelines into serious disarray.

"This is simply unrealistic, especially considering there is no guarantee it would work and no guarantee that the money released would not go straight into savings instead of into spending.

"We do better - far, far better - in the long run to stick with our tried and tested formula of living within our means and keeping taxes low and predictable. We do best of all by maintaining our commitment to free markets and minimal government interference," he said.

End

Fees and charges policy simple and nice

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The government policy on fees and charges is simple, practical and fair, the Financial Secretary, Mr Donald Tsang, said in the Legislative Council today (Wednesday).

In his first Budget speech, he said where there were overwhelming social considerations, the Government subsidised heavily, providing services free or at a tiny fraction of their cost.

This is the basis on which the Government provides hospital services, education and public housing.

But for other services which the Government provides, where there is no overriding social need, the Government must maintain the principle of user pays and full cost recovery.

Those who use these services, often for commercial purposes, should pay the full cost.

"I can see no case for taxpayers subsidising such services. The user-pays principle is an integral part of our system of public finances.

"It is part of the balance we have to strike if we are to go on providing heavily-subsidised services while, at the same time, keeping taxes low," he said.

Short-term gestures made at the taxpayers' expense would only jeopardise the fundamentals of the public finances, Mr Tsang added.

End

Not time for reducing healthy reserves

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This is not the time, with all its inherent uncertainties, to reduce the cushion of healthy reserves that Hong Kong at present enjoyed, the Financial Secretary, Mr Donald Tsang, stated unequivocally.

"Our reserves underpin the soundness of our financial system and must be maintained," he said.

Mr Tsang said following a recent visit by the International Monetary Fund, its report wholeheartedly endorsed the Government's commitment to maintaining Hong Kong's long-established fiscal policies.

"Indeed they emphasised, and I use their words, the need to preserve the reserves for 'torrential downpours not the mild showers' we are currently experiencing," he added.

End

No change to tax enforcement

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The Financial Secretary, Mr Donald Tsang, proposes no changes to tax enforcement.

"On tax enforcement, we have recently introduced legislation to counter the use of service companies to avoid or significantly reduce tax liability," Mr Tsang said today (Wednesday).

"We have also legislated to specify the minimum records which all businesses must keep for taxation purposes."

The Financial Secretary said he was confident that the new legislation was achieving its aims and he did not propose any further measures for the time being.

Over the past three years, the Inland Revenue Department's investigation and field audit staff had tackled some 3,700 cases and collected about \$3 billion in back taxes and penalties.

"In the coming year, we will step up our efforts in this area by establishing an additional field audit team, increasing the total to nine," he added.

End

Legislation on source concept uncalled for

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There is no need to introduce legislation to clarify the territorial source concept which underlies Hong Kong's tax system.

Such law would not even be helpful, the Financial Secretary, Mr Donald Tsang, said today (Wednesday).

Where further clarification is necessary, he believes the Government should rely on administrative measures, such as Practice Notes issued by the Commissioner of Inland Revenue.

In brief, this concept means that only those profits which originate in Hong Kong are liable to tax here.

End

Tax relief for housing-related expenditure

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The Financial Secretary, Mr Donald Tsang, said today (Wednesday) the Government should continue to invest in the existing housing programmes to provide direct assistance to those genuinely in need rather than providing a concession to first-time home buyers.

Mr Tsang said during the Budget consultations, some legislators asked him to consider introducing an allowance for expenditure on mortgage interest or rental payments. Some others asked for concessions to first-time home buyers.

"I share their enthusiasm for encouraging home ownership. Indeed, the Government already does a great deal to provide decent homes for Hong Kong people," he said.

But he added that the total cost over five years of the various suggestions could be as high as \$17.5 billion.

"This is a significant sum. Also, there would be serious difficulties in defining first-time home buyers without creating the potential for widespread abuse.

" I believe we should continue to invest in our existing housing programmes in order to provide direct assistance to those genuinely in need. Thus with great regret, I cannot agree to provide a concession of such a nature," Mr Tsang said.

End

No change in corporate profits tax

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The Financial Secretary, Mr Donald Tsang, proposes no change in the level of corporate profits tax.

Mr Tsang said comparisons with other countries in the region continued to support his view that the level of profits tax here was already very low.

A recent survey of senior executives in 16 industries found that 93 per cent of them were happy with the current tax arrangements.

"In any case, the cost to the revenue of reducing the rate of profits tax would be substantial. A one percentage point reduction would mean \$1.7 billion of revenue forgone in 1996-7 and over \$11 billion up to 1999-2000," he said today (Wednesday).

Mr Tsang also did not consider that the Government should provide further tax concessions to encourage expenditure on research and development.

"Expenditure on scientific research is fully deductible," he said.

The Government could do more to stimulate research and development but the tax system would be the wrong vehicle, he added.

End

Review on depreciation allowances completed

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The Board of Inland Revenue has largely completed its review on the classification of items that fall into the existing three categories for an annual depreciation allowance.

It has concluded that, on the basis of the estimated useful life of plant and machinery, the present classification is over-generous and should be changed for some items. The result would be to reduce the annual allowance for these items.

"I am grateful for the work of the Board," the Financial Secretary, Mr Donald Tsang, said today (Wednesday).

"However, I accept that the change could affect investment in plant and machinery, in particular in the manufacturing sector."

In consequence, Mr Tsang proposed to ask the Board to examine how the rationalisation of the classification should best be implemented in order to ameliorate the impact on investment in plant and machinery.

Any changes to be introduced as a result would be subject to approval by the Legislative Council, he added.

End

No change in stamp duty on stock transfers

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The Financial Secretary, Mr Donald Tsang, today (Wednesday) said he did not propose to change the stamp duty on stock transfers for the time being.

However, he said, he was prepared to review the issue next year if there were initiatives from the securities industry to reduce the brokerage cost in order to make the market even more competitive.

The Government reduced the stamp duty on stock transfers for three consecutive years from 1991 to 1993, from 0.6 per cent to 0.3 per cent for a complete transaction, where it stands at the moment.

In practice, the overall cost of stock transfers in the local market is largely the brokerage cost.

"This is not high compared with other markets in the region, and our market remains competitive," said Mr Tsang.

End

Serious thought to conduct annual rates revaluations

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The Financial Secretary, Mr Donald Tsang, said he would seriously consider the feasibility of conducting annual rates revaluations after the completion of the forthcoming revaluation exercise.

Mr Tsang, delivering his Budget Speech in the Legislative Council today (Wednesday), said it was far better to make regular adjustments in the rates than to introduce substantial increases at less frequent intervals.

"In the concluding speech to the 1994-95 Budget debate, my predecessor said that we would look at the option of indexing rateable values between revaluation years, so as to soften the impact of any large increase immediately following a general revaluation.

"We have examined this issue. I have concluded that a better option might be to consider conducting a revaluation on an annual basis," he said.

Rates are significant as a relatively progressive tax and a stable source of revenue.

It was important that the Government should go on adjusting the rates charged to reflect the changing rental values of different types of properties and in different locations, said Mr Tsang.

"We will conduct our routine three-year rates revaluation this year, with any changes coming into effect on 1 April 1997.

"I will also consider if it is necessary to introduce a suitable rates relief scheme to cushion the effect of the revaluation on those experiencing large increases in rateable values," he said.

End

No change to alcohol duty

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There will be no change to the alcohol duty system as duty revenue from alcoholic beverages has gradually picked up, the Financial Secretary, Mr Donald Tsang, told the Legislative Council today (Wednesday).

A new simple ad valorem duty system on alcoholic beverages was introduced in April 1994.

"The new system has benefited ordinary consumers through the effects of greater competition, especially at the lower end of the market."

There was a drop in duty revenue immediately after the introduction of the new system, as most products enjoyed a duty reduction.

"But I note that the situation has changed, and duty revenue from alcoholic beverages has gradually picked up. I do not propose any change to the duty system," he said.

End

Tobacco, fuel duties rise by 9 per cent

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A proposal by the Financial Secretary, Mr Donald Tsang, to increase duties levied on tobacco and fuel, both by nine per cent, came into immediate effect today (Wednesday) under a Public Revenue Protection Order issued.

The anti-cigarette smuggling task force established in the Customs and Excise Department in April 1994 had proved to be extremely effective in tackling the problem of cigarette smuggling, Mr Tsang said.

There had been a substantial increase in seizures of contraband cigarettes, and the black market price of cigarettes had continued to increase.

"These are sure signs that we are hurting the smugglers at current rates of duty," Mr Tsang said.

On fuel, Mr Tsang said there had been an increase in the smuggling and illegal use of diesel oil.

"We have provided resources to the Customs and Excise Department to set up additional investigation and enforcement teams in 1996-97 to tackle the problem."

The situation should improve and it was considered appropriate to increase the duty on petrol and other hydrocarbon oils.

The increases in duties for both tobacco and fuel oil by nine per cent were an amount broadly in line with the rate of inflation, Mr Tsang said.

End

More betting tax

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It is time to raise the Betting Tax.

The Financial Secretary, Mr Donald Tsang, said there had been no increase in the tax since 1992.

"I consider that it is now appropriate to raise the tax from 11.5 per cent to 12 per cent for standard bets and 17.5 per cent to 18 per cent for exotic bets."

He said this was a modest increase, and he had asked the Royal Hong Kong Jockey Club to absorb the cost of the increase by reducing its betting commission.

There will be no reduction in the prize money pool, so this should not give any encouragement to the activities of illegal bookmakers.

The increase should take effect from the beginning of the next racing season in September.

End

More air passenger departure tax

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The Financial Secretary, Mr Donald Tsang, proposes to increase the Air Passenger Departure Tax from \$50 to \$100, which was the level when the tax was first introduced in 1983.

He said the current level of the tax was well below the average for the region.

The raise will bring the tax more in line with the level charged by other places in the region.

The tax was reduced from \$150 to \$50 in the 1994-95 Budget. Some legislators felt that the reduction was excessive and unjustified, and criticised the Government.

"With hindsight, these criticisms had some validity. The reduction obviously affected revenue."

But it did not achieve the intended purpose of encouraging transit passengers to leave the transit halls so as to enhance the business of our retail trade and alleviate congestion at the airport.

Mr Tsang said statistics also showed that an increase or a decrease in the tax had no effect on passenger throughput.

He emphasised that the proposed increases in air passenger departure tax, like those on tobacco and fuel duties and betting, are essential in order to allow the Government to fund the various revenue concessions that he proposed to introduce in this Budget.

"They are an integral part of my Budget package," said Mr Tsang.

End

Tax concessions to business firms

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The Financial Secretary, Mr Donald Tsang, proposes to offer three tax concessions which should benefit business firms directly. They are:

- * to halve the ad valorem fees on company registration from the current level of 0.6 per cent to 0.3 per cent.
- * to double the maximum average monthly turnover levels below which businesses are exempt from payment of business registration fees from \$15,000 to \$30,000, for the sales of goods.
- * to raise the exemption level by 150 per cent, from \$4,000 to \$10,000, where the profits of the business are mainly derived from the sale of services.

"I believe that these concessions will make a direct contribution to reducing the cost of capital, as well as the operating costs of small businesses," Mr Tsang said.

These two measures will cost \$190 million in 1996-97 and \$930 million up to 1999-2000. They will come into effect on April 1.

End

FS proposes wide range of personal tax concessions

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The Financial Secretary, Mr Donald Tsang, proposes a wide range of concessions on personal taxation which will reduce the tax burden for some 95 per cent of salaries taxpayers.

These concessions are:

- * To increase the basic allowance from \$79,000 to \$90,000 and the married person's allowance from \$158,000 to \$180,000. The allowances will rise by 14 per cent, well above the rate of inflation in 1995.
- * To increase the allowance for the first and second child by 11 per cent, from \$22,000 to \$24,500.

- * To increase the allowance for the third to ninth child by 14 per cent, from \$11,000 to \$12,500.
- * To increase the basic and the additional allowance for dependent parents and grandparents from \$22,000 and \$6,000 by 11 per cent and 17 per cent, to \$24,500 and \$7,000 respectively.
- * To increase the single parent allowance by 13 per cent, from \$40,000 to \$45,000.
- * To increase the disabled dependant allowance by 36 per cent, from \$11,000 to \$15,000.
- * To introduce a new allowance of \$24,500 for a taxpayer maintaining a brother or sister for whom no child allowance is being claimed, with an additional allowance of \$15,000 where the brother or sister is disabled. This concession will strengthen our family values.
- * To introduce a specific deduction to allow taxpayers to claim as a deductible expense fees for training courses attended at approved institutions, up to a maximum of \$12,000 a year. This is to recognise the changing nature of the economy and the need to upgrade skill levels,

"Taken together these improvements will reduce the tax burden for some 95 per cent of salaries taxpayers," Mr Tsang told the Legislative Council.

The Financial Secretary also gave examples to show what the concessions would mean in practice:

- * A single person with a monthly income of \$15,000, with two dependent parents living with him and a dependent brother or sister still receiving full-time education, will have his tax bill cut by over 98 per cent. He will pay less than \$5 a month in tax.
- * The salaries tax bill for a single-parent family earning \$16,000 a month with one child and a dependent parent living together will be reduced by 97 per cent to less than \$2 a month.
- * The typical "sandwich-class" family of four with monthly earnings of \$25,000 will have its tax bill cut by some 43 per cent. It will pay only \$556 a month in tax.

He estimated that these concessions will cost \$1.9 billion in 1996-97 and \$12.4 billion up to 1999-2000.

Mr Tsang said the last three Budgets had already provided substantial benefits to salaries taxpayers. As a result,

- * There has been a real increase of 34 per cent in both the basic and the married person's allowances.
- * The proportion of the total workforce with no liability to pay Salaries Tax has increased from 46 per cent to 60 per cent.
- * The proportion of standard rate taxpayers has decreased from six per cent to two per cent of the workforce.
- * The average effective rate of tax paid by salaries taxpayers has decreased from nine per cent to eight per cent.

These have been substantial improvements, he said, but priority should be given to salaries taxpayers when it comes to tax concessions as they are the largest single group of taxpayers and they are by no means the wealthiest sector of the community.

End

Estate duty revised

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The rates of Estate Duty will be further revised this year to offset the effect of inflation.

"This year, I propose to further increase the level below which no duty is payable from \$6 million to \$6.5 million," the Financial Secretary, Mr Donald Tsang, said.

Above that level, Mr Tsang proposes that Estate Duty be payable at 6 per cent on estates between \$6.5 million and \$8 million; 12 per cent for estates between \$8 million and \$9.5 million; and 18 per cent on estates over \$9.5 million.

The width of the two bands will thus be increased from \$1 million to \$1.5 million.

The cost of this proposal will be some \$50 million in 1996-97 and \$240 million up to 1999-2000.

End

Relief measures to home buyers

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Relief measures are afoot to home buyers, particularly at the lower to middle end of the market.

The Financial Secretary, Mr Donald Tsang, in his maiden Budget Speech to the Legislative Council today (Wednesday), proposed to reduce the impact of stamp duty to directly benefit buyers of lower and medium-value flats with property values of up to \$3.5 million.

This will be of particular assistance to buyers of Home Ownership Flats and Sandwich Class Housing Scheme properties.

The proposed changes are:

- * The limit below which only the nominal fee of \$100 is charged will be raised from \$500,000 to \$750,000.
- * The rate of 0.75 per cent will apply to properties with a value of \$750,000 to \$1.5 million.
- * The rate of 1.5 per cent will apply to properties with a value of \$1.5 million to \$2.5 million.
- * The rate of 2 per cent will apply to properties with a value of \$2.5 million to \$3.5 million.
- * The threshold at which the maximum rate of 2.75 per cent begins to apply will be raised from \$3 million to \$3.5 million.

As a result of the proposed adjustments, the stamp duty paid on a typical \$1.5 million flat under the Home Ownership Scheme will be halved, from \$22,500 to \$11,250.

He estimated that about 54,000 property transactions would benefit from the proposal each year. These concessions will cost \$550 million in 1996-97 and \$2.7 billion up to 1999-2000.

He said he had examined suggestions by legislators to reduce the impact of stamp duty on property transactions but concluded that they were not feasible.

"It is more practical to focus on reviewing the structure of stamp duty rates in order to relieve the burden on the home-buyer.

"Accordingly, I propose to reduce the impact of stamp duty in a manner which will directly benefit buyers of lower and medium-value flats with property values of up to \$3.5 million," he said.

End

Owners lured to scrap old cars for fresher air

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The Government proposes to offer tax relief to encourage owners to scrap their old vehicles so as to help improve air quality.

The Financial Secretary, Mr Donald Tsang, said if the owner of a private vehicle of 10 or more years old decided to scrap his old car and replaced it with a new one, he might enjoy a reduction in First Registration Tax of 20 per cent of the tax payable or \$30,000 whichever was the lower amount.

"This initiative is designed to help to improve air quality by reducing the number of old vehicles without increasing the total vehicle fleet," Mr Tsang said today (Wednesday).

There are now over 40,000 private vehicles which are 10 or more years old. Most of these vehicles run on leaded fuel and are not fitted with catalytic converters.

"They are a significant source of pollution," he said.

There will be a number of measures to safeguard against abuse of the scheme which will only apply to private vehicles.

Commercial vehicles seldom have an economic life exceeding 10 years, and, in any case, they pay a much lower First Registration Tax.

Mr Tsang said the Government would review the effect of the proposed scheme after 12 months.

The Financial Secretary also said it had become apparent that some motor vehicle dealers had been manipulating their First Registration Tax liability.

They artificially suppressed the retail price of the standard motor vehicle and over-declared the value of tax exempted items like vehicle accessories and distributor's warranties, he said.

"I intend to stop this abuse and ensure that all vehicle dealers can operate on a level playing field," Mr Tsang stressed.

He will introduce an amendment Bill into the Legislative Council within this legislative session to set a reasonable ceiling value for these tax exempted items. The excess of the value of these items over the ceiling value will be subject to First Registration Tax.

End

Refurbishment allowance for hotels set

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The Government proposes to introduce a specific allowance to enable hotels to deduct refurbishment expenditure over a five year period using an annual 20 per cent write-off.

The Financial Secretary, Mr Donald Tsang, said the cost of this proposal was estimated to be \$2 million in 1996-97 and \$100 million up to 1999-2000.

At present, such refurbishment expenditure is subject to a commercial rebuilding allowance of just two per cent, meaning that it can only be written-off over 50 years.

"I recognise that, for a hotel, refurbishments have only a limited life before the hotel has to be renovated again to maintain quality and standards," Mr Tsang said.

End

Overall financial position 1996-97

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The Financial Secretary, Mr Donald Tsang, expects that the Government will see a surplus in 1996-97 of \$1.6 billion.

"This is lower than my predecessor forecast in his 1995 Budget. Nevertheless, as he predicted, we will have drawn on our reserves only in 1995-96 when our investment in the Airport Core Programme has been at a peak.

"In 1996-97, we will see a return to a surplus, albeit a very modest one." Mr Tsang said.

End

Healthy surpluses forecast

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The Financial Secretary, Mr Donald Tsang, envisages that the future Special Administrative Region (SAR) Government will enjoy substantial surpluses throughout the remainder of the Medium Range Forecast (MRF) period.

It will benefit from the retention of the full proceeds from land premia and the collection of rents from the extension of the New Territories leases.

The Medium Range Forecast of revenue and expenditure over the next four years was published in the Financial Secretary's Budget Speech at the Legislative Council today (Wednesday).

Mr Tsang said the fiscal reserves at March 31, 1997, three months before the change of sovereignty, were expected to stand at a healthy \$150 billion.

In March 2000, total reserves including the SAR Government Land Fund are forecast to be in excess of \$365 billion.

In presenting these figures, the Financial Secretary pointed out that one of the probable calls on these funds would be the need for capital injections into the KCRC and perhaps the MTRC towards the cost of the priority railway development projects.

"At the present time, the precise cost, timing and mode of financing of these projects are uncertain. In the circumstances, I have made no allowance for any such payments in my Medium Range Forecast," he said.

Mr Tsang said the economic growth he was forecasting for the period up to March 2000, and the corresponding growth in the Government expenditure, will enable Hong Kong to go on enjoying the fruits of its success.

"These increases in our real expenditure and the benefits that they bring, can and will be funded from the Government's share of the wealth that our successful economy will generate," he added.

He emphasised that the MRF was a forecast only.

"It has been prepared to reassure ourselves that the proposals which I have put forward today are affordable both in the context of the next financial year and over the medium term.

"It does not impose any commitment on the future Special Administrative Region Government," he said.

End

East Asia to provide dynamism for economy

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East Asia will provide the fresh dynamism for Hong Kong's economy, the Financial Secretary, Mr Donald Tsang, said.

If our recent past, economically, has been impressive, the future "promises to be spectacular", Mr Tsang said.

The economic growth rate for the region over the past five years had been twice as high as the OECD average, Mr Tsang said.

East Asian growth rates are set to out-perform the rest of the world well into the next century.

Mr Tsang added: "Even by the year 2000 in East Asia, average GDP per head is expected to reach US\$5,200, compared with only US\$2,500 in 1990."

Hong Kong's economic growth would be derived from regional trade in goods and services.

"Our traditional markets will remain important to us. But it is East Asia that will provide the fresh dynamism for our economy," he said.

Hong Kong could take even greater pride in the economic progress made by China, "if we can take pride as part of the region in East Asia's progress".

Mr Tsang said: "China will continue to offer the prospects of high and sustainable rates of growth well into the next century. We, in Hong Kong, are part of China's past success and its future prospects."

China's Ninth Five-Year Plan, begun this year, acknowledged Hong Kong's special status and also provided encouraging indications of the areas in which Hong Kong could do most to contribute to the country's economic development, he said.

Mr Tsang said: "In making its contribution, Hong Kong will also benefit substantially."

End

Upgrade for protection of intellectual property rights laws

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The Government shares the concerns of the international business community about the protection of intellectual property rights and its goal is to develop a modern and internationally-accepted framework to protect such rights, the Financial Secretary, Mr Donald Tsang, said.

Legislation on the protection of trade marks, patents, copyright and registered designs would be updated "to bring it into line with prevailing international standards".

The Secretary for Trade and Industry would introduce draft legislation to this effect by the end of this year, Mr Tsang said.

Enforcement against copyright piracy and trade marks counterfeiting would continue.

"We are setting up a new 24-strong team in the Intellectual Property Investigation Bureau of the Customs and Excise Department to strengthen intelligence-gathering, border operations and co-operation to hit hard at piracy and counterfeiting," said Mr Tsang.

End

User-friendly Government for business community

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The Government can do more to help the business community in generating the wealth on which our future prosperity depends, the Financial Secretary, Mr Donald Tsang, said.

"We should set ourselves the task of making the Government, as far as possible, user-friendly for business," he added.

As a first step, all Policy Branches and their Departments which directly served the business community would be asked to carry out a high-level review of their current policies and practices. The goal will be to create an environment which is positively business-friendly.

Mr Tsang said: "This review will not be done in a vacuum. I expect Policy Branches and Departments to consult extensively with their customers and partners in the business world."

The Branches and Departments would be expected to identify opportunities to streamline existing services through new technology and process re-engineering; to eliminate any over-regulation and unnecessary bureaucracy; to transfer services to the business sector where market conditions make this possible; and to introduce new services which meet the needs of the business sector.

Efforts would not be confined to those parts of the Government directly involved in serving the business community, Mr Tsang said.

In response to concerns expressed by Legislative Council members, Mr Tsang said, the Branches and Departments would also be asked to review the process and costs associated with the provision of services for which the Government levied a fee or charge; and to use the improvements identified by these reviews as the basis for specific efficiency plans.

End

World-class infrastructure vital for economy

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Hong Kong needs a world-class infrastructure in order to take the fullest advantage of the special opportunities which rapid Asian and Chinese economic growth will bring, the Financial Secretary, Mr Donald Tsang, said.

Hong Kong must equip itself with the skills and technological know-how to compete in the international market place, Mr Tsang added.

"But we must also develop our physical infrastructure - the railway, the port, the airport and the support services.

"Investments in our skills and our physical infrastructure make a very real contribution to our competitiveness," he said.

Hong Kong was moving forward with planning for the three rail links recommended in the Railway Development Strategy and the Government would allocate \$15 million in 1996-97 to provide additional staff resources to the Transport Branch and related departments to handle the appraisal and planning work involved.

Mr Tsang said that since nearly 90 per cent of Hong Kong's total trade went through the port, and demand was forecast to rise steadily, more container terminals would continue to be built to meet this higher demand.

"We shall need to have in place not only CT9 but also CT10 and the first berths of CT11 before the century is out," he said, adding that Hong Kong also must ensure that its airport was able to handle efficiently the increasing flow of passengers and goods in and out of Hong Kong by air.

He noted that Hong Kong was on track to achieve the target opening date of April 1998 for the new airport at Chek Lap Kok and the Airport Authority, in conjunction with the Government, was looking further into the future and examining air traffic forecasts to determine the timing for developing the second runway at Chek Lap Kok.

These investments in the physical infrastructure, once completed, would make a contribution to every service and product that was sold, Mr Tsang said.

"The same is true of our telecommunications and other support services.

"Our fully digitised telephone system and comprehensive optical fibre network are among the most advanced in the world," he said.

He noted that competition brought about through the deregulation of local fixed network services in July last year would bring investment of more than \$32 billion over the next 10 years from new operators.

He said: "We shall continue to discuss with the Chinese side our proposal to license new mobile communications services to relieve congestion in the existing networks.

"We need to increase our capacity to meet the strong local demand for mobile phone services".

The Government would continue to pursue a pro-competition policy in telecommunications which had already reduced the real cost of domestic line rentals by 32 per cent over the last 10 years and of international calls by up to 75 per cent, Mr Tsang said.

End

No slip-up in language skills

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The Financial Secretary, Mr Donald Tsang, said Hong Kong would not be able to maintain its position as an international centre for trade and finance if it allowed its language skills to slip.

He said: "We need English for much of our international trade and financial services. We need Putonghua for our Chinese future."

The Education Commission Report No. 6 (ECR6) had made a convincing case on the urgent need to improve Hong Kong's language skills, Mr Tsang said.

Funds in the Draft Estimates of \$14.2 million, rising to \$29.1 million on a full-year basis, had been earmarked for this purpose, and would enable the recruitment of some 100 native English-speaking teachers for the schools and the organisation of intensive English language courses for an additional 11,300 Secondary Six and Seven students.

ECR6 also made important recommendations on Putonghua education, including a provision of \$10 million annually in recurrent expenses to enable the introduction of a new Putonghua curriculum in September 1998, covering all levels from Primary One to Secondary Five in schools.

Mr Tsang also said Hong Kong must go on investing in education and in skills training and the Government and the private sector must work together.

Productivity per manufacturing worker has increased by 227 per cent over the last decade, according to Mr Tsang.

The Government was reviewing the New Technology Training Scheme under which employers could obtain matching grants for training their employees in new technology in local or overseas institutions.

A number of proposals were being considered, including raising the level of grants and widening the eligibility for application.

The object of this was to allow more people to receive training and to widen the range and level of skills to be covered by the Scheme, Mr Tsang said.

End

Support for manufacturing sector underlined

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Hong Kong must support its manufacturing sector in its drive to compete in the high-value added and high-technology market of the next century, the Financial Secretary, Mr Donald Tsang, said.

"Our manufacturers have already relocated to Southern China the lower-skilled, lower value-added production operations.

"The priority for manufacturing in the future must be to move further up-market," Mr Tsang said.

Recognising this, Mr Tsang said, manufacturers were already devoting more attention to applied research and development, product design, prototypes, quality control and the sourcing of materials and components.

"These high-value processes are essentially creative in nature and technology-based."

Hong Kong must also take full advantage of its strategic location.

Mr Tsang said: "China is much more than a low-cost production base. It contains a large pool of technological and research expertise which can make a major contribution to our own development."

The Government would encourage manufacturers to get into the business of applied research and development with enthusiasm, he said.

The Applied Research Council already operated two funding schemes which, in effect, were a form of venture capital fund.

More than a dozen projects were being supported through loans or equity investments for individual firms, Mr Tsang said.

More were being done to secure an advanced technology base, he said.

The Government had accepted the need for a science park and would proceed with final site selection and the design of appropriate institutional arrangements.

The case for developing a second industrial technology centre was also accepted and the Government was also about to begin planning for the fourth industrial estate.

The Government had also offered to help finance a private sector initiative to study the longer-term industrial development prospects and identify promoting new industries in Hong Kong.

Mr Tsang said: "The Government is moving forward on these initiatives. But I want to emphasise that industry must make the best case for these initiatives.

End

Task Force on Service Promotion

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The Financial Secretary, Mr Donald Tsang, today (Wednesday) reported on progress made by the Task Force on Services Promotion which he set up in August last year.

"Markets and enterprise have already made Hong Kong a regional and global service centre in the premier league of service providers, and the challenge now is to compete and to rise within the premier league," he said in presenting his Budget to the Legislative Council.

"Standing still is simply not an option, and the Government will play its part in supporting the market momentum already created by the private sector."

He said the Government's aim had been to identify ways in which it could facilitate the success of the services sector.

"Our aim has not been, and never will be, to direct development, to 'pick winners' or to second-guess markets and entrepreneurs," he said.

"To ensure that the Task Force is kept close to business realities, I have set up an Ad Hoc Group with prominent business leaders, professionals and academics to provide us with their input.

"And to expand the range of outside views and contributions, a symposium will be organised jointly with the major trade and industrial associations on March 12 to discuss specific issues confronting the services sector."

Mr Tsang said among the Budget documents published today was the first concrete outcome from the Task Force's work. This new document, The Services Sector: Support and Promotion, set out:

- * an eight-point "Framework for Action". This describes the strategic thrust of the Government's support for this sector;
- * and 14 individual "Action Agendas". They describe the current performance of key service sectors. They state the Government's current commitments to them and outline the directions for future policy. They also set out the principal initiatives taken by the private sector and the major challenges that lie ahead.

Mr Tsang gave examples of what the Framework for Action and the individual Action Agendas were proposing. He said:

- * We must do more to promote our trade in services. The Trade Development Council has already done an outstanding job in promoting our visible trade. It has agreed to expand its work in promoting trade in services, particularly the exports of services. This will complement the work of the Trade Department and our ten economic and trade offices overseas in gaining market access under the multilateral trading regime for our service exporters.
- * We must do more to promote inward investment in the services sector. The Industry Department is already very successful in attracting inward investment for the manufacturing sector. It will in future undertake a similar role for the services sector.
- * We must do more to maintain Hong Kong's position as the premier tourist destination in the region. The Hong Kong Tourist Association has recently formulated a visitor and tourism strategy to help us achieve that in the increasingly competitive environment in which we operate. We will continue to give it support in this.
- * The Export Credit Insurance Corporation has developed a range of facilities to support the services sector in its drive for new markets abroad. It will bring these vital services to the attention of the whole of the sector which has, so far, not made the fullest use of the Corporation's facilities.
- * We must do more to support the small and medium enterprises employing less than 50 workers which make up the bulk of the services sector. We shall work with the private sector to formulate new initiatives to enhance productivity, upgrade management systems, identify financing options and make market information more accessible.

Mr Tsang said the Government needed to be very cautious in committing public funds to support what were essentially commercial projects.

There could be no question of feather-bedding business or bailing out failed enterprises. But there was a good case for providing financial support to specific projects which could make a general contribution to the competitiveness of the services sector.

There was already an Industrial Support Fund, and he believed the time has come to set up a parallel Services Support Fund with an initial allocation of \$50 million.

There was also a good case for providing additional funds to the Hong Kong Tourist Association to help it implement the visitor and tourist strategy.

"I therefore propose to make a one-off grant of \$50 million to the Association to set up a Tourism Development Fund for the purpose," said Mr Tsang.

End

Mortgage corporation for housing under study

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The Financial Secretary, Mr Donald Tsang, said today (Wednesday) that in housing finance there is a strong case for establishing a mortgage corporation.

Presenting his Budget in the Legislative Council, Mr Tsang said that improving the efficiency and reducing the risks in financial intermediation was one of the Government's core strategies in promoting the financial services sector.

He said a mortgage corporation would offer the following benefits:

- * it will reduce the concentration and liquidity risks of mortgage lending by banks;
- * it will increase the availability of mortgage funds to home buyers and widen their choice of mortgage products; and
- * it will issue high quality securities which help to improve the depth and the liquidity of the local debt market.

Mr Tsang said that while the establishment of a mortgage corporation in Hong Kong would be no simple task, the benefits of such an institution were large enough to warrant further, detailed study.

"We have engaged the Federal National Mortgage Association, the United States' largest and most profitable mortgage corporation, to assist us in studying the business and technical issues involved. The Hong Kong Monetary Authority will then prepare a detailed proposal for consultation with the banking community, capital market participants and other relevant parties.

"Subject to the outcome of the consultations, I would hope that preparatory work for the actual setting up of such a corporation could commence as soon as possible," he said.

End

Tax concessions in financial services

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Two tax concessions to encourage the further development of financial services were announced by the Financial Secretary, Mr Donald Tsang, in his Budget speech in the Legislative Council today (Wednesday).

Firstly, he proposed that the interest income and trading profits derived from certain debt instruments be subject to a concessionary tax rate equivalent to 50 per cent of the normal Profits Tax rate.

"Instruments qualifying for this concession must be lodged with and cleared through the Hong Kong Monetary Authority, carry a suitable rating, have an original maturity of five years or more and a minimum denomination of \$500,000.

"This concession should help to attract overseas issuers to Hong Kong, enlarge our debt market and enhance our competitiveness vis-a-vis other financial centres in the region," he said.

Secondly, Mr Tsang proposed to waive stamp duty for market makers on stock transactions for the purpose of hedging options transactions. This would help to increase trading volume, improve market liquidity and the quality of risk management, and reduce the underlying price volatility of stocks.

He estimated that these two measures would reduce revenue by \$30 million in 1996-97 and \$135 million up to 1999-2000. They would come into effect as soon as the necessary legislation had been put in place.

The Financial Secretary said he also intended to amend the Inland Revenue Ordinance to reflect existing practice.

He would include a specific exemption for certain income derived from bona fide offshore funds managed in Hong Kong; and exclude stock brokers from potential profits tax liability in respect of share trading profits derived by non-resident investors for whom they acted as agents.

End

Contributing to business efficiency

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The Financial Secretary, Mr Donald Tsang, said in his Budget Speech in the Legislative Council today (Wednesday) that he had outlined a package of measures in promoting services designed not simply to make the Government more business-friendly but to tackle key areas where it could contribute directly to business efficiency.

"Members will find further details in the new Budget document to which I have already referred. I want to emphasise that this is not the end of our work. This document, and the Task Force's deliberations, should be taken as the first steps towards developing a policy support for the services sector, without neglecting manufacturing, well into the next century," he said.

End

Co-operation with Chinese side

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As previously envisaged, co-operation with the Chinese side will be strengthened in the preparation of the Budget for 1997-98 to ensure a smooth transition, the Financial Secretary, Mr Donald Tsang, said in the Legislative Council today (Wednesday).

Mr Tsang noted that last March his predecessor had outlined a four stage programme for consultation with China.

In essence, this programme involved a steady intensification of work from a general background briefing in stage one, to the specific subject-related seminars in stage two, the detailed introduction of the budgetary cycle in stage three, and full consultation in the preparation of the 1997-98 Budget in stage four.

"An Expert Group has since been set up under the Sino-British Joint Liaison Group to carry this forward. This Expert Group has gone through the first three stages of the programme of work in a pragmatic and co-operative manner. We expect this to continue in the final stage of the programme," he said.

Mr Tsang said that this afternoon he had outlined a bold range of proposals, particularly for developing the manufacturing and service industries.

"In the near future, we shall consider these proposals in greater detail. In doing so, the views of Members of this Council and of the community as a whole will be invaluable.

"But obviously many of the proposals have financial implications beyond 1997. They will have to be considered and, if appropriate, carried forward by the future Hong Kong Special Administrative Region Government.

"As our consideration progresses, I will ask the Secretary for the Treasury to discuss those proposals having expenditure implications for the 1997-98 Budget in the Expert Group. I also stand ready to explain these proposals personally to the Chief Executive (Designate) as soon as he or she is appointed," he said.

End

Continuing the economic success story

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The Financial Secretary, Mr Donald Tsang, told the Legislative Council today (Wednesday) that his aim in presenting the Budget had been to enable Hong Kong's economic success story to continue well into the next century.

The people would be equipped with the skills they needed to go on improving their quality of life and building our community's prosperous future.

He said, "This future must include everyone. Economic success would enable us to provide the care, support and protection for those who needed it.

"We would be able:

- * to help the elderly live active and full lives enjoying the dignity and respect that they deserve by, for example, providing more home help services, social centres, residential care and financial assistance;
- * to improve our health care facilities still further and promote an environment in which each member of the community has better control over his or her own health; and
- * to promote an integrated education system which enables students at all ages to develop their capabilities to the full and qualify at internationally recognised academic, professional and vocational standards to meet the changing needs of our economy."

"This is what real growth really means. The actual effect of improving the lives of people: their health, their living conditions, their education, their careers," Mr Tsang said.

"This real growth has been and will remain our most important objective. And the continual improvement in our standard of living and the constant upgrading of our public services will be funded from within Government's share of the additional wealth created. We will not increase that share and compete with the private sector for resources because, as Hong Kong continues with its success story, we will not need to. It is as simple as that."

Mr Tsang said Hong Kong people had much to do to build their prosperous future, and added: "Fortunately, we know what to do, and we know how to do it."

End

Remarkable transformation of the economy

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Hong Kong's economy has undergone a remarkable transformation in the past two decades, and there has been a rapid expansion in the services sector, the Financial Secretary, Mr Donald Tsang, told the Legislative Council today (Wednesday).

By the end of 1995, the services sector had generated over 80 per cent of the territory's Gross Domestic Product (GDP), Mr Tsang said in presenting a document on "The Services Sector -- Support and Promotion" as part of his Budget.

He noted that even without the public sector, services still accounted for about 73 per cent of GDP.

Mr Tsang said there had also been a restructuring of the manufacturing industry, as firms moved their low value-added work out of Hong Kong and concentrated on high-value, technology-based markets.

This restructuring had given Hong Kong both the incentive and the resources to expand its role as a world-class services centre for the next century.

Under business leadership, market forces had driven this profound restructuring of the economy. What dictated the pace and direction of the transformation had been the response of business men and women to changing market conditions and the willingness of the business community to meet new challenges and to seize new opportunities.

At the same time, the business community had successfully secured the co-operation of the workforce in moving out of lower value-added manufacturing and into service and technology-based jobs. This combination of business enterprise and workforce co-operation explained why Hong Kong had accomplished the transformation so smoothly and so rapidly.

Mr Tsang said: "The Hong Kong Government understands very well that it is not its task to dictate business decisions or to second-guess markets. The Government's role is to keep bureaucratic interference to a minimum and to provide the maximum level of support for business consistent with Hong Kong's long-established and successful free market economic philosophy.

"What this means in practice is that the Government must ensure that its policies and programmes are as business-friendly as possible and that it does nothing to hinder enterprise and everything to promote it. The Government has a good track record in its support for manufacturing. But it has paid less attention to the services sector. The Government now needs to review its approach to the services sector to ensure that the right policies and programmes are in place to facilitate its growth and development."

He noted that in August last year, the Government had established a Task Force on Services Promotion. Its objective was to frame initiatives to ensure that the Hong Kong Government offered the policies and programmes necessary to support the territory's continued success as a major global and regional services centre.

This exercise had involved a review of the impact of existing policies and programmes, as well as the identification of new approaches to help the services sector realise its full potential.

At the same time, the Task Force had encouraged the private sector to undertake a number of initiatives to reinforce Hong Kong's long term competitiveness.

Mr Tsang said the document on "The Services Sector -- Support and Promotion" described the preliminary results of the Task Force's work. The Task Force had produced "Action Agendas" for 14 leading service industries. Each "Action Agenda" recorded the current standards of the industry's performance. It sets out, where appropriate, key comparisons with the industry's principal competitors overseas. It then summarised the Government's existing level of commitment to the industry, as well as the Government's goals and options for future action in support of the industry.

Finally, each "Action Agenda" identified the longer term issues which our community must tackle together.

Mr Tsang said there were two vital points about these "Action Agendas".

- * First, they act as a basis for dialogue between the Government and the services sector. They are not the end of our work but the start of a closer relationship between the Government and business. The proposals they contain are intended for public discussion. The Task Force will refine and develop them in response to the reaction from the Legislative Council and the business community in particular.

- * Second, in updating our support for all sectors of business, the Government remains committed to market mechanisms and to competition. Its economic policies are intended to enable markets to work more efficiently and for Hong Kong businesses to compete more effectively.

Mr Tsang then went on to describe the vision, saying:

- * Hong Kong is already well-established as one of the principal services centres both globally and in the Asia-Pacific region. The Government accepts the challenge of building on this success to ensure that Hong Kong strengthens its position as a provider of high-quality services to the rest of the region and to the world.
- * Hong Kong has a special role to play as an international business centre, in particular by providing world-class services to the Asia-Pacific region. The Government believes that Hong Kong's economic success in the next century will depend crucially upon the quality and the competitiveness of its service industries.
- * Markets and private businesses have led Hong Kong's past success in the development of its services sector, and this must continue in the future. The Government believes that free markets, competition and enterprise best assure innovation, competitiveness and quality.
- * Business leaders must determine the pace and direction of the future development of Hong Kong's services sector. The Government accepts a commitment to support the services sector by ensuring that official policies and programmes facilitate rather than hinder business decisions and by ensuring that the markets for services are as open and competitive as possible.

End

Eight key components in framework for action

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The Government believes that its framework for supporting the services sector of the economy should be built around eight key components, the Financial Secretary, Mr Donald Tsang, said in presenting the budget document, "The Services Sector - Support and Promotion" in the Legislative Council today (Wednesday).

These key components described in the document were:

1. Promoting Exports

Sales and Marketing

The Trade Development Council's (TDC) success in the past three decades in promoting international trade in goods makes it the ideal vehicle for helping Hong Kong develop external markets for its services. The TDC will expand its work in promoting trade in services, particularly exports of services.

Market Access

Hong Kong will use its position as a member of the World Trade Organisation to press for further liberalisation of trade in services. In conjunction with the business community, the Trade Department, together with the Hong Kong Economic and Trade Offices overseas, will identify and challenge restrictive practices which infringe the letter and spirit of the General Agreement on Trade in Services.

Export Credit Insurance

Export credit insurance facilities help Hong Kong's exporters reduce the risks involved in selling to markets overseas. Because such facilities are not usually provided by private insurers, the Export Credit Insurance Corporation (ECIC) has been providing this support to exporters for the past three decades. ECIC will tailor its facilities to meet the particular needs of exporters of services and market its facilities more vigorously.

2. Promoting Inward Investment

The Industry Department has been encouraging inward investment in manufacturing for 23 years very successfully. It is well placed to build on this important work in support of the services sector. The Industry Department, in conjunction with its seven overseas Industrial Promotion Units, will expand its role to provide advice and assistance to potential investors in Hong Kong's services sector.

3. Hong Kong as an International Financial Centre

The Government will continue to support the private sector in its drive to make Hong Kong the region's leading financial centre. This will mean encouraging the private sector in the development of new financial products and the provision of new services while, at the same time, maintaining the highest prudential and regulatory standards. The aim is to provide an open, fair and reliable operating environment in which Hong Kong's financial services and businesses can compete and flourish.

4. **Enhancing Productivity**

Supporting Productivity Growth

The services sector recognises that the key to improved competitiveness and profitability is higher productivity through innovation. To be successful, Hong Kong's service providers must be able to offer their customers the right products at the right prices. The Government will continue to assist the services sector, particularly small and medium firms, to improve their productivity through organisations such as the Hong Kong Productivity Council, the Hong Kong Article Numbering Association, the Hong Kong Management Association and the Hong Kong Information Technology Federation. The principal objectives will be to promote more extensive use of information technology, human resources development and quality management.

A Services Support Fund

Innovation in new technologies must be led by the private sector. However, government incentives may be justified where the gains from technology transfer to the whole economy exceed the benefits which an individual firm by itself can expect from adopting the new technology. The launch of the Industrial Support Fund in 1994 signified the Government's commitment to providing additional resources to support the development and application of new technologies in manufacturing industry. The Government will seek to establish a Services Support Fund of \$50 million to provide funding support for projects which will benefit the further development, and increase the competitiveness, of Hong Kong's service industries.

A Small and Medium Enterprises Committee

Throughout most of Hong Kong's services sector, small and medium enterprises (SMEs) employing fewer than 50 people make up 90 per cent of the firms involved. Hong Kong owes much of its success to the flexibility and agility of these SMEs. Yet their size may make it difficult for them to take advantage of the latest productivity enhancement techniques and management systems. They may also experience difficulties in obtaining finance and access to market information. An SMEs Committee, serviced by the Industry Department and drawing its membership from chambers of commerce and various trade and industry support organisations, will be established by August 1996 to address these and other issues of concern to SMEs. The Committee will cover SME issues relating to both services and manufacturing.

5. An Infrastructure of Support

Upgrading Our Infrastructure

Improvements to the infrastructure are important to the development of Hong Kong as a regional services centre. Telecommunications, the port and airport, and domestic transportation facilities are some of the most obvious examples of the way in which infrastructure development supports the services sector of the economy. As the principal provider of Hong Kong's infrastructure, the Government will continue to review the requirements of the community and the economy to ensure that the necessary investments are made to provide Hong Kong with the high-quality infrastructure it needs to compete successfully. We are determined to invest in new railway projects, provide a financial services complex and launch the Electronic Data Interchange system.

Fair Competition

Keen domestic and international competition provides the best incentive for our service industries to innovate and improve their productivity. The Government will maintain a level playing field and an open market in services by removing rules and regulations in any of our service industries which may restrict market entry or reduce competition. A review of market transparency will be undertaken in 1996, in accordance with Hong Kong's commitment under the Bogor Declaration.

The Environment

No effort to promote Hong Kong as a services centre would succeed if the territory is perceived locally and internationally as a polluted and environmentally unfriendly place. The Government will continue with its investments in environmental infrastructure and legislative measures aimed at improving Hong Kong's environment. We shall also lay the foundations to achieve sustainable development to take us into the next century.

A Culture of Service and Quality

A service culture and a commitment to quality are essential if our services sector firms are to compete successfully. Most services depend for delivery on their front-line staff. It is essential that Hong Kong continues to develop its service culture and its commitment to quality through improved personnel policies and training. In conjunction with the private sector, the Government will ensure that ample training will be provided for the front-line staff. The Government also intends to work with private sector organisations, such as the Retail Management Association, to provide more extensive awards to recognise courtesy and excellence in the delivery of service, and to promote a service culture.

Business Facilitation

The Government should not usurp business's role in making and implementing business decisions. But the Government can play an important supporting role by fostering an attitude change within its Policy Branches and Departments. Civil servants should not see their role merely as regulators but more as supporters and partners for business. The key areas in which initiatives could be taken to achieve this goal include ensuring transparency in the content and enforcement of existing rules and regulations, more user-friendly immigration procedures and the inclusion of specific commitments to facilitate business in the Government's Performance Pledges.

Better and More Service Statistics

Statistics provide both the Government and the business community with vital information needed to make day-to-day decisions. A considerable range of statistical information on services is currently available covering areas such as trade and inward investment in services. However, new and more detailed statistics on service products, sector operating characteristics, outward investment and service productivity would also be valuable. The Census and Statistics Department has been asked to assess the options for improving the available statistics without imposing heavy additional reporting burdens on business.

6. Investing in Education and Training

Meeting Today's Needs

We are committed to giving greater emphasis in the school curriculum to those areas that are important to the practical needs of the service industries. The Curriculum Development Council includes members from the academic and business sectors and keeps the school curriculum under constant review to ensure it meets the changing needs of the service-led economy. As a result of the Council's continuing efforts, Travel and Tourism has recently been included in the school curriculum. The Council intends to include Electronics next year. We have commenced a review of the curriculum for pre-vocational schools, and are about to commence a review of how we provide vocational education and training. We expect to complete the reviews by mid-1996. The recommendations arising from the reviews should point the way forward for a longer term strategy which will take full account of the needs of our service industries.

Language Proficiency

Language proficiency is probably the area of our education provision which requires the most urgent attention. If Hong Kong is to continue to succeed as an international financial and services centre, good standards must be attained both in English, the international language of trade, and in Chinese, the mother tongue of the bulk of the population. The Education Commission has set out detailed proposals on how to enhance language proficiency in its sixth report. Following the current public consultation, the agreed recommendations should be implemented expeditiously. Funds have already been earmarked for the implementation in 1996-97 of the more important recommendations including the early establishment of the Standing Committee on Language Education and Research (SCOLAR), the employment of an additional 100 native English-speaking school teachers, the extension of the Intensive English Language Programme to some 11 000 Secondary Six and Secondary Seven students as well as the enhancement of Putonghua teaching and learning in our schools. This will include the development of a new Putonghua curriculum for Primary One to Secondary Five for use in 1998. Funds are also being sought from the Language Fund to enable the extension of the reading and writing schemes to cover Primary One to Secondary Five in our schools, the launching of research projects by SCOLAR as well as the establishment of a new Language Resource Centre for our teachers.

A New Technology Training Scheme for Services

The New Technology Training Scheme (NTTS), currently administered by the Vocational Training Council, provides assistance for employers to train their staff, either locally or overseas, in new technologies which are important to the industrial and economic development of Hong Kong. At present, the Scheme does not systematically cover training for employees in service industries. The scope of NTTS will be reviewed to see how best it could be adapted to enable employees in the services sector to be trained in the latest technologies and management techniques.

7. Getting out the Message

The initiatives described above will be supported internationally by a comprehensive programme to promote Hong Kong's strengths as a global and regional services centre. The Government Information Services, supported by the network of overseas Economic and Trade Offices and business community, will lead efforts to promote Hong Kong as a business centre committed to providing first-class services. In the next 12 months, there will be five promotion campaigns in six countries.

8. The Organisation of Government Support

The Government is considering whether a permanent institution should be established within the Government Secretariat to co-ordinate and monitor the progress of these services-related initiatives. The views of the private sector will play an important part in this decision.

End

Financial Secretary's TV Broadcast

* * * * *

Following is the full text of the Financial Secretary, Mr Donald Tsang's TV Broadcast today (Wednesday):

Good Evening,

This afternoon, I presented my first Budget to the Legislative Council. It was naturally a great honour for me, as the first local Financial Secretary, to present a Budget to the first fully elected legislature.

But of course the Budget is not just the work of one person. Nor does it reflect the thinking of only one individual. It represents the efforts of many people in the Hong Kong Government and the Legislative Council. And it sums up the philosophy of the entire Administration and, indeed, the whole Hong Kong community.

What is it that we are telling the world about ourselves?

Well, the first thing we're saying is that Hong Kong lives within its means. We will have a small deficit this year as we expected, because we are investing so much in the new airport. But next year, we'll be back in the black as usual. Hong Kong pays its way.

But balancing the books doesn't mean we can't spend more. On the contrary, because we've been so careful with public finances, we've kept the economy growing. And that means new wealth is being created to pay for new services. An extra \$300 million for the Employees Retraining Board. An enhanced CSSA package costing \$500 million. Plus many other improvements to our social services. So once again, the lion's share of the extra money has gone to help the elderly and those unable to help themselves. Hong Kong has a heart.

And what have we done on taxes? Well, we've made some improvements, but we have not changed the fundamentals at all. There are some minor increases in fuel and tobacco duties to keep up with inflation. And Air Passenger Departure Tax will be back up to \$100. But none of this should affect the ordinary citizen very much.

On the concession side, once again we've been able to be generous with increases in personal allowances well above the rate of inflation. Some 95% of salaries taxpayers will benefit from these changes. We have cut stamp duty to help home buyers. Also some fine tuning of profits tax to keep us competitive as one of the world's top financial centres. We have also helped the hotel industry. We have introduced incentives to get old cars off the road and reduce air pollution. Apart from that, it's very much a case of steady as she goes. Wherever I go in the world, people always tell me how much they admire our tax system: low, simple, predictable. I think the lesson for us is clear. When you've got it right, don't tinker.

There was one more message that I wanted to put across this afternoon. That is, a message about Hong Kong's future. I've tried to look ahead over the next five years and into the next century. And I've tried to lay the groundwork so that our economy continues to grow and we can continue to thrive. That means recognising the changes that have already taken place in our economy, and will continue to take place. Then preparing ourselves, both institutionally and as individuals, to make the most of the opportunities that lie ahead.

I announced plans for a science park, and other measures to upgrade our manufacturing industry. I also put forward a whole series of initiatives to support our service industries. And I gave priority - and provided cash - to upgrade our human skills in such areas as languages. So that we Hong Kong people will be ready for the new employment opportunities that await us.

And, of course, underlying that message is another one: we Hong Kong people are looking to the future calmly, with confidence and with determination. Great changes, great challenges lie ahead. But we are ready to face them.

Thank you, and good night.

End

Quotable quotes in the Budget Speech 1996

* * * * *

Following are some of the quotable quotes in the Budget Speech 1996 delivered by the Financial Secretary, the Hon Donald Tsang, in the Legislative Council today (Wednesday):

INTRODUCTION

"The fact that I, like all the Members of this Council, am very much part of this community gives the Budget special meaning and gives all of us a special responsibility." (Para 2)

"The Budget accounts for our stewardship of Hong Kong's economic and social affairs, addresses the concerns of the community, and discharges our duty of leadership by offering a clear vision" (Para 3)

"I want to make it easier for the community to get at the facts, the assumptions and the policy proposals which the Budget contains." (Para 6)

HONG KONG PAST

A Tradition of Success

"Entrepreneurs and markets, and not Financial Secretaries, must lead economic change." (Para 7)

"We are now prosperous not only by the standards of our own past but prosperous by the standards of the developed world." (Para 8)

"In the past ten years, we have built about 400,000 new public housing units. The proportion of the relevant age group studying for degrees has risen from four per cent to 18 per cent. Life expectancy at birth has increased by two full years, making our life expectancy rates among the longest in the world." (Para 10)

The Government's Contribution

"We might describe the Hong Kong model most simply as a commitment to markets and enterprise" (Para 12)

1995 Performance

The Residential Property Market

"The property market has stabilised. By the end of 1995, average prices for residential flats were 24 per cent lower than the peak levels reached in the early part of 1994. They were lower in real terms than three years earlier." (Para 19)

Financial Markets

"Hong Kong's stock market was the best performing in the region in 1995, with a 23 per cent increase in the Hang Seng Index for the year." (Para 20)

"Our commitment to the linked exchange rate at its current parity is absolute." (Para 21)

"We have both the expertise and the resources that we need to defeat speculators against our currency." (Para 21)

The Exchange Fund

"The Administration is committed to openness and transparency in the operations of the Exchange Fund." (Para 22)

"The foreign exchange assets in our Exchange Fund now stand at US\$57 billion." (Para 22)

HONG KONG PRESENT

1996-97 Prospects

1996 Forecasts

"I expect inflation to ease appreciably in 1996 to an annual rate of 7.5 per cent." (Para 28)

"On current indications it seems unlikely that the unemployment rate will revert quickly to the very low levels to which we are more accustomed." (Para 28)

The Trading Environment

"The general external environment for our trade looks favourable in 1996."
(Para 29)

The Domestic Economy

"The business prospects also look favourable." (Para 31)

"Consumer sentiment is expected to turn better following the rebound in both the stock and the property markets. This will be helped further by the recent easing in interest rates." (Para 31)

Social Concerns

"The Budget makes provision for funding all the measures announced by the Governor in his Address in October 1995. Where possible, I shall be proposing that we go even further." (Para 32)

Getting People Back to Work

"I propose to inject another \$300 million into the Employees Retraining Board." (Para 33)

Safety Net

"We will provide additional improvements to the CSSA Scheme which will cost an extra \$200 million a year on top of the \$300 million pledged by the Governor."
(Para 36)

Care for the Elderly

"This year, we have provided \$9 billion both on financial assistance and on health and welfare services for the elderly. This represents an increase of 50 per cent in real terms over 1992. Next year, expenditure on welfare services for the elderly will increase by 17 per cent." (Para 39)

"We have doubled the number of Home Help teams for the elderly over the past six years. Next year, we will increase the total number to 126 teams enabling us to serve about 12,000 elderly people." (Para 40)

"Our programmes for the elderly have been guided by a clear-sighted strategy." (Para 43)

"The Working Group on Care for the Elderly made a total of 71 recommendations. We have funded, and we are implementing, every single one of these recommendations." (Para 43)

"We are in fortunate position of being able to make all the improvements to our social welfare, health and educational programmes without breaching our budgetary guidelines. Indeed if there had been any danger of breaking our guidelines because of these improvements, we would not have made them." (Para 45)

Revenue Proposals

Living within Our Means

"To engineer an increase of one percentage point in GDP, we would have to slash taxes by over ten percentage points." (Para 49)

"We do better - far, far better - in the long run to stick with our tried and tested formula of living within our means and keeping taxes low and predictable." (Para 49)

Fees and Charges

"I can see no case for taxpayers subsidising commercial activities. The user-pays principle is an integral part of our system of public finances." (Para 50)

"Short-term gestures made at the taxpayers' expense would only jeopardise the fundamentals of our public finances." (Para 50)

The Reserves

"This is not the time, with all its inherent uncertainties, to reduce the cushion of healthy reserves that Hong Kong at present enjoys." (Para 51)

"We need to preserve the reserves for 'torrential downpours not the mild showers' "(Para 51)

Areas of No Change

Tax Relief for Housing-Related Expenditure

"There would be serious difficulties in defining first-time home buyers without creating the potential for widespread abuse." (Para 57)

Profits Tax

"A recent survey of senior executives in 16 industries found that 93 per cent of them are happy with our current corporate profits tax arrangements." (Para 58)

Tax Concessions

Salaries Tax

"I am proposing a wide range of concessions on personal taxation." (Para 73)

"I propose to introduce a new allowance of \$24,500 for a taxpayer maintaining a brother or sister." (Para 74)

"I propose to introduce a specific deduction to allow taxpayers to claim as a deductible expense fees for training courses up to a maximum of \$12,000 a year." (Para 74)

Stamp Duty on Property Transactions

"I propose to reduce the impact of Stamp Duty in a manner which will directly benefit buyers of lower and medium-value flats with property values of up to \$3.5 million." (Para 78)

Refurbishment allowance for Hotels

"I propose the introduction of a specific allowance to enable hotels to deduct refurbishment expenditure over a five year period" (Para 82)

HONG KONG FUTURE

Economic Prospects

East Asia

"How could we, as part of Asia, feel anything other than pride at the spectacular success of our region over the past two decades." (Para 92)

Economic Developments in China

"If we can take pride as part of the region in East Asia's progress, Hong Kong can take even greater pride in the economic progress made by China." (Para 93)

A Modern Business Environment

"We must get right the blend of commercial freedom and regulation which encourages rather than stifles enterprise and innovation." (Para 94)

A Business-Friendly Government

"We should set ourselves the task of making the Government user-friendly for business." (Para 97)

A World-Class Infrastructure

"We must equip ourselves with the skills and technological know-how to compete in the international market place." (Para 103)

Telecommunications

"Our fully digitised telephone system and comprehensive optical fibre network are among the most advanced in the world." (Para 105)

"The Government will continue to pursue a pro-competition policy in telecommunications" (Para 105)

Language Skills

"Hong Kong will not be able to maintain its position as an international centre for trade and finance if it allows its language skills to slip." (Para 107)

Manufacturing

"We have to support our manufacturing sector in its drive to compete in the high-value added and high-technology market place of the next century." (Para 110)

"China is much more than a low-cost production base. It contains a large pool of technological and research expertise which can make a major contribution to Hong Kong's development." (Para 110)

Services

A Task Force on Services Promotion

"Our aim has not been, and never will be, to direct development, to "pick winners" or to second-guess markets and entrepreneurs." (Para 114)

"There can be no question of feather-bedding business or bailing out failed enterprises". (Para 117)

A Mortgage Corporation

"There is a strong case for establishing a mortgage corporation which will offer the many benefits" (Para 118)

CONSULTATIONS WITH CHINA

"We will strengthen co-operation with the Chinese side in the preparation of the Budget for 1997-98 to ensure a smooth transition." (Para 123)

CONCLUSION

"My vision is to meet the community's expectations for Hong Kong as a premier centre for international trade, manufacturing and services in the region. For this I have mapped out an ambitious strategy." (Para 130)

"In presenting this Budget, my aim, has been to enable our economic success story to continue well into the next century." (Para 133)

"Economic success will enable us to provide the care, support and protection for those who need it." (Para 133)

End

Government's public transport policy reiterated

* * * * *

The Secretary for Transport, Mr Haider Barma, today (Wednesday) reiterated that the Government's fundamental policy on public transport was that all such services should be provided by the private sector without any subsidy.

Speaking at Legislative Council on a resolution relating to Star Ferry fare adjustments, Mr Barma said this formula had served the territory well and Hong Kong risked changing this at the community's peril.

He said the accounts had now been audited and verified that Star Ferry had suffered a loss of \$4.79 million last year and therefore, to be realistic and pragmatic, the very modest fare increase sought was fully justified.

End

Ferry Services Order

* * * * *

Following is the speech by the Secretary for Transport, Mr Haider Barma, in the motion debate on the Ferry Services (The "Star" Ferry Company, Limited) (Determination of Fares) (Amendment) Order 1996 in the Legislative Council today (Wednesday):

Mr President,

Some Members of this Council seem to enjoy the merry-go-round. Virtually every time when proposals to revise fees and charges are tabled in this Council or when applications are submitted by public transport operators to increase their fares we have to box and cox. The Administration does not begrudge Honourable Members the right to examine and scrutinise such proposals - indeed, it is because we fully recognise this to be a legitimate discharge of their responsibilities that we in turn do our best to provide all the information that is necessary and that can be made available to facilitate the process. However, after all the facts and figures have been provided and it has been clearly demonstrated that a public transport operator needs a fare increase because the company would otherwise sustain a loss, the stubborn adherence to indefensible principles on the part of some political parties and Members, and their continued attempts to frustrate fare adjustments is beyond comprehension and certainly not in the wider public interest. This scenario applies to the Motion now before the Council pertaining to the Star Ferry Company Limited.

I fully share the Honourable Paul Cheng's views on the dangers of politicising such cases.

Mr President, the Administration's fundamental policy on public transport is that all such services should be provided by the private sector without any subsidy. This formula has served Hong Kong well and we risk changing this at our peril. There have been many debates on this subject. The arguments and counter-arguments have been rehearsed over and over again and are well documented in the Hansard. Likewise Members are fully aware of the consultative process and the criteria which the Administration has adopted in processing applications for fare increases. There is no need for me to reiterate these points again to-day. Instead, let me focus on the basic facts pertaining to the present application from Star Ferry.

At this juncture, let me particularly thank the Honourable Miriam Lau and the Honourable Chan Kam-lam for so clearly expressing the views of the Liberal party and the DAB respectively and so convincingly demonstrating why the fare increase sought is totally justified.

Let me now try to echo some of these points and explain why the Government likewise believes that the Star Ferry application merits full support.

First, the Company's undertaking - its commitment not to seek another fare increase in 1995 was subject to the caveat that its profits would remain at more or less the same level as then forecast. As the Honourable Selina Chow and the Honourable Miriam Lau have pointed out, there can be no misunderstanding since it was explicitly stated in the Star Ferry's letter dated 7 December 1994 to which had been circulated to Members of this Council. Although the Company's forecast of its financial performance has not been accurate, the actual position to-day is that its audited accounts show that it made but a very small profit in 1994 but incurred a loss of \$4.79 million in 1995. The Company has not therefore reneged on any promise in seeking an adjustment in fares now.

Second, the amount of the fare increase - although this appears to be excessive in percentage terms, the real impact is better described and understood in monetary sums. About 90% of the 96,000 daily passengers will pay but 20 to 30 cents extra per trip. This is minimal and affordable. Senior citizens, comprising 6% of Star Ferry's commuters, will continue to enjoy free rides. It is also worth pointing out that there has been no protest from commuters and no adverse editorial comment on the proposed fare increase. Indeed, even with this increase, Star Ferry will still provide the cheapest public transport mode for cross-harbour services. I am glad that the survey undertaken by the DAB and I thank them for their initiative as re-confirm the public acceptability for the fare increase now sought.

Third, Star Ferry's performance - the Company has consistently provided a high level of services, in terms of both adequacy and quality. Its ferries are clean and comfortable, and certainly good value for money. This is borne out by the fact that in the calendar year 1995, there were only three complaints.

Fourth, the Star Ferry's own efforts to economise - the Company has made conscious efforts to keep operating costs down. These include a bridge control automation programme completed in 1994 and special training for its coxswains on measures to safeguard the fender system, resulting in cost savings of \$4 million per year. This clearly demonstrates Star Ferry's willingness to cut costs whilst striving to maintain quality services to commuters. Unfortunately, even with such internal economy measures, total costs have still gone up, necessitating a fare rise.

Fifth, a pier development package - Some Members have asked why not grant Star Ferry pier development rights to help redress the situation, particularly since there is already a precedent vis a vis the Hong Kong and Yaumati Ferry Company (HYF). The answer is that we are not comparing like with like. In Star Ferry's case modest adjustments in fares at regular intervals would suffice but not so for HYF which requires a substantial injection of funds to make their services viable and even then they would require annual fare increases in line with inflation. In short, a transport justification to support a pier development package for Star Ferry has not been established.

Several honourable members have suggested that the Government should be more pro-active in supporting ferry services, for example, by taking on some responsibility for pier maintenance. I shall certainly follow this up. I also look forward to the motion debate on the review of long term ferry policy which I understand the Honourable Miriam has given notice to propose. This would provide an opportunity for a further exchange of views.

Mr President, Star Ferry's submission has been vetted very meticulously by the Sub-Committee chaired by the Hon Selina Chow. May I record the Administration's appreciation to her and all Members for their time and interest. Not surprisingly, and possibly because of the predetermined stance on the part of the Democrats and the ADPL to deny any fare increase, an unanimous view could not be reached.

May I add a personal observation on this point: I am surprised that the Honourable Zachary Wong has attempted to criticise the DAB for changing their minds. In fact credit is due to them for their preparedness in analysing the facts and coming to the right decision. Mr President, we have to be realistic and pragmatic. The very modest fare increase sought by the Star Ferry is fully justified. I urge honourable members to vote against both resolutions.

End

Minor Employment Claims Adjudication Board Rules

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Following is the speech by the Secretary for Education and Manpower, Mr Joseph Wong, in the motion debate on the Interpretation and General Clauses Ordinance to repeal the Minor Employment Claims Adjudication Board (Fees) (Amendment) Rules 1996 in the Legislative Council today (Wednesday):

Mr President,

The Minor Employment Claims Adjudication Board (MECAB) was established in December 1994. It provides a quick and inexpensive service for the adjudication of minor employment claims involving five or less claimants for a sum of money not exceeding \$5,000 per claimant. As at 29 February 1996 it has adjudicated 1,890 cases.

The MECAB (Fees) Rules specify the fees payable for the proceedings taken in MECAB. The fees have not been revised since their introduction.

As a matter of principle, all fees are subject to regular review. On 7 February 1996 we tabled in the Legislative Council the MECAB (Fees) (Amendment) Rules 1996 which proposes to raise the fees by 10%.

We estimate that the existing fees, ranging from \$5 to \$50, only recover a very small portion of the total cost. The effect of the proposed fee increases, which range from 50 cents to \$5, does no more than to maintain the real value of the existing fees.

What I want to emphasize is Section 3 of MECAB (Fees) Rules provides that the Registrar may reduce, remit or defer payment of the fees. An applicant may apply for waiver of fees on ground of financial difficulty. So far, no such application has been received.

The proposed fee increases will not affect the livelihood of the general public and will not have the slightest impact on inflation.

I urge members to oppose the motion.

Thank you.

End

Collapse of footbridge in Tseung Kwan O

* * * * *

Following is a question by the Hon Lo Suk-ching and a written reply by the acting Secretary for Works, Mr Lee Shing-see, in the Legislative Council today (Wednesday):

Question:

Following the collapse of a footbridge under construction off Hau Tak Estate, it is learnt that the building contractor of the project has been awarded many Government projects in the Tseung Kwan O area. In this connection, will the Government inform this Council:

- (a) of the number of Government and Housing Authority projects undertaken by the contractor and his subsidiaries (including those relating to the construction of public housing and home ownership scheme estates) in which accidents have occurred in the past three years;
- (b) whether the Government has taken into account the past performance records of contractors, particularly in regard to safety records, before awarding a contract; if so, whether the Government will consider re-examining the other projects undertaken by the contractor concerned if an accident which has occurred in a project is found to have been caused by human negligence on the part of the contractor;
- (c) whether, in the light of the report that the accident mentioned above has been caused by the temporary props developing problems in the course of the construction of the bridge, the Government has laid down a set of safety standards for inspecting such temporary props, and whether such props can only be used after they have been inspected by the Government before the commencement of each project; and
- (d) whether the Government will consider suspending all similar projects temporarily until the cause of the accident is known?

Reply:

Mr President,

My answer to the respective parts of the question is as follows:

- (a) Wan Hin & Co. Ltd has undertaken 11 Public Works Contracts and 9 Housing Authority Contracts in the past 3 years. Of these, there were 1 (the recent one in Tseung Kwan O) fatal accident in the former and 2 in the latter.
- (b) The past performance of the lowest three tenderers are assessed in detail before tender recommendations are made. One important aspect of the tenderers' performance is their safety performance in previous contracts. Tenderers' site safety convictions under the Factory & Industrial Safety Regulations will also be considered before recommending award of contract.

Where the cause of a major accident can be clearly identified it is our practice to make the circumstances known to all works departments, the Housing Authority and other agencies who are or may be responsible for similar contracts.

- (c) The exact cause of the accident has yet to be identified and investigation is being actively undertaken by the Police and the Labour Department with assistance from the Territory Development Department. In order to ensure temporary works such as supporting props are properly designed and constructed, the contractor is required under the contract to engage a professionally qualified independent checking engineer to check and certify the different stages of the design and construction of the temporary works. Accordingly, the contractor has to ensure that all temporary works throughout all construction stages are constructed in accordance with the certified design.
- (d) The in-situ casting of concrete decks and beams above carriageways in use has been used successfully in previous projects in particular where circumstances have been against the use of pre-casting within a reasonable distance or in view of undesirable closure of busy roads during the erection of the precast beams. Following the tragic accident at Tseung Kwan O we have advised Departments with projects involving works over roads to be especially vigilant. However there are currently no project with casting the beams in-situ above their final position similar to Tseung Kwan O and were any to arise we would re-assess the methodology in the light of this accident.

End

Orderly repatriation of VMs

* * * * *

Following is a question by the Hon Cheng Yiu-tong and a written reply by the acting Secretary for Security, Mrs Carrie Yau, in the Legislative Council today (Wednesday):

Question:

As a result of the implementation of the policy of orderly repatriation of Vietnamese migrants (VMs) by the Government, the number of VMs stranded in the territory has been decreasing and Vietnamese detention centres will be closed down gradually. This will have an impact on the staff of the Correctional Services Department (CSD) responsible for taking charge of these VMs. In this connection, will the Government inform this Council:

- (a) of the number of CSD staff presently serving in the Vietnamese Unit,
- (b) what arrangements will be made by CSD for the staff of the Vietnamese Unit upon the closing down of all Vietnamese detention centres; whether these staff can be regarded as regular staff, and if so, how many have been regarded as regular staff to date, and
- (c) whether the existing staff of the Vietnamese Unit who wish to be regraded as regular staff are required to re-apply and undergo the same recruitment process as other new applicants; if so, what are the reasons for such an arrangement, and whether the Government will revise the existing arrangement so as to facilitate the regrading of these staff as regular staff?

Reply:

Mr President,

- (a) At present, the CSD has a total strength of 903 staff serving in the Vietnamese Migrants Division. The Division comprises 614 regular disciplined staff, 4 Common Grades staff, 42 General Grades staff, 226 VM staff (employed specifically to man Vietnamese Migrant Detention Centres) and 17 technical grades staff.

- (b) With the gradual closure of the VM camps, the service of most of the staff in VM camps will no longer be required. The regular staff and the Common Grades staff will be posted back to penal institutions to fill existing and anticipated vacancies. The General Grades staff will either be absorbed by the CSD or returned to the central government. The VM staff and the technical grades staff will be absorbed by the CSD as far as possible. Those who wish to continue working in the Civil Service will be helped to find job placements; they will be given priority for appointment if they are found suitable to fill the vacancies. Those who do not wish to work in the Civil Service will be offered retirement on abolition-of-office terms. The staff have been fully briefed on these arrangements.

To reduce the number of surplus staff, the CSD has been actively recruiting VM staff to join the regular stream, subject to their willingness and suitability. Over the years, a total of 171 VM staff have been appointed to similar ranks in the regular stream. Efforts to encourage the rest of the VM staff to apply to switch will continue.

- (c) In line with the normal practice in the Civil Service, VM staff who wish to apply to work in the regular stream will follow the same basic application procedure as for new recruits. If they fulfil the basic entry requirements and are found suitable by the Department, we will accept them readily. We have examined the transfer arrangements carefully. There is no need to change the existing arrangements given the ongoing successful transfer of a large number of VM staff to the regular stream.

End

Escape of prisoners

* * * * *

Following is a question by the Hon James To Kun-sun and a written reply by the acting Secretary for Security, Mrs Carrie Yau, in the Legislative Council today (Wednesday):

Question:

In regard to the escape of prisoners from correctional institutions, will the Government inform this Council of:

- (a) the number of prisoners who have successfully escaped from each correctional institution in the past three years (irrespective of whether they have been recaptured afterwards);
- (b) the number of escapees who have been recaptured in the same period;
- (c) the average term of imprisonment served by these escapees and the average remaining length of sentence yet to be served when they made their escape; and
- (d) the major reasons for prisoners escaping from correctional institutions as known to the Correctional Services Department?

Reply:

Mr President,

- (a) Over the past three years, 14 prisoners have escaped, including two Training Centre (Cape Collinson) inmates. The table below shows the breakdown by institution:

<u>Institution</u>	<u>Number of escaped prisoners</u>		
	<u>1993</u>	<u>1994</u>	<u>1995</u>
<u>Medium Security</u>			
Hei Ling Chau Correctional Institution		1	
Ma Po Ping Prison			3
<u>Minimum Security</u>			
Cape Collinson Correctional Institution	2		
Lai Sun Correctional Institution		3	2
Pik Uk Prison			3
Total	2	4	8

- (b) Of these 14 persons, 12 have been recaptured.

- (c) The terms of sentence of the two Training Centre inmates were not fixed: they should serve a period of no less than six months, but no more than 36 months, depending on their performance in the course of their training. The 12 prisoners, who were given fixed sentences, were serving 22 months on average.

In respect of the two Training Centre inmates, the average remaining length of sentence was no more than 29 months. The average remaining sentence of the 12 prisoners was 10 months.

- (d) The main reasons given by the recaptured prisoners were that they felt homesick or they claimed they had to take care of important personal matters outside the institution.

End

Categorisation of land in NT

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Following is a question by the Hon Lau Wóng-fat and a written reply by the Secretary for Planning, Environment and Lands, Mr Bowen Leung, in the Legislative Council today (Wednesday):

Question:

For historical reasons, land in the New Territories is divided into different categories, such as those which are commonly known as "old scheduled building lot", "old scheduled lot", "agricultural lot", etc. In this connection, will the Government inform this Council:

- (a) how many categories is land in the New Territories divided into; and what were the respective dates for the commencement and completion of the categorisation process;
- (b) of the rationale for dividing land into such categories, together with the restrictions on land use imposed on each category; and
- (c) whether the Government has reviewed the land categorisation process so as to assess if the land use of each category meets today's need?

Reply:

Mr President,

- (a) lots in the New Territories can be classified into two broad categories, namely old schedule lots (i.e. those held under Block Crown Leases) and new grant lots (i.e. those other than old schedule lots).

Old schedule lots were covered by a survey the Government undertook between 1899 and 1903 in respect of all privately-owned land holdings in the New Territories. Following the survey, the land was granted by means of Block Crown Leases. Within each Block Crown Lease, the land was further subdivided into lots, classified mainly as "building" or "agricultural" land according to the then current use.

New grant lots are simply land that was granted after the above survey. They can be subdivided into pre-war new grant lots and post-war new grant lots;

- (b) as explained in (a) above, the categorisation of land arose out of historical reasons. The permissible land use of a lot in each category is governed by the relevant lease conditions as well as statutory plans prepared under the Town Planning Ordinance.

Developments on old schedule lots are subject to covenants contained in Block Crown Leases. These covenants prohibit building without the prior approval of the Land Authority. Developments on pre-war new grant lots are subject to the conditions contained in the General and Special Conditions of Sale of Land in the New Territories prevailing at the time when the lots were disposed of. Developments on post-war new grant lots are, as a general rule, subject to a set of general and special conditions which have been drawn up for each grant.

As regards statutory planning control over land use, the statutory plans are prepared on the basis of findings from various strategic and district planning studies and are revised from time to time to cater for changing needs and circumstances; and

- (c) we have no intention to re-categorise lots in the New Territories. But as explained in (b) above, the statutory plans which govern land use in the New Territories are revised from time to time to cater for changing needs and circumstances. Where the existing lease conditions of a lot are not consistent with the current statutory plans and administrative controls, the Government is prepared to consider applications for lease modifications. They may be approved subject to such terms and conditions as imposed by the Government, including the charging of a premium.

End

Community groups members to sit on Govt advisory bodies

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Following is a question by the Hon Choy Kan-pui and a written reply by the Secretary for Home Affairs, Mr Michael Suen, in the Legislative Council today (Wednesday):

Question:

Will the Government inform this Council:

- (a) how many of the members sitting on various government advisory bodies are people appointed from local community groups in the past three years; of this group, how many are elected district board members; and
- (b) whether it will appoint more people at the district level to these advisory bodies so that they can put forward their views to the Government; if so, what will be the anticipated rate of increase in such appointment in 1996/97; if not, why not?

Reply:

- (a) For the purpose of this reply, we have taken major local community groups to mean District Boards, Area Committees, Rural Committees and District Fight Crime Committees. The number of members from these local groups who were appointed to sit on Government advisory bodies over the past three years is as follows:

<u>1993</u>	<u>1994</u>	<u>1995</u>
97	77	82

Of the above, the number of elected District Board members is as follows:

<u>1993</u>	<u>1994</u>	<u>1995</u>
27	25	31

- (b) When making appointments to advisory boards and committees, Government's overriding objective is to ensure that the best persons capable of meeting the specific requirements of the concerned advisory bodies are appointed. To this end, appointments are made on the basis of the merits of the individuals concerned taking account of their personal ability, expertise, experience, integrity, commitment to public service and their overall suitability for appointment. The experience and background of those people from local community groups will also be taken into consideration. It is not possible to predict whether an increase in appointment of such people will take place next year. However, Government will continue to keep in view the suitability of the members from local community groups for appointments to advisory bodies.

End

Container thefts

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Following is a question by the Hon Miriam Lau and a written reply by the acting Secretary for Security, Mrs Carrie Yau, in the Legislative Council today (Wednesday):

Question:

In view of the frequent occurrence of container thefts, will the Government inform this Council:

- (a) of the number of container thefts reported to the Police over the past three years, as well as the number of such thefts in which the stolen containers have been recovered;
- (b) of the specific actions and measures which have been put in place to combat such crimes, so as to prevent the problem from deteriorating and to guard against both the goods owners and the freight companies suffering from unnecessary losses; and
- (c) whether, in the event of the stolen containers being found in Mainland China, the Police will request the Chinese authorities to arrange for the return of the containers to the territory?

Reply:

Mr President,

- (a) The Police only started to capture separate statistics on theft of containers since September last year. Before that, these statistics were grouped under theft or miscellaneous thefts. From September 1995 to February 1996, a total of 120 containers was reported stolen and 28 of them have been recovered. The breakdowns by Police regions are set out below:

Number of Containers Reported Stolen
and Recovered Sep 1995 - Feb 1996

Police Regions	Number of Containers Reported stolen	Number of Containers Recovered
New Territories North	107	27
New Territories South	13	1
Kowloon East	NIL	NIL
Kowloon West	NIL	NIL
Hong Kong Island	NIL	NIL
Marine	NIL	NIL
Total	120	28

- (b) The Police have accorded high priority in tackling container thefts and adopted the following measures:

(i) Proactive intelligence-led operations

Evidence indicates that the vast majority of these thefts were committed by syndicates. Dedicated units have been set up to collect intelligence and mount operations against targeted suspects in a number of blackspots;

(ii) Detection at Border Crossing Points

The Police maintain close liaison with the Immigration Department and the Customs & Excise Department to detect stolen containers at the various border crossing points when they are being smuggled across the border;

(iii) Preventive Measures

With the assistance of insurance companies and the container tractor drivers' associations, the Police provide advice on crime prevention to operators in the trade to heighten their awareness on container thefts.

- (c) The Police maintain close liaison with the Chinese authorities to combat cross border crimes. In the event that stolen tractors or containers are found in China, the Police will request for their return. So far, the Chinese authorities have returned to us a total of 22 container tractors, one trailer and one container which were stolen in Hong Kong and recovered from different areas of Guangdong Province during their anti-crime operations.

End

Extension of KMB franchise

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Following is question by the Hon Lau Chin-shek and a written reply by the Secretary for Transport, Mr Haider Barma, in the Legislative Council today (Wednesday):

Question:

In regard to the extension of the franchise granted to the Kowloon Motor Bus Company Limited (KMB), will the Government inform this Council:

- (a) of the progress in the negotiation between the Government and KMB over the extension of the franchise, including the latest developments regarding the proposed exemption of KMB from the Profit Control Scheme, as well as the date when the negotiation is expected to complete, and whether this Council will be consulted on the matter; and
- (b) whether the Government will consider extending the franchise granted to the KMB to another bus company, so as to allow two bus companies operating on the same specified routes concurrently to enhance competition?

Reply:

Mr President,

- (a) The Kowloon Motor Bus Company Limited (KMB)'s current franchise will expire on 31 August 1997. The Administration expects to award a new franchise to KMB and has started negotiations with the company. Our intention is to abolish the current profit control scheme in this new franchise. As requested by Honourable Members, and now stipulated under section 6(2A) of the Public Bus Services Ordinance, a recommendation on a bus franchise renewal should be put to the Governor in Council not less than nine months before the expiry of the franchise i.e. before December 1996. We are working towards and should meet this timetable. As part of this exercise we shall consult both the Transport Advisory Committee and the Transport Panel of this Council.

- (b) In general, it is the Government's policy to encourage competition. However, in so far as bus services are concerned, it is not practicable nor viable to allow for a complete duplication of bus routes. Franchised bus operators like KMB are required to operate a network of services, some of which are profitable and some are not. Allowing an additional operator to run parallel services throughout the same network would affect the operating efficiency and financial viability of the franchisee. There are also other practical problems such as the difficulty in finding suitable depot sites for bus operations.

End

Police in debts

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Following is a question by the Hon Cheung Man-kwong and a written reply by the acting Secretary for Security, Mrs Carrie Yau, in the Legislative Council today (Wednesday):

Question:

Regarding the problem of policemen running into debts, will the Government inform this Council:

- (a) of the amount of loan which policemen have borrowed from the Credit Union of the Police Force in each of the past three years, together with a breakdown of the Police Districts to which they belong and their respective ranks;
- (b) whether the Government has any knowledge of the amount of loan borrowed from licensed banks or financial institutions by policemen in each of the past three years; if so, will the Government provide a breakdown of the Police Districts to which they belong and their respective ranks;
- (c) whether any policemen are found to have borrowed money from illegal loan-sharks in the past three years; if so, will the Government provide a breakdown of the Police Districts to which they belong, their respective ranks and the loan amounts borrowed by them;

- (d) whether the Police Force management has conducted an analysis of the situation regarding policemen borrowing money; if so, whether there is an upward trend for such borrowing and whether an examination of the causes for policemen running into debts has been made, and how the problem of policemen borrowing money can be rectified; and
- (e) what monitoring measures does the Police Force management have to prevent policemen who run into debts from being exploited by criminal gangs, and thus prevent the law-enforcement capability of the Police Force from being jeopardised?

Reply:

Mr President,

The answer to the five parts in this question is as follows:

- (a) The Police Credit Union currently has assets of over \$490 million. These assets are in fact savings of Police Force members. The amount of loans borrowed from the Union in the past three years are:-

1993	\$295.8 million
1994	\$344.7 million
1995	\$433.5 million

The increase in loan over the years was mainly due to a steady increase in membership. The Police do not keep statistics on the breakdown of loans by police regions or ranks of the officers.

- (b) There is no requirement for police officers to disclose details of their private loans as this would constitute an arbitrary interference with their privacy. We therefore do not have the amount of loans borrowed by police officers from licensed banks or financial institutions.
- (c) In the past three years, a total of five police officers were found and disciplined for obtaining loans from illegal money-lenders including loan sharks. The breakdowns are as follows:

<u>Year</u>	<u>Rank</u>	<u>Region</u>	<u>Amount</u>
1993	NIL	NIL	NIL
1994	Police Constable	Kowloon West	\$20,000
	Police Constable	Hong Kong Island	\$22,500
1995	Police Constable	New Territories	\$240,000
		South	
	Police Constable	Hong Kong Island	\$180,000
	Sergeant	Kowloon West	\$20,000

- (d) The Force monitors closely the situation of unmanageable debts among police officers by conducting six monthly surveys. The number of cases of unmanageable debts had dropped from 145 for the second half of 1994 to 132 for the first half of 1995. The survey for the second half of 1995 showed a further decrease to 87. Overspending and gambling were the main reasons for having unmanageable debts.

The Commissioner of Police maintains a strict policy on indebtedness of police officers as serious pecuniary embarrassment might compromise the integrity of the officer concerned. Police officers are required to be prudent and temperate in their financial affairs and encouraged to adopt a healthy lifestyle.

Accordingly, the Force has developed a comprehensive strategy for preventing, identifying and dealing with the indebtedness of police officers. It includes briefings and seminars for new recruits and serving officers on indebtedness and personal budgeting. Where appropriate, counselling will also be offered. Officers who are indebted under the following circumstances may be subject to criminal or disciplinary proceedings:

- (i) betting, gambling, or otherwise related indebtedness;
- (ii) having financial obligation to any person or organisation other than as permitted by the Acceptance of Advantage (Governor's Permission) Notice or the Police General Orders.

The Force has also issued an administrative guideline outlining steps to be taken at different levels of management to monitor and tackle indebtedness. A list of indicators of indebtedness has been drawn up to heighten the awareness of the management on the extent of indebtedness of individual officers.

- (e) In addition to (d), there are well-established measures to prevent police officers from being exploited by criminals:
- (i) Vetting - Officers posted to sensitive posts, for example, anti-triad or anti-vice units, are vetted to ensure only officers of high integrity are placed in these positions;
 - (ii) Unofficial Association with Criminals - The Police General Orders specify that police officers, other than in the course of their duty, shall not associate with known criminals or triad personalities. If proved to have done so, an officer can be subject to disciplinary action;
 - (iii) Turnover of Posting - An officer in a sensitive post will not normally be allowed to remain in that post for an excessive period;
 - (iv) Cross-territorial - Operations Officers from different units are allowed to conduct raids and make arrests in other Divisions, Districts and Regions;
 - (v) Organisational Structure Reviews - Organisational structures are constantly reviewed to minimise opportunities for corruption.

End

Occupational Deafness Compensation Scheme

* * * * *

Following is a question by the Hon Lee Kai-ming and a written reply by the Secretary for Education and Manpower, Mr Joseph W P Wong, in the Legislative Council today (Wednesday):

Question :

The Occupational Deafness Compensation Scheme has started accepting applications since July 1995. In this connection, will the Government inform this Council :

- (a) when the Occupational Deafness Compensation Board ("the Board") will start paying out compensation to the first batch of deaf workers who have applied, and how many of these applicants will be paid compensation;
- (b) of the annual income received and the monthly administrative expenses incurred by the Board;
- (c) whether the Board is able to offer assistance to applicants who cannot produce the 10 years' reference by employers required so that their applications can be accepted; and
- (d) whether, in cases where several applicants have been employed by the same company or employer before, consideration will be given to admitting cross evidence supporting one another's claim?

Reply:

Mr President,

- (a) As of 29 February 1996, 45 applications for compensation payment have been approved under the Scheme. The first batch of payments by the Occupational Deafness Compensation Board for 9 of these applications were made in early February 1996.
- (b) In 1995, the Government provided a funding injection of \$100 million to the Board and an interest-free loan of \$115 million as a start-up fund for the Occupational Deafness Compensation Scheme. As for its recurrent income, the Scheme is funded by an across-the-board levy of 1.5% on the insurance premia of all employees' compensation policies which employers are required to purchase, in accordance with the Employees Compensation Ordinance. This levy income is collected by the Employees Compensation Insurance Levies Management Board and distributed to the Occupational Deafness Compensation Board ("the Board") at quarterly intervals. The first quarterly levy income was distributed to the Board in December 1995 and the estimated levy income for the whole year is around \$30 million. As of 29 February 1996, the average monthly administrative expenses incurred by the Board amount to \$520,000.

- (c)&(d) According to Section 14 of the Occupational Deafness Compensation Ordinance, a person who suffers noise-induced deafness and who wishes to claim compensation under the Scheme has to satisfy a requirement that before the date of application, he has had at least 10 years of employment in aggregate in noisy occupations in Hong Kong as defined under the Ordinance.

Apart from the references from employers, the Board will take into account statements made by co-workers of the applicant, as well as other documentary proofs such as tax returns, employment contracts, and wage records in deciding whether the applicant meets this requirement. The Board will also seek information from other relevant parties during the verification process as and when necessary.

End

Required processing time for visitors to clear immigration

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Following is a question by the Hon Chim Pui-chung and a written reply by the acting Secretary for Security, Mrs Carrie Yau, in the Legislative Council today (Wednesday):

Question:

Will the Government inform this Council:

- (a) of the average processing time required by the Immigration Department to clear the immigration procedures for each visitor to the territory;
- (b) how does the processing time referred to in the reply to (a) above compare with those in Singapore and Japan; and
- (c) whether the Immigration Department will consider shortening the processing time for overseas visitors so as to provide a more efficient service?

Reply:

Mr President,

Processing time may refer to waiting time, which is the standard used in our performance pledge, or time required to process each transaction. I shall include both references in my reply.

- (a) The average time required to clear the immigration procedure for each visitor at the airport is 90 seconds on arrival and 50 seconds on departure. During the months of November and December 1995 and January 1996, on average 92% of arriving visitors were cleared within the target waiting time of 30 minutes. For departing passengers, our performances has consistently been close to 100%.
- (b) We have approached to the Japanese and Singaporean Authorities to obtain the information, which is still not available at the time this reply is issued. We will separately provide the information to the Council when it is available.
- (c) The Government is committed to providing an efficient immigration clearance service to facilitate ease of travel by overseas visitors to Hong Kong. In September 1995, the Immigration Department implemented a new computer system to process machine readable passports by optical scanners. This results in a reduction of 20 seconds of the time required for each transaction involving a machine readable passport. Apart from the transaction time, we have also taken steps to reduce the overall waiting time of visitors. At the airport, we have taken the following improvement measures:
 - (i) the addition of 51 staff to increase the number of counters from 116 to 128;
 - (ii) adjustment of the roster and staggering meal breaks of counter staff over a longer period to maximise the number of counters that can be manned at any one time;
 - (iii) implementation of single queuing arrangement at the departure level in the near future;

- (iv) a consultancy on the current system, conducted from October to December 1995, has identified measures for further improvement; and
- (v) during festive rush periods such as Easter, Christmas and the Chinese New Year, all roster leave for the staff is suspended so as to deploy additional staff to cope with the heavy workload.

End

Civic education

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Following is a question by Dr the Hon David Li Kwok-po and a written reply by the Secretary for Education and Manpower, Mr Joseph W P Wong, in the Legislative Council today (Wednesday):

Question:

According to a recent survey commissioned by the Curriculum Development Council, 10 per cent of primary school pupils thought there was no need to respect Chinese traditions. Moreover, the survey found that the pupils' civic knowledge was generally confined to classroom teaching. In this connection, will the Government inform this Council:

- (a) how it plans to reinforce pupils' appreciation of Chinese culture and history, which is vital for developing national identity; and
- (b) what specific programmes will be implemented by primary schools to enhance pupils' awareness of civic issues?

Reply:

Mr President,

- (a) Primary students learn about Chinese culture and Chinese history through different subjects such as Social Studies and Chinese Language, extra-curricular activities, school assemblies and class teacher periods. The Education Department encourages schools to organise civic education related extra-curricular activities, such as interest clubs and inter-school competitions, by providing advisory services, co-ordination and financial assistance as necessary.

From September 1996, Government will reinforce learning in these areas through the introduction of a new set of Guidelines on Civic Education which is now under public consultation. One of the five areas in the suggested curriculum framework is on China. This will enhance the students' understanding of Chinese culture and Chinese history, and give them a better knowledge of China's political, economic and administrative systems.

To support teaching of these areas, the Education Department will provide teaching kits to schools on different aspects of China from the school year 1996/97. These will be supplemented by Education Television Programmes covering a range of topics on Chinese society and culture.

- (b) We will implement additional measures to promote civic education in both primary and secondary schools. Specifically at primary level, we will introduce a new core subject of General Studies in the 1996/97 school year. It aims to equip our primary children with the basic knowledge relating to the individual, family, society, and science and technology; and to develop in them study and life skills, problem solving capability and analytical thinking. At Primary 5 and 6, the content extends from the individual and the society to Hong Kong, China and the world as a whole.

Under the proposed new Guidelines on Civic Education, emphasis will be put on promoting our students' critical thinking. In handling a topic on civic education, school teachers will be advised to present different views and to assist students to discover and evaluate their own values through reflection. At primary level, the teaching objectives will progress from helping students to recognise their role within the school, family and community to developing their concern for major events in Hong Kong, China and the world.

To prepare teachers to implement the new Guidelines on Civic Education through classroom teaching and extra-curricular activities, we will organise in-service teacher training starting around May 1996.

End

Government's emergency response system explained

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The acting Secretary for Security, Mrs Carrie Yau, said today (Wednesday) that the Government Secretariat Emergency Co-ordination Centre (GSECC) was opened only when the scale of response required was likely to be in excess of that which could be dealt with by the emergency services under their normal operating conditions.

In a written reply to a question by the Hon Chan Kam-lam in the Legislative Council, Mrs Yau said the Government's emergency response system was built upon professional, well-trained disciplined services staff (primarily Fire Services and Police), on call 24 hours a day to respond to emergencies.

"The Government's emergency services are mobilised by departmental command and communication centres (CCCs) operating 24 hours a day.

"Through these CCCs, the emergency services involving different departments and agencies are well coordinated to provide the necessary response in most emergencies," she said.

As for GSECC, Mrs Yau pointed out that it was required to operate in situations which were usually of a territory wide nature (for example, rainstorms) to facilitate inter-departmental liaison; and to ensure all relevant information was gathered centrally to facilitate any decision to be made in the Government Secretariat as necessary.

In the case of the Pat Sin Leng hill fire, she said that as it was largely a localised incident, the Fire Services Communication Centre (FSCC) quickly involved the Police, Civil Aid Services, Agriculture and Fisheries Department, Government Flying Service (GFS), Auxiliary Medical Services, the Hospital Authority, Information Services Department, Education Department, Social Welfare Department and the Home Affairs Department.

She stressed that to provide an effective and efficient response to emergencies, it was essential to keep emergency command and communication systems as simple as possible.

"The Security Branch Duty Officer was informed by the FSCC and the Secretary for Security was kept informed through this channel and through his talks directly with the Director of Fire Services.

"As the response was under proper and effective coordination by the Department, we did not consider it necessary to activate the GSECC to add an extra layer to the communication process," she said.

On why the British Garrison was not enlisted in assisting the rescue operation, Mrs Yau said that the authorities would ask the Commander, British Forces for assistance when they knew that Government's resources were insufficient or inadequate to deal with a situation effectively and within a reasonable period.

"On this occasion, the GFS had sufficient helicopters to perform all the necessary duties and did not, therefore, need to seek additional assistance from the British Forces.

"The area where rescue services were being conducted was very small. In order to ensure flight safety in the operational area, there was a practical limit on how many helicopters could be deployed.

"With reinforcement from Civil Aid Services to form the rescue teams, it was not considered necessary to seek assistance from the British Garrison on rescue support," she said.

Mrs Yau said the investigation team appointed by the Director of Fire Services to look into the Pat Sin Leng hill fire would report on the practice of taking patients to the nearest accident and emergency facility and would consider what improvements might be made.

Also, the need for additional equipment on ambulances would be one of the issues that would be addressed in the report on the hill fire, she said.

Mrs Yau explained that the practice of taking patients to the nearest accident and emergency facility was a standard procedure that had been developed by the Fire Services Department, in consultation with the Hospital Authority and the Department of Health.

"Getting the earliest possible life-saving aid to casualties is in their best interests, even if patients subsequently need to be transferred to receive more specialised treatment.

"A decision was made to transfer patients to the Prince of Wales Hospital (PWH) by land, because they could then receive continuous ambulance care and treatment en route.

"This form of transfer, in fact, allowed the patients to be delivered to PWH as quickly as any alternative," she said.

As for equipment on ambulances, Mrs Yau said that all ambulances had radio telephones to communicate with FSCC.

"For on-site communication, the incident commander, the incident ambulance officer and the officers leading working crews have hand-held radios to communicate with each other and with the Incident Command Post," she said.

"All ambulances have, as standard equipment, cling film and burn sheets to treat burns. They also have analgesic apparatus to reduce pain.

"The ambulancemen's objective is to cover burns, to reduce the risk of infection and to prevent fluid loss in the time before patients reach hospital."

Mrs Yau said that the authorities would study the recommendations in the Pat Sin Leng hill fire report before deciding what improvements might be necessary.

Turning to the Hospital Authority's coordinating role, Mrs Yau said that the Hospital Authority Head Office (HAHO) was responsible for liaison to ensure that adequate medical resources were provided.

"On this occasion, the Hospital Authority implemented its contingency plans when the FSCC notified it of the need to treat the casualties.

"An emergency medical team was despatched immediately to the scene and supporting staff were mobilised in PWH to prepare for admission of the burn patients," she said.

To ensure speedy and effective treatment of these patients, Mrs Yau said that HAHO also coordinated efforts to support the hospital by making contingency arrangements to transfer patients to other hospitals if necessary, and providing emergency funding for additional supplies of medical consumables and equipment.

She said that there was a sufficient supply of skin in the public hospital system to cater for the short-term skin graft requirements of all the burn patients admitted to PWH.

"Transplant coordinators facilitated access to the skin banks. The public appeal for skin donations was made in anticipation of the long-term requirements for the management of the burn patients," she added.

End

Pat Sin Leng hill fire tragedy

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Following is a question by the Hon Chan Kam-lam and a written reply by the acting Secretary for Security, Mrs Carrie Yau, in the Legislative Council today (Wednesday):

Question:

The recent fire tragedy at Hsien Ku Fung in Pat Sin Leng Country Park has given rise to public concern over the ability of various government departments to co-ordinate sufficiently their efforts in both the rescue operation and the subsequent medical treatment process. In this connection, will the Government inform this Council:

- (a) why the Government Secretariat Emergency Co-ordination Centre, which is specifically set up to deal with major incidents, was not in operation on the day of the tragedy; under what circumstances will the Co-ordination Centre be put into operation;
- (b) whether there is a need to review the existing guideline which specifies that ambulance crew should send the injured to the nearest hospital or clinic for treatment; and whether a review will be conducted to ascertain if the arrangement of sending all the injured to the Prince of Wales Hospital by land on that day might have caused a delay in giving emergency treatment to the victims;
- (c) why the Government did not enlist the assistance of the British Garrison in rescuing the injured and taking them by helicopters to hospitals; under what circumstances will the Government approach the British Garrison for assistance;
- (d) what co-ordinating role does the Hospital Authority play in coping with major incidents of this kind; why the situation has arisen where the Prince of Wales Hospital openly appeals for skin-donors while there is a reserved stock of skin available in Queen Mary Hospital; and
- (e) what measures does the Government have to improve the communication equipment of the ambulance crew of the Fire Services Department and to tackle the problem of ambulances having inadequate equipment for the treatment of burns?

Reply:

Mr President :

- (a) Government's emergency response system is built upon professional, well-trained disciplined services staff (primarily Fire Services and Police), on call 24 hours a day to respond to emergencies. Government's emergency services are mobilised by departmental command and communication centres (CCCs) operating 24 hours a day. Through these CCCs, the emergency services involving different departments and agencies are well co-ordinated to provide the necessary response in most emergencies. The Government Secretariat Emergency Co-ordination Centre (GSECC) is opened only when the scale of response required is likely to be in excess of that which can be dealt with by the emergency services under their normal operating conditions. The GSECC is required to operate in situations which are usually of a territory wide nature (e.g., rainstorms) to facilitate inter-departmental liaison; and to ensure all relevant information is gathered centrally to facilitate any decision to be made in the Government Secretariat as necessary. In the case of the Pat Sin Leng hill fire, as it was largely a localised incident, the Fire Services Communication Centre (FSCC) quickly involved the Police, Civil Aid Services, Agriculture & Fisheries Department, Government Flying Services, Auxiliary Medical Services, the Hospital Authority, Information Services Department, Education Department, Social Welfare Department and the Home Affairs Department.

To provide an effective and efficient response to emergencies, it is essential to keep emergency command and communication systems as simple as possible. The Security Branch Duty Officer was informed by the FSCC and the Secretary for Security was kept informed through this channel and through his talks directly with the Director of Fire Services. As the response was under proper and effective co-ordination by the Department, we did not consider it necessary to activate the GSECC to add an extra layer to the communication process.

- (b) The practice of taking patients to the nearest accident and emergency facility is a standard procedure that has been developed by the Fire Services Department, in consultation with the Hospital Authority and the Department of Health. Getting the earliest possible life-saving aid to casualties is in their best interests, even if patients subsequently need to be transferred to receive more specialised treatment. A decision was made to transfer patients to the Prince of Wales Hospital (PWH) by land, because they could then receive continuous ambulance care and treatment en route. This form of transfer, in fact, allowed the patients to be delivered to PWH as quickly as any alternative. The investigation team appointed by the Director of Fire Services will report on this practice and will consider what improvements may be made.

- (c) We would ask the Commander, British Forces for assistance when we know that Government's resources are insufficient or inadequate to deal with a situation effectively and within a reasonable period. On this occasion, the Government Flying Services (GFS) had sufficient helicopters to perform all the necessary duties and did not, therefore, need to seek additional assistance from the British Forces. The area where rescue services were being conducted was very small. In order to ensure flight safety in the operational area, there was a practical limit on how many helicopters could be deployed. With reinforcement from Civil Aid Services to form the rescue teams, it was not considered necessary to seek assistance from the British Garrison on rescue support.

- (d) The Hospital Authority Head Office (HAHO) is responsible for liaison to ensure that adequate medical resources are provided. On this occasion, the HA implemented its contingency plans when the FSCC notified it of the need to treat the casualties. An emergency medical team was despatched immediately to the scene and supporting staff were mobilised in PWH to prepare for admission of the burn patients. To ensure speedy and effective treatment of these patients, HAHO also co-ordinated efforts to support the hospital by making contingency arrangements to transfer patients to other hospitals if necessary, and providing emergency funding for additional supplies of medical consumable and equipment.

There was a sufficient supply of skin in the public hospital system to cater for the short-term skin graft requirements of all the burn patients admitted to PWH. Transplant co-ordinators facilitated access to the skin banks. The public appeal for skin donations was made in anticipation of the long-term requirements for the management of the burn patients.

- (e) All ambulances have radio telephones to communicate with the FSCC. For on-site communication, the incident commander, the incident ambulance officer and the officers leading working crews have hand-held radios to communicate with each other and with the Incident Command post.

All ambulances have, as standard equipment, cling film and burn sheets to treat burns. They also have analgesic apparatus to reduce pain. The ambulancemen's objective is to cover burns, to reduce the risk of infection and to prevent fluid loss in the time before patients reach hospital.

The need for additional equipment on ambulances will be one of the issues that will be addressed in the report on the Pat Sin Leng hill fire. We will study the recommendations before deciding what improvements may be necessary.

End

Task Force on expansion of service industries

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Following is a question by the Hon Eric Li Ka-cheung and a written reply by the Secretary for Trade Industry, Miss Denise Yue, in the Legislative Council today (Wednesday):

Question:

It is mentioned in the Governor's Policy Address last year that a Task Force has been established by the Financial Secretary to chart a course for the further expansion of the territory's service industries and that the Task Force will listen carefully to the views of the business representatives and the professional experts concerned. In this connection, will the Government inform this Council :

- (a) of the number of meetings held by the Task Force since its establishment and the concrete conclusions reached in assisting the development of the service industries;

- (b) which sectors of the business representatives whose views have been sought by the Task Force; and which of those views have been accepted; and
- (c) whether consideration will be given to disclosing the issues discussed and the conclusions reached by the Task Force after each meeting, so as to enhance its transparency?

Reply:

Mr President,

The Task Force on Services Promotion has met five times since its establishment in August 1995. Details of the preliminary results of the Task Force's work are set out in a public document.

The Government is fully aware of the need to have the benefit of the views of the business community in the formulation of the Task Force's recommendations. For this reason, the Financial Secretary has set up an Ad Hoc Consultative Group with prominent business leaders, professionals and academics. In addition, a symposium co-organised by the Government and the business community will be held on 12 March to enable further exchange of ideas relating to the development of the services sector and the facilitating role of the Government.

The public document which I referred to earlier serves to keep the community informed of the work of the Task Force. It also provides a basis for extensive public discussion on this important sector of the economy. Views from the public and the services sector are pivotal to the deliberations of the Task Force which, on completion of its work, will publish a final report for public information.

End

Occupational deafness compensation

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Following is a question by the Hon Leung Yiu-chung and a written reply by the Secretary for Education and Manpower, Mr Joseph W P Wong, in the Legislative Council today (Wednesday):

Question:

Recently, some deaf workers have complained that the eligibility criteria for applying to the Occupational Deafness Compensation Board (the Board) for compensation are too stringent, such that many workers with hearing loss in one ear are still not eligible for compensation. Moreover, it is learnt that the average pure-tone hearing loss of a worker measured in a public hospital often varies greatly from that measured in a private clinic. In view of this, will the Government inform this Council:

- (a) what is the total number of applications for compensation received by the Board since its establishment; of this, how many are still under consideration;
- (b) whether there is a common method used by both public hospitals and private clinics to measure the average pure-tone hearing loss of a worker; if so, what the method is; if not, why not;
- (c) given the similar nature of the Pneumoconiosis Compensation Fund and the Occupational Deafness Compensation Fund, why a claimant applying for compensation from the former is not required to pay for the cost of a pulmonary function test himself, whereas a claimant applying for compensation from the latter is required to undergo a hearing test at his own expenses; and
- (d) what is the basis for requiring claimants applying for occupational deafness compensation to have at least ten years' employment in noisy occupations?

Reply:

Mr President,

The Occupational Deafness Compensation Scheme is a collective liability compensation scheme which was set up under the Occupational Deafness (Compensation) Ordinance in April 1995, with the objective of compensating employees who suffer from noise-induced deafness by reason of their employment. The Scheme came into operation in July 1995.

To be eligible for compensation under the scheme, a claimant is required under the Ordinance to fulfil the following disability and occupational requirements :

- (a) he should be suffering from sensorineural hearing loss amounting to not less than 50 dB in each ear, where such loss is due in the case of at least one ear to noise and being the average of pure tone losses measured by audiometry over the 1, 2 and 3 kHz frequencies; and
- (b) he should have
 - (i) at least 10 years of employment in aggregate in specified noisy occupations in Hong Kong; and
 - (ii) a period of continuous employment in a noisy occupation at any time either within the 12 months preceding the application for compensation or within the 72 months before the date of implementation of the scheme, i.e. 1 July 1995, provided that he submits his application for compensation within 12 months after the commencement of the Scheme, i.e. by 30 June 1996.

As regards Part (a) of the question, up to 29 February 1996, the Occupational Deafness Compensation Board ("the Board") has received 231 applications for compensation of which 142 are under consideration, 45 have been approved, 39 were rejected, and 5 withdrawn by the applicants.

As regards Part (b) of the question, according to Section 15 of the Ordinance, a claimant who applies for compensation under the Scheme and who fulfils the occupational requirements has to undergo a hearing test at a hearing test centre designated by the Board for the purpose of assessing the degree of hearing loss suffered by the claimant. The Yaumati ENT Clinic of the Hospital Authority is the only clinic which has been designated by the Board under Section 36 of the Ordinance as the hearing test centre for the Scheme.

The audiological facilities and calibration methods being used in the hearing tests conducted at the Yaumati ENT Clinic conform with well-established international standards. Moreover, as an administrative rule, the Board requires each claimant who applies for the hearing test to be away from excessive noise at work for at least 24 hours prior to taking the audiometric test, so that the measurements can truly reflect his/her permanent hearing disability. This rule is also in line with international standards. As regards tests conducted by private clinics, we have no information on the audiological facilities and calibration methods which may be used to determine hearing loss. Nevertheless, the results of hearing tests conducted by any of these private clinics will not be accepted for the purpose of compensation under the Scheme.

Part (c) of the question concerns the requirement that the claimant has to pay for the hearing test under the Scheme. This requirement was drawn up as a means to prevent abuse of the hearing test arrangement, having regard to the limited audiological resources in Hong Kong. However, all claimants who have passed the hearing test conducted by the hearing test centre designated by the Board will be reimbursed the full amount of the cost and will not be required to pay for the cost of the subsequent medical examination which will be fully borne by the Board.

It is not appropriate to compare this aspect of the Scheme with the Pneumoconiosis Compensation Scheme (PCS)--another collective liability compensation scheme established by statute for persons who are diagnosed after 1 January 1981 to be suffering from pneumoconiosis. The incidence of pneumoconiosis suffered by claimants under the PCS is usually identified through a lengthy curative process. Patients have normally been suffering from chest diseases and receiving medical care for a considerable time. When their medical conditions have become stabilised, their attending physicians (usually doctors in the Government chest clinics) will be in a position to diagnose that they may have contracted pneumoconiosis and refer them to the Pneumoconiosis Medical Board (a body established for the determination of the degree of incapacity of eligible pneumoconiotics under the PCS) for consideration. In other words, these claimants have already undergone the necessary screening procedure during the treatment process. It is therefore not necessary to require them to pay for the cost of a pulmonary function test.

As regards Part (d) of the question, an occupational requirement was required so as to establish a casual relationship between a claimant's deafness and his occupation. This is essential because the objective of the Scheme is to provide compensation for persons suffering for noise-induced deafness by reason of their employment.

The occupational requirement was set at ten years on the basis of medical advice that this time period was considered appropriate for the development of the minimum sensorineural hearing loss of 50 dB measured at 1, 2, and 3 kHz frequencies as specified under the Scheme. This was also determined with reference to the same requirement used in the United Kingdom and Singapore for their own occupational deafness compensation schemes.

In the light of its operational experience, we will conduct a review on all the various aspects of the Scheme after it has been in operation for one year.

End

Government's role in meeting needs of vulnerable groups

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Following is a question by the Hon Elizabeth Wong and a written reply by the Secretary for Health and Welfare, Mrs Katherine Fok, in the Legislative Council today (Wednesday):

Question:

Arising from the large numbers of deaths of old people, suspected to have been caused by hypothermia, over the Lunar New Year holiday period, will the Government inform this Council whether it has conducted an investigation into the appropriateness of Government's action to meet the needs of the vulnerable groups in the recent cold spell experienced in the territory; if so, what is the outcome of the investigation; if not, why not?

Reply:

Hypothermia was not reported as the cause of death of any of the elderly people who died during the recent cold weather. Post mortems show that other underlying medical problems were the cause of death in these cases. The low temperatures may have contributed to exacerbating such medical problems.

The Government has reviewed the actions taken during this period to meet the needs of people vulnerable to such cold weather.

One of the most vulnerable groups were street-sleepers. In accordance with standing arrangements, the Home Affairs Department opened shelters for anybody who needed them. They were opened on a 24-hour basis and provided blankets, ground mats, mattresses, hot drinking water and hot meals. Staff also offered street sleepers transport to take them to the shelters. Social Welfare Department staff distributed blankets to street sleepers who were also given information regarding how to obtain further assistance if needed. All street sleepers have been offered alternative accommodation as a matter of policy. The Subventions and Lotteries Fund Advisory Committee is about to consider a request to start this month on outreaching multi-disciplinary team to encourage elderly street sleepers to accept housing and reintegration into society.

The other main vulnerable group was identified as elderly persons living alone. This group is vulnerable at all times and especially so in cold weather. In the recent cold spell, Social Welfare Department staff at District level contacted voluntary agencies providing services to the elderly and all local Government welfare offices to make a special effort to contact known elderly persons living alone to check that they were alright.

Various new initiatives are being taken or existing programmes speeded up to improve the care of elderly persons living alone, for example -

Social Welfare Department will take the lead to introduce measures to mobilise a higher level of community and volunteer support to develop a better social networking system to support the elderly and other vulnerable groups. It will build on the network of multi-service centres for the elderly and the experience already gained in various volunteer pilot programmes already in hand. The ongoing expansion of home help teams will also bring practical benefit to elderly people living alone.

Steps are being taken to identify those single elderly persons and other at-risk recipients of Comprehensive Social Security Assistance (CSSA) who may not have a telephone to encourage and assist them to apply for one. CSSA grants are available to cover both the installation and recurrent costs of telephones for those in need. The cold weather highlighted how important it is for vulnerable groups to have easy access to telephones to call for help.

Since 1990, the Housing Department has been fitting alarm bells in public housing units occupied by elderly persons living alone. The Department is now considering a system which would link such alarm devices to a central control system.

The review concluded that the immediate measures taken by Government during the cold weather constituted an effective and practical response to an emergency situation. But there are always things that can be done better and lessons have been learnt. It is clear that it cannot be left to Government alone to act in such circumstances. The family and the community as a whole have a vital role to play in showing care and concern at such times by checking on elderly relatives, neighbours and friends. In the final analysis, there are simply not enough professional social workers and others to knock on every door. The Government and non-governmental organisations can and do provide a comprehensive range of professional services but they will always rely, to a certain extent, on caring members of the community to act as referral agents to bring the vulnerable into contact with the professional advice and services which are available to help them.

End

Rehousing policy on cottage area residents

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Following is a question by the Hon Ip Kwok-him and a written reply by the Secretary for Housing, Mr Dominic S W Wong, in the Legislative Council today (Wednesday):

Question:

Will the Government inform this Council:

- (a) whether it has any plan to clear all the remaining cottage areas in the territory;
- (b) if the answer to (a) is affirmative, what is the time-table for the clearance of the cottage areas in order of priority, and how the residents in cottage areas affected by the clearance will be resettled; and
- (c) if the answer to (a) is in the negative, whether consideration will be given to formulating a long-term policy on the rehousing of residents in cottage areas?

Reply:

Mr President,

There are six cottage areas (CAs) in the territory, namely, Fo Tan, Tung Tau, Lai Chi Kok, Mount Davis, So Kon Po and Tiu Keng Leng. Clearance of Tiu Keng Leng CA to allow for the development of Tseung Kwan O new town, including major public housing projects, was announced in April 1995. Partial clearance of So Kon Po CA and Mount Davis CA was announced in April and July 1995 respectively for slope safety reasons. There is no plan to clear the remaining CAs.

It is the Government's policy that no one will be rendered homeless as a result of Government clearance operations. Eligible residents will be offered public rental housing, or given priority to buy Home Ownership Scheme flats, or allowed to join the Home Purchase Loan Scheme to buy flats in the private sector. Ineligible residents in need will be offered accommodation in temporary housing areas.

We will keep the need to clear the remaining CAs under review, taking into account also the availability of our rehousing resources.

End

Respiratory diseases

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Following is a question by Dr the Hon Law Cheung-kwok and a written reply by the Secretary for Health and Welfare, Mrs Katherine Fok, in the Legislative Council today (Wednesday):

Question:

Will the Government inform this Council:

- (a) of the major respiratory diseases which have affected the people in the territory in recent years;
- (b) whether the number of people who have died of respiratory diseases is on the increase; and
- (c) what measures will be taken to educate the public how to prevent such diseases?

Reply:

- (a) The major respiratory diseases which have affected the people of Hong Kong in recent years are lung cancer, pneumonia and chronic obstructive pulmonary diseases including asthma. Tuberculosis has undergone a resurgence in many parts of the world in recent years and remains a threat.
- (b) The death rate from the major respiratory diseases has remained relatively stable over the past three years.
- (c) Cigarette smoking is a very significant health hazard and is a recognised cause of bronchitis, emphysema and other lung diseases as well as being implicated in a number of cancers and significant disease conditions. The Government has, since 1982, been taking active and increasingly stringent measures to combat smoking, including the banning of smoking in public places, the requirement to display health warnings and tar contents on cigarette packs, the restriction of tobacco advertisements in the electronic media and the establishment of non-smoking areas in restaurants. The Hospital Authority has also identified chronic lung diseases as one of the priority health areas targeted for concerted action. Public hospitals have taken the initiative in launching smoking reduction and cessation programmes to reduce the risk of cigarette smoking, particularly to those who are already suffering from respiratory diseases.

Turning to the other major preventable respiratory disease, that is tuberculosis, the Government has in place a universal vaccination programme for preventing tuberculosis and a dedicated service for early detection, control and treatment of the disease. In addition, patient education on respiratory diseases is given through the Central Health Education Unit of the Department of Health, at Government out-patient clinics, specialist outpatient clinics and patient resource centres of public hospitals. The setting up of the Health Care and Promotion Fund to further the promotion of a healthy lifestyle, including suitable nutrition and exercise, is also likely to benefit those prone to respiratory illnesses.

End

Smuggling of prohibited articles in prison by CSD staff

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Following is a question by the Hon Selina Chow and a written reply by the acting Secretary for Security, Mrs Carrie Yau, in the Legislative Council today (Wednesday):

Question:

It is reported that the smuggle of prohibited articles into prisons by staff of the Correctional Services Department (CSD) is causing concern. Will the Government inform this Council:

- (a) of the number of cases involving CSD staff being found to have smuggled prohibited articles into prisons in the past three years;
- (b) what measures have been put in place by CSD to check whether its staff are involved in such illegal activities;
- (c) what action will be taken by CSD in the event that its staff are found to have carried out such illegal activities; and
- (d) what measures will be adopted by CSD to strengthen security in prisons?

Reply:

Mr President,

The answer to the four parts in this question is as follows:

- (a) In the past three years, there were six cases of CSD staff caught smuggling unauthorised articles into prisons.
- (b) The CSD maintains a high degree of vigilance to prevent and to identify such smuggling activity. Detectors and prescribed search methods are used to check the belongings of every person, including staff, entering an institution. Training courses and simulation exercises are conducted to enhance the staff's skills in detecting smuggling activity. Prison staff who show signs of becoming "at risk" due to financial difficulties are interviewed and given necessary counselling. Inmates' cells are searched regularly, and if unauthorised articles are found, a thorough investigation will be carried out.
- (c) Apart from internal investigation, the CSD refers all smuggling cases involving staff to the ICAC for follow up action. Of the six cases, three have been convicted, one is awaiting trial and two are on bail pending further ICAC investigation.
- (d) Security measures mentioned in (b) above are taken in each penal institution to prevent and to detect smuggling activity. Throughout the Department, a comprehensive intelligence gathering network is maintained to monitor possible smuggling activity. The Department also regularly reviews its measures and improves its training material in the light of the cases referred to the ICAC in order to prevent similar recurrences of smuggling. Besides strengthening security, it is also important to deter smuggling through education. Refresher courses are organised regularly to remind staff of the serious consequences of smuggling unauthorised articles into penal institutions.

End

Industrial Technology Centre's leasable area

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Following is a question by Dr the Hon Huang Chen-ya and a written reply by the Secretary for Trade and Industry, Miss Denise Yue, in the Legislative Council today (Wednesday):

Question:

Will the Government inform this Council:

- (a) whether the leasable area of the Hong Kong Industrial Technology Centre has all been committed to tenants; if so, how many enterprises are put on the waiting list; if not, what is the occupancy rate;
- (b) of the total number of tenants in the Centre, together with a breakdown of these tenants by trade and number of employees; and
- (c) whether there is any plan for the construction of a second industrial technology centre; if so, when will this plan be implemented, whether the second centre will be built on a larger scale than the existing one, and what is the estimated amount of funds involved; if not, whether it will support a joint venture with private developers for the construction of the second centre?

Reply:

Mr President,

- (a) The Technology Centre is 96% leased out. This is broken down into 98% occupancy for regular tenants who pay market rents and form the majority of occupants and 85% for incubatees who pay discounted rents. At present, there is no waiting list for new occupants since the Centre is not yet full. Nevertheless the Centre has received numerous enquiries from companies about taking up the remaining available space. However, since these companies have yet to submit formal applications and indicate their respective space requirements, it is too early to say how many of them will eventually be admitted and accommodated.
- (b) There are a total of 33 tenants and 20 incubatees which are classified as follows:

Breakdown by sector

	Regular tenants		Incubatees	
Software and system	12	37%	6	30%
Microelectronics & components	4	12%	3	15%
Telecommunications	5	15%	3	15%
Multi-media & Networking	5	15%	8	40%
Others	7	21%	-	-
Total	33	100%	20	100%

Breakdown by number of employees

10 employees or less	9	27%	16	80%
11 - 30	17	52%	4	20%
31 - 50	3	9%	-	-
51 - 70	2	6%	-	-
71 - 90	2	6%	-	-
Total	33	100%	20	100%

- (c) The Board of the Hong Kong Industrial Technology Centre Corporation has proposed the construction and management of a second technology centre. It comprises an 8-storey office building, with a gross floor area of about 32,500 m² (compared to 21,850 m² for the existing centre), to be built at an estimated cost of \$520 million (at 1995 prices), by way of a direct capital injection from the Government to the Corporation. The proposal is being considered by the Administration.

End