



## DAILY INFORMATION BULLETIN

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ASSET CRITERIA FOR FOREIGN BANKS MORE FLEXIBLE

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THE EXECUTIVE COUNCIL HAD RECENTLY CONSIDERED THE ASSET CRITERION OF FOREIGN BANKS TO SET UP BUSINESS IN HONG KONG AND IT WAS DECIDED THAT THE GOVERNOR-IN-COUNCIL MAY APPROVE APPLICATIONS EVEN THOUGH THE ASSET CRITERION OF U.S. \$14 BILLION WAS NOT SATISFIED, THE FINANCIAL SECRETARY, THE HON PIER JACOBS, SAID TODAY (WEDNESDAY).

SPEAKING AT THE LEGISLATIVE COUNCIL MEETING MR JACOBS NOTED THAT THE MINIMUM ASSETS WAS NOT MEANT TO BE INFLEXIBLE AND THAT THERE WAS SOME DISCRETION.

HE RECALLED THAT THE CURRENT POLICY ON APPLICATIONS FOR BANKING LICENCES WAS INTRODUCED IN MAY 1981 AND IT WAS DESIGNED TO MODERATE THE INFLUX OF FOREIGN BANKS INTO HONG KONG BY RESTRICTING THE POOL OF ELIGIBLE APPLICANTS.

HE POINTED OUT THAT THE POLICY HAD ACHIEVED THE OBJECTIVE AND FROM 1981 TO 1986 AN AVERAGE OF ABOUT SEVEN NEW LICENCES A YEAR WERE GRANTED.

+HOWEVER, IN SETTING A HIGH ASSET THRESHOLD, THE POLICY HAS INEVITABLY FAVOURED BANKS INCORPORATED IN COUNTRIES WITH RELATIVELY LARGE ECONOMICS. OF THE 41 BANKS LICENSED FROM 1981 TO 1986, 18 ARE FROM JAPAN, 15 FROM EEC COUNTRIES, SIX FROM NORTH AMERICA AND FOUR FROM AUSTRALIA,+ HE SAID.

+NO LICENCES IN THE LAST FEW YEARS HAVE BEEN GRANTED TO BANKS FROM ANY OF THE SMALLER COUNTRIES IN THE ASIAN-PACIFIC REGION, ALTHOUGH THE REGION IS WELL REPRESENTED BY VIRTUE OF EARLIER ENTRY,+ HE ADDED.

+THERE HAVE BEEN SOME CHANGES IN CIRCUMSTANCES SINCE 1981. FIRST, ABOUT 75 PER CENT OF THE LARGEST 100 BANKS IN THE WORLD ARE ALREADY LICENSED IN HONG KONG= ANOTHER FAST INFLUX IS THEREFORE UNLIKELY.

+SECOND, THE SIZE OF A BANK'S ASSETS IS NO LONGER REGARDED AS THE ONLY MEASURE OF ITS SOUNDNESS= OTHER MEASURES SUCH AS CAPITAL ADEQUACY, PROFITABILITY, QUALITY OF MANAGEMENT, ARE ALSO RELAVANT.

+THIRD, AS HONG KONG HAS ADVANCED AS AN INTERNATIONAL FINANCIAL CENTRE IN THE LAST FEW YEARS, THERE HAS ALSO BEEN A RAPID GROWTH OF INTERNATIONAL BANKING, WITH MORE COUNTRIES OPENING THEIR DOORS TO FOREIGN BANKS.+

HAVING REGARD TO THE FACTORS, AN ELEMENT OF FLEXIBILITY IN ADMINISTERING THE ASSET CRITERION WAS WARRANTED, AND FLEXIBILITY WAS ALSO NEEDED IF THAT CRITERION WAS NOT IN THE WAY OF FURTHER WIDENING THE GEOGRAPHICAL SPREAD OF INTERNATIONAL BANKING PRESENCE IN HONG KONG.

MR JACOBS ALSO NOTED THAT IN CONSIDERING APPLICATIONS FROM FOREIGN BANKS, DISCRETION WOULD BE EXERCISED BY THE EXECUTIVE COUNCIL ON A CASE-BY-CASE BASIS, WHERE THE APPLICANT WAS OF UNDOUBTED STANDING, AND WHERE GRANTING A LICENCE TO THE APPLICANT WOULD SERVE HONG KONG'S INTEREST AS A BROAD-BASED INTERNATIONAL FINANCIAL CENTRE TAKING ACCOUNT OF THE REPRESENTATION IN HONG KONG BY BANKS FROM THE APPLICANT BANK'S COUNTRY.

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NEED TO PRESERVE AND FOSTER FAVOURABLE ECONOMIC ENVIRONMENT  
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HONG KONG'S ECONOMIC GROWTH DEPENDS ON THE ENTERPRISE, SKILL AND SHEER HARD WORK OF EVERYONE INVOLVED IN OUR ECONOMY -- NOT JUST ON SOUND FINANCIAL MANAGEMENT, THE SENIOR MEMBER OF THE LEGISLATIVE COUNCIL, THE HON LYDIA DUNN, SAID TODAY (WEDNESDAY).

+WE CAN HAVE EVERY CONFIDENCE IN OUR FUTURE SO LONG AS THE GOVERNMENT CONTINUES TO PRESERVE AND FOSTER AN ECONOMIC ENVIRONMENT FAVOURABLE TO ENTERPRISE, INVESTMENT, JOB CREATION AND WEALTH CREATION,+ SHE SAID.

MISS DUNN WAS LEADING THE DEBATE ON THE PROPOSED BUDGET.

RESPONDING TO THE FINANCIAL SECRETARY'S INVITATION FOR COMMENTS ON THE RELATIVE MERITS OF DIRECT AND INDIRECT TAXATION, MISS DUNN EMPHASISED THAT PRINCIPLE AND PRACTICE MUST BE CONSIDERED TOGETHER.

THE PRINCIPLE BEHIND DIRECT TAXATION IS THAT PAYMENT SHOULD BE RELATED TO ABILITY TO PAY, SHE SAID, AND THAT BEHIND INDIRECT TAXATION IS THAT PAYMENT SHOULD BE RELATED TO CONSUMPTION.

A THIRD PRINCIPLE -- THAT EVERY CITIZEN SHOULD MAKE SOME CONTRIBUTION TOWARDS THE PUBLIC EXPENDITURE FROM WHICH ALL BENEFIT -- GENERALLY LEADS TO GOVERNMENTS ADOPTING A MIXTURE OF DIRECT AND INDIRECT TAXES.

IF ALL TAXATION IS INDIRECT, SHE SAID, THERE WOULD BE TOO HEAVY A BURDEN ON THE POOR FOR IT WOULD NOT BE POSSIBLE TO RAISE ENOUGH REVENUE BY TAXING ONLY LUXURIES. ON THE OTHER HAND, IF TAXATION WAS ALL DIRECT THEN MANY PEOPLE WOULD MAKE NO CONTRIBUTION BECAUSE IT WAS UNECONOMIC TO COLLECT DIRECT TAX ON SMALL INCOMES.

/MISS DUNN .....

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MISS DUNN NOTED THAT HONG KONG WAS GUIDED BY THREE ADDITIONAL PRINCIPLES: THAT THE GENERAL LEVEL OF TAXATION SHOULD BE KEPT LOW; THAT THE SYSTEM SHOULD BE SIMPLE TO ADMINISTER; AND THAT IT SHOULD BE EASY TO UNDERSTAND.

NO TAX SYSTEM COULD BE FAIR TO EVERYONE, SHE SAID. +SO LONG AS THE BURDEN IS NOT TOO HEAVY AND THE INEQUITIES NOT TOO GREAT, THIS IS TOLERABLE.+

SHE FELT THAT THE PRECISE RATIO BETWEEN DIRECT AND INDIRECT TAX WAS UNIMPORTANT SO LONG AS WE HAVE SOME OF BOTH AND STICK TO OUR PRINCIPLES.

+BUT WHATEVER WE DO, I AM SURE WE SHOULD NOT IMPOSE ANY NEW TAX AT HIGH RATES NOR INCREASE AN EXISTING ONE SHARPLY.+

MISS DUNN SAID THE BRITISH EXPERIENCE WITH VALUE ADDED TAX (VAT) HELD A LESSON FOR HONG KONG, AND SHE DID NOT BELIEVE THAT HONG KONG SHOULD HAVE ANYTHING LIKE IT.

SHE DESCRIBED IT AS A +DEMORALISING TAX+ WHICH WAS VERY UNPOPULAR AND WIDELY AVOIDED BY MEANS OF UNRECORDED TRANSACTIONS, EVEN BY OTHERWISE LAW-ABIDING PEOPLE.

ON THE BUDGET GENERALLY, MISS DUNN WELCOMED THE FINANCIAL SECRETARY'S STATEMENT THAT A STRATEGY FOR THE MEDIUM TERM IS ESSENTIAL TO THE STABILITY OF THE GOVERNMENT'S FINANCES AND THE STEADY DEVELOPMENT OF THE ECONOMY.

SHE AGREED THAT BALANCED BUDGETS WERE NOT ENOUGH, AND REITERATED THAT THE AIM MUST BE TO MAINTAIN THE REAL VALUE OF OUR RESERVES. TO DO THAT, WE MUST AIM AT STEADILY INCREASING ANNUAL SURPLUSES, SHE SAID, NOTING THAT OUR CONTINGENT LIABILITIES TOTAL ABOUT \$25 BILLION.

MISS DUNN NOTED THAT CAPITAL EXPENDITURE HAD FALLEN BY ABOUT 20 PER CENT OVER THE LAST THREE YEARS, WHILE RECURRENT EXPENDITURE CONTINUED TO GROW. SHE WAS GLAD THAT THE FINANCIAL SECRETARY WAS NOW PROVIDING FOR AN INCREASE IN THE PACE AT WHICH WE ARE TACKLING OUR LONG LIST OF OUTSTANDING PROJECTS.

ON THE FINANCIAL SECRETARY'S PROPOSAL TO RAISE THE \$30 BILLION BORROWING LIMIT OF THE EXCHANGE FUND FROM ANY ONE SOURCE, MISS DUNN SUGGESTED THAT IT WOULD BE MORE ACCEPTABLE TO SET THE LIMIT ABOVE \$30 BILLION FOR HONG KONG GOVERNMENT FUNDS ONLY OR TO EXPRESS THE LIMIT AS A PERCENTAGE OF THE EXCHANGE FUND'S HOLDINGS.

MISS DUNN ALSO QUESTIONED THE FINANCIAL SECRETARY'S ARGUMENT THAT HE HAD ADOPTED THE PRINCIPLE THAT DUTY RATES SHOULD BE MAINTAINED IN REAL TERMS.

+WHEN ADDITIONAL REVENUE IS NEEDED, THE REAL YIELD ARGUMENT CAN BE USED TO JUSTIFY A PARTICULAR INCREASE, BUT IF THE REVENUE IS NOT NEEDED, THERE IS NO EARTHLY REASON WHY THE RATES SHOULD NOT BE LEFT ALONE, OR REDUCED, OR ABOLISHED ALTOGETHER,+ SHE SAID.

MISS DUNN ALSO CALLED FOR FURTHER IMPROVEMENTS IN THE PRESENTATION OF THE BUDGET AND RELATED DOCUMENTS, EMPHASISING THE NEED FOR COMPLETE, CLEAR AND COMPREHENSIBLE INFORMATION.

SHE SUGGESTED THAT AN EDITOR BE APPOINTED FOR ALL BUDGET DOCUMENTS TO ENSURE CLARITY AND CONSISTENCY.

MORE IMPORTANTLY, A CLEAR DEFINITION OF THE PUBLIC SECTOR WAS NEEDED AND SHE HOPED THE FINANCIAL SECRETARY WOULD CONTINUE THE STRUGGLE TO FIND A SENSIBLE AND ACCEPTABLE DEFINITION.

+IT IS AS ABSURD TO PRETEND THAT THE MTRC AND THE KCRC ARE NOT IN THE PUBLIC SECTOR AS IT IS TO PRETEND THAT SUBVENTIONS TO PRIVATE OR QUASI-PRIVATE INSTITUTIONS ARE NOT PART OF PUBLIC SECTOR EXPENDITURE,+ SHE SAID.

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SUPPORT FOR MAINTAINING LOW TAX REGIME  
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THE HON CHEN SHOU-LUM SAID TODAY (WEDNESDAY) THAT HE FULLY SUPPORTED THE BROAD PRINCIPLE OF MAINTAINING A LOW AND PREDICTABLE TAX REGIME IN HONG KONG TO ATTRACT FOREIGN INVESTMENT.

HE SAID HE WAS ALSO IN SUPPORT OF THE FINANCIAL SECRETARY'S REMARK THAT A HIGHER CONTRIBUTION FROM INDIRECT TAXES WAS MORE DESIRABLE IN THE LONGER TERM FOR HONG KONG.

SPEAKING DURING THE BUDGET DEBATE IN THE LEGISLATIVE COUNCIL, MR CHEN SAID: +I AM IN FAVOUR OF A DIFFERENT MIX OF DIRECT AND INDIRECT TAXES, MOVING PROGRESSIVELY TOWARDS A HIGHER PROPORTION OF INDIRECT TAX IN OUR REVENUE STRUCTURE.+

HE SAID HE BELIEVED THERE SHOULD BE A MORE EQUITABLE ARRANGEMENT SINCE OUT OF A POPULATION OF SIX MILLION, THERE WERE ONLY ABOUT 850 000 DIRECT TAXPAYERS IN HONG KONG, MOST OF WHOM WERE SALARY EARNERS WHO HAD NO OTHER MEANS TO MITIGATE THE EFFECT OF TAX INCREASE APART FROM HOPING FOR A SALARY ADJUSTMENT.

BY INCREASING THE INDIRECT TAX COMPONENT OF THE REVENUE, MR CHEN SAID WE WOULD HAVE A MUCH BETTER CHANCE OF MAINTAINING OUR LOW AND PREDICTABLE TAX REGIME.

+BY BROADENING THE SOURCE FROM WHICH OUR TAX REVENUE IS DERIVED, NOT ONLY WILL THE GOVERNMENT BE LESS VULNERABLE TO FLUCTUATIONS IN OUR ECONOMIC PERFORMANCE WHICH COULD BRING ABOUT A REDUCTION IN REVENUE FROM DIRECT TAXES, THE SO CALLED 'SANDWICHED CLASS' WILL ALSO BE RELIEVED FROM BEARING THE BRUNT OF THE TAX BURDEN.

+MOREOVER, IT IS IN LINE WITH THE SPIRIT OF OPEN GOVERNMENT THAT WHILST DEMANDING A MORE ACTIVE ROLE IN THE ADMINISTRATION OF HONG KONG, OUR CITIZENS SHOULD ALSO LEARN TO ACCEPT THEIR OBLIGATION OF CONTRIBUTING TOWARDS THE RESOURCES REQUIRED FOR THE EFFICIENT FUNCTIONING OF OUR GOVERNMENT,+ HE SAID.

MR CHEN EMPHASISED THAT ANY INCREASE ON INDIRECT TAXES SHOULD NOT BE AIMED AT SHIFTING THE TAX BURDEN ONTO THE LESS WELL-OFF MEMBERS OF THE COMMUNITY.

ON THE IMPOSITION OF GENERAL SALES TAX, HE SAID HE DID NOT SUPPORT THE VALUE ADDED TAX (VAT) SYSTEM.

HE SAID THIS WOULD BRING ABOUT A MAJOR DEPARTURE FROM OUR PHILOSOPHY OF MAINTAINING A SIMPLE AND EASY-TO-ADMINISTER TAX SYSTEM IN HONG KONG.

+WORST STILL, SUCH A SWEEPING TAX REFORM WILL CREATE INCENTIVES FOR TAX AVOIDANCE AND LEAD TO COSTLY ENFORCEMENT PROBLEMS.

+RATHER THAN INTRODUCING A NEW FORM OF TAXATION, THEREFORE IT SEEMS MORE LOGICAL FOR US TO PROCEED ON THE BASIS OF OUR EXISTING SYSTEM AND BRINGING IN, ON A PROGRESSIVE MANNER, MORE CATEGORIES OF PRODUCTS INTO THE TAX NET,+ HE SAID.

IN THIS REGARD, MR CHEN AGREED WITH THE FINANCIAL SECRETARY THAT A PRACTICAL APPROACH SHOULD BE ADOPTED TO AVOID ANY DAMAGE TO THE CONFIDENCE OF FOREIGN INVESTORS.

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NEED TO RATIONALISE TAX SYSTEM

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THERE IS A NEED TO RATIONALISE THE PRESENT TAX SYSTEM TO ENSURE THAT THE RIGHT BALANCE AND EMPHASIS IS MAINTAINED AND ENHANCED, THE HON PETER C. WONG SAID TODAY (WEDNESDAY).

SPEAKING DURING THE BUDGET DEBATE IN THE LEGISLATIVE COUNCIL, MR WONG NOTED THAT THE FINANCIAL SECRETARY HAD IN HIS FIRST BUDGET SPEECH INVITED DISCUSSION ON TWO POSSIBLE CHANGES TO MAKE THE PRESENT TAX SYSTEM MORE EQUITABLE AND FLEXIBLE.

THE FIRST CONCERNED THE INTRODUCTION OF SEPARATE TAXATION FOR MARRIED WOMEN, HE SAID.

IN THIS RESPECT, MR WONG SAID HE BELIEVED THE PRINCIPLE WAS SOUND BUT WHETHER IT WOULD FIT INTO THE EXISTING TAX STRUCTURE WAS A MATTER FOR FURTHER DELIBERATION.

MR WONG THEN ELABORATED HIS VIEWS ON THE SECOND SUGGESTION BY THE FINANCIAL SECRETARY ON WHETHER A BROADER AND MORE STABLE TAX BASE SHOULD BE ADOPTED BY INCREASING THE PROPORTION OF REVENUE TO BE DERIVED FROM INDIRECT TAXES.

HE POINTED OUT THAT HONG KONG HAD A SIMPLE TAX SYSTEM WHICH WAS CHEAP TO ADMINISTER AND EASY TO ENFORCE WITH THE BURDEN BORNE MAINLY THROUGH DIRECT TAXES SUPPLEMENTED BY A FEW CLEARLY DEFINED INDIRECT TAXES.

HE FELT THAT A MORE FUNDAMENTAL QUESTION WAS WHETHER IT WAS RIGHT FOR A GOVERNMENT TO CHOOSE ARBITRARILY WHICH GOODS AND SERVICES WERE LUXURIES AND WHICH OF THEM SHOULD BE TAXED.

+THE REAL INEQUITY, IN MY VIEW, ARISES FROM THE UNEVENNESS AND PERHAPS DISCRIMINATION INVOLVED IN TAXING SELECTIVELY A SMALL NUMBER OF PRODUCTS AND LEAVING UNTOUCHED MANY OTHER LUXURY ITEMS WHICH MIGHT JUST AS REASONABLY BE SUBJECT TO TAX,+ HE SAID.

CITING ILLUSTRATIONS, HE ASKED: +WHY TAX SOFT DRINKS AND NOT CHOCOLATES OR CAKES? WHY COSMETICS AND NOT JEWELLERY OR SILK DRESSES?+

MR WONG AGREED THAT A POSSIBLE AND PERHAPS MORE EQUITABLE SOLUTION WAS TO SPREAD THE LOAD VERY WIDELY BY TAXING AT VARYING RATES A WIDE RANGE OF GOODS AND SERVICES, THEREBY PRODUCING A SYSTEM OF INDIRECT TAXATION ALONG THE LINES OF THE VALUE ADDED TAX (VAT) SYSTEM IN THE UNITED KINGDOM.

HOWEVER, HE WARNED THAT THE PERPLEXITY AND QUANTITY OF TAX RETURN FORMS FOR BUSINESSMEN IN THE UK AS A RESULT OF VAT HAD ALREADY CAUSED MANY SMALL BUSINESSES TO CLOSE DOWN, AND URGED HONG KONG TO LEARN THE LESSON FROM THE UK EXPERIENCE AND TO KEEP THE TAX SYSTEM SIMPLE.

+AT THE END OF THE DAY, IF WE CHOSE TO MOVE IN THE DIRECTION OF A BROADLY BASED INDIRECT TAX, THEN IT MIGHT BE NECESSARY TO DEVISE A SIMPLIFIED VERSION OF VAT, EASY TO ADMINISTER AND SUITABLE FOR APPLICATION WITHIN THE FRAMEWORK OF OUR SIMPLE TAX STRUCTURE,+ HE SAID.

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HE STRESSED THAT INDIRECT TAXATION DID HAVE THE ADVANTAGE OF PRESERVING INDIVIDUAL BASIC RIGHT OF CHOICE AND THAT AN UNDULY HIGH RATE OF DIRECT TAXATION WOULD NOT BE CONDUCTIVE TO PROMOTING INCENTIVES.

ON BALANCE, MR WONG SAID HE WAS IN FAVOUR OF WIDENING THE TAX BASE BUT WARNED THAT CAUTION SHOULD BE EXERCISED IN EXTENDING THE RANGE OF INDIRECT TAXES.

+MODERN TAX SYSTEMS ARE ESSENTIALLY A COMPROMISE. OUR QUEST IS TO FIND THE RIGHT COMPROMISE IN THE CONTEXT OF HONG KONG,+ HE SAID.

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PROS AND CONS OF INDIRECT TAXATION EXAMINED  
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DR THE HON HO KAM-FAI TODAY (WEDNESDAY) EXAMINED IN DETAIL THE PROS AND CONS OF INDIRECT TAXATION DURING THE BUDGET DEBATE IN THE LEGISLATIVE COUNCIL.

DR HO SAID HE COULD SEE SOME MERITS IN WIDENING THE SCOPE OF INDIRECT TAXATION, SO LONG AS THE GENERAL TAXATION GUIDELINES LAID DOWN BY PREVIOUS FINANCIAL SECRETARIES WERE BEING OBSERVED.

+UNDER THESE CIRCUMSTANCES, INDIRECT TAXES ARE COMPLEMENTARY TO, BUT NOT REPLACING, DIRECT TAXES IN REVENUE RAISING; THE SAME BURDEN OF INDIRECT TAXES IS MERELY SPREAD MORE WIDELY ACROSS DIFFERENT SEGMENTS OF THE SOCIETY,+ HE SAID.

HOWEVER, THERE WERE GENUINE FEARS THAT THE GOVERNMENT WOULD HAVE FEW ALTERNATIVES BUT TO ALLOW INDIRECT TAXATION TO SLIP INTO THE ROLE OF A MAJOR INSTRUMENT OF REVENUE RAISING IN THE FACE OF A LESS THAN SATISFACTORY EXPORT PERFORMANCE OR UNDER THE CONSTANT PRESSURE OF RISING SOCIAL ASPIRATIONS AND WELFARE, DR HO NOTED.

HE SAID INDIRECT TAXATION TOTALLY DISREGARDED THE ABILITY TO PAY AS TAXES WERE LEVIED AT THE SAME RATE UPON CONSUMPTION, IRRESPECTIVE OF THE INCOME LEVEL OF THE CONSUMER.

+THIS TYPE OF TAXATION IS THEREFORE CONSIDERED TO RUN COUNTER TO THE PRINCIPLE OF SOCIAL EQUITY,+ HE SAID.

ALTHOUGH THE HONG KONG GOVERNMENT WAS ORIENTED TOWARDS A MERCANTILE ECONOMY, IT HAD, NEVERTHELESS, IN THE LAST DECADE TAKEN ON THE FUNCTIONS OF A CARING AND BENEVOLENT GOVERNMENT.

/+THESE POSITIVE .....

+THESE POSITIVE FEATURES OF THE GOVERNMENT ARE WELL SUITED TO THE UNIQUE DEVELOPMENTS OF HONG KONG, AND SHOULD NOT BE PUT IN JEOPARDY BY ADOPTING A TAXATION POLICY THAT PAYS NO ATTENTION TO THE PEOPLE'S ABILITY TO PAY,+ DR HO SAID.

HE SAID THAT AN ILL-CONCEIVED INDIRECT TAXATION SYSTEM, COUPLED WITH WIDE GAPS IN INCOME DISTRIBUTION CURRENTLY PREVAILING IN HONG KONG, MIGHT LIKELY ACCENTUATE NEGATIVE SENTIMENTS IN THE COMMUNITY AT THESE SENSITIVE TIMES OF TRANSITION.

HE NOTED THAT THE HONG KONG GOVERNMENT HAD BEEN MAKING GENEROUS PROVISIONS IN THE LAST 10 TO 15 YEARS FOR HOUSING, EDUCATION, HEALTH AND WELFARE. THIS BENEVOLENT GOVERNMENT POLICY COULD BE READILY VERIFIED BY REFERENCE TO THE PREVIOUS ANNUAL POLICY SPEECHES AND BUDGET SPEECHES.

+I WISH TO BE CONFIRMED THAT OUR FINANCIAL SECRETARY'S THINKING ON INDIRECT TAXATION IS NOT A HINT TO SIGNIFY A REVERSING OF THE POLICIES ADVOCATED BY OUR FORMER GOVERNORS AND FINANCIAL SECRETARIES,+ HE SAID.

HE NOTED THAT ONE OF THE REASONS ADVANCED BY THE FINANCIAL SECRETARY IN SUPPORT OF A BROADLY-BASED INDIRECT TAXATION WAS THE STABILITY OF REVENUE SOURCE.

HOWEVER, FOR THOSE COMMODITIES THAT COULD BE FORGONE WITH EASE, NO REVENUE WOULD BE GENERATED. NON-ESSENTIAL ITEMS CAME UNDER THIS CATEGORY OF COMMODITIES. REDUCED CONSUMPTION OR DIMINISHED PURCHASING POWER ON THE PART OF THE CONSUMERS ON ACCOUNT OF POOR EMPLOYMENT OR UNDER-EMPLOYMENT WOULD LIKEWISE RESULT IN SHRUNKEN REVENUE, DR HO SAID.

+A MORE ASSURED AND LONG-TERM MEANS TO BOOST THE YIELDS TO THE PUBLIC COFFERS IS TO FURTHER IMPROVE OUR ABILITY TO EXPORT THROUGH A PACKAGE OF GOVERNMENT-SPONSORED PLANS: INFRASTRUCTURAL INVESTMENT, CREDIT FACILITATION, RESEARCH AND PRODUCTIVITY PROMOTION, TECHNOLOGICAL TRANSFER, TRAINING AND UPGRADING OF MANPOWER, MARKETING INFORMATION AND SO ON,+ HE ADDED.

DR HO SAID EXPERIENCE SHOWED THAT HONG KONG'S EXPORT CAPABILITIES WERE THE GENUINE LOCOMOTIVES OF THE LOCAL ECONOMY AND THE MORE RELIABLE GENERATOR OF PUBLIC REVENUE.

HE WELCOMED A LOW RATE OF DIRECT TAXATION IF IT CAME ABOUT AS A RESULT OF ECONOMIC GROWTH. HOWEVER, IF IT CAME ABOUT AS A TRADE-OFF FOR A WIDENING NET OF INDIRECT TAXATION, HE WAS AFRAID THAT THIS POLICY OPTION MUST HAVE OVERLOOKED OTHER OBJECTIVES OF GREAT SOCIAL AND ECONOMIC SIGNIFICANCE.

THE FINANCIAL SECRETARY MUST EXERCISE GREAT CARE AND UNDERTAKE THOROUGH CONSULTATION BEFORE DESIGNING A RIGHT MIX OF DIRECT AND INDIRECT TAXES TO YIELD THE REQUIRED RESOURCES TO MEET THE EXPANDING PUBLIC SECTOR EXPENDITURE AGAINST A SET OF DESIRABLE AND ACCEPTED SOCIAL AND ECONOMIC GOALS COMPATIBLE TO THE UNIQUE SITUATIONS OF HONG KONG, DR HO CONCLUDED.

CALL FOR MORE RESEARCH AND DEVELOPMENT EFFORTS  
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HONG KONG'S IMPORTANT INDUSTRIES, OTHER THAN TEXTILES AND GARMENTS, WERE LAGGING FAR BEHIND NEIGHBOURING COMPETITORS OWING TO INSUFFICIENT RESOURCES AND EFFORTS DEVOTED TO RESEARCH AND DEVELOPMENT, THE HON WONG PO-YAN SAID TODAY (WEDNESDAY).

SPEAKING IN THE LEGISLATIVE COUNCIL DURING THE BUDGET DEBATE, MR WONG SAID THAT OUR EFFORTS AND INVESTMENTS IN THESE ACTIVITIES WERE INADEQUATE.

HE SAID IT WAS NOT SUFFICIENT IF WE WERE TO RELY ON THE GOVERNMENT ALONE TO FUND AND PUSH RESEARCH AND DEVELOPMENT ACTIVITIES AND TO AWAIT THE OUTCOME OF THE PRACTICAL APPLICATION OF THEIR RESULTS IN THE INDUSTRIES.

HE CALLED ON INDUSTRIALISTS TO TAKE THE INITIATIVE IN AND COLLABORATE WITH THE GOVERNMENT TO ACHIEVE A BETTER RESULT.

THE ESTABLISHMENT OF THE UNIVERSITY OF SCIENCE AND TECHNOLOGY WOULD HELP IN THIS ASPECT, BUT MR WONG SAID SOME SPECIAL EFFORT WAS NEEDED IMMEDIATELY.

IT MIGHT BE NECESSARY TO RECONSIDER THE SUGGESTION OF CHARGING CERTAIN INDUSTRIES A LEVY FOR THIS PURPOSE, HE SAID.

FURTHERMORE, IN ORDER TO QUICKEN THE PACE, PERHAPS CERTAIN TECHNOLOGIES IN CHINA COULD BE EMPLOYED TO UPGRADE LOCAL INDUSTRIES IF APPROPRIATE ARRANGEMENTS COULD BE MADE, MR WONG SAID.

HE WARNED IF WE DID NOT DEVELOP HIGH TECHNOLOGY FOR OUR PRODUCTIONS IN TIME, WE MIGHT NOT BE ABLE TO CREATE ENOUGH JOBS FOR OUR BETTER EDUCATED AND BETTER TRAINED WORKERS.

+THE END RESULT IS THAT THE WAGES OF OUR LABOUR FORCE WOULD BE TOO HIGH TO ENABLE US TO TAKE ON LABOUR-INTENSIVE JOBS.

+THIS WILL BE A REAL PROBLEM OF THE FUTURE IF WE FAIL TO START SYSTEMATICALLY AND ACTIVELY MAPPING OUT A PLAN TO DEVELOP OUR INDUSTRY AND ITS WORK FORCE TO ADOPT HIGH TECHNOLOGY,+ HE SAID.

ON ECONOMIC MATTERS, MR WONG SAID HE WAS GENERALLY CONVINCED OF THE RESILIENCE OF OUR ECONOMY, AND REMAINED OPTIMISTIC OF OUR ECONOMIC GROWTH EVEN THOUGH WE HAD HAD DIFFERENT PROBLEMS AT DIFFERENT TIMES.

HOWEVER, HE SAID HE COULD SEE THE PROBLEMS IN THE LONG RUN AND AGAINST THEM HE WOULD LIKE TO SEE ACTIVE MEASURES TAKEN AS SOON AS POSSIBLE TO DEAL WITH THEM BEFORE THEY ASSUMED A PROPORTION LARGER THAN WE COULD HANDLE.

HE ALSO BELIEVED THAT HONG KONG'S TEXTILE AND GARMENT INDUSTRIES WOULD REMAIN IN THEIR LEADING POSITION LOCALLY AND IN THE WORLD FOR MANY YEARS TO COME.

THEREFORE, HE SAID, TO COUNTERACT THE PROTECTIONIST RESTRICTIONS, WE NEEDED TO DIVERSIFY OUR PRODUCTS AS WELL AS TO UPGRADE THEIR QUALITY IN ADDITION TO DEVELOPING NEW MARKETS.

ON THE PROBLEMS ENCOUNTERED IN THE BANKING AND DEPOSIT-TAKING INSTITUTIONS, MR WONG SAID LESSONS SHOULD BE LEARNED FROM THE MESS WE EXPERIENCED AND ENFORCE THE ORDINANCE STRICTLY.

+WE CANNOT AFFORD TO HAVE SIMILAR INCIDENTS HAPPENING AGAIN AND BE MADE TO BE RESPONSIBLE FOR RESCUE,+ HE SAID.

ON WIDENING THE SCOPE OF INDIRECT TAXES AND THE SALARIES TAX NET MR WONG SAID HE FOUND THE CHOICE BETWEEN THEM A DILEMMA.

HE SAID THERE WERE PROS AND CONS OF THIS QUESTION AND HE BELIEVED THAT IT WAS NECESSARY FOR THE LEGISLATIVE COUNCIL TO GIVE THE MATTER FURTHER CONSIDERATION IN THE COMING MONTHS, AND TO TAKE IN THE OVERALL ECONOMIC CIRCUMSTANCES OF HONG KONG IN THE INTERVENING PERIOD BEFORE THE FINANCIAL SECRETARY DREW UP THE NEXT BUDGET.

EARLIER IN HIS SPEECH, HE EXPRESSED DISAPPOINTMENT THAT THE DUTY ON NON-ALCOHOLIC BEVERAGES, WHICH WAS RE-INTRODUCED IN 1985-86 MAINLY AS A REVENUE RAISING MEASURE, HAD NOT BEEN REMOVED EVEN WITH THE IMPROVED OVERALL REVENUE POSITION.

MR WONG ALSO SPOKE ON THE SUBJECT OF POLLUTION CONTROL. HE WELCOMED THE UPGRADING OF THE ENVIRONMENTAL PROTECTION AGENCY INTO A DEPARTMENT, WITH A SUBSTANTIAL BUDGET AND AN ENLARGED ESTABLISHMENT.

HE HOPED THAT NOT ONLY WOULD ITS STAFF BE EMPOWERED BY LAW TO COMBAT POLLUTION BUT THEY WOULD ALSO EDUCATE AND ADVISE INDUSTRIALISTS ON THE NEED FOR ENVIRONMENTAL HEALTH FOR THE WELL-BEING OF THE WHOLE COMMUNITY.

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WARNING AGAINST UNSCRUPULOUS OVERSEAS INVESTORS  
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THE HON STEPHEN CHEONG TODAY (WEDNESDAY) WARNED THAT SOME +LESS THAN PRUDENT+ OVERSEAS INVESTORS WERE OUT TO MAKE A +QUICK BUCK+ IN HONG KONG.

SPEAKING DURING THE BUDGET DEBATE, MR CHEONG SAID BASED ON WHAT HE HAD HEARD AND READ SO FAR, THERE DID NOT SEEM TO BE MUCH MONEY BEING BROUGHT IN FROM ABROAD FOR HUGE INVESTMENTS.

HE SAID THAT RIGHTS ISSUES WERE ARRANGED OR TO BE ARRANGED IN MIND-BOGGLING SUMS DESIGNED TO REDUCE GEARING RATIOS WITH LOCAL MONEY AND HE FELT DUTY-BOUND TO URGE THE GOVERNMENT TO BE FULLY AWARE OF THE DANGERS OF A SELF-BLOWN BALLOON BEING BURST THROUGH INDISCRIMINATE OVERSTRETCHING.

+AS WE MAY FACE UNCONTROLLABLE OR UNFORESEEN EXTERNAL FACTORS, HONG KONG CERTAINLY CAN ILL-AFFORD ANOTHER MAJOR SETBACK PRECIPITATED BY LESS THAN PRUDENT WHEELER DEALERS,+ HE WARNED.

MR CHEONG STRESSED THAT THE ECONOMY NOW OR EVEN IN FUTURE SHOULD BE BUILT ON SOLID FOUNDATIONS SUCH AS TRADE AND INDUSTRY.

HE SUGGESTED THAT TRADERS AND INDUSTRIALISTS SHOULD BE ENCOURAGED TO EXPAND THEIR ACTIVITIES AND INCREASE THEIR INVESTMENTS.

HE NOTED THAT RESULTS OF REVIEW STUDIES COMMISSIONED BY THE GOVERNMENT ON VARIOUS INDUSTRIAL SECTORS ALL POINTED TO ONE HANDICAP EXPERIENCED BY INDUSTRIALISTS - THAT OF DIFFICULTIES IN OBTAINING THE NECESSARY FINANCIAL SUPPORT FOR THEIR EXPANSION AND UP-GRADING PROGRAMMES.

HE URGED THE GOVERNMENT TO TAKE A CLOSE INTEREST IN THIS AND SAID IT WAS HIGH TIME THAT THE IMPORTANCE OF INDUSTRY TO HONG KONG SHOULD NOT JUST BE RECOGNISED BY EMPTY WORDS BUT ALSO BY SOME WELL-BALANCED AND WELL THOUGHT-OUT ACTIONS.

ON THE BUDGET ITSELF, MR CHEONG PRAISED THE FINANCIAL SECRETARY FOR BEING +EXTREMELY PRAGMATIC+ AND SAID THIS DISPLAY OF PRAGMATISM AND CAUTION UNDERLINED HIS WEALTH OF WISDOM.

HE SUPPORTED THE BASIC PHILOSOPHIES ADOPTED IN THE BUDGET SPEECH AND COMMENTED THAT THE CALL FOR A DEBATE ON THE RATIO OF DIRECT AND INDIRECT TAXATION WAS TIMELY.

HOWEVER, HE DID NOT THINK IT WISE TO EVENTUALLY MOVE THE RATIO BEYOND 50-50, SUGGESTING INSTEAD THAT THE SMALL SWING MARGIN OF 10 PER CENT SHOULD BE INITIALLY EXPLORED WITH THE AIM OF LEVYING A HEAVIER BURDEN ON CONSUMPTION OF LUXURIOUS ITEMS.

MR CHEONG ALSO AGREED WITH THE FINANCIAL SECRETARY THAT A MORE CAUTIOUS STEP SHOULD BE TAKEN OF THE FUTURE ECONOMY.

/HE NOTED .....

HE NOTED THE PROJECTED GROWTH RATE OF GDP FOR 1987-88 MIGHT WELL TURN OUT TO BE SLIGHTLY CONSERVATIVE BUT WARNED THAT THE EXISTENCE OF EXTERNAL UNCERTAINTIES CALLED FOR MORE VIGILANCE IN THE HOME FRONT WITH REGARD TO DOMESTIC ECONOMY.

MR CHEONG ALSO EMPHASISED THE NEED TO MAINTAIN AN ENVIRONMENT OF ECONOMIC STABILITY WHICH WOULD BE CONDUCTIVE TO THE WELL-BEING OF THE MAJORITY OF CITIZENS IN HONG KONG.

HE SAID THAT POLITICS IN HONG KONG SHOULD NOT TAKE PRECEDENCE OVER THE WORK TO ENHANCE ECONOMIC WELL-BEING OF THE PEOPLE AND IT COULD NOT TAKE THE SAME DIMENSION AS IN OTHER INDEPENDENT COUNTRIES.

ELABORATING ON THIS, MR CHEONG REITERATED THAT PARTY POLITICS AND ADVERSARIAL POLITICS WERE DEFINITELY NOT CONDUCTIVE TO FUTURE DEVELOPMENT OF THE LIVELIHOOD OF THE MAJORITY OF THE HONG KONG PEOPLE.

HE ARGUED THAT IN A SOCIETY LIKE HONG KONG WHICH WAS VERY YOUNG IN ITS EXPOSURE TO POLITICS, THE PLAYING OF ADVERSARIAL POLITICS AND THE CONSTANT EMPLOYMENT OF PRESSURISING AND CONFRONTATIONAL TACTICS INVARIABLY HAD A GREATER RISK OF BREEDING INSTABILITY IN THE SOCIETY.

DRAWING ON HIS EXPERIENCES FROM PARTICIPATING IN INTERNATIONAL TRADE NEGOTIATIONS, HE POINTED OUT THAT NO NEGOTIATION COULD EVER BE SUCCESSFULLY CONDUCTED IF +MEGAPHONE TACTICS WERE DEPLOYED ALL THE TIME+.

HE THEREFORE APPEALED TO ALL POLITICAL ASPIRANTS IN HONG KONG TO +THINK VERY CAREFULLY BEFORE EMBARKING ON THE USE OF NON-PRODUCTIVE REBEL ROUSING TACTICS BECAUSE THE END RESULT WOULD MORE LIKELY THAN NOT LEAD HONG KONG TO A MORE ADVERSE SITUATION+.

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FAIR SHARE OF TAX FOR EVERYONE  
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DR THE HON HENRIETTA IP SAID TODAY (WEDNESDAY) THAT HER CONCEPT OF A GOOD BUDGET WAS THAT PROPOSALS TO RAISE REVENUE SHOULD COVER ANTICIPATED EXPENDITURE BY ENSURING THAT EVERYONE PAID A FAIR SHARE OF TAX, EXCEPT FOR THE VERY POOR.

+IN CONSIDERING WHAT IS FAIR, WE RENDER THOSE WHO EARN MORE PAY PROPORTIONATELY MORE TAX, WITHOUT SUPPRESSING THE INCENTIVE TO WORK HARD,+ DR IP SAID DURING THE BUDGET DEBATE IN THE LEGISLATIVE COUNCIL.

/SHE ADDED .....

SHE ADDED THAT THE TAX STRUCTURE SHOULD REMAIN SIMPLE AND THAT NO GROUP SHOULD BE SINGLED OUT TO PAY A DISPROPORTIONATE AMOUNT OF TAX.

SHE SAID THAT IF THE FINANCIAL SECRETARY HAD CONSIDERED SEPARATE TAXATION FOR MARRIED WOMEN, HIS BUDGET WOULD HAVE BEEN A PERFECT ONE.

IT WOULD BE UNAVOIDABLE AND UNFORGIVABLE IF SEPARATE TAXATION FOR MARRIED WOMEN SHOULD BE EXCLUDED IN NEXT YEAR'S BUDGET, SINCE THE PROPOSAL FOR SEPARATE TAXATION HAD NOW BEEN UNANIMOUSLY SUPPORTED BY ALL THE NON-GOVERNMENT MEMBERS OF THE LEGISLATIVE COUNCIL.

TURNING TO THE ANALYSIS OF THE BUDGET ESTIMATE FOR EXPENDITURE, DR IP SAID THAT DEFICIENCIES WHICH WERE HIGHLIGHTED DURING THE EXAMINATION OF THE BUDGET ESTIMATE HAD ALWAYS BEEN WITH THE POLICIES THAN WITH THEIR ADMINISTRATION.

SHE SAID THAT AS CHANGES IN POLICIES WOULD INFLUENCE THE EFFECTIVENESS OF EXPENDITURE, THE GOVERNMENT MUST BE MORE SENSITIVE TO THE CHANGING NEEDS OF SOCIETY.

+WHEN PAST NEEDS HAVE BEEN RELATIVELY SATISFIED COMPARED TO NEW EMERGING ONES, WE MUST BE BOLD TO RETRACT WITH NO FEAR OF SECTORAL CHALLENGE,+ SHE SAID.

SHE ADDED THAT THE WITHDRAWAL OF WEEKEND TRANSPORT SUBSIDY FOR STUDENTS WAS AN EXCELLENT EXAMPLE. +PERPETUATING AN EXPENDITURE FOR HISTORICAL REASONS, OR REFUSAL TO MAKE REVIEW BECAUSE OF THE SMALL FINANCIAL IMPLICATION, WAS NOT ACCEPTABLE,+ SHE SAID.

SHE SAID THAT FOR EACH ITEM OF EXPENDITURE THE CONTROLLING OFFICERS, BEFORE CALCULATING HOW MUCH MORE WAS NEEDED TO MEET RISING COST AND IMPROVE QUALITY, SHOULD ASK THEMSELVES FIRSTLY WHETHER THE NEED FOR SUCH EXPENDITURE STILL EXISTED AND SECONDLY WHETHER RECENT INTRODUCTION OF NEW SERVICES HAD CAUSED DUPLICATION.

THE SCHOOL MEDICAL SERVICE WAS ONE IN WHICH THE GOVERNMENT ACCEPTED DUPLICATION, SHE SAID.

AT THE SAME TIME, WHEN AREAS OF DEFICIENCY WERE IDENTIFIED, THE GOVERNMENT MUST BE PREPARED TO CREATE EXPENDITURE TO MEET THESE NEEDS WITHOUT FEAR OF STARTING A PRECEDENT, SHE SAID.

SHE ADDED THAT DENTAL NEEDS OF THE ELDERLY WAS AN AREA WHERE THE GOVERNMENT SHOULD ATTEMPT TO MEET. LOWERING THE AGE LIMIT TO 65 YEARS WAS A FEASIBLE COMMITMENT.

SHE NOTED THAT MINIMISING EXPENDITURE EXCESSIVELY OR INADEQUATE PROVISIONS IN ONE SECTION OF A DEPARTMENT MIGHT HAVE UNTOWARD EFFECTS OF REDUCING OVERALL EFFECTIVENESS OF THAT OR OF ANOTHER DEPARTMENT.

INADEQUATE PROVISIONS OF HALFWAY HOUSES FOR THE MENTALLY ILL, DISTRICT NURSING, HOME FOR THE AGED, CONVALESCENT BEDS AND HOME FOR THE SEVERELY MENTALLY HANDICAPPED SERVED AS A BLOCKAGE TO HOSPITAL DISCHARGE, THEREBY WASTING ACUTE HOSPITAL SPACE.

SHE ALSO NOTED THAT AS THE GOVERNMENT OFTEN ALLOWED A CERTAIN PERCENTAGE OF ANNUAL INCREASE IN EXPENDITURE BASED ON THE PREVIOUS ONE, THERE WAS A TENDENCY FOR LARGE DEPARTMENTS TO GROW AND NEW ONES TO REMAIN SMALL. THE INDEPENDENT COMMISSION AGAINST CORRUPTION AND THE ENVIRONMENTAL PROTECTION DEPARTMENT WERE EXAMPLES OF THESE TWO EXTREMES.

+THERE IS NO DOUBT THAT WE HAVE NOW A CLEANER HONG KONG IN TERMS OF CORRUPTION AND A DIRTIER ONE IN TERMS OF POLLUTION,+ SHE SAID.

SHE WOULD LIKE TO SEE A REDUCTION IN THE EXPENDITURE OF THE ICAC AND AN INCREASE IN THE ALLOCATION OF FUNDS TO THE ENVIRONMENTAL PROTECTION DEPARTMENT.

TURNING TO THE CIVIL SERVICE, DR IP SAID THE GOVERNMENT OUGHT TO LOOK INTO WAYS OF MAXIMISING WORK OUTPUT. ALLOWING AN ANNUAL SINGLE INCREMENT TO ALL STAFF ACROSS THE BOARD GAVE NO SHORT TERM INCENTIVES AS IT DID NOT DISTINGUISH THE ANGELS FROM THE DEVILS.

SHE SAID THE GOVERNMENT HAD A FINE FLEET OF WELL QUALIFIED EXECUTIVE OFFICERS WHO OUGHT TO BE GIVEN FAR MORE RESPONSIBILITY THAN THEY WERE AT PRESENT. DELEGATION OF WORK TO CLERICAL WORKERS COULD RELEASE MORE EXECUTIVE OFFICERS TO OTHER IMPORTANT TASKS NOW HANDLED BY ADMINISTRATIVE OFFICERS.

SHE ADDED THAT A LOT OF VALUABLE MAN-HOURS WERE WASTED WHEN DECISIONS WHICH COULD BE MADE AT A PERSONAL LEVEL WERE LOADED ON TO COMMITTEES FOR FEAR OF ICAC.

+WE HAVE NOW GOT A FINE CIVIL SERVICE. IT IS ABOUT TIME WE GIVE THEM MORE TRUST,+ SHE SAID.

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CALL TO MONITOR +SECURITISATION+ ACTIVITIES  
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THE HON PETER POON TODAY (WEDNESDAY) CALLED ON THE GOVERNMENT TO MONITOR +SECURITISATION+ ACTIVITIES IN THE BANKING AND SECURITIES MARKET.

NOTING THAT THE SECRETARY FOR MONETARY AFFAIRS WAS REVIEWING THE SITUATION, MR POON SAID TIMELY MONITORING OF SUCH ISSUES WITH PROPER GUIDELINES WAS NEEDED BEFORE THE OCCURRENCE OF POSSIBLE UNDESIRABLE EFFECTS TO THE HONG KONG FINANCIAL MARKET.

/SPEAKING .....

SPEAKING AT THE LEGISLATIVE COUNCIL DURING THE BUDGET DEBATE, HE SAID THAT FORMERLY WHEN CORPORATIONS NEEDED MONEY THEY WOULD RAISE IT THROUGH CAPITAL ISSUES OR SEEK FINANCE FROM BANKS.

NOW IT WOULD APPEAR THAT THEY COULD PRINT THEIR OWN MONEY WITHOUT GIVING SECURITIES OR PERSONAL GUARANTEES FROM DIRECTORS, HE SAID.

MR POON SAID SUCH NEW INSTRUMENTS WERE USUALLY UNSECURED OR EVEN SUBORDINATED AND RELIED MAINLY ON THE REPUTATION OF THE ISSUING COMPANY.

THE RATIONALE WAS SUPPOSED TO BE THAT IT WOULD REDUCE THE RISKS OF BANKS IF THERE WAS AN ACTIVE SECONDARY MARKET.

+BUT IF THERE IS NO SUCH MARKET TO SPREAD THE RISKS, IT SEEMS THAT THE BANKS, DEPOSIT-TAKING COMPANIES OR FUNDS ARE SHOULDERING A HIGH PROPORTION OF RISKS AT INTEREST WHICH IS SUBSTANTIVELY LESS THAN THAT FOR THE USUAL UNSECURED LOANS,+ HE SAID.

HE ADDED THAT THE FINANCIAL SECRETARY HAD NOTED THIS SCENARIO IN HONG KONG AND THAT A CHANGE IN INTEREST RATE TREND WOULD IMMEDIATELY AFFECT THEIR MARKET VALUE CONSIDERABLY.

MR POON AGREED WITH THE FINANCIAL SECRETARY THAT BOTH THE DISCLOSURE OF SHARES IN PUBLIC LISTED COMPANIES AND INSIDER DEALING WERE CONTROVERSIAL SUBJECTS, BUT HE FELT THESE PROBLEMS NEEDED TO BE ADDRESSED.

HE SAID HE LOOKED FORWARD TO THE RECOMMENDATIONS OF THE STANDING COMMITTEE ON COMPANY LAW REFORM BUT HE WAS SURE THE ISSUE WOULD BE FULLY DEBATED BEFORE ANY LAWS WERE INTRODUCED.

+AS AN INTERNATIONAL FINANCIAL CENTRE, HONG KONG NEEDS TO BE SEEN TO MAINTAIN ITS REPUTATION IN THE FIELD OF PROTECTION OF INVESTORS AND PROPER ETHICS AND CONDUCT IN THE FINANCIAL SECTOR,+ HE SAID.

ON THE GOVERNMENT'S BUDGETARY POLICY, MR POON COMMENTED THAT THE GENERAL RULE OF KEEPING GOVERNMENT EXPENDITURE WITHIN THE GROWTH OF THE GDP WAS A SENSIBLE ONE.

HOWEVER, IT DID NOT MEAN THAT HONG KONG COULD NEVER GO INTO DEFICIT IN ANY ONE YEAR AND FINANCE IT BY ITS RESERVES OR ISSUING BONDS IF NECESSARY, HE SAID.

+BUT THE AIM OF BUILDING UP OUR RESERVES GRADUALLY TO A STRONGER LEVEL CAN HARDLY BE FAULTED.

+THERE ARE STILL SOME DARK CLOUDS AHEAD, NOT THE LEAST OF WHICH IS 'PROTECTIONISM', AGAINST WHICH WE HAVE NO DEFENCE.

+OUR OPEN ECONOMY IS SUSCEPTIBLE TO ECONOMIC AND POLITICAL SHOCKS AND THE VOLATILITY OF FUNDS OF OUR OWN PEOPLE AND FOREIGN INVESTORS,+ MR POON SAID.

ON THE QUESTION OF BROADENING THE TAX BASE IN HONG KONG, MR POON NOTED THAT THE FINANCIAL SECRETARY WAS CONCERNED THAT ANY PACKAGE THAT HAD A MARKED ADVERSE EFFECT ON THE COST OF LIVING AND WAS EXPENSIVE AND DIFFICULT TO ADMINISTER WOULD NOT BE RIGHT FOR HONG KONG.

+IN MY VIEW, A VALUE ADDED TAX TYPE OF INDIRECT TAX COMPLETELY FITS THIS FORMULA AND OUGHT NOT TO BE CONSIDERED,+ HE SAID.

+WHETHER OTHER FORMS OF INDIRECT TAXES WHICH BROADEN THE TAX BASE WITHOUT UNDESIRABLE EFFECTS SHOULD BE INTRODUCED CAN FORM THE BASIS OF FURTHER CONSIDERATION,+ HE ADDED.

TURNING TO THE REVENUE MEASURES FOR 1987-88, MR POON SAID THE MODERATE ADJUSTMENTS PROPOSED ON VARIOUS TAXES, MOSTLY TO TAKE INTO ACCOUNT INFLATION, WERE REASONABLE.

AS TO TAX CONCESSIONS, THE BUSINESS COMMUNITY, WHILE APPRECIATING THE 0.5 PER CENT REDUCTION IN CORPORATE TAX AND PROFITS TAX, WOULD PROBABLY LIKE TO SEE FURTHER REDUCTIONS, PREFERABLY TO THE STANDARD RATE SINCE THE FORMER INCREASES WERE MADE DURING DIFFICULT TIMES.

IN ANY CASE, MR POON SAID, SINCE HONG KONG'S TAX PHILOSOPHY WAS TO HAVE A SIMPLE AND LOW TAX REGIME, THE 0.5 PER CENT REDUCTION WAS AN INDICATION OF GOVERNMENT'S COMMITMENT IN THIS RESPECT.

FURTHERMORE, HE WELCOMED THE PROPOSED INCREASES IN PERSONAL AND CHILD ALLOWANCES AND THE EXTENSION OF THE THIRD BAND OF TAXABLE INCOME IN THE SECOND SCHEDULE OF THE INLAND REVENUE ORDINANCE.

AS TO SEPARATE TAXATION, MR POON SAID HE WAS DISAPPOINTED THAT DESPITE THE LARGE SURPLUS, THE FINANCIAL SECRETARY HAD NOT FOUND IT APPROPRIATE TO BE A LITTLE MORE GENEROUS.

AS TO THE REVENUE WHICH WOULD BE LOST, IF IT WAS INEQUITABLE TO COMBINE THE WORKING WIFE'S INCOME WITH THAT OF HER HUSBAND AND CREATE ADDITIONAL TAX BURDEN, THE INEQUITIES SHOULD BE REMEDIED, HE NOTED.

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IF THE PRESENT SITUATION WAS ALLOWED TO CONTINUE, THE COST OF IMPLEMENTING SEPARATE TAXATION WOULD INCREASE EVERY YEAR AND GOVERNMENT WOULD HAVE MORE EXCUSES FOR NOT ADDRESSING THE PROBLEM, HE SAID.

HE SAID DESPITE THE FACT THAT THE ALLOWANCE FOR MARRIED COUPLES WAS SLIGHTLY MORE THAN DOUBLE THAT FOR A SINGLE PERSON, A WORKING WIFE HAD ADDITIONAL EXPENSES TO INCUR AND YET SHE WAS PENALISED FOR EARNING INCOME AS A WIFE INSTEAD OF AS A SINGLE PERSON.

HE THEREFORE ASKED THE FINANCIAL SECRETARY TO GIVE SERIOUS CONSIDERATION TO THIS AND INTRODUCE IT IN HIS NEXT BUDGET EVEN IF HE COULD NOT ACCEDE TO THE REQUEST FOR SEPARATE TAXATION FOR MARRIED WOMEN FOR THE TIME BEING.

+THIS IS IN LINE WITH THE RECOMMENDATIONS OF THE THIRD INLAND REVENUE REVIEW COMMITTEE AND INVOLVES LITTLE EXPENSE TO IMPLEMENT UNDER THE PRESENT COMPUTERISED SYSTEM OF ASSESSMENT.

+THOUGH THERE CAN NEVER BE ABSOLUTE FAIRNESS TO ALL TAXPAYERS UNDER ANY TAX SYSTEM, I URGE STRONGLY THAT THE MATTER SHOULD BE GIVEN SYMPATHETIC AND EARLY CONSIDERATION,+ HE SAID.

TURNING TO THE QUESTION OF DOUBLE TAXATION, MR POON SAID HE WAS PLEASED THAT PROGRESS HAD BEEN MADE IN REVIEWING THIS, PARTICULARLY IN RELATION TO EMPLOYEES OF HONG KONG COMPANIES WHO MADE FREQUENT TRIPS TO CHINA.

HE SAID THE PROBLEMS ARE BEING QUANTIFIED AND THE PROPOSED LEGISLATION ON TIME-APPORTIONMENT SHOULD REDUCE SOME OF THESE PROBLEMS.

+NO DOUBT BUSINESS AND PROFESSIONAL ORGANISATIONS WILL BE ABLE TO CONTRIBUTE INFORMATION AND EVIDENCE OF ALLEGED HARDSHIP SO THAT SUCH LEGISLATION CAN QUICKLY DEAL WITH THE IMMEDIATE SITUATION PENDING FURTHER STUDY OF THE DOUBLE TAXATION PROBLEM,+ HE NOTED.

MR POON POINTED OUT THAT AT PRESENT, HONG KONG HAD NO DOUBLE TAX AGREEMENT WITH ANY COUNTRY AND IT HAD NOT BEEN NECESSARY SINCE HONG KONG'S RATES WERE LOW AND OTHER COUNTRIES NORMALLY GRANTED RELIEF OR REBATE FOR TAX PAID IN HONG KONG IN RELEVANT CIRCUMSTANCES.

ON ANTI-AVOIDANCE LEGISLATION, MR POON SAID HONG KONG SHOULD BE CAREFUL NOT TO INTRODUCE ANY COMPLICATED LEGISLATIONS WHICH MIGHT HAMPER LEGITIMATE OR NORMAL BUSINESS ACTIVITIES.

+I AM SURE THAT, AS IN THE CASE OF THE GENERAL ANTI-AVOIDANCE LEGISLATION INTRODUCED LAST YEAR, THERE WOULD BE PROPER CONSULTATION TO AVOID SUCH A DANGER,+ HE ADDED.

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## HK'S POSITION AS FINANCIAL CENTRE MUST BE RETAINED

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HONG KONG MUST RETAIN ITS SYSTEM OF LOW TAX STRUCTURE, MINIMUM RED TAPE, LOW ECONOMIC OVERHEADS, AND POLITICAL, LEGAL AND SOCIAL STABILITY IN ORDER TO REINFORCE AND ENHANCE ITS POSITION AS AN INTERNATIONAL FINANCIAL CENTRE, THE HON HILTON CHEONG-LEEN SAID TODAY (WEDNESDAY).

SPEAKING DURING THE BUDGET DEBATE IN THE LEGISLATIVE COUNCIL, HE SAID THIS IN TURN WOULD FOSTER THE RIGHT ENVIRONMENT IN HONG KONG FOR FURTHER INDUSTRIAL DEVELOPMENT AND LONGER TERM INVESTMENT COMMITMENT -- THE KEY TO MAKING THE FUTURE OF HONG KONG UNDER +ONE COUNTRY TWO SYSTEMS+ A REALITY BY 1997.

MR CHEONG-LEEN GAVE FULL SUPPORT TO THE FINANCIAL SECRETARY'S REAFFIRMATION TO MAINTAIN A LOW AND PREDICTABLE TAX REGIME, WHERE THERE WAS A COMMITMENT TO THE SPIRIT OF PRIVATE ENTERPRISE AND THOROUGH DEDICATION TO CONTINUOUS IMPROVEMENTS IN THE PUBLIC SERVICES.

ON THE PRINCIPLE FOR WIDENING THE TAX NET, HE SAID THAT IN A LOW TAX TERRITORY LIKE HONG KONG, WITH ITS PROVEN RECORD OF ECONOMIC SUCCESSES, THE AIM SHOULD BE FOR A 50-50 RATIO IN THE YIELDS FROM DIRECT AND INDIRECT TAXES.

HE SAID THAT SPREADING THE TAX BURDEN MORE WIDELY ACROSS THE COMMUNITY ON A RATIONALLY SELECTIVE ITEM-BY-ITEM BASIS, AND WITH THE NEED TO REVIEW ANNUALLY THE LEVEL OF INDIRECT TAX ON EACH SPECIFIC ITEM SHOULD BE AN ONGOING EXERCISE.

MR CHEONG-LEEN CALLED ON THE FINANCIAL SECRETARY TO LOOK INTO THE REPRESENTATIONS MADE BY THE TRAVEL INDUSTRY AND THE BEVERAGE INDUSTRY TO REDUCE THE LEVEL OF CURRENT INDIRECT TAXES IMPOSED.

ON PERSONAL TAXATION, HE SAID HE WELCOMED THE REDUCTION OF STANDARD RATE, ADDING THAT THE TREND SHOULD BE DOWNWARDS IN THE COMING YEARS.

HE SUGGESTED THAT THERE SHOULD BE AN ALLOWANCE FOR HOME BUYERS, ONE THAT SHOULD BE A BOON FOR LOWER-INCOME EARNERS, AND WHICH COULD BE IN THE REGION OF \$20 000.

HE SAID THIS ALLOWANCE COULD ACT AS A FURTHER INCENTIVE FOR FAMILIES WHO WERE NOW IN RENTED PUBLIC ACCOMMODATION TO BUY THEIR OWN HOMES AT AN EARLIER DATE THAN MIGHT HAVE BEEN THE CASE.

ON TAXATION OF MARRIED WOMEN, MR CHEONG-LEEN SAID HE WOULD SUPPORT THE VIEW THAT THERE SHOULD BE SEPARATE TAXATION FOR WORKING WIVES ON AN OPTIONAL BASIS.

HE DID NOT FAVOUR THE SUGGESTION THAT WORKING WIVES SHOULD GET AN ALLOWANCE AS THIS APPROACH, IF ADOPTED, MIGHT NOT BE A PERMANENT SOLUTION.

ON THE GENERAL QUESTION OF ECONOMIC DEVELOPMENT, MR CHEONG-LEEN SAID THE SALARY LEVELS IN THE PUBLIC SERVICE SHOULD BE KEPT WITHIN THE RATE OF INFLATION AND BE BROADLY COMPARABLE WITH THE PRIVATE SECTOR.

REGARDING THE DEVELOPMENT OF THE MANUFACTURING INDUSTRIES, MR CHEONG-LEEN SAID HE WELCOMED THE GOVERNMENT TAKING ON A HIGHER AND MORE SOPHISTICATED PROFILE AS SEEN IN THE RECENT OPENING OF THE CAD/CAM CENTRE BY THE GOVERNMENT SUPPORTED BY THE HONG KONG PRODUCTIVITY COUNCIL.

HOWEVER, HE SAID THAT THE LONG SERVICE PAYMENT PROVISIONS WHICH WERE IMPLEMENTED ON JANUARY 1, 1986 HAD BROUGHT A SERIOUS PROBLEM TO MANY SMALL FACTORIES.

+MANY SMALL FACTORIES ARE DEEPLY CONCERNED ABOUT THEIR CAPABILITY TO FULFIL THESE PROVISIONS AND ARE TRANSFERRING THEIR PRODUCTION INTO CHINA AS FAST AS IS PRACTICABLE.

+WE WILL HAVE TO EXPEDITE THE DEVELOPMENT OF HIGH TECHNOLOGY AND PRODUCTIVITY TO REPLACE THE LABOUR INTENSIVE INDUSTRIES WHICH ARE INEXORABLY BEING TRANSFERRED INTO CHINA,+ HE SAID.

LOOKING AT THE FUTURE IN TERMS OF PRESERVING STABLE LABOUR RELATIONS, HE URGED THE GOVERNMENT TO MOVE TOWARDS A PUBLIC CONSENSUS ON A PROVIDENT FUND SYSTEM WHICH DID NOT HAVE TO BE A GOVERNMENT MANAGED SYSTEM, BUT WHICH COULD BE ADAPTED TO HONG KONG CONDITIONS WHEREBY WORKERS WOULD GET PROTECTION IN THEIR OLD AGE, BUT WHICH WOULD NOT CAUSE HONG KONG PRODUCTS TO BE OVER-PRICED IN WORLD MARKETS.

REGARDING COMMUNITY AND WELFARE SERVICES, MR CHEONG-LEEN AGAIN CALLED FOR THE SETTING UP OF AN OFFICE OF THE COMMISSIONER FOR SERVICES FOR THE ELDERLY IN ORDER TO PLAN AND COORDINATE POLICIES AND THEIR IMPLEMENTATION TO MAKE LIFE MORE BEARABLE AND ENJOYABLE FOR THE GROWING NUMBER OF SENIOR CITIZENS.

ON PUBLIC HOUSING, HE SAID HE WAS PLEASED TO HEAR THAT THE GOVERNMENT WAS COMMITTED TO PROVIDE ADDITIONAL GOOD QUALITY, SUBSIDISED HOUSING FOR NEARLY 800 000 PEOPLE IN THE NEXT FOUR YEARS.

HE ALSO URGED THE FINANCIAL SECRETARY TO ENCOURAGE THE HOUSING AUTHORITY TO GIVE GREATER EMPHASIS TO HOME OWNERSHIP SCHEMES.

+EVEN LOWER-INCOME FAMILIES WOULD NOWADAYS LIKE TO OWN THEIR OWN HOMES, AND GOVERNMENT SHOULD GIVE THEM EVERY PRACTICAL SUPPORT POSSIBLE IN ORDER TO BUILD UP THEIR SENSE OF BELONGING AND COMMITMENT TO HONG KONG,+ HE SAID.

TURNING TO THE PROVISION OF SERVICES FOR THE MENTALLY ILL, HE SAID HE WELCOMED THE ALLOCATION OF FUNDS FOR THE BUILDING OF FOUR NEW HALF-WAY HOUSES FOR EX-MENTALLY ILL PEOPLE.

HE SAID THAT THE GOVERNMENT SHOULD REDOUBLE ITS EFFORTS TO PROVIDE BETTER SERVICES AND FACILITIES FOR THOSE IN NEED OF PSYCHIATRIC CARE AND ASSISTANCE.

HE ALSO SAID HE BELIEVED THAT THERE WAS A NEED FOR A LARGE-SCALE PUBLIC EDUCATION PROGRAMME CONCERNING THE MENTALLY DISABLED.

LASTLY, HE REQUESTED THE GOVERNMENT TO ENCOURAGE THE PRIVATE SECTOR TO SPONSOR MORE CULTURAL, RECREATION AND SPORTS PROGRAMMES.

HE SAID HE HOPED FISCAL MEASURES BY WAY OF TAX REBATES COULD BE GIVEN TO THE PRIVATE SECTOR TO PROVIDE INCREASED SPONSORSHIP TO THE ARTS AND SPORTS.

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BROADLY-BASED INDIRECT TAX SYSTEM NOT NEEDED  
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IN VIEW OF THE GOVERNMENT'S EXCELLENT FINANCIAL POSITION THERE IS NO COMPELLING NEED TO MAKE A MOVE TOWARDS A BROADLY-BASED INDIRECT TAX SYSTEM, THE HON THOMAS CLYDESDALE SAID TODAY (WEDNESDAY).

SPEAKING DURING THE BUDGET DEBATE IN THE LEGISLATIVE COUNCIL, MR CLYDESDALE POINTED OUT THAT GOVERNMENT FINANCE WERE AND ALWAYS HAD BEEN IN EXCELLENT SHAPE AND THEY WERE A GOOD DEAL BETTER THAN THEY APPEARED AT FIRST GLANCE.

HE SAID HE HAD REVIEWED THE GOVERNMENT'S ACCOUNTS SINCE 1960 TO DATE AND HAD FOUND THAT A SURPLUS HAD BEEN ANNOUNCED IN 22 OF THE 27 YEARS WHICH HAD ELAPSED SINCE THAT TIME. DEFICITS HAD BEEN ANNOUNCED IN ONLY FIVE YEARS.

MR CLYDESDALE SAID A CLOSE LOOK AT THE DEFICITS IN THE THREE SUCCESSIVE YEARS TO MARCH 1985 REVEALED THAT THEY RELATED ONLY TO THE CASH DEFICIT ARISING ON GENERAL REVENUE ACCOUNT AFTER CASH TRANSFERS HAD BEEN MADE TO OTHER GOVERNMENT FUNDS.

IF WE DEDUCTED THE BUILD-UP OF CASH RESOURCES IN THESE OTHER FUNDS, THE ACCUMULATED DEFICIT FOR THOSE THREE YEARS WOULD BE REDUCED TO A MUCH LOWER FIGURE, HE SAID.

/IN ADDITION, .....

IN ADDITION, HE SAID THE GOVERNMENT'S SYSTEM OF CASH ACCOUNTING WHICH WAS WRITING OFF ASSETS AS SOON AS THEY WERE PAID FOR INCREASED THE DEFICIT AND MEANT THAT MANY VALUABLE ASSETS WERE NOT INCLUDED IN THE OVERALL FINANCIAL POSITION.

WHILE ACCEPTING THAT THE CASH SYSTEM WAS APPROPRIATE FOR PUBLIC SECTOR ACCOUNTING IN HONG KONG, MR CLYDESDALE SAID IT WAS PROBABLY SAFE TO SAY THAT WE HAD NOT BEEN IN +DEFICIT+ IN ANY OF THE LAST 27 YEARS.

+HONG KONG HAS HAD ITS UPS AND DOWNS, AND YET EXPERIENCE SHOWS THAT REVENUES HAVE ALWAYS BEEN SUFFICIENT. THE PRESENT MIX OF DIRECT TAX AND INDIRECT TAX HOWEVER NARROWLY BASED, HAS YIELDED SUFFICIENT REVENUE BOTH IN BAD YEARS AS WELL AS THE GOOD YEARS,+ HE SAID.

THEREFORE, HE SAID, THERE WAS NO COMPELLING NEED TO INTRODUCE A BROADLY-BASED INDIRECT TAX SYSTEM.

MR CLYDESDALE SUPPORTED THE FINANCIAL SECRETARY'S VIEW THAT A VALUE ADDED TAX (VAT) WOULD BE WHOLLY INAPPROPRIATE, AS VAT WAS A MULTI-STAGE TAX THAT WOULD INVOLVE TOO MUCH ADMINISTRATION WITH ATTENDANT HIGH COSTS.

HE SAID BROADLY-BASED CONSUMPTION TAX WOULD AFFECT POOR PEOPLE MORE THAN RICH PEOPLE AND THAT IT COULD WORK INEQUITABLY IN SOCIAL TERMS.

+IF A CONSUMPTION TAX IS SO CAREFULLY TAILORED AS TO HAVE A NEUTRAL AFFECT ON LOW INCOME GROUPS, IT TOO WILL BE A NARROWLY BASED TAX.

+THIS MAKES ONE WONDER WHETHER SOCIALLY ACCEPTABLE REFORM IN THIS DIRECTION COULD ACHIEVE ANYTHING MEANINGFUL,+ HE SAID.

MR CLYDESDALE SAID THERE WAS A STRONG CASE FOR MAINTAINING THE PRESENT PROGRESSIVE SYSTEM AS IT WAS A BETTER REDISTRIBUTOR OF WEALTH.

IN ADDITION, HE SAID, AS BUSINESS PROFITS AND SALARIES NORMALLY MIRROR MOVEMENTS IN GDP, REVENUES FROM THE PRESENT TAX REGIME SHOULD CONTINUE TO PRODUCE SUFFICIENT REVENUES TO MEET PLANNED GOVERNMENT EXPENDITURE.

+AS WE ALL KNOW PUBLIC EXPENDITURES ARE TO BE LINKED WITH MOVEMENTS IN GDP, BE THEY UPWARDS OR DOWNWARDS,+ HE ADDED.

TURNING TO OTHER TAX PROPOSALS, MR CLYDESDALE SAID THAT THE 60-DAY RULE FOR OUTBOUND EXECUTIVES HAD GREAT POTENTIAL AS A PRACTICAL SOLUTION TO THE MANY SALARIES TAX DISPUTES THAT WOULD OTHERWISE ARISE, AND TO ONE ASPECT OF THE PROBLEM OF DOUBLE TAX WITH CHINA.

HOWEVER, HE SAID GREAT CARE WOULD BE REQUIRED IN DEFINING A +DAY OUT OF HONG KONG+ AS IT SHOULD NOT BE SO LITERALLY DEFINED AS TO REQUIRE RETURN AFTER MIDNIGHT.

LIKEWISE, A PARTICULARLY DEFT TOUCH WAS CALLED FOR IN DRAFTING THE PROPOSED ANTI-AVOIDANCE PROVISION TO COUNTERACT +MYER-INSPIRED+ TAX BASED FINANCING ARRANGEMENTS, HE SAID.

+LET US HOPE THAT THE DRAFTSMAN SELECTS A RIFLE RATHER THAN A BLUNDER-BUSS, AS THERE IS A GREAT DANGER THAT ANTI-AVOIDANCE PROVISIONS OF THIS TYPE CATCH MORE THAN THE MISCHIEF FOR WHICH THEY ARE INTENDED,+ HE ADDED.

MR CLYDESDALE THEN DREW MEMBERS' ATTENTION TO THE FACT THAT ONLY IN 1986-87 WOULD GOVERNMENT ENJOY THE FULL IMPACT OF REVENUES FROM 1986 BUSINESS PROFITS WHICH WERE GENERALLY WELL UP ON THE PREVIOUS YEAR.

HE HOPED, THEREFORE, THAT IN NEXT YEAR'S BUDGET, THE FINANCIAL SECRETARY WOULD SERIOUSLY RECONSIDER REMOVING THE 1.5 PER CENT PREMIUM RATE OF TAX ON CORPORATE PROFITS.

HE SAID THE DUTIES ON SOFT DRINKS AND COSMETICS SHOULD ALSO BE REMOVED, REGARDLESS OF THE FACT THAT AN EFFORT HAD HAD TO BE MADE TO PUT IN PLACE THE MACHINERY FOR COLLECTION.

+THERE IS NO NEED FOR DISCRIMINATORY LEVIES OF THIS NATURE IN THE PRESENT HEALTHY STATE OF GOVERNMENT FINANCES,+ HE SAID.

FINALLY, HE SUGGESTED THAT THE FINANCIAL SECRETARY SHOULD REDUCE THE AIRPORT TAX TO A LEVEL WHICH WOULD KEEP TRAVELLING BUSINESSMEN HAPPY AND TOURISTS RETURNING TO HONG KONG AGAIN AND AGAIN.

+\$50 WOULD BE A GREAT DEAL MORE SENSIBLE THAN \$120,+ HE SAID.

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TIME FOR ANOTHER REVIEW OF TAX POLICY

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IT WAS NOW TIME FOR THE GOVERNMENT TO CONDUCT ANOTHER REVIEW OF TAX POLICY, THE HON LEE YU-TAI SAID TODAY (WEDNESDAY).

SPEAKING DURING THE RESUMED DEBATE ON THE APPROPRIATION BILL 1987, MR LEE SAID THAT A 10-YEAR REVIEW WAS TIMELY AS THE LAST SUCH STUDY WAS IN 1975.

+A SUCCESSFUL REVIEW AT THIS TIME LEADING TO THE FORMULATION OF A LONG-TERM TAX STRATEGY WOULD CERTAINLY BE HELPFUL IN CONSOLIDATING PUBLIC CONFIDENCE,+ HE SAID.

MR LEE ALSO CALLED ON THE GOVERNMENT TO PROVIDE MORE INCENTIVES FOR INDUSTRIAL DEVELOPMENT THROUGH FISCAL MEANS.

FOR EXAMPLE, THE GOVERNMENT COULD INCREASE THE DEPRECIATION RATES OF PLANTS AND MACHINERY AND ALSO CONSIDER GRANTING TAX CONCESSION TO ENTERPRISES INVESTING IN HIGH-TECHNOLOGY AND CAPITAL INTENSIVE INDUSTRIES. THIS MIGHT HELP TO ATTRACT OVERSEAS INVESTMENT IN HONG KONG, HE SAID.

AGREEING THAT A HIGHER RATIO OF INDIRECT TAX TO THE TOTAL TAX YIELD WAS DESIRABLE, MR LEE SAID THE PRESENT RATIO OF ABOUT 40 PER CENT WAS STILL UNSATISFACTORY.

HE ALSO SAID THAT THE EXISTING METHOD OF TAXATION WAS NEITHER FAIR NOR OBJECTIVE.

HE SUGGESTED THAT A SURVEY ON PUBLIC CONSUMPTION PATTERNS BE CARRIED OUT TO DETERMINE WHICH ITEMS WERE INDISPENSABLE AND WHICH WERE CONSIDERED AS LUXURIES. BASED ON THE SURVEY, DUTIES ON LUXURY ITEMS COULD THEN BE IMPOSED OR INCREASED RESPECTIVELY.

+THE DUTY ON BEVERAGES SHOULD BE SCRAPPED AND THE LOSS OF REVENUE FROM IT COULD BE MADE UP BY IMPOSING DUTIES ON LUXURY ITEMS OR BY INCREASING BETTING DUTIES.

+THE GOVERNMENT SHOULD ALSO REDUCE THE AIR PASSENGER DEPARTURE TAX, AND INSTEAD INCREASE THE HOTEL ACCOMMODATION TAX TO COVER THE LOSS OF REVENUE,+ HE SAID.

AS FOR DIRECT TAXES, MR LEE PROPOSED TO SPLIT THE TOTAL ALLOWANCES OF \$12 000 FOR THE THIRD TO NINTH CHILDREN BETWEEN THE FIRST AND SECOND CHILDREN. IT MEANT AN ADDITIONAL ALLOWANCE OF \$6 000 FOR EACH OF THE TWO, BENEFITTING MOST FAMILIES.

ON SEPARATE TAXATION FOR MARRIED COUPLES, HE CRITICISED THE BUDGET FOR BEING INDIFFERENT TO PUBLIC OPINION BY FIRMLY REJECTING THE PROPOSAL.

TAX SHOULD BE LEVIED ACCORDING TO INCOME RATHER THAN MARITAL STATUS, HE SAID.

+IN VIEW OF THE LARGE NUMBER OF PEOPLE FALLING INTO THE CATEGORY OF THE 'SANDWICHED CLASS', SOCIAL STABILITY WILL BE MUCH AFFECTED IF THEY ARE OVER-AGGRIEVED,+ HE WARNED.

ON FUNDS FOR SCHOOL SOCIAL WORK SERVICE, MR LEE WONDERED WHY NO FINANCIAL SUPPORT WAS GIVEN TO IMPLEMENT THE 1 TO 3 000 RATIO ALREADY AGREED BY THE AUTHORITIES.

HE SAID THAT CONSIDERATION SHOULD BE GIVEN AT THE SAME TIME TO IMPROVE FURTHER THE RATIO OF 1 TO 2 000.

LASTLY, HE CALLED ON THE GOVERNMENT TO KEEP AN EYE ON COMMERCIAL CRIMES AND TAKE EARLY MEASURES TO PREVENT THEM.

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PROPOSAL TO SPREAD TAX BURDEN CRITICISED  
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THE HON DAVID K P LI TODAY (WEDNESDAY) CRITICISED THE FINANCIAL SECRETARY'S SUGGESTION TO SPREAD THE TAX BURDEN MORE WIDELY ACROSS THE COMMUNITY.

SPEAKING DURING THE FIRST DAY'S DEBATE ON THE 1987 APPROPRIATION BILL, MR LI SAID IT WOULD BE GROSSLY INEQUITABLE FOR THE GOVERNMENT TO SHIFT MORE OF THE TAX BURDEN ONTO THOSE LESS ABLE TO BEAR IT, PARTICULARLY BY IMPOSITION OF MORE INDIRECT TAXES.

HE POINTED OUT THAT INDIRECT TAXES HAD TWO MAJOR SHORTCOMINGS APART FROM THE HIGH ADMINISTRATIVE COST ASSOCIATED WITH THEM.

FIRSTLY, THEY WOULD DISTORT RELATIVE PRICES, RESULTING IN A MISALLOCATION OF RESOURCES AND AFFECTING HONG KONG'S POSITION AS A LOW-TAX CENTRE, HE SAID, CITING THE AIRPORT DEPARTURE TAX AS A CASE IN POINT.

ACCORDING TO MR LI, THE GRAVEST DEFECT OF INDIRECT TAXES WAS THAT THEY WERE REGRESSIVE, PARTICULARLY IF NECESSITIES WERE TAXED.

+INDIRECT TAXES ON NECESSITIES WOULD INCREASE THE TAX BURDEN ON OUR LOWER INCOME GROUPS AND HAVE A DISTINCTIVE EFFECT ON OUR WORKFORCE,+ HE SAID.

HE SUGGESTED THAT THE IDEA OF MORE INDIRECT TAXES SHOULD BE DISMISSED.

MR LI PRAISED THE FINANCIAL SECRETARY'S DECISION TO REDUCE THE STANDARD RATE OF TAX AND TO INCREASE THE PERSONAL AND CHILD ALLOWANCES, BUT HE DISAGREED WITH HIS REFUSAL TO CONSIDER SEPARATE TAXATION FOR MARRIED WOMEN, SAYING THE GOVERNMENT SHOULD BE FAIR TO MIDDLE-INCOME WORKING COUPLES.

/HE WELCOMED .....

HE WELCOMED THE NEWS THAT WITH LESS DEPENDENCE ON THE FLUCTUATING INCOME FROM LAND SALES, GOVERNMENT REVENUE WOULD NOW BE BASED ON MORE STABLE SOURCES.

HE SUGGESTED THAT GOVERNMENT SHOULD CONTINUE TO DEVELOP THIS POLICY UNDER WHICH REVENUE WOULD BE BASED ON STABLE SOURCES.

MR LI NOTED THAT THE BALANCED BUDGETS FOR THE LAST TWO YEARS WERE ACHIEVED MAINLY THROUGH A REDUCTION IN GOVERNMENT'S CAPITAL EXPENDITURE WITH LITTLE ATTEMPT TO CONTROL RECURRENT EXPENDITURE, PARTICULARLY THE SALARY AND STAFF RELATED EXPENDITURE OF THE CIVIL SERVICE.

HE SAID HE WAS DISTURBED BY THE FACT THAT GOVERNMENT HAD FAILED TO RESTRAIN THE INCREASE IN COST OF CIVIL SERVICE.

+THE MORALE OF THE PUBLIC SERVANTS IS MAINTAINED AT THE EXPENSE OF ALL TAXPAYERS AND AT THE COST OF A REDUCTION IN GOVERNMENT'S COMMITMENT TO LONG-TERM INVESTMENT PROJECTS,+ HE SAID.

HE POINTED OUT THAT IT SHOULD BE THE GOVERNMENT'S PRIORITY TO INCREASE THE PRODUCTIVITY OF THE CIVIL SERVICE ON THE ONE HAND AND TO COMMIT SUFFICIENT CAPITAL FOR THE DEVELOPMENT OF HONG KONG'S PHYSICAL AND SOCIAL INFRASTRUCTURE ON THE OTHER.

URGING THE GOVERNMENT TO INTENSIFY THE CAMPAIGN AGAINST PROTECTIONISM, MR LI SAID THERE WERE AT LEAST TWO WAYS FOR INDUSTRIALISTS TO SURVIVE.

ONE WAS TO TRADE UP EXISTING PRODUCTS AND THE OTHER WAS TO DIVERSIFY INTO HIGH-TECHNOLOGY INDUSTRIES.

HE CALLED ON THE GOVERNMENT TO CONSIDER A MORE LIBERAL DEPRECIATION AND INVESTMENT ALLOWANCE SCHEME TO ENCOURAGE INVESTMENT IN PLANT AND NEW MACHINERY.

HE ALSO SUGGESTED THAT THE GOVERNMENT SHOULD CARRY OUT AN IN-DEPTH STUDY ON THE FUTURE DEVELOPMENT OF MANUFACTURING INDUSTRIES AND TO DEVOTE SIGNIFICANT RESOURCES TO SUPPORT RESEARCH AND DEVELOPMENT PROGRAMMES WHICH WOULD BENEFIT LONG-TERM GROWTH INDUSTRIES.

TURNING TO THE SUGGESTION TO REVALUE THE HONG KONG DOLLAR, MR LI POINTED OUT THAT A REVALUATION OF THE HONG KONG DOLLAR WOULD MEAN THE ABANDONMENT OF GOVERNMENT'S COMMITMENT TO A STABLE EXCHANGE RATE FOR THE HONG KONG CURRENCY.

HE FELT THIS POSITION SHOULD BE STRONGLY DEFENDED AND ADDED THAT ONE OF THE MOST WORRYING MONETARY ISSUES WAS THE PROJECTED RISE IN INFLATION FOR 1987 WHICH THE GOVERNMENT SHOULD TRY ITS BEST TO COMBAT.

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MR LI REITERATED THE VIEW THAT THE BANKING ORDINANCE SHOULD BE ADMINISTERED WITH A HIGH DEGREE OF FLEXIBILITY.

IN PARTICULAR, THE GOVERNMENT SHOULD ALLOW AUTHORISED INSTITUTIONS TO HAVE GREATER FREEDOM IN DEALING WITH SECURITIES RELATED BUSINESS.

HE SAID SECURITISATION COULD ALSO GIVE RISE TO A FALSE SENSE OF LIQUIDITY AND SINCE THE POTENTIAL DANGER ARISING FROM A LIQUIDITY CRISIS UNDER CURRENT ARRANGEMENTS WAS EVER PRESENT, THE GOVERNMENT SHOULD SERIOUSLY CONSIDER BUILDING-IN THE NECESSARY SAFETY-VALVE, NAMELY AN OFFICIAL DISCOUNT FACILITY.

ON MATTERS RELATING TO SECURITISATION, MR LI POINTED OUT THAT THERE WAS AT PRESENT THE PROBLEM OF AUTHORITY DIVIDED BETWEEN THE COMMISSIONER OF BANKING AND THE COMMISSIONER OF SECURITIES.

HE SUGGESTED THAT THE SECRETARY FOR MONETARY AFFAIRS SHOULD DEVISE A SYSTEM WHEREBY ALL MATTERS AFFECTING THE BANKING INDUSTRY BE DEALT WITH SOLELY BY THE COMMISSIONER OF BANKING.

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MORE FUNDS NEEDED TO IMPROVE RURAL FACILITIES  
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THE HON TAI CHIN-WAH TODAY (WEDNESDAY) URGED THE GOVERNMENT TO ALLOCATE MORE FUNDS TO IMPROVE RURAL FACILITIES AND THE ENVIRONMENT OF VILLAGES IN THE NEW TERRITORIES.

SPEAKING IN THE LEGISLATIVE COUNCIL DURING THE BUDGET DEBATE, MR TAI SAID PEOPLE IN URBAN AREAS AND SATELLITE TOWNS ENJOYED A COMPARATIVELY UP-TO-STANDARD LIVING, WHILE THE VILLAGE AND RURAL POPULATION ENJOYED APPRECIABLY LESS THAN THEIR URBAN COUNTERPART.

HE NOTED THAT THE POPULATION LIVING IN THE COUNTRY AND THE VILLAGES OUTSIDE NEW TOWNS IN THE NEW TERRITORIES NUMBERED ABOUT 290 000 AND THE EXPENDITURE ALLOCATED TO LOCAL PUBLIC WORKS FOR 1987-88 WAS \$13 MILLION.

+BEARING IN MIND THAT THERE ARE 600 VILLAGES IN THE NEW TERRITORIES, THE AMOUNT ALLOCATED WILL BE INADEQUATE TO COPE WITH NECESSARY IMPROVEMENTS IN RURAL FACILITIES AND IN THE ENVIRONMENT OF VILLAGES IN THE NEW TERRITORIES,+ HE SAID.

MR TAI NOTED THAT THERE WAS ALSO THE PROBLEM OF RURAL ISOLATION AND DIFFICULTY OF ACCESS TO AND BETWEEN VILLAGES IN THE NEW TERRITORIES. THE QUESTION OF PRIVATE LAND WAS THE MAJOR OBSTACLE IN BUILDING AND MAINTAINING VILLAGE ACCESS.

/ONE POSSIBLE .....

ONE POSSIBLE SOLUTION WAS FOR THE GOVERNMENT TO COMPENSATE LANDOWNERS FOR THE LAND NEEDED TO IMPROVE COMMUNICATIONS, HE SAID.

HE ALSO NOTED THAT THE GOVERNMENT WAS NOW TRYING TO TACKLE THE PROBLEM OF POLLUTION OF RIVERS AND NULLAHS IN THE NEW TERRITORIES BY IMPOSING SEVERE CONTROLS OVER ANIMAL WASTE DISPOSAL AND THE LIVESTOCK INDUSTRIES.

HE FULLY SUPPORTED THE GOVERNMENT IN ITS DETERMINATION TO COMBAT THE POLLUTION PROBLEM BUT, ON THE OTHER HAND, STRONGLY URGED THE LEGISLATIVE COUNCIL TO ALLOCATE THE NECESSARY FUNDS TO RELIEVE THE PRESENT HARDSHIP OF FARMERS WHO WERE BEING FORCED OUT OF BUSINESS BECAUSE OF CONTROL MEASURES.

TURNING TO MEDICAL SERVICES, MR TAI SAID HE APPRECIATED THE PROVISION OF \$1.2 BILLION FOR THE TUEN MUN GOVERNMENT HOSPITAL, IN ADDITION TO THE \$899 MILLION FOR LAST YEAR.

AS TUEN MUN HOSPITAL WOULD BEGIN TO OPERATE IN 1988, THE HEAVY DEMAND FOR MEDICAL SERVICES WITHIN TUEN MUN AND YUEN LONG WOULD BE ALLEVIATED. THIS WOULD PROVIDE A BETTER STANDARD OF MEDICAL CARE WHICH HAD BEEN LONG AWAITED BY THE RESIDENTS OF THE AREA, HE SAID.

+NEVERTHELESS, I AM DISAPPOINTED THAT THERE IS NO MENTION IN THE FINANCIAL SECRETARY'S SPEECH REGARDING THE RECOMMENDATIONS OF THE AUSTRALIAN CONSULTANT'S REPORT,+ HE SAID.

MR TAI SAID THAT ALTHOUGH SOME OF THE RECOMMENDATIONS WERE HIGHLY CONTROVERSIAL, SUCH AS THE ESTABLISHMENT OF A HOSPITAL AUTHORITY, THE OTHER PROPOSALS WERE LESS CONTROVERSIAL AND COULD BE IMPLEMENTED EASILY, PROVIDED THAT SUFFICIENT FUNDS WERE ALLOCATED.

HE ADDED THAT THE FINANCIAL PROVISIONS FOR SUBVENTED HOSPITALS WERE DISCUSSED DURING A LONG CONSULTATION PROCESS WITH THE MEDICAL AND HEALTH DEPARTMENT. THE FINAL PROVISIONS MIGHT BE A QUARTER TO HALF OF THE ORIGINAL PLAN.

HE SAID SUBVENTED HOSPITALS WERE UNAWARE OF THE REASONS WHY THEIR RECOMMENDATIONS HAD BEEN REDUCED AND COMPLAINT OF INADEQUATE FUNDS BEING ALLOCATED TO THEM. IT AFFECTED THE MORALE OF EMPLOYEES OF SUBVENTED HOSPITALS.

HE SUGGESTED THAT A MACHINERY SIMILAR TO THE HOSPITAL AUTHORITY RECOMMENDED IN THE AUSTRALIAN CONSULTANT'S REPORT BE SET UP SO AS TO IMPROVE THE EFFICIENCY OF BUDGET PREPARATION AND COMMUNICATIONS BETWEEN THE MEDICAL AND HEALTH DEPARTMENT AND SUBVENTED HOSPITALS.

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BUDGET TOO CONSERVATIVE AND CAUTIOUS  
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THE HON RICHARD LAI TODAY (WEDNESDAY) CRITICISED THE FINANCIAL SECRETARY'S BUDGET SPEECH AS +TOO CONSERVATIVE+ AND +TOO CAUTIOUS+.

SPEAKING DURING THE DEBATE ON THE APPROPRIATION BILL 1987, MR LAI SAID HE MADE THE CRITICISM IN THE LIGHT OF THE PROJECTED GROWTH OF THE ECONOMY AND THE SURPLUS OF LAST YEAR WHICH WAS TEN TIMES THAT FORECAST.

HE POINTED OUT THAT AN OVER-CAUTIOUS APPROACH COULD VERY EASILY BE CONSTRUED AS BEING TOTALLY LACKING IN IMAGINATION AND INITIATIVE.

MR LAI EXAMINED THE BUDGET FROM TWO ANGLES. FIRST, HE REFERRED TO THE FINANCIAL SECRETARY'S SUGGESTION TO MODIFY THE PROPORTION OF DIRECT AND INDIRECT TAX BASES. HE SAID A WIDER INDIRECT TAX BASE MIGHT INCREASE THE TAX BURDEN OF THE LOWER CLASSES IN THAT THEY WOULD NOT BE ABLE TO TAKE SHELTER UNDER THE UMBRELLA OF TAX ALLOWANCES.

+OUR BUDGETARY POLICY MUST NOT BE DRAWN UP ONLY TO EFFECT A STABLE INCOME TO THE PUBLIC COFFER, IT ALSO HAS A SOCIAL FUNCTION OF REDISTRIBUTING WEALTH IN THE SOCIETY,+ HE SAID.

HE ARGUED THAT THIS COULD BE ACHIEVED BY HAVING A PROGRESSIVE DIRECT TAX SYSTEM IN WHICH THOSE WHO MADE MORE MONEY HAD TO GIVE MORE TO SOCIETY AND POINTED OUT THAT INDIRECT TAXES HAD NO SUCH DISCRIMINATION.

MR LAI SAID HE COULD NOT CONDONE IN PRINCIPLE THAT SEPARATE TAXATION FOR MARRIED WOMEN WAS NOT PROVIDED FOR IN THIS BUDGET.

HE SAID THAT THE INTEREST OF MARRIED WOMEN SHOULD NOT CONTINUE TO BE SACRIFICED FOR THE SAKE OF EXPEDIENCE AND SAVINGS TO THE GOVERNMENT AND THE BURDEN OF FINANCING PUBLIC SPENDING SHOULD BE SHARED EQUITABLY AMONG DIFFERENT SECTORS OF SOCIETY.

SECONDLY, MR LAI COMMENTED ON SPECIFIC MEASURES CONTAINED IN THE BUDGET.

REFERRING TO THE 80 PER CENT INCREASE IN THE ALLOCATION TO THE ENVIRONMENTAL PROTECTION DEPARTMENT, HE COMMENDED THE GOVERNMENT FOR ITS COMMITMENT TO ENVIRONMENTAL ISSUES AND TO THE CAUSE OF SECURING A BETTER LIVING ENVIRONMENT FOR THE PEOPLE.

HE QUESTIONED THE NECESSITY OF PROVIDING A TRANSIT SERVICE AREA FOR THE OPERATION OF THE LIGHT RAIL TRANSIT SYSTEM AND THE RECENT DECISION BY THE KOWLOON-CANTON RAILWAY CORPORATION TO GIVE PRIORITY TO ROUTES CONNECTING YUEN LONG TO TAI WO OVER THE TSUEN WAN LINK.

/+I CONTEND .....

+I CONTEND THAT A CROWN CORPORATION SHOULD SET THE INTEREST OF THE PUBLIC IN THE FOREFRONT.

+IF THE TSUEN WAN ROUTE WOULD SERVE MORE PEOPLE, IT SHOULD BE GIVEN PREFERENCE OVER OTHER ROUTES,+ HE SAID.

WITH REGARDS TO PROFIT TAX CUT, MR LAI REMARKED THAT SINCE HONG KONG OFFERED MANY ATTRACTIONS TO INVESTORS, THE 0.5 PER CENT CUT WOULD NOT BE A DETERMINING FACTOR TO INVESTORS.

HE NOTED THAT THE FINANCIAL SECRETARY DID NOT MENTION MEASURES THAT MIGHT BE ADOPTED TO STIMULATE THE GROWTH OF THE MANUFACTURING SECTOR AND SUGGESTED THAT THE GOVERNMENT SHOULD LOOK INTO MORE POSITIVE WAYS TO ENCOURAGE INVESTMENT AND REINVESTMENT AS WELL AS THE DEVELOPMENT OF THE INDUSTRIAL INFRASTRUCTURE FOR TRANSFORMING THE INDUSTRIES TO A HIGHER TECHNOLOGY ENVIRONMENT.

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LABOUR PROBLEMS LEFT UNHEEDED  
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THE GOVERNMENT WAS EVIDENTLY ATTACHING LITTLE IMPORTANCE TO THE LABOUR DEPARTMENT THUS RESULTING IN MANY LABOUR PROBLEMS BEING LEFT UNHEEDED, THE HON PANG CHUN-HOI SAID TODAY (WEDNESDAY).

SPEAKING IN THE LEGISLATIVE COUNCIL DURING THE ANNUAL BUDGET DEBATE, MR PANG POINTED OUT THAT THE PROVISION ALLOCATED TO THE LABOUR DEPARTMENT WAS MERELY 0.3 PER CENT OF THE TOTAL EXPENDITURE.

FUNDS ALLOCATED TO THE DEPARTMENT, HE SAID, HAD LONG REMAINED AT SUCH A LOW RATIO DESPITE THE INCREASING WORKLOAD OF THE DEPARTMENT AS A RESULT OF CONTINUED DEVELOPMENT OF NEW TOWNS, AND THE REGULAR INCREASE IN THE NUMBER OF FACTORIES AND CONSTRUCTION SITES.

MR PANG ALSO SAID THAT THE DEPENDENT PARENT ALLOWANCE SHOULD BE REVIEWED.

+DESPITE THE GREAT IMPORTANCE ATTACHED TO THE PROBLEM OF ELDERLY PEOPLE BY SOCIETY AND THE GENERAL SYMPATHY EXPRESSED BY THE LEGISLATIVE COUNCIL DURING THE ADJOURNMENT DEBATE ON THIS ISSUE, THE FINANCIAL SECRETARY HAS NOT RAISED THE DEPENDENT PARENT ALLOWANCE, AND THE LEVEL OF PUBLIC ASSISTANCE AND SPECIAL ALLOWANCE FOR THE UNFORTUNATE AND HELPLESS OLD PEOPLE IS STILL MAINTAINED AT THE LEVEL LAID DOWN ON FEBRUARY 1, 1984 ALTHOUGH A CONSIDERABLE AMOUNT OF SURPLUS IS EXPECTED.

+IT IS HOPED THAT THE FAILURE OF THE FINANCIAL SECRETARY TO IMPROVE THE LEVEL OF ASSISTANCE TO THOSE WHO HAVE ONCE DEDICATED THEIR YOUTH AND ENERGY TO SOCIETY IS ONLY AN ACT OF NEGLIGENCE RATHER THAN DISCRIMINATION,+ HE SAID.

MR PANG SAID HE WHOLLY DISAGREED WITH THE FINANCIAL SECRETARY'S CONCEPTION IN CASTING THE NET OF INDIRECT TAXES WIDER.

HE SAID OTHER THAN LUXURY ITEMS WHICH COULD BE TAXED HEAVILY WITHOUT AFFECTING THE GENERAL PUBLIC MUCH, DUTY RATES SHOULD NOT BE LEVIED ON NON-ALCOHOLIC AND THIRST-QUENCHING DRINKS, WHICH WERE MOSTLY CONSUMED BY STUDENTS AND CHILDREN.

HE HOPED THE GOVERNMENT WOULD ABOLISH THE DUTY RATES ON SOFT DRINKS.

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WAYS TO IMPROVE INDUSTRIAL DEVELOPMENT PROPOSED  
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PROFESSOR THE HON POON CHUNG-KWONG TOLD THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY) THAT ONE OF THE WAYS TO IMPROVE INDUSTRIAL DEVELOPMENT IN HONG KONG WAS TO HAVE AN EFFECTIVE MECHANISM FOR TECHNOLOGY TRANSFER.

SPEAKING DURING THE BUDGET DEBATE, PROF POON SAID HONG KONG HAD LONG BEEN PLAYING THE PASSIVE ROLE OF +MATCHMAKER+ - KEEN MATCHING OF IMPORTED TECHNOLOGICAL PRODUCTS AND PROCESSES WITH LOCAL INDUSTRIAL PRODUCTION NEEDS.

IF HONG KONG SHOULD MOVE INTO HIGH VALUE-ADDED PRODUCTION, IT MUST STRENGTHEN LOCAL RESEARCH AND DEVELOPMENT ACTIVITIES AND DEVELOP LOCAL EXPERTISE WHO COULD MAKE THE BEST USE OF THE IMPORTED TECHNOLOGY, HE SAID.

TO ACCOMPLISH THIS, HE ADDED, THERE SHOULD BE AN EFFECTIVE MECHANISM IN HONG KONG TO CO-ORDINATE VARIOUS ASPECTS ASSOCIATED WITH TECHNOLOGY TRANSFER, SUCH AS THE PROMOTION OF EMERGING TECHNOLOGIES IN PRODUCT INNOVATION AND INDUSTRIAL DESIGN, THE PROVISION OF A SATISFACTORY ENVIRONMENT AND FACILITIES FOR PRODUCT RESEARCH AND PROTOTYPE DEVELOPMENT, AND THE DISSEMINATION OF TECHNOLOGICAL KNOW-HOW TO LOCAL INDUSTRIALISTS.

PROF POON ALSO COMMENTED ON SEVERAL OTHER AREAS RELATING TO INDUSTRIAL DEVELOPMENT IN HONG KONG AND REQUESTED THE GOVERNMENT TO CONSIDER THEM SERIOUSLY.

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THE GOVERNMENT SHOULD PROTECT LOCAL MANUFACTURING INDUSTRIES FROM ANY DAMAGING EFFECTS, ESPECIALLY FOR THE SMALL AND MEDIUM SIZED FACTORIES, IN THE COURSE OF IMPLEMENTING A STRICTER POLLUTION CONTROL FOR BETTER LIVING CONDITIONS OF THE COMMUNITY, HE NOTED.

HE SAID THE GOVERNMENT SHOULD CONSIDER PROVIDING TAX CONCESSIONS, BY WAY OF AN INCENTIVE, TO THOSE LOCAL INDUSTRIALISTS WHO HELPED IMPROVE THE ENVIRONMENT BY TAKING EFFECTIVE STEPS, SUCH AS USING MORE EXPENSIVE OIL, ADDING EXTRA EQUIPMENT, USING MORE EXPENSIVE INDUSTRIAL PROCESSES TO REDUCE THE LEVEL OF INDUSTRIAL POLLUTION.

PROF POON ALSO SAID THAT THE PROGRESS OF INDUSTRIAL DEVELOPMENT SHOULD BE MONITORED CONSTANTLY AND THAT THERE SHOULD BE MORE PRAGMATIC MARKET STUDIES.

HE SAID THE INDUSTRY DEPARTMENT WAS STILL MAKING REFERENCES TO A REPORT TO REVIEW HONG KONG'S STRATEGY IN INDUSTRIAL DEVELOPMENT PUBLISHED EIGHT YEARS AGO. HE THEREFORE URGED THE GOVERNMENT TO CONSIDER, REVIEW AND ASSESS IN DEPTH THE ACHIEVEMENTS SINCE THE PUBLICATION OF THE REPORT; THE EFFECTS OF ACTIONS TAKEN BY THE GOVERNMENT ON THE MANUFACTURING SECTOR; AND THE MEASURES WHICH HAD TO BE TAKEN IN THE FUTURE TO ENHANCE THE PROSPECT OF FURTHER ECONOMIC GROWTH IN HONG KONG.

ON TECHNO-ECONOMIC AND MARKETING RESEARCH STUDIES CONDUCTED BY THE INDUSTRY DEVELOPMENT BOARD ON VARIOUS INDUSTRIES TO IDENTIFY TRENDS FOR INDUSTRIAL DEVELOPMENT, PROF POON SAID A CONTINUAL MONITORING OF THESE STUDIES TO ENSURE THEIR VALIDITY WAS IMPORTANT. HE REQUESTED THE GOVERNMENT TO INCREASE THE FUNDING FOR THIS EFFORT, SAYING THAT THIS WOULD BENEFIT THE ECONOMY AS A WHOLE IN THE LONG RUN.

LASTLY, PROF POON URGED THE GOVERNMENT TO SET UP AN INDEPENDENT OCCUPATIONAL SAFETY AND HEALTH COUNCIL TO CARRY OUT THE FUNCTIONS OF TECHNICAL AND PROFESSIONAL CONSULTANCY; MONITORING AND ADVISING ON RELEVANT GOVERNMENTAL POLICIES, AND PROMOTING EDUCATION AND TRAINING PROGRAMMES IN INDUSTRIAL SAFETY.

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BROADLY-BASED INDIRECT TAXES DIFFICULT TO INTRODUCE

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THE HON HELMUT SOHMEN TOLD THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY) THAT IN POLITICAL TERMS IT MIGHT BE DIFFICULT TO INTRODUCE BROADLY-BASED INDIRECT TAXES IN HONG KONG.

THIS WAS BECAUSE IN HONG KONG THERE WAS STILL A CONSIDERABLE DIFFERENCE BETWEEN HIGHER AND LOWER INCOME EARNERS.

+INDIRECT TAXES BROADLY APPLIED ARE CONSIDERED REGRESSIVE AS THEY INCREASE THE TAX LOAD ON THE LOWER INCOME GROUPS,+ HE ADDED.

SPEAKING DURING THE ANNUAL BUDGET DEBATE, MR SOHMEN STRESSED THAT THE MOVE TOWARDS A LARGER SCOPE FOR INDIRECT TAXATION WOULD HAVE TO DEFUSE POSSIBLE CRITICISM THAT THEY WERE IMPOSED TO PRODUCE BENEFITS MAINLY FOR THOSE NOW BEARING THE BURDEN OF DIRECT TAXES.

FOR THIS REASON, HE SAID A LINK BETWEEN THE WIDENING OF THE SCOPE OF INDIRECT TAXES AND A LOWERING OF DIRECT TAXES MIGHT NEED TO BE AVOIDED ALTHOUGH QUESTIONS WOULD THEN UNDOUBTEDLY BE ASKED WHY INDIRECT TAXATION WAS TO BE EXTENDED AT ALL IN THE ABSENCE OF ANY IMMEDIATE NEED TO GENERATE ADDITIONAL REVENUE.

ONE OTHER DRAWBACK OF INDIRECT TAXATION WAS ITS MORE LIMITED RESPONSIVENESS IN REVENUE TERMS TO POSITIVELY CHANGING ECONOMIC FUNDAMENTALS, HE SAID.

+ON BALANCE THEREFORE I WOULD ADVISE THE FINANCIAL SECRETARY TO TREAD VERY CAREFULLY WHEN WALKING DOWN THIS PARTICULAR ROAD, EVEN THOUGH I AGREE WITH HIM THAT THE PROPORTION OF DIRECT TAXES CONTRIBUTING TO TOTAL REVENUE SHOULD BE KEPT AT A LEVEL OF CERTAINLY NOT MORE THAN 60 PER CENT.

+PERHAPS WE SHOULD WATCH THE OUTCOME OF THE DEBATE IN OTHER COUNTRIES A BIT LONGER, AND THEN ASK THE GOVERNMENT TO PRODUCE A COMPREHENSIVE SET OF OPTIONS AND THEIR RESPECTIVE PROS AND CONS BEFORE WE JUMP,+ MR SOHMEN SAID.

HE DESCRIBED THE FINANCIAL SECRETARY'S FIRST BUDGET AS ONE OF +REALISM AND PRUDENCE+, SAYING THAT HE FULLY CONCURRED IN HIS WARNING THAT HONG KONG'S CURRENT EXCELLENT ECONOMIC PERFORMANCE WAS DERIVED FROM EXTERNAL FACTORS.

HE SAID GOOD HOUSEKEEPING SHOULD CONTINUE, PARTICULARLY SINCE THE FINANCIAL SECRETARY DID NOT REALLY HAVE TO DEPRIVE ANY ONE SECTOR OF WHAT WAS NEEDED= IN PARTICULAR THE COMMITMENTS OF \$6 BILLION IN NEW CAPITAL SPENDING SPOKE FOR THEMSELVES.

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ON THE WIDELY CRITICISED AIRPORT DEPARTURE TAX, MR SOHMEN SAID WHILE THE TAX WAS PRODUCTIVE AND COST EFFECTIVE, THESE WERE NOT IN THEMSELVES GOOD ENOUGH REASONS FOR IT NOT TO BE REDUCED IN TIMES OF SURPLUS, SINCE IT WAS INCREASED IN DEFICIT YEARS FOR THE PURPOSE OF RAISING ADDITIONAL REVENUE.

WITH MANY NEW INVESTMENTS IN HOTELS AND EXHIBITION AND CONVENTION FACILITIES COMING TO FRUITION OVER THE NEXT FEW YEARS, EVERYTHING POSSIBLE SHOULD BE DONE TO MAINTAIN HONG KONG'S COMPETITIVE EDGE IN TOURISM AND BUSINESS TRAVEL, HE SAID.

+ALTERNATIVELY, AND IF THE FINANCIAL SECRETARY REMAINS STUBBORNLY COMMITTED TO THIS TAX, PERHAPS HE SHOULD IMAGINATIVELY CONSIDER IT AS A POSSIBLE SOURCE FOR THE SOLUTION OF THE CURRENT PROBLEMS RELATED TO CONSUMER PROTECTION, FOLLOWING THE REGULAR FAILURES OF TRAVEL AGENCIES AND GOVERNMENT'S APPARENT RELUCTANCE TO GET TOO MUCH INVOLVED IN AN EFFECTIVE SUPERVISORY ROLE OVER THEM,+ HE SAID.

TURNING TO DOUBLE TAXATION, MR SOHMEN SAID HE WAS DISAPPOINTED THAT NOT MORE PROGRESS HAD BEEN MADE ON THAT FRONT TO DATE.

+THE PROPOSED TIME-APPORTIONMENT ARRANGEMENTS ARE WELCOME BUT ARE BEING INTRODUCED FOR THE SAKE OF ADMINISTRATIVE CONVENIENCE AND DO NOT ADDRESS THE QUESTION OF DOUBLE TAXATION WHICH IS PARTICULARLY RELEVANT IN THE LIGHT OF THE STRENGTHENING ECONOMIC LINKS WITH THE PEOPLE'S REPUBLIC OF CHINA,+ HE SAID.

HE MENTIONED A NEW PROBLEM LOOMING AHEAD FOR THE LOCAL SHIPOWNING INDUSTRY RESULTING FROM THE PASSAGE OF THE U.S. TAX REFORM ACT OF 1986.

THIS LEGISLATION IMPOSED A TAX LIABILITY ON THE BENEFICIAL OWNERS FOR GROSS FREIGHT EARNINGS FROM SHIP TRADING TO U.S. PORTS IRRESPECTIVE OF THE VESSELS' FLAG.

+IF THE TERRITORY OF DOMICILE OF THE BENEFICIAL MAJORITY OWNER OF THE VESSEL CONCERNED, SUCH AS HONG KONG, HAS NO AGREEMENT WITH THE UNITED STATES PROVIDING FOR MUTUAL EXEMPTION OR REDUCTION OF TAX LIABILITY, OWNERS MAY POSSIBLY NEED TO CONSIDER SUCH EXTREMES AS PHYSICAL RELOCATION FROM HONG KONG,+ MR SOHMEN SAID.

HE NOTED THAT THE SHIPPING COMMUNITY WAS PRESENTLY WORKING ON MORE BACKGROUND FOR APPROPRIATE LIAISON WITH THE FINANCIAL SECRETARY AND HIS SENIOR ADVISERS.

/ON THE SIZE .....

ON THE SIZE OF AND REMUNERATION FOR THE CIVIL SERVICE, MR SOHMEN OBSERVED THAT IT WAS NOT ALWAYS A QUESTION OF RESTRAINING GROWTH RATES YEAR ON YEAR, BUT ALSO WHETHER THE GIVEN SIZE WAS NECESSARY.

+IN HONG KONG WE HAVE ONE CIVIL SERVANT FOR ROUGHLY 30 CITIZENS,+ HE SAID.

SINCE HONG KONG HAD AN EFFECTIVE CIVIL SERVICE, MR SOHMEN SAID HE WAS NOT SUGGESTING WE WERE NOT GETTING VALUE FOR MONEY BUT ASKED WHETHER WE COULD DO WITH A LITTLE LESS GOLD-PLATING.

COMMENTING ON THE RAPID GROWTH OF THE SERVICES SECTOR, MR SOHMEN SAID THAT WE NEEDED SOME FURTHER REGULATION IN THE FINANCIAL AND SECURITIES SECTORS TO AVOID FRAUDULENT PRACTICES OR OBVIOUS MISMANAGEMENT.

BUT HE WAS ALSO IN SUPPORT OF THE FINANCIAL SECRETARY'S SUGGESTION THAT WE MUST PROCEED WITH CAUTION IN THIS AREA, PARTICULARLY ON THE QUESTION OF CRIMINALISATION OF INSIDER TRADING.

+REPUTATION IS ONE THING, BUT THE RISK OF ALSO DRIVING BONA FIDE BUSINESS AWAY ALTOGETHER ON WHICH SO MANY OF OUR FINANCIAL INSTITUTIONS INCREASINGLY DEPEND, IS ANOTHER,+ HE SAID.

FINALLY, MR SOHMEN SAID HE AGREED WE MUST BE CREATIVE IN THINKING, AND GENEROUS WITH OUR PURSE, TO DO ALL WE COULD IN HONG KONG TO UPGRADE MANUFACTURING AND PRODUCTION SKILLS.

+ALTHOUGH CAPITAL INVESTMENT FORTUNATELY SHOWED AN INCREASE AGAIN LAST YEAR, WE MUST ENSURE THAT WE DO NOT FALL TOO MUCH BEHIND OUR NEIGHBOURS IN THE HIGH-TECHNOLOGY RACE, AND THAT WE RETAIN A HIGH LEVEL OF PRODUCTIVITY,+ HE SAID.

MR SOHMEN SAID HE PARTICULARLY WELCOMED THE ADDITIONAL COMMITMENTS MADE IN THE FIELD OF EDUCATION IN THE BUDGET, AND EXPRESSED HIS SUPPORT TO THE DECISION TO ESTABLISH THE THIRD UNIVERSITY.

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SPECIAL SCHOOL PLANNED FOR NORTH POINT  
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A SPECIAL SCHOOL WILL BE BUILT AT NORTH POINT TO CATER FOR ABOUT 100 MODERATELY MENTALLY HANDICAPPED CHILDREN WITH SPECIAL EDUCATIONAL NEEDS.

THE NEW SCHOOL WHICH WILL BE READY IN 1988-89 WILL BE CALLED THE PO LEUNG KUK YU LEE MO FAN MEMORIAL SCHOOL. IT WILL HAVE A FOUR-STORY SCHOOL PREMISES WITH 10 CLASSROOMS, FIVE SPECIAL ROOMS, A SCHOOL HALL AND OTHER FACILITIES.

SPEAKING AT THE SCHOOL'S FOUNDATION-STONE-LAYING CEREMONY TODAY (WEDNESDAY), THE DIRECTOR OF EDUCATION, MR Y.T. LI, PRAISED THE DIRECTORS OF PO LEUNG KUK FOR THEIR CONTRIBUTIONS TOWARDS EDUCATING YOUNG PEOPLE IN HONG KONG.

MR LI SAID PO LEUNG KUK RAN MORE THAN 20 SPECIAL SCHOOLS, SECONDARY SCHOOLS, PRIMARY SCHOOLS AND KINDERGARTENS WHICH PROVIDED EDUCATION FOR MORE THAN 20 000 CHILDREN.

HE EXPRESSED THE HOPE THAT PO LEUNG KUK AND OTHER CHARITABLE BODIES WOULD FURTHER EXTEND THEIR SUPPORT IN PROVIDING MORE SPECIAL EDUCATION FACILITIES FOR CHILDREN WHO NEEDED THEM.

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ROOFTOP ILLEGAL STRUCTURES TO BE CLOSED  
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THE BUILDING AUTHORITY IS SEEKING THE CLOSURE OF A NUMBER OF ILLEGAL STRUCTURES IN WONG CHUK HANG, HONG KONG.

THEY ARE ON THE ROOF OVER FACTORIES G, H AND J OF BLOCK I, 33-35 YIP KAN STREET.

NOTICES OF INTENTION TO APPLY FOR CLOSURE ORDERS IN THE HONG KONG DISTRICT COURT ON MAY 26 WERE POSTED ON THE STRUCTURES TODAY (WEDNESDAY).

THE CLOSURE IS PART OF AN EXERCISE TO ENFORCE ORDERS ISSUED UNDER THE BUILDINGS ORDINANCE IN FEBRUARY 1986, REQUIRING DEMOLITION OF THE ILLEGAL STRUCTURES.

DEMOLITION WORK WILL BE CARRIED OUT IMMEDIATELY AFTER THE CLOSURE ORDERS ARE MADE.

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INDUSTRIAL SAFETY QUIZ COMPETITION ORGANISED  
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THE CURRENT INDUSTRIAL SAFETY WEEK WILL REACH ITS CLIMAX TOMORROW (THURSDAY) WHEN 40 WORKERS FROM THE ELECTRONICS INDUSTRY COMPETE IN A QUIZ COMPETITION ON INDUSTRIAL SAFETY.

ORGANISED BY THE ELECTRONICS INDUSTRY SAFETY SUB-COMMITTEE (EISSC) OF THE LABOUR ADVISORY BOARD'S INDUSTRIAL SAFETY AND HEALTH COMMITTEE, THE COMPETITION WILL TAKE PLACE AT THE SHOPPING MALL OF SHUN TAK CENTRE IN CENTRAL.

A PRIZE PRESENTATION WILL FOLLOW IMMEDIATELY AFTERWARDS. OFFICIATING AT THE CEREMONY WILL BE CHAIRMAN OF THE WORKING PARTY ON THE SAFETY WEEK FOR THE EISSC, MR C.D. TAM, MEMBER OF THE LAB, MISS LI FUNG-YING, AND DEPUTY COMMISSIONER FOR LABOUR, MR DARWIN CHEN.

WINNERS OF THE RECENTLY-HELD PERSONAL COMPUTER GRAPHIC DISPLAY CONTEST WILL ALSO RECEIVE THEIR AWARDS.

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NOTE TO EDITORS:

YOU ARE INVITED TO COVER THE EVENT AT THE SHOPPING MALL ON THE SECOND FLOOR OF SHUN TAK CENTRE TOMORROW. THE QUIZ COMPETITION WILL START AT 2.30 PM AND THE PRESENTATION CEREMONY WILL BE HELD AT ABOUT 4.30 PM.

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DB MEMBERS VISIT NGAU CHI WAN CIVIC CENTRE  
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WONG TAI SIN DISTRICT BOARD MEMBERS TODAY (WEDNESDAY) VISITED THE RECENTLY COMPLETED NGAU CHI WAN CIVIC CENTRE TO SEE THE FACILITIES THERE.

LED BY DISTRICT BOARD CHAIRMAN, MR MICHAEL CHENG, AND ACCOMPANIED BY THE WONG TAI SIN DISTRICT OFFICER, MR NICHOLAS YEK, THE PARTY TOURED THE VARIOUS SECTIONS OF THE SOON-TO-OPEN \$40 MILLION PROJECT.

THEY LEARNED THAT THE NGAU CHI WAN CIVIC CENTRE, SITUATED ON THE FIRST AND SECOND FLOORS OF THE NGAU CHI WAN URBAN COUNCIL COMPLEX, WAS THE COUNCIL'S FIRST FULL-SCALE COMMUNITY ARTS CENTRE.

IT COMPRISES A 443-SEAT THEATRE, A LECTURE ROOM, AN EXHIBITION HALL, A DANCE PRACTICE ROOM, TWO MUSIC PRACTICE HALLS AND TWO ART STUDIOS.

MEMBERS ALSO SAW THE LIBRARY SITUATED AT THE SAME COMPLEX.

THE LIBRARY INCLUDES AN AUDIO-VISUAL AIDS ROOM AND A STUDY ROOM.

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DETAILS OF INDUSTRIAL SAFETY GALA NIGHT  
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A PRESS CONFERENCE ANNOUNCING DETAILS OF THE INDUSTRIAL SAFETY GALA NIGHT WHICH IS JOINTLY ORGANISED BY THE LABOUR DEPARTMENT AND RADIO TELEVISION HONG KONG WILL BE HELD ON THE GROUND FLOOR OF BROADCASTING HOUSE, KOWLOON, AT 11.30 AM TOMORROW (THURSDAY).

TAKING PART IN THE CONFERENCE WILL BE CHIEF FACTORY INSPECTOR OF THE LABOUR DEPARTMENT, MR YIP YUK-LUN, HEAD OF RADIO ONE, MRS AVA CHIU, SENIOR PROGRAMME OFFICER, MISS JOHANA LAU, AND PRODUCER OF THE GALA NIGHT, MR FRANCIS MAK.

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NOTE TO EDITORS:

YOU ARE INVITED TO COVER THE EVENT.

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DETAILS OF BANKING ANNUAL REPORT  
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A PRESS CONFERENCE TO PRESENT THE COMMISSIONER OF BANKING'S ANNUAL REPORT FOR 1986 WILL BE HELD AT THE GIS PRESS CONFERENCE ROOM TOMORROW (THURSDAY) AT 5 PM.

THE COMMISSIONER OF BANKING, MR ROBERT FELL, WILL CHAIR THE CONFERENCE.

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NOTE TO EDITORS:

YOU ARE INVITED TO ATTEND. COPIES OF THE ANNUAL REPORT WILL BE AVAILABLE FOR ADVANCE READING FROM 4.30 PM. PLEASE NOTE THAT CONTENTS OF THE REPORT SHOULD NOT BE PUBLISHED OR BROADCAST BEFORE THE PRESS CONFERENCE.

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CLEAN VILLAGE COMPETITION FOR DISCUSSION  
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MEMBERS OF THE SAI KUNG DISTRICT BOARD'S ENVIRONMENTAL IMPROVEMENT COMMITTEE WILL MEET TOMORROW (THURSDAY) TO DISCUSS A CLEAN VILLAGE COMPETITION IN SUPPORT OF THE KEEP HONG KONG CLEAN CAMPAIGN.

THE COMPETITION, TO BE HELD FROM MARCH 26 TO THE END OF APRIL, IS AIMED AT MOTIVATING VILLAGERS TO KEEP THE ENVIRONMENT CLEAN AND HEALTHY AND TO IMPROVE CLEANSING SERVICES AND FACILITIES IN VILLAGES.

OTHER ITEMS ON THE AGENDA INCLUDE THE EXTENSION OF THE REST GARDEN AT HO CHUNG AND THE INSTALLATION OF FLOODLIGHTING FOR THE TENNIS COURT AT SAI KUNG TOWN HALL.

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NOTE TO EDITORS:

YOU ARE INVITED TO COVER THE MEETING TOMORROW AT 10 AM IN THE CONFERENCE ROOM OF SAI KUNG DISTRICT BOARD, SECOND FLOOR, SAI KUNG GOVERNMENT OFFICES, SAI KUNG TOWN.

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BOARD TO DISCUSS DEEDS OF MUTUAL COVENANT  
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THE TUEN MUN DISTRICT BOARD WILL MEET TOMORROW (THURSDAY) TO DISCUSS THE DEEDS OF MUTUAL COVENANT INVOLVING THE MELODY GARDEN OWNERS' CORPORATION AND ITS MANAGEMENT.

OTHER ITEMS TO BE CONSIDERED ARE THE RE-ESTABLISHMENT OF POLICE REPORTING CENTRES IN PUBLIC HOUSING ESTATES, SEPARATE TAXATION FOR MARRIED COUPLES, CO-ORDINATION POLICY ON PUBLIC TRANSPORT, ALLEGED LOAN SHARKING OPERATIONS IN TUEN MUN, THE 1986 EDITION OF TUEN MUN NEW TOWN DEVELOPMENT PROGRAMME, AND THE FILLING OF LAND AT AREA 47 (SOUTH) USING PULVERISED FUEL ASH.

MEMBERS WILL ALSO LOOK INTO REPORTS SUBMITTED BY THE BOARD'S COMMITTEES.

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NOTE TO EDITORS:

YOU ARE INVITED TO COVER THE MEETING AT 9.30 AM TOMORROW IN THE CONFERENCE ROOM OF THE DISTRICT BOARD SECRETARIAT ON THE THIRD FLOOR, TUEN MUN GOVERNMENT OFFICES BUILDING, NO. 1, TUEN HI ROAD.

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WATER CUT IN KOWLOON CITY  
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FRESH WATER SUPPLY TO CERTAIN PREMISES IN KOWLOON CITY WILL BE TURNED OFF ON SATURDAY (MARCH 21) FROM 10 AM TO 5 PM FOR MAINS WORK.

THE AFFECTED AREA IS BOUNDED BY TIN KWONG ROAD, KAU PUI LUNG ROAD, LOK SHAN ROAD AND MA TAU WAI ROAD.

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