



DAILY INFORMATION BULLETIN

WEDNESDAY, FEBRUARY 25, 1976

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PROFITS TAX, PETROL DUTY TO GO UP
PART OF SIX BUDGET PROPOSALS TO RAISE REVENUE

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THE RATE OF CORPORATION PROFITS TAX IS TO BE RAISED FROM 16-1/2 PER CENT TO 17 PER CENT AND DUTY ON PETROL AND AUTOMOTIVE DIESEL FUEL IS TO BE INCREASED BY AROUND 23 PER CENT AS PART OF THE FINANCIAL SECRETARY'S SIX REVENUE PROPOSALS PRESENTED TO THE LEGISLATIVE COUNCIL TODAY.

THE PROPOSALS, +DESIGNED SPECIFICALLY TO RAISE EXTRA REVENUE+ IN THE COMING FINANCIAL YEAR, INCLUDE AN INCREASE OF ONE PERCENTAGE POINT IN GENERAL RATES AND THE RAISING OF STAMP DUTY ON CONVEYANCES BY HALF A PERCENTAGE POINT TO 2-3/4 PER CENT.

THE FINANCIAL SECRETARY PROPOSED TO EXTEND THE AMBIT OF THE BUSINESS REGISTRATION ORDINANCE SO THAT FROM APRIL 1 THIS YEAR ALL COMPANIES INCORPORATED OR REGISTERED UNDER IT WILL BE OBLIGED TO PAY THE ANNUAL BUSINESS REGISTRATION FEE OF \$150.

HE ALSO PROPOSED TO INCREASE ESTATE DUTY BY RAISING THE TOP RATE TO 18 PER CENT.

THE NEW RATES OF DUTY ON PETROL AND AUTOMOTIVE DIESEL FUEL CAME INTO EFFECT FROM 4 O'CLOCK TODAY.

MR. HADDON-CAVE EXPRESSED CONFIDENCE THAT +NONE OF MY PROPOSALS WILL HAVE ANY DAMAGING EFFECT ON INVESTMENT DECISIONS OR INFLATE INDUSTRIAL COSTS OR HAVE MORE THAN A VERY SLIGHT EFFECT ON DISPOSABLE PERSONAL INCOMES, LET ALONE INVOLVE HARDSHIP FOR ANY PARTICULAR INCOME CLASS.+

HE SAID FOR VARIOUS REASONS, NOT THE LEAST REVENUE CONSIDERATIONS, HE HAD NO PROPOSALS FOR TAX CONCESSIONS OR REFORMS.

CORPORATION PROFITS TAX

REFERRING TO CORPORATION PROFITS TAX, MR. HADDON-CAVE SAID THE RATE FOR THE YEAR OF ASSESSMENT 1976-77 WOULD BE 17 PER CENT YIELDING \$35 MILLION, BUT ONLY \$28 MILLION WOULD ACTUALLY BE COLLECTED IN 1976-77.

THE SECOND INSTALMENT OF \$7 MILLION WILL BE COLLECTED IN 1977-78.

+AT 17 PER CENT,+ THE FINANCIAL SECRETARY SAID, +THIS WILL MEAN THAT THERE WILL BE A GAP OF TWO PERCENTAGE POINTS BETWEEN THE RATE OF CORPORATION PROFITS TAX AND THE STANDARD RATE OF TAX ON OTHER FORMS OF EARNINGS AND PROFITS.+

/HE DESCRIBED

HE DESCRIBED THIS AS +JUST - BUT ONLY JUST, - ACCEPTABLE FROM A TECHNICAL POINT OF VIEW.+

MR. HADDON-CAVE RECALLED THAT FROM THE YEAR OF ASSESSMENT 1975-76, A TEN PER CENT SURCHARGE WAS IMPOSED ON THE STANDARD RATE OF PROFITS TAX PAID BY CORPORATIONS. THIS SURCHARGE WAS A TEMPORARY MEASURE DESIGNED TO BRING IN MUCH NEEDED ADDITIONAL REVENUE PENDING THE INTRODUCTION OF A TAX ON DIVIDENDS.

HE NOTED THAT WHEN UNOFFICIALS CAME TO CONSIDER A BILL DESIGNED TO TAX DIVIDENDS AND UNDISTRIBUTED PROFITS, THEY EXPRESSED +DISSATISFACTION WITH BOTH THE UNDERLYING PRINCIPLES AND THE DETAILS OF THEIR IMPLEMENTATION.+

AT THE SAME TIME, SEVERAL LEADING COMMERCIAL AND INDUSTRIAL ASSOCIATIONS EXPRESSED OPPOSITION TO THE VERY CONCEPT OF A TAX ON DIVIDENDS.

+SO THE IMPLICATION WAS THAT THE BILL WOULD HAVE A SLOW AND DIFFICULT PASSAGE THROUGH THE LEGISLATIVE COUNCIL,+ MR. HADDON-CAVE SAID.

IN THESE CIRCUMSTANCES, HE HAD NO ALTERNATIVE BUT TO DEFER THE BILL.

HOWEVER, HE SAID, HE REMAINED CONVINCED OF THE CASE FOR A TAX ON DIVIDENDS AND HE DESCRIBED THE CRITICISMS OF THE PROPOSAL AS +EITHER MISDIRECTED OR IRRELEVANT OR BOTH.+

ESTATE DUTY

ON ESTATE DUTY, MR. HADDON-CAVE PROPOSED THAT IN RESPECT OF PERSONS DYING AFTER THE ENACTMENT OF THE NECESSARY AMENDING LEGISLATION, FOR ESTATES OVER \$1.5 MILLION THE RATE SHOULD BE 16 PER CENT, FOR ESTATES OVER \$2 MILLION IT SHOULD BE 17 PER CENT AND FOR ESTATES OVER \$3 MILLION THE RATE SHOULD BE 18 PER CENT.

ESTATES OVER \$3 MILLION OR PERSONS DYING BEFORE APRIL 1, 1972 ATTRACTED DUTY OF 20 PER CENT AND FOR PERSONS DYING BEFORE APRIL 1, 1970, AT LEAST 23 PER CENT.

THE FINANCIAL SECRETARY SAID HE REGARDED THE PROPOSAL AS PROVIDING +USEFUL, BUT MODEST, ADDITION TO OUR CAPITAL REVENUE.+

GENERAL RATES

MR. HADDON-CAVE SAID HIS PROPOSED INCREASE IN GENERAL RATES WOULD YIELD \$48 MILLION.

FOR THE THREE URBAN AREAS (HONG KONG, KOWLOON AND NEW KOWLOON), RATES WILL BE INCREASED FROM 11 PER CENT TO 12 PER CENT. FOR TSUEN WAN/KWAI CHUNG, THE INCREASE WILL BE FROM 17 PER CENT TO 18 PER CENT, WHILE RATES FOR TSING YI WILL CONTINUE TO REMAIN AT 11 PER CENT.

MR. HADDON-CAVE SAID FOR THE MAJORITY OF DOMESTIC RATEPAYERS, OCCUPYING TENEMENT FLOORS, THE INCREASE WILL MEAN, ON AVERAGE, AN ADDITIONAL MONTHLY RATES PAYMENT OF NO MORE THAN \$3 WHILE, EVEN FOR HOUSES, THE AVERAGE ADDITIONAL PAYMENT IS ONLY LIKELY TO BE A LITTLE OVER \$30 PER MONTH.

SO FAR AS NON-DOMESTIC TENEMENTS ARE CONCERNED, THE EFFECT OF THE INCREASE WILL RANGE FROM AROUND AN AVERAGE OF \$11 PER MONTH FOR SHOPS TO ABOUT \$45 PER MONTH FOR FLATTED FACTORIES.

STAMP DUTY ON CONVEYANCES

REFERRING TO HIS PROPOSAL TO INCREASE STAMP DUTY ON CONVEYANCES TO 2-3/4 PER CENT, MR. HADDON-CAVE ESTIMATED THAT THE ADDITIONAL REVENUE FROM THIS INCREASE WOULD BE \$20 MILLION IN THE COMING FINANCIAL YEAR.

DOCUMENTS RELATING TO TRANSACTIONS WHERE THE CONSIDERATION DOES NOT EXCEED \$75,000 OR \$150,000 WILL BEAR DUTY AT THE CONCESSIONARY RATES OF \$20 AND ONE PER CENT RESPECTIVELY.

+LOGICALLY, WITH THE STANDARD RATES AT 2-3/4 PER CENT, COMPARED WITH TWO PER CENT WHEN THE CONCESSIONARY RATES WERE INTRODUCED, THE CONCESSIONARY RATES SHOULD BE REVISED, BUT I WISH TO DO NOTHING WHICH WOULD IMPLY A LACK OF SYMPATHY WITH HOME OWNERSHIP ASPIRATIONS,+ THE FINANCIAL SECRETARY SAID.

BUSINESS REGISTRATION FEE

MR. HADDON-CAVE SAID THERE WERE A NUMBER OF COMPANIES WHICH, WHILE ENJOYING THE CONVENIENCE AND PROTECTION AFFORDED BY HONG KONG LAWS, MADE VIRTUALLY NO REGULAR CONTRIBUTION TO THE REVENUE, APART FROM THE SMALL SERVICE FEE OF \$10 FOR FILING ANNUAL RETURNS WITH THE REGISTRAR OF COMPANIES.

AT PRESENT, BECAUSE THEY WERE NOT CARRYING ON A BUSINESS, THEY WERE NOT LIABLE TO REGISTER UNDER THE BUSINESS REGISTRATION ORDINANCE.

THE FINANCIAL SECRETARY PROPOSED TO AMEND THE ORDINANCE WITH EFFECT FROM APRIL 1 SO THAT ALL COMPANIES INCORPORATED OR REGISTERED UNDER THE COMPANIES ORDINANCE WOULD ALSO BE OBLIGED TO REGISTER UNDER THE BUSINESS REGISTRATION ORDINANCE AND PAY THE ANNUAL FEE OF \$150.

+IN ADDITION TO 'SHELF' COMPANIES,+ HE SAID, +THIS WILL BRING INTO THE NET THOSE COMPANIES WHICH, ALTHOUGH INCORPORATED IN HONG KONG, CARRY ON SUCH BUSINESS AS THEY DO OUTSIDE HONG KONG.+

THE INCREASED REVENUE WILL BE AT LEAST \$1 MILLION IN 1976-77.

EXCISE DUTIES ON HYDROCARBON OILS

REFERRING TO HIS FINAL PROPOSAL TO BRING IN ADDITIONAL REVENUE, MR. HADDON-CAVE NOTED THAT THE RATES OF DUTY ON PETROL AND AUTOMOTIVE DIESEL FUEL HAD REMAINED UNCHANGED SINCE 1966.

ALTHOUGH THE CONTRIBUTION OF THE MOTORIST AND OTHER ROAD USERS TO GENERAL REVENUE THROUGH EXCISE DUTIES AND OTHER TAX TYPE LEVIES HAS INCREASED OVER THE PAST TEN YEARS FROM \$136 MILLION IN 1966-67 TO AN ESTIMATED \$359 MILLION IN 1976-77, AS A PROPORTION OF RECURRENT REVENUE IT HAS FALLEN FROM EIGHT PER CENT TO 5.8 PER CENT.

MOREOVER THE CONTRIBUTION OF DUTIES ON HYDROCARBON OILS TO RECURRENT REVENUE HAS DECLINED MORE SHARPLY.

MR. HADDON-CAVE SAID +THE TIME HAS NOW COME WHEN THE TRADE COULD STAND SOME UPWARD ADJUSTMENT OF THE RATES OF DUTY.+

HE NOTED THAT IN THE CASE OF PETROL, DEMAND BY THE FIRST QUARTER OF 1976 HAD RECOVERED TO THE LEVEL OF THE THIRD QUARTER OF 1972. IT THEN TOOK OFF TO THE EXCEPTIONALLY HIGH LEVEL EXPERIENCED IN LATE 1972 TO MID-1973.

IN THE CASE OF AUTOMOTIVE DIESEL FUEL, DEMAND +IS FAIRLY PRICE INELASTIC.+ EVEN IN 1974, THERE WAS A SLIGHT INCREASE OVER 1973. BY THE SECOND AND THIRD QUARTERS OF 1975, THE RATE INCREASE HAD RETURNED TO NORMAL AND HAS ONLY SLOWED DOWN A LITTLE AS A RESULT OF THE NOVEMBER 1975 PRICE INCREASE OF 25 CENTS PER GALLON.

UNDER THE FINANCIAL SECRETARY'S PROPOSAL, THE DUTY ON PETROL WILL BE INCREASED FROM \$1.80 TO \$2.20 OR 40 CENTS A GALLON WHILE THAT ON AUTOMOTIVE DIESEL FUEL WILL RISE FROM \$1.30 TO \$1.60 OR 30 CENTS A GALLON.

THE RETAIL PRICES SHOULD INCREASE TO NO MORE THAN \$6.25 AND \$4.75 A GALLON RESPECTIVELY.

MR. HADDON-CAVE ESTIMATED THAT THE ADDITIONAL REVENUE YIELD IN THE COMING FINANCIAL YEAR WOULD BE ABOUT \$37 MILLION.

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OTHER PROPOSALS CONSIDERED

THE FINANCIAL SECRETARY SAID HE HAD GIVEN FURTHER CONSIDERATION THIS YEAR TO SOME FORM OF SURCHARGE ON HIGH LEVEL SALARIES, PROFITS AND PROPERTY INCOMES. +BUT,+ HE SAID, +THE ABSENCE OF A CHARGE ON TOTAL INCOME AND THE EXISTENCE OF A SYSTEM OF SEPARATE CHARGES ON DIFFERENT TYPES OF INCOME, COUPLED WITH THE OPTION TO CLAIM PERSONAL ASSESSMENT, MAKES THE IMPOSITION OF SUCH A SURCHARGE FAR TOO DIFFICULT AND UNSATISFACTORY TECHNICALLY.+

MR. HADDON-CAVE SAID HE HAD ALSO CONSIDERED REDUCING THE TAX LIABILITY OF THOSE AT THE LOWER END OF THE SCHEDULAR SYSTEM OF SALARIES TAX AND PERSONAL ASSESSMENT.

BUT HE CONCLUDED THAT +TO DO ANYTHING WORTHWHILE WOULD BE TOO EXPENSIVE IN TERMS OF REVENUE FOREGONE.+

REFERRING TO THE POSSIBILITY OF INCREASING PERSONAL ALLOWANCES, THE FINANCIAL SECRETARY SAID THIS WOULD COST \$80 MILLION IN THE FIRST YEAR AND \$40 MILLION THEREAFTER.

+SUCH A SURRENDER OF REVENUE IS OUT OF THE QUESTION,+ HE SAID.

TURNING TO WATER CHARGES, THE FINANCIAL SECRETARY SAID A CHANGE OF THE PRESENT FLAT RATE FOR NON-DOMESTIC USERS WAS NOT PRACTICABLE UNTIL WATER ACCOUNTS WERE PROCESSED BY COMPUTER.

+WE HAVE NOT PROCEEDED AS QUICKLY AS WE WOULD HAVE LIKED WITH THIS PROJECT, LARGELY BECAUSE WE HAVE HAD DIFFICULTY IN RECRUITING THE NECESSARY TECHNICAL STAFF,+ HE SAID. +I UNDERSTAND THAT THESE DIFFICULTIES HAVE NOW BEEN OVERCOME.+

HE SAID IN CONSEQUENCE OF THEM, +WE SHALL NOT BE IN A POSITION TO REVIEW THE CHARGES FOR NON-DOMESTIC CONSUMERS UNTIL THIS TIME NEXT YEAR.+

THE FINANCIAL SECRETARY EXPRESSED CONCERN THAT IF INDUSTRIAL CONSUMPTION CONTINUED TO EXPAND WITH THE ECONOMY, SOONER OR LATER DOMESTIC CONSUMERS WERE BOUND TO SUBSIDISE NON-DOMESTIC CONSUMERS.

+SUCH A SITUATION CANNOT BE ALLOWED TO PREVAIL FOR TOO LONG,+ HE SAID. +THE WATER UNDERTAKING, LIKE ALL OUR PUBLIC UTILITY TYPE UNDERTAKINGS, MUST BE OPERATED ON AT LEAST A QUASI-COMMERCIAL BASIS, GIVEN OUR TAX SYSTEM.+

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VIEWPOINT TALK BY THE FINANCIAL SECRETARY

THE FOLLOWING IS THE TEXT OF THE TALK BY THE FINANCIAL SECRETARY BROADCAST TONIGHT :-

GOOD EVENING.

THIS AFTERNOON I PRESENTED THE BUDGET FOR 1976-77 TO THE LEGISLATIVE COUNCIL. IT PROVIDES FOR EXPENDITURE NEXT YEAR OF \$7,200 MILLION OR \$1,000 MILLION MORE THAN THIS YEAR. OF THIS VAST SUM, \$5,300 MILLION HAS BEEN EARMARKED FOR THE VARIOUS SERVICES PROVIDED BY THE GOVERNMENT RANGING FROM POLICEMEN IN THE STREETS, TO PUBLIC ASSISTANCE FOR THE NEEDY, TO MEDICAL CARE FOR THE SICK, TO TEACHERS FOR OUR SCHOOLS. AND \$1,900 MILLION HAS BEEN EARMARKED FOR CAPITAL EXPENDITURE, MAINLY ON OUR PUBLIC WORKS PROGRAMMES IN THE URBAN AREAS AND IN THE NEW TOWNS.

REVENUE WILL MORE THAN MEET THE COST OF OUR DAY TO DAY SERVICES AND ALL BUT A FIFTH OF THE COST OF CAPITAL EXPENDITURE, EVEN THOUGH THERE IS TO BE ONLY A MODEST INCREASE IN TAXATION. I AM BUDGETTING FOR A DEFICIT OF ABOUT \$350 MILLION. THIS IS A SMALL DEFICIT, BUT IT DOES MEAN THAT I AM BUDGETTING FOR A DEFICIT FOR THE SECOND YEAR RUNNING. HOWEVER, I AM NOT WORRIED ABOUT THIS FOR FOUR REASONS. FIRST, THE DEFICIT THIS YEAR, 1975-76, IS LIKELY TO BE ONLY \$50 MILLION COMPARED WITH THE \$430 MILLION I HAD BUDGETTED FOR. THIS IS LARGELY BECAUSE EXPENDITURE ON OUR PUBLIC WORKS PROGRAMMES WAS LESS THAN ANTICIPATED DUE TO SUCH FACTORS AS LOWER COSTS AND THE WET SUMMER. SECONDLY, IT IS VERY POSSIBLE THAT REVENUE IN 1976-77 WILL BE RATHER MORE THAN SHOWN IN THE REVENUE ESTIMATES BECAUSE THE STRENGTH OF OUR ECONOMY ON THE UPTURN ALWAYS TENDS TO SURPRISE US. THIRDLY, EVEN IF THERE IS SOME INCREASE IN COSTS AND PRICES IN THE COMING YEAR, IT WILL REQUIRE A VERY CONSIDERABLE EFFORT TO SPEND AS MUCH AS \$1,000 MILLION MORE NEXT YEAR THAN THIS YEAR. THAT MAY SOUND STRANGE, BUT THE FACT OF THE MATTER IS THAT EXPENDITURE ON LARGE CAPITAL WORKS PROGRAMMES IS QUITE OFTEN SUBJECT TO DELAYS CAUSED BY LATE DELIVERIES, BAD WEATHER AND LAND CLEARANCE PROBLEMS. FOURTHLY, WE REMAIN A RELATIVELY DEBT FREE GOVERNMENT WITH RESERVES EQUAL TO MORE THAN ONE THIRD OF TOTAL EXPENDITURE AND SO I AM SURE WE CAN SAFELY BORROW TO FINANCE WHATEVER DEFICIT WE DO INCUR IN 1976-77. I MIGHT ADD THAT IT IS MY INTENTION THAT WE SHALL HAVE A BALANCED BUDGET WITHIN THE NEXT YEAR OR TWO.

I MENTIONED THAT WE WOULD BE SPENDING ABOUT \$1,000 MILLION MORE NEXT YEAR THAN THIS YEAR AND THIS NATURALLY RAISES THE QUESTION : ON WHAT? WELL, I CANNOT GO THROUGH THE WHOLE OF THE EXPENDITURE SIDE OF THE BUDGET, BUT I CAN SAY THIS : THERE IS EMPHASIS ON THOSE AREAS WHICH THE GOVERNMENT BELIEVES TO BE OF THE HIGHEST PRIORITY AND OF PUBLIC CONCERN.

/LET ME GIVE

LET ME GIVE YOU THE MOST IMPORTANT EXAMPLES OF WHAT I MEAN : CRIME IS NOW BEING CONTAINED, BUT HAS YET TO BE REDUCED. THE GOVERNMENT IS FAR FROM COMPLACENT ABOUT CRIME AND IS DETERMINED TO DEAL WITH IT. SO THE POLICE FORCE WILL BE BROUGHT UP TO A STRENGTH OF OVER 20,000 AND PROVIDED WITH ADDITIONAL EQUIPMENT SUCH AS PERSONAL RADIOS FOR MEN ON THE BEAT.

OF EQUAL PUBLIC CONCERN IS EDUCATION. THE NUMBER OF SUBSIDISED PLACES IN FORMS I - III OF SECONDARY SCHOOLS IS TO BE INCREASED SUBSTANTIALLY IN 1976-77 AND PROGRESSIVELY THEREAFTER TO ENABLE THE SECONDARY SCHOOLS ENTRANCE EXAMINATION TO BE HELD FOR THE LAST TIME IN 1977. THIS IS A YEAR EARLIER - AND I STRESS A YEAR EARLIER - THAN RECOMMENDED IN THE 1974 WHITE PAPER. SO, FROM SEPTEMBER 1978, THERE WILL BE ENOUGH PLACES IN SECONDARY SCHOOLS FOR THREE YEARS OF SUBSIDISED EDUCATION FOR ALL WHO WANT IT. THIS WILL BE ACHIEVED BY THE USE OF A NUMBER OF SHORT TERM DEVICES TO ENABLE MORE CLASSES TO BE RUN IN EXISTING SCHOOLS. AT THE SAME TIME, A START WILL BE MADE IN 1976-77 ON THE CONSTRUCTION OF 33 NEW SECONDARY SCHOOLS AND FURTHER SCHOOLS WILL BE BUILT OVER THE NEXT FEW YEARS AS RESOURCES PERMIT. PROVISION HAS ALSO BEEN MADE FOR 1,600 MORE PLACES IN FORMS IV AND V AND 1,000 MORE PLACES IN SIXTH FORMS IN 1976-77 WHICH WILL REPRESENT SOME PROGRESS TOWARDS THE WHITE PAPER TARGETS FOR SECONDARY EDUCATION BEYOND FORM III - AND THERE WILL BE PLACES FOR THE EQUIVALENT OF 1,000 MORE FULL TIME STUDENTS IN TECHNICAL INSTITUTES.

BEYOND SECONDARY EDUCATION THE NUMBER OF STUDENTS AT THE POLYTECHNIC WILL BE INCREASED BY 1,750 AND THE TARGET OF 30,000 WILL BE ALMOST REACHED BY SEPTEMBER 1978. AT THE UNIVERSITIES, IN ORDER TO ACHIEVE THE TARGET OF 8,850 BY THE DUE DATE OF SEPTEMBER 1977, THE NUMBER OF STUDENTS ENROLLED WILL BE INCREASED BY 700 IN THE ACADEMIC YEAR 1976-77.

SUBSTANTIAL SUMS OF PUBLIC MONEY ARE TO BE MADE AVAILABLE TO THE HOUSING AUTHORITY FOR PUBLIC HOUSING. WORK WILL BE IN PROGRESS DURING 1976-77 ON FLATS WHICH WILL PROVIDE HOMES FOR OVER HALF A MILLION PEOPLE AND FLATS FOR 94,000 PEOPLE WILL ACTUALLY BE COMPLETED DURING THE YEAR. FOR THOSE AWAITING PUBLIC HOUSING, WE SHALL BE EMBARKING UPON A NEW PROGRAMME FOR ADDITIONAL LICENSED AREAS WITH IMPROVED BASIC FACILITIES.

IN THE MEDICAL FIELD, THE PRINCESS MARGARET HOSPITAL WILL BE OPERATING AT ITS FULL CAPACITY OF 1,300 BEDS AND PLANNING WILL START ON A PSYCHIATRIC WING. PLANNING WILL ALSO START ON TWO NEW REGIONAL HOSPITALS, ONE IN EAST KOWLOON AND THE OTHER IN SHATIN. THE SHATIN HOSPITAL WILL PROVIDE THE CLINICAL TEACHING FACILITIES FOR THE NEW MEDICAL SCHOOL AT THE CHINESE UNIVERSITY.

AS ALWAYS WE HAVE NOT ALLOWED ALL THESE PROMISING IMPROVEMENTS IN SOCIAL SERVICES TO DIMINISH THE INVESTMENT PUT INTO THE DEVELOPMENT OF OUR ECONOMIC INFRASTRUCTURE. IN ALL WE SHALL BE SPENDING NEARLY \$1,100 MILLION IN 1976-77 OR ABOUT \$400 MILLION MORE THAN THIS YEAR ON ROADS, THE RAILWAY, THE AIRPORT AND LAND FOR DEVELOPMENT.

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WITH THE YEAR OF THE DRAGON WE ENTER THE SECOND HALF OF THIS DECADE. THE UNDERLYING ASSUMPTION OF THE GOVERNMENT'S BUDGETARY STRATEGY FOR THE COMING FINANCIAL YEAR IS THAT THE ECONOMY IS NOW EMERGING FROM TWO YEARS OF PAUSE AND IN GOOD SHAPE. WE PROTECTED THE ECONOMY FROM INFLATION AND WE AVOIDED STOP-GO DURING THESE DIFFICULT YEARS IN THAT WE MAINTAINED SERVICES AND WE DID NOT CUT BACK ON CAPITAL WORKS ACTUALLY IN HAND. THERE WILL BE A RESUMPTION OF ECONOMIC GROWTH IN 1976 AND SO THE PAUSE IMPOSED ON THE GROWTH OF PUBLIC EXPENDITURE, PARTICULARLY THIS YEAR, MAY NOW BE LIFTED. BUT WE HAVE LIFTED IT AS SELECTIVELY AS POSSIBLE SO THAT REALLY NOTICEABLE ADVANCES MAY BE MADE IN AREAS OF HIGH PRIORITY.

OF COURSE, OUR ECONOMY REMAINS SENSITIVE TO THE STATE OF THE WORLD ECONOMY AND OUR REVENUES SENSITIVE TO THE STATE OF OUR OWN ECONOMY BUT, IF THE RECOVERY OF WORLD TRADE NOW UNDER WAY CONTINUES, I AM CONFIDENT THAT WE CAN LOOK FORWARD TO STEADY AND UNINTERRUPTED PROGRESS.

GOODNIGHT.

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NINE PER CENT GROWTH IN GDP PREDICTED

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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, TODAY FORECAST THAT THE GROWTH RATE OF THE GROSS DOMESTIC PRODUCT IN REAL TERMS IN 1976 WOULD BE NINE PER CENT.

SPEAKING ON HONG KONG'S ECONOMIC PROSPECTS, HE SAID EXPORTS WERE EXPECTED TO INCREASE BY EIGHT PER CENT OVER 1975, BUT HE ADDED THAT +THIS WILL CERTAINLY NOT EXCEED THE TREND CAPACITY OF OUR ECONOMY TO PRODUCE GOODS FOR EXPORT+.

THE FINANCIAL SECRETARY SAID THAT THE VISIBLE TRADE DEFICIT WOULD RISE FROM LAST YEAR'S \$3,641 MILLION TO \$4,600 MILLION, BASED- ON THE FORECAST FOR EXPORTS AND IMPORTS AT CURRENT PRICES.

MOVING ON TO WORLD TRADE, HE SAID ALTHOUGH IT WOULD RECOVER QUITE RAPIDLY TO THE 1974 LEVEL, OUTPUT WOULD NOT RISE SO FAST THAT CAPACITY WAS FULLY UTILISED.

FURTHERMORE, DESPITE THE LOW LEVELS OF CAPACITY UTILISATION, IT WOULD BE WRONG TO EXPECT LOW RATES OF WORLD INFLATION WHICH WERE, EVEN NOW, AT THIS EARLY STAGE OF RECOVERY, HIGH BY THE STANDARDS OF TEN OR MORE YEARS AGO.

MR. HADDON-CAVE SAID ALTHOUGH WORLD INFLATION WOULD CONTINUE, THE DIFFERENT TIMING OF RECOVERY IN DIFFERENT COUNTRIES WAS UNLIKELY TO PRODUCE A REPETITION OF THE VERY STRONG INFLATIONARY UPSURGE EXPERIENCED DURING THE LAST UPTURN IN 1973.

THE FINANCIAL SECRETARY FORECAST AN INCREASE IN THE PRICES OF RAW MATERIALS AND SEMI-MANUFACTURES OF 13 PER CENT IN 1976 WHICH, HE SAID, WOULD RESULT IN HONG KONG'S OWN PRICES STARTING TO MOVE UPWARDS.

BUT HE ADDED THAT CONCERN OVER RENEWED INFLATION WAS LIKELY TO LEAD TO GOVERNMENTS INTERVENING IN THE RECOVERY AND MODERATING ITS' SPEED.

PRIVATE CONSUMPTION EXPENDITURE, MR. HADDON-CAVE SAID, WAS PROBABLY ABOVE ITS TREND GROWTH LEVEL IN 1973, BUT VIRTUALLY NO GROWTH BETWEEN THEN AND 1975 HAD LEFT ROOM FOR SOME CATCHING UP.

HE POINTED OUT THAT THE GROWTH OF THE STOCK OF MONEY RELATIVE TO OUTPUT IN THE LAST TWO YEARS WAS ALSO LIKELY TO CONTRIBUTE TO THE GROWTH OF CONSUMPTION.

+AN EIGHT PER CENT INCREASE IN PRIVATE CONSUMPTION AT CONSTANT PRICES+, HE ADDED, +WILL STILL MEAN ONLY A MODEST AVERAGE GROWTH IN PER CAPITA CONSUMPTION OVER THE PERIOD 1973 TO 1976.+

PUBLIC CONSUMPTION EXPENDITURE WAS FORECAST TO GROW BY TEN PER CENT AT CONSTANT PRICES.

/MR. HADDON-CAVE

MR. HADDON-CAVE SAID THIS WAS A FURTHER INCREASE OVER LAST YEAR'S GROWTH RATE OF NINE PER CENT, BUT BELOW THE VERY RAPID GROWTH BETWEEN 1972 AND 1973.

REFERRING TO INVESTMENT EXPENDITURE, THE FINANCIAL SECRETARY SAID: +CONFIDENCE WITHIN THE PRIVATE SECTOR HAS PROBABLY BEEN RESTORED ALREADY= AND THE LOW INTEREST RATES RESULTING FROM THE OVERALL SURPLUS ON OUR BALANCE OF PAYMENTS, AND THE CONSEQUENT LIQUID POSITION OF THE BANK WILL MAKE ANY FINANCIAL CONSTRAINT ON INVESTMENT IN 1976 UNLIKELY.+

FURTHERMORE, HE ADDED, THERE WAS LIKELY TO BE A LARGE INCREASE IN THE DEMAND FOR BUILDING AND CONSTRUCTION INVESTMENT AND THIS WOULD COME FROM BOTH THE PRIVATE AND PUBLIC SECTORS.

THE ACTUAL LEVEL OF INVESTMENT WOULD PROBABLY BE DETERMINED MORE BY CONSIDERATIONS OF SUPPLY THAN ANY LEVEL OF DEMAND AND THE FINANCIAL SECRETARY FORECAST A GROWTH OF 20 PER CENT IN INVESTMENT EXPENDITURE IN 1976.

MR. HADDON-CAVE DESCRIBED EXPENDITURE BY FOREIGN TOURISTS IN HONG KONG AND EXPENDITURE BY HONG KONG RESIDENTS ABROAD AS THE MOST IMPORTANT ELEMENTS IN THE ESTIMATES OF EXPORTS AND IMPORTS OF SERVICE.

WITH THE GRADUAL RECOVERY IN MOST ECONOMIES IN 1976, HE EXPECTED THERE WOULD BE AN INCREASE OF TEN PER CENT IN THE NUMBER OF TOURISTS COMING TO HONG KONG AND AN INCREASE OF THREE PER CENT IN PER CAPITA EXPENDITURE AT CONSTANT PRICES.

THE FINANCIAL SECRETARY SAID: +THIS GIVES AN INCREASE OF 13 PER CENT IN TOTAL EXPENDITURE AT CONSTANT PRICES OF FOREIGN TOURISTS IN HONG KONG IN 1976.+

MR. HADDON-CAVE PREDICTED THAT THE EXPENDITURE OF HONG KONG RESIDENTS ABROAD IN 1976 WOULD INCREASE BY ABOUT 16 PER CENT.

+THESE AND OTHER ITEMS PRODUCE A MODEST INCREASE OF FIVE PER CENT IN OUR FAVOUR IN THE DIFFERENCE BETWEEN EXPORTS AND IMPORTS OF SERVICES AT CONSTANT PRICES,+ HE SAID.

+THE RESULTING NINE PER CENT GROWTH IN THE GDP WILL STILL LEAVE THE ECONOMY WORKING BELOW CAPACITY AND SUCH GROWTH IS NOT, THEREFORE, HIGH COMPARED WITH WHAT THE ECONOMY SHOULD BE CAPABLE OF, ALTHOUGH WE SHOULD BE WARY OF TOO RAPID A MOVEMENT TOWARDS FULL CAPACITY WORKING,+ MR. HADDON-CAVE SAID.

THIS, HE ADDED, DID NOT MEAN THERE WOULD BE NO SECTOR NOT WORKING UP TO CAPACITY AND ABOVE IT= NOR DID IT MEAN HONG KONG WOULD CONTINUE TO ENJOY THE ALMOST TOTAL ABSENCE OF PRICE INFLATION.

+THERE WILL BE PRESSURE ON THE INTERNAL PRICE LEVEL, MAINLY BECAUSE WE ARE AN OPEN ECONOMY OPERATING WITH WHAT AMOUNTS TO A FIXED EXCHANGE RATE IN A WORLD EXPERIENCING MUCH HIGHER RATES OF PRICE INCREASE,+ THE FINANCIAL SECRETARY SAID.

+WHETHER HONG KONG'S PRICES MOVE WITH WORLD PRICES OR, FOR A SHORT TIME, DIVERGE AND MOVE AT A HIGHER RATE, WILL LARGELY DEPEND ON HOW THE LIQUIDITY OF THE BANKING SYSTEM IS USED.

+AN INCREASE OF SIX PER CENT IN HONG KONG'S PRICES IS BROADLY IN LINE WITH LIKELY DEVELOPMENTS IN WORLD PRICES, AND THIS IS THE IMPLICIT INFLATOR USED IN THE GDP FORECAST, GIVING A 15 PER CENT INCREASE IN THE GDP IN MONEY OR CURRENT PRICE TERMS,+ HE ADDED.

MR. HADDON-CAVE SAID HE WAS VERY CONSCIOUS OF THE PRESSURES THAT WOULD BE PUT ON THE CONSTRUCTION INDUSTRY, BOTH BY THE GOVERNMENT'S CAPITAL WORKS PROGRAMMES AND THE MASS TRANSIT RAILWAY, AND BY THE DEMAND IN THE PRIVATE SECTOR FOR CERTAIN KINDS OF PROPERTY.

HE SAID THERE WAS A SPECIALLY STRONG LINK BETWEEN FINANCIAL AND PROPERTY ASSETS IN HONG-KONG AND THERE WAS SCOPE FOR PRESSURE ON THE CONSTRUCTION INDUSTRY AND HENCE ON PROPERTY PRICES TO FEED BACK ON TO THE PRICES OF FINANCIAL ASSETS, ESPECIALLY IF ENCOURAGED BY BANK LENDING.

ALL THIS, HE SAID, COULD COMBINE TO PRODUCE PRICE INCREASES IN OTHER SECTORS THAT WOULD BE OUT OF LINE WITH THE REST OF THE WORLD, EVEN IF ONLY FOR A SHORT PERIOD.

NEVERTHELESS, THE FINANCIAL SECRETARY THOUGHT THAT THE GOVERNMENT'S AND THE COMMUNITY'S RECOLLECTION OF THE EVENTS OF 1972-73 WAS SUFFICIENTLY VIVID TO MAKE A REPETITION UNLIKELY AND THE FORECAST, THEREFORE, ASSUMED THAT HONG KONG DID NOT DIVERGE FROM WORLD DEVELOPMENTS.

THE FINANCIAL SECRETARY MADE A SPECIFIC REFERENCE TO THE STOCK MARKET DURING THE 12 MONTHS ENDING JUNE 30, 1973 WHICH COVERED THE GREATER PART OF THE STOCK AND PROPERTY MARKET BOOM.

HE SAID THAT DURING THAT PERIOD 190 COMPANIES WENT PUBLIC. OF THESE, OVER TWO-THIRDS USED THE METHOD OF PRIVATE PLACEMENT AND LESS THAN ONE-THIRD THE ORTHODOX METHOD OF DIRECT OFFER TO THE PUBLIC.

MR. HADDON-CAVE POINTED OUT THAT THE METHOD OF PRIVATE PLACEMENT HAD SOME DECIDED DISADVANTAGES FOR INVESTORS AND SHOULD ONLY BE ACCEPTED IN CERTAIN CIRCUMSTANCES.

THE UNRESTRICTED USE OF THIS METHOD IN 1972-73, HE SAID, GAVE RISE TO PRACTICES WHICH LEFT MUCH TO BE DESIRED.

THE FINANCIAL SECRETARY GAVE A WARNING THAT SHOULD THE CURRENT RECOVERY IN CONFIDENCE IN THE STOCK MARKET RESULT IN AN UPSWING IN THE NUMBER OF COMPANIES GOING PUBLIC, THE METHOD OF PRIVATE PLACEMENT WOULD BE SUBJECT TO CLOSE REGULATION BY THE SECURITIES COMMISSION UNDER THE AUTHORITY CONFERRED BY THE SECURITIES ORDINANCE.

SUBSTANTIAL INCREASE IN TOTAL SPENDING NEXT YEAR
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HONG KONG'S ESTIMATED EXPENDITURE FOR THE COMING FINANCIAL YEAR IS \$7,212 MILLION, REPRESENTING AN INCREASE OF \$990 MILLION OR 16 PER CENT ON THE REVISED ESTIMATE OF \$6,222 MILLION FOR 1975-76.

THIS IS SUBSTANTIALLY ABOVE THE 4.2 PER CENT INCREASE IN 1975-76 ON 1974-75, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, SAID.

+IN REAL OR CONSTANT PRICE TERMS THE INCREASE IN 1976-77 IS TEN PER CENT OR NEARLY TWICE THE INCREASE IN 1975-76 ON 1974-75 OF 5.6 PER CENT, AND IS COMPARABLE WITH THE AVERAGE ANNUAL RATE OF INCREASE IN THE FIRST FIVE YEARS OF THE DECADE, NAMELY, 13 PER CENT.+

ANALYSING IN MORE DETAIL THE GOVERNMENT'S SPENDING NEXT YEAR, MR. HADDON-CAVE SAID RECURRENT EXPENDITURE AT \$5,289 MILLION, REPRESENTED AN INCREASE OF \$693 MILLION OR 15 PER CENT ON THE REVISED ESTIMATE OF \$4,596 MILLION FOR 1975-76.

CAPITAL EXPENDITURE IN THE COMING YEAR WAS ESTIMATED AT \$1,923 MILLION, OR ROUGHLY THE SAME AS THE ORIGINAL ESTIMATE FOR 1975-76, BUT 18 PER CENT UP ON THE REVISED ESTIMATE OF \$1,626 MILLION.

ACTUAL CAPITAL EXPENDITURE MAY BE HIGHER IF THE DRAWINGS BY THE HOUSING DEPARTMENT FROM THE DEVELOPMENT LOAN FUND ARE SUCH AS TO REQUIRE FURTHER TRANSFERS FROM GENERAL REVENUE TO THE FUND (BY UP TO \$124 MILLION). IN ADDITION \$15 MILLION WILL BE REQUIRED FOR LICENSED AREAS AND \$12 MILLION FOR THE CONVERSION OF A NUMBER OF PRIMARY SCHOOLS TO 12 SECONDARY SCHOOLS.

ON RECURRENT EXPENDITURE, THE FINANCIAL SECRETARY SAID THERE WAS TO BE A DOWNWARD TREND IN SPENDING ON PERSONAL EMOLUMENTS.

SUCH SPENDING ACCOUNTS FOR ONLY 37 PER CENT OF RECURRENT EXPENDITURE, COMPARED WITH 39 PER CENT IN 1975-76 (REVISED ESTIMATE) AND AN AVERAGE OF 43 PER CENT OVER THE FIRST FIVE YEARS OF THE DECADE.

THIS DOWNWARD TREND WAS ATTRIBUTED TO A FREEZE ON SALARIES IN 1975-76 COUPLED WITH A LIMIT OF 1/2 PER CENT ON INCREASES IN THE ESTABLISHMENT OF THE CIVIL SERVICE DURING THE SAME PERIOD, AND A RESTRICTION ON RECRUITMENT LIMITING THE NET INCREASE IN THE TOTAL STRENGTH. BESIDES, NO CONTINGENCY ELEMENT HAS BEEN INCLUDED IN THE ESTIMATES FOR A POSSIBLE SALARIES REVISION IN 1976-77.

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GROWTH IN DEPARTMENTAL OTHER CHARGES HAS ALSO BEEN CUT DOWN TO ENABLE THE MAXIMUM ADVANCES TO BE MADE IN CERTAIN SELECTED AREAS OF EXPENDITURE AND TO RETAIN THE COST EFFICIENCY BENEFITS OF TWO YEARS OF FINANCIAL STRINGENCY.

SUBVENTED ORGANISATIONS WILL RECEIVE A QUARTER OF ALL RECURRENT EXPENDITURE (\$1,312 MILLION); COMPARED WITH 26 PER CENT (\$1,200 MILLION) IN THE 1975-76 REVISED ESTIMATES.

MR. HADDON-CAVE SAID THE DIRECTOR OF AUDIT WAS NOW PAYING GREATER ATTENTION TO THE +VERY CONSIDERABLE SUMS OF PUBLIC MONEY+ PLACED AT THE DISPOSAL OF SUBVENTED ORGANISATIONS. +I CAN SEE NO REASON WHY THE ORGANISATIONS CONCERNED SHOULD NOT BE SUBJECT TO THE SAME DEGREE OF PUBLIC ACCOUNTABILITY AS THAT APPLYING TO GOVERNMENT DEPARTMENTS,+ HE ADDED.

HE STRESSED THAT FINANCIAL ADMINISTRATION OF THE ORGANISATIONS SHOULD BE CONDUCTED AT THE HIGHEST POSSIBLE LEVEL OF EFFICIENCY, AND HE FULLY SUPPORTED THE DIRECTOR OF AUDIT IN BRINGING TO ATTENTION ANY POSSIBLE CASES OF WASTE, EXTRAVAGANCE OR MISMANAGEMENT.

+FINALLY, THE COST OF OUR PUBLIC DEBT AND OF DEFENCE WILL LOOM LARGER IN OUR AFFAIRS FROM NEXT YEAR THAN HITHERTO,+ HE SAID.

TAKING BOTH RECURRENT AND CAPITAL EXPENDITURE TOGETHER, THE COST OF OUR PUBLIC DEBT WILL INCREASE FROM \$18 MILLION IN 1975-76 TO \$43 MILLION NEXT YEAR (FROM 0.3 PER CENT OF TOTAL EXPENDITURE TO 0.6 PER CENT), WHILE DEFENCE COSTS WILL INCREASE FROM \$101 MILLION TO \$215 MILLION (FROM 1.6 PER CENT OF TOTAL EXPENDITURE TO 3 PER CENT).

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BALANCED BUDGET FOR 1978-79

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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE TOLD LEGISLATIVE COUNCIL THAT HE HAD EVERY INTENTION OF ENSURING THAT THE BUDGET WOULD BE AGAIN AT LEAST IN OVERALL BALANCE BY 1978-79, THE SECOND YEAR OF THE FORECAST PERIOD.

HE ASSURED THE COUNCIL OF THIS IN CASE SOME HONOURABLE MEMBERS WERE WONDERING WHETHER THE GOVERNMENT HAD EMBARKED ON A COURSE OF +FINANCIAL IRRESPONSIBILITY+ IN ITS METHOD OF FINANCING THE DEFICIT IN THE COMING FINANCIAL YEAR.

THE \$355 MILLION BUDGET DEFICIT, ARISING FROM ESTIMATED EXPENDITURE OF \$7,212 MILLION OVER ESTIMATED REVENUE OF \$6,857 MILLION, MR. HADDON-CAVE SAID, WOULD BE FINANCED BY DRAWING UPON THE UNUSED PORTION OF ABOUT \$214 MILLION OF THE PROCEEDS OF THE 6-1/2 PER CENT HONG KONG DOLLAR BOND ISSUE 1980 AND BY DRAWING DOWN THE US\$60 MILLION FACILITY TO WHATEVER EXTENT IS NECESSARY.

HE SAID HE CONSIDERED IT PERFECTLY LEGITIMATE TO FINANCE THE RESIDUAL DEFICIT IN THIS WAY +AS WE ARE WELL WITHIN MY GUIDELINE FOR THE USE OF LOAN FINANCE, NAMELY, THAT DEBT SERVICING CHARGES — INTEREST AND AMORTISATION — SHOULD NOT EXCEED INTEREST EARNINGS ON OUR FISCAL RESERVES+.

MR. HADDON-CAVE REMINDED THE COUNCIL THAT THE USE OF DEBT WAS LIMITED BY THE STRINGENT (ALBEIT, PERHAPS NOT VERY SCIENTIFIC) GUIDELINE.

REFERRING TO A POSSIBLE SALARIES REVISION FOR THE CIVIL SERVICE WHICH, HE SAID, WAS RELEVANT TO HIS FINANCING STRATEGY IN THE COMING YEAR, THE FINANCIAL SECRETARY SAID A CASE BASED ON MOVEMENTS IN THE RELEVANT INDICES OF CONSUMER PRICES DURING 1974-75 AND 1975-76 AND HAVING REGARD TO PAY TRENDS IN THE PRIVATE SECTOR COULD LEAD THE GOVERNMENT TO CONCLUDE THAT A SALARIES REVISION, WITH EFFECT FROM APRIL 1, 1976 WAS JUSTIFIED.

+IF SO, THE QUESTION I MUST CONSIDER IS WHETHER THE ECONOMY WILL GROW AT A RATE AT WHICH SUCH A REVISION CAN BE AFFORDED, SO THAT IT CAN BE FINANCED AT EXISTING TAX RATES AND FITTED INTO, AS IT WERE, THE EXPENDITURE SIDE OF THE BUDGET.+

A SALARIES REVISION OF A CERTAIN ORDER COULD BE CATERED FOR, HE SAID, AS HE BELIEVED +WE HAVE BUDGETTED FOR A VOLUME OF EXPENDITURE SOMEWHAT IN EXCESS OF WHAT WILL PROVE TO BE POSSIBLE IN PRACTICE AND THERE IS A POSSIBILITY THAT, ONCE AGAIN, ON THE UPTURN REVENUE YIELDS WILL BE MORE THAN ANTICIPATED IN THE REVENUE ESTIMATES.+

/THERE ARE

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THERE ARE HOWEVER TWO PROVISOS : THE CASE MUST BE CLEARLY ESTABLISHED TO THE SATISFACTION OF THE FINANCE COMMITTEE, AND IMPLEMENTATION MUST DEPEND ON HIS VIEW OF THE ECONOMY IN 1976 BEING VINDICATED BY EVENTS.

HE SAID THERE COULD BE NO QUESTION OF A POSSIBLE SALARIES REVISION WITH EFFECT FROM APRIL 1 LAST YEAR, BECAUSE WHATEVER THE CASE MAY HAVE BEEN +THERE ARE TWO CONDITIONS WHICH MUST BE SATISFIED BEFORE CIVIL SERVICE SALARIES CAN BE REVISED TO MAINTAIN THEIR REAL VALUE : FIRST, THIS MUST BE CONSISTENT WITH THE CURRENT PRACTICE OF THE PRIVATE SECTOR, AND, SECONDLY, THE GOVERNMENT'S GENERAL FINANCIAL SITUATION MUST BE SUCH AS TO ENABLE A REVISION TO BE PAID FOR.+

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MORE TO BE SPENT ON SOCIAL SERVICES

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THE GOVERNMENT IS TO SPEND MORE MONEY IN THE NEXT FINANCIAL YEAR ON THE PUBLIC ASSISTANCE SCHEMES AS WELL AS THE DISABILITY AND INFIRMITY ALLOWANCE SCHEME.

THERE IS ALSO PROVISION IN THE SOCIAL WELFARE EXPENDITURE FOR 1976-77 TO ALLOW THE INTRODUCTION OF SOME NEW SERVICES INCLUDING THE IMPLEMENTATION OF THE CHILD CARE CENTRES ORDINANCE FROM JUNE 1.

ANNOUNCING THIS IN HIS BUDGET SPEECH, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE SAID THE EXPENDITURE ON SOCIAL WELFARE WAS ESTIMATED TO BE \$422 MILLION IN 1976-77, COMPARED WITH THE REVISED ESTIMATE OF \$370 MILLION IN 1975-76.

THE RECURRENT EXPENDITURE FOR THE SOCIAL WELFARE DEPARTMENT AND FOR SOCIAL WELFARE SUBVENTIONS IN 1976-77 AMOUNTS TO \$406 MILLION, — NEARLY DOUBLE THE LEVEL OF EXPENDITURE WHICH THE FIVE YEAR PLAN FOR SOCIAL WELFARE DEVELOPMENT (1973-78) ENVISAGED BY 1976-77.

EXPENDITURE, EXCLUDING PUBLIC ASSISTANCE AND DISABILITY AND INFIRMITY ALLOWANCES, IS SOME FIVE PER CENT HIGHER THAN THE FIVE-YEAR PLAN PREDICTED.

+ONE OF THE REASONS FOR THIS IS THE DRAMATIC INCREASE IN SUBVENTIONS FOR SOCIAL WELFARE IN THE LAST FEW YEARS, + THE FINANCIAL SECRETARY SAID.

HE DESCRIBED THIS GROWTH IN EXPENDITURE AS REMARKABLE AGAINST THE BACKGROUND OF ECONOMIC DIFFICULTIES THAT HONG KONG HAD EXPERIENCED.

MR. HADDON-CAVE NOTED THAT NO LESS THAN \$297 MILLION IN THE DRAFT ESTIMATES FOR SOCIAL WELFARE IN 1976-77 WENT TO THE DISABILITY AND INFIRMITY ALLOWANCES AND THE PUBLIC ASSISTANCE SCHEMES.

HE SAID THE NUMBER OF PEOPLE CLAIMING THE DISABILITY AND INFIRMITY ALLOWANCES HAD RISEN TO NEARLY 64,000 LAST NOVEMBER AND THE DRAFT ESTIMATES PROVIDED FOR A FURTHER INCREASE TO 75,000 BY THE END OF 1976-77, COMPARED WITH ROUGHLY 34,000 IMPLIED IN THE FIVE-YEAR SOCIAL WELFARE DEVELOPMENT PLAN.

+ABOUT 82 PER CENT OF THESE CASES ARE PERSONS OVER THE AGE OF 75, AND, AS THESE CASES REPRESENT ABOUT 80 PER CENT OF THE OVER-75 AGE GROUP, THE SOCIAL WELFARE DEPARTMENT WILL NOT BE FAR OFF THE MAXIMUM NUMBER OF CASES, + SAID THE FINANCIAL SECRETARY.

/TURNING TO

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TURNING TO THE PUBLIC ASSISTANCE SCHEME, WHICH COSTS \$207 MILLION IN 1976-77 AS COMPARED TO \$174 MILLION IN THE REVISED ESTIMATE FOR THE CURRENT YEAR, MR. HADDON-CAVE SAID HE HAD ACCEPTED SUCH AN ESTIMATE BECAUSE THE DIRECTOR OF SOCIAL WELFARE HAD ASSURED THE FINANCE BRANCH THAT THE NUMBER OF FAMILIES SUCCESSFULLY CLAIMING UNEMPLOYMENT OF THE BREADWINNER AS THE REASON FOR SEEKING PUBLIC ASSISTANCE HAD INCREASED ONLY FROM 530 AS AT APRIL 1, 1974, TO 3,240 AT NOVEMBER 30, 1975 WHEN THEY ACCOUNTED FOR UNDER SIX PER CENT OF THE CASELOAD.

+IF WE ADD IN THOSE CLAIMING LOW EARNINGS, THE PERCENTAGE OF THE CASELOAD REPRESENTED BY THOSE CLAIMING PUBLIC ASSISTANCE ON ECONOMIC GROUNDS INCREASES FROM 14 PER CENT IN 1974 TO 23 PER CENT IN 1975.

+FROM THESE PERCENTAGES, THE DIRECTOR OF SOCIAL WELFARE HAS ARGUED THAT AN IMPROVEMENT IN THE ECONOMY WILL PROBABLY RESULT IN HIS SHEDDING ONLY 5,000 CASES FROM HIS NOVEMBER 1975 CASELOAD OF 55,000.

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MORE SECONDARY SCHOOL PLACES TO BE ALLOCATED

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FORM I SUBSIDISED PLACES AVAILABLE FOR ALLOCATION BY MEANS OF THE SECONDARY SCHOOLS EXAMINATION IN SEPTEMBER 1976 WILL BE INCREASED TO SOME 67,300 — ABOUT 18,800 MORE THAN THOSE AVAILABLE FOR ALLOCATION LAST SEPTEMBER.

THIS WAS ONE OF THE PROVISIONS INCLUDED IN THE DRAFT ESTIMATES FOR EDUCATION IN 1976-77, ANNOUNCED BY THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, TODAY.

IN HIS BUDGET SPEECH, MR HADDON-CAVE SAID HIS INTENTION WOULD BE TO PROVIDE IN THE DRAFT ESTIMATES FOR 1977-78 AND 1978-79 FOR FURTHER INCREASES IN THE NUMBER OF SUBSIDISED FORM I PLACES SO AS TO PRODUCE A SUFFICIENT NUMBER OF SUCH PLACES IN SEPTEMBER 1978 FOR ALL PRIMARY 6 LEAVERS WANTING SECONDARY EDUCATION.

BUT HE WARNED THAT A COMPREHENSIVE SYSTEM OF SUBSIDISED SECONDARY EDUCATION FOR ALL MUST BE EVENTUALLY ACCOMPANIED BY AN UPWARD REVISION OF FEES (WITH THE FEE REMISSION SYSTEM CONTINUING TO PROTECT THE POORER PARENTS).

IN ORDER TO MAKE AVAILABLE A SUFFICIENT NUMBER OF SUBSIDISED PLACES IN FORMS I OF SECONDARY SCHOOLS TO ACCOMMODATE ALL PRIMARY 6 LEAVERS WANTING SECONDARY EDUCATION, HE SAID, THE NUMBER OF FORMS I - III PLACES IN GOVERNMENT AND AIDED SCHOOLS WOULD HAVE TO BE INCREASED BY 74,400 FROM THE PRESENT 156,800 TO 231,200 IN SEPTEMBER 1978.

MR. HADDON-CAVE SAID: +IN ORDER TO ACHIEVE SUCH A MASSIVE EXPANSION OVER A SHORT SPACE OF TIME, IT WILL BE NECESSARY TO RELY HEAVILY ON BUYING PLACES ALREADY EXISTING IN PRIVATE SCHOOLS.+

AT THE SAME TIME, HE SAID, IT WOULD BE NECESSARY TO EXHAUST THE POSSIBILITIES OF VOLUNTARY FLOATATION OF CLASSES IN EXISTING GOVERNMENT AND AIDED SCHOOLS, AND TO MAKE FULL USE OF AN EXTENDED DAY SYSTEM OF OPERATION.

+THESE MUST BE RECOGNISED AS TEMPORARY MEASURES WHICH, CONSISTENT WITH THE QUALITY OBJECTIVES OF THE WHITE PAPER, MUST EVENTUALLY BE REPLACED BY BUILDING AND EQUIPPING NEW SCHOOLS,+ HE ADDED. +PRECISELY WHEN THESE NEW SCHOOLS CAN BE BUILT AND EQUIPPED WILL DEPEND ON OUR ABILITY TO FIND THE ADDITIONAL RESOURCES TO MEET THE VERY SUBSTANTIAL COST OF DOING SO, HAVING REGARD TO COMPETING BIDS FOR OTHER SERVICES.+

THE FINANCIAL SECRETARY SAID THE DRAFT ESTIMATES FOR 1976-77 PROPOSED TO PROVIDE FOR A START ON 21 NEW SECONDARY SCHOOLS — 10 SPONSORED AND 11 GOVERNMENT BUILT IN THE NEW TOWNS — AND 12 WERE TO BE CREATED BY CONVERTING A NUMBER OF PRIMARY SCHOOLS,

/HE EXPECTED

HE EXPECTED THAT THE DIRECTOR OF EDUCATION WOULD, LATER IN THE BUDGET DEBATE, EXPLAIN THE IMPLICATION OF THIS MASSIVE PROGRAMME OF EXPANSION, INCLUDING THE IMPLICATIONS FOR THE EMPLOYMENT OF TEACHERS GRADUATING FROM TEACHERS' COLLEGES IN 1976.

FOR CHILDREN WISHING TO PROCEED BEYOND FORM III, THE FINANCIAL SECRETARY SAID: +THE DRAFT ESTIMATES PROVIDE FOR AN ADDITIONAL 1,600 PLACES IN FORMS IV AND V, INCREASING THE TOTAL NUMBER OF SUCH PLACES TO 40,700 BY SEPTEMBER 1976.

+THERE WILL ALSO BE AN INCREASE OF ABOUT 1,000 PLACES IN FORMS VI TO BRING THE TOTAL OF SUCH PLACES TO 10,000.+

MR. HADDON-CAVE ADDED THAT IN SEPTEMBER 1976, TOTAL ENROLMENT IN THE THREE TECHNICAL INSTITUTES WAS EXPECTED TO BE ABOUT 3,300 FULL-TIME STUDENTS, AN INCREASE OF ABOUT 1,000 OVER SEPTEMBER 1975. CONSTRUCTION OF A FOURTH TECHNICAL INSTITUTE, AT CHEUNG SHA WAN, HAD ALREADY STARTED AND WOULD CONTINUE DURING 1976-77, AND WORK ON A FIFTH INSTITUTE AT SAN PO KONG WOULD BEGIN DURING THE YEAR AT AN ESTIMATED BUILDING COST OF \$14.2 MILLION.

AT THE TERTIARY LEVEL, THE FINANCIAL SECRETARY SAID, THE GOVERNMENT'S OBJECTIVE WAS TO ACHIEVE TARGETS OF 8,850 STUDENTS AT THE UNIVERSITIES AND 8,000 FULL-TIME EQUIVALENT DAY STUDENTS AT THE POLYTECHNIC BY 1977-78.

HE SAID THE DRAFT ESTIMATES FOR 1976-77 PROVIDED FOR GRANTS TO BE MADE THROUGH THE UNIVERSITY AND POLYTECHNIC GRANTS COMMITTEE TO ENABLE THE NUMBER OF STUDENTS ENROLLED AT THE UNIVERSITIES TO BE INCREASED TO 8,250 IN SEPTEMBER 1976, AN INCREASE OF SOME 700 OVER SEPTEMBER 1975.

+BECAUSE MOST COURSES ARE FOR THREE YEARS, THIS IMPLIES AN ENROLMENT OF 8,850 IN SEPTEMBER 1977, THAT IS TO SAY, THE TARGET FIGURE.+

AT THE POLYTECHNIC, THE NUMBER OF FULL TIME EQUIVALENT DAY STUDENTS ENROLLED IN SEPTEMBER 1976 WAS EXPECTED TO BE 5,950 COMPARED WITH 4,991 IN SEPTEMBER 1975.

BY SEPTEMBER 1978, HE SAID, THE TARGET OF 8,000 FULL-TIME EQUIVALENT DAY STUDENTS SHOULD BE ALMOST REACHED SINCE PHASE TWO OF THE DEVELOPMENT OF THE POLYTECHNIC WOULD BEGIN IN 1976-77 WHEN IT WAS EXPECTED THAT \$17 MILLION OF THE PROJECT ESTIMATE OF \$37 MILLION WOULD BE SPENT.

MR. HADDON-CAVE SAID THE GOVERNMENT PROPOSED TO SPEND \$1,376 MILLION ON EDUCATION IN THE COMING FINANCIAL YEAR.

THIS AMOUNT WAS MADE UP OF \$1,260 MILLION FOR RECURRENT EXPENDITURE BY THE EDUCATION DEPARTMENT, ON SUBVENTIONS AND BY THE UNIVERSITY AND POLYTECHNIC GRANTS COMMITTEE, AND \$116 MILLION FOR CAPITAL EXPENDITURE.

THE FIGURE OF \$1,376 MILLION REPRESENTS 19.1 PER CENT OF TOTAL EXPENDITURE IN 1976-77, COMPARED WITH 20.8 PER CENT IN 1975-76.

IN ADDITION, SOME \$33 MILLION IS EXPECTED TO BE DRAWN IN 1976-77 AS LOANS FROM THE DEVELOPMENT LOAN FUND TO ASSIST IN THE FINANCING OF NEW SCHOOL BUILDINGS IN THE AIDED AND PRIVATE SECTOR.

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POSSIBILITY OF SELLING PUBLIC HOUSING FLATS STUDIED

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ABOUT 96,400 PUBLIC HOUSING FLATS FOR 578,100 PEOPLE ARE EXPECTED TO BE COMPLETED BETWEEN 1976-77 AND 1979-80 AND THE GOVERNMENT IS EXPLORING THE POSSIBILITY OF BUILDING FLATS FOR SALE.

THESE PLANS TO CATER FOR HOUSING NEEDS WERE REVEALED BY THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, IN HIS BUDGET SPEECH THIS AFTERNOON.

MR. HADDON-CAVE SAID THE FLATS TO BE BUILT IN THE SECOND HALF OF THIS DECADE WAS NEARLY 11 PER CENT MORE THAN THE ADDITION TO THE HOUSING STOCK IN THE FIRST FIVE YEARS OF THE DECADE.

HE NOTED THAT WORK ON THE CONSTRUCTION OF FURTHER ESTATES WOULD BE IN PROGRESS AT THE END OF 1979-80 FOR COMPLETION IN SUBSEQUENT YEARS.

+IT IS HOPED THAT, BY 1984, ADEQUATE PUBLIC HOUSING WILL BE AVAILABLE TO MEET OVER 80 PER CENT OF THE ESTIMATED DEMAND, COMPARED WITH 57 PER CENT AT END OF 1975-76,+ HE ADDED.

ON THE FEASIBILITY OF BUILDING FLATS FOR SALE, THE FINANCIAL SECRETARY SAID THEY WOULD LARGELY BE SOLD TO EXISTING TENANTS OF PUBLIC HOUSING ESTATES SO THAT, AS THEY MOVED OUT, ROOM WAS MADE FOR OTHERS MORE IN NEED OF LOW-COST RENTED ACCOMMODATION TO MOVE IN.

+TO PRODUCE, SAY, 5,000 FLATS CAPABLE OF HOUSING AN ADDITIONAL 30,000 PEOPLE A YEAR, SUCH A SCHEME WOULD INVOLVE ESTABLISHING A REVOLVING FUND OF ABOUT \$300 MILLION AND FINDING ABOUT 25 ACRES OF LAND A YEAR,+ HE SAID.

MR. HADDON-CAVE NOTED THAT THE TERMS OF SALE WOULD HAVE TO BE CAREFULLY DEVISED SO AS NOT TO INHIBIT PRIVATE DEVELOPMENT.

+IT WOULD ALSO NEED TO BE SUPPORTED BY ADEQUATE MORTGAGE FACILITIES, ON FAIRLY ATTRACTIVE TERMS, FROM SOURCES OUTSIDE THE GOVERNMENT, SO THAT THE FUND WOULD REVOLVE FAST ENOUGH TO CONTINUE FINANCING THE CONSTRUCTION OF 5,000 FLATS A YEAR.+

THE FINANCIAL SECRETARY SAID SUCH A PROPOSAL WAS WELCOMED IN PRINCIPLE BY THE HOUSING AUTHORITY AND HE HOPED TO ESTABLISH A REVOLVING FUND WITHIN THE DEVELOPMENT LOAN FUND TO RAISE THE NECESSARY LOAN FINANCE.

HOWEVER, HE SAID, A GREAT DEAL OF DETAILED WORK WOULD THEN BE REQUIRED TO PRODUCE A PRACTICABLE SCHEME.

+MEANWHILE,+ THE FINANCIAL SECRETARY SAID, +THE HOUSING DEPARTMENT ESTIMATES THAT IT WILL BE SPENDING, DURING 1976-77, ABOUT \$220 MILLION ON THE HOUSING AUTHORITY'S EXISTING BUILDING PROGRAMMES, OF WHICH RATHER MORE THAN HALF WILL BE MET FROM BORROWINGS FROM THE DEVELOPMENT LOAN FUND AND THE BALANCE FROM THE AUTHORITY'S OWN FUNDS.+

/HE ALSO

HE ALSO NOTED THAT THE PUBLIC WORKS DEPARTMENT WOULD CONTINUE CONSTRUCTION WORK ON THE 20 ESTATES ON WHICH PLANNING HAD ALREADY STARTED WHEN THE NEW HOUSING AUTHORITY WAS FORMED.

+THE DRAFT ESTIMATES FOR 1976-77 ENVISAGE SOME \$170 MILLION BEING SPENT BY THE PUBLIC WORKS DEPARTMENT ON THESE ESTATES,+ HE SAID.

THEY COMPRISE 11 ESTATES IN THE URBAN AREA, NINE IN THE NEW TOWNS OF TSUEN WAN, SHATIN AND TUEN MUN.

ON TOP OF THIS, AN ADDITIONAL \$25 MILLION WILL BE SPENT ON MAKING GOOD DEFICIENCIES IN COMMUNITY FACILITIES IN TSUEN WAN.

ON THE QUESTION OF RENTS IN PUBLIC HOUSING ESTATES, THE FINANCIAL SECRETARY SAID; +THE HOUSING AUTHORITY HAS A STATUTORY RESPONSIBILITY TO PAY ITS WAY, WHICH MEANS THAT ITS INCOME FROM RENTS SHOULD BE ADEQUATE TO MEET OPERATING EXPENSES AND MANAGEMENT COST, TO MEET INTEREST PAYMENTS ON LOANS REQUIRED TO FINANCE ITS BUILDING PROGRAMME, AND TO MEET AMORTISATION CHARGES ON ITS LANDS AND BUILDINGS.+

+YET, THEY SHOULD BE WITHIN THE ABILITY OF MOST TENANTS TO PAY.+

HOWEVER, HE SAID, BECAUSE OF RISING COSTS, THE HOUSING AUTHORITY WOULD FACE INCREASING DIFFICULTIES IN DETERMINING RENTS WHICH RECONCILE BOTH THE NEED TO COVER COSTS AND THE MEANS OF ITS TENANTS.

+IN THIS CONNECTION, IT IS INCUMBENT ON THE HOUSING AUTHORITY TO REVIEW ALL INPUT COSTS FOR PUBLIC HOUSING ACCOMMODATION TO ENSURE THAT THE RENTS DERIVED FROM THEM DO NOT BECOME UNREALISTICALLY HIGH IN COMPARISON WITH WHAT ITS TENANTS CAN AFFORD.+

+ON THE OTHER HAND, I KNOW THE HOUSING AUTHORITY HAS VERY MUCH IN MIND THE RELATED PROBLEM OF ENSURING THAT RENTS DO NOT LAG FAR BEHIND COST INCREASES,+ THE FINANCIAL SECRETARY SAID.

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POLICE TO GET LARGER BUDGET

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THE FINANCIAL SECRETARY TODAY ANNOUNCED A BIGGER BUDGET FOR THE POLICE FORCE AND SAID THERE SHOULD BE UP TO 1,700 EXTRA POLICEMEN AVAILABLE FOR ACTIVE DUTY BY THE END OF THE NEXT FINANCIAL YEAR, IF RECRUITING IS SUCCESSFUL AND WASTAGE IS IGNORED.

SPEAKING ON THE SUBJECT OF LAW AND ORDER, MR. HADDON-CAVE SAID THE POLICE WOULD COST \$521 MILLION IN 1976-77 REPRESENTING A 12 PER CENT INCREASE OVER THE REVISED ESTIMATE FOR THE CURRENT FISCAL YEAR, AND 68 PER CENT OF THE TOTAL COST OF LAW AND ORDER SERVICES.

HE SAID THE BIGGER POLICE BUDGET WAS LARGELY ACCOUNTED FOR BY THE GOVERNMENT'S INTENTION TO BRING THE OPERATIONAL STRENGTH OF THE POLICE UP TO FULL ESTABLISHMENT WHICH WOULD INVOLVE CREATING AN EXTRA 1,000 POSTS FOR A TRAINING RESERVE.

+TO ASSIST IN THE RECRUITING PROCESS, THE CAPACITY OF THE POLICE CADET SCHOOL WILL BE INCREASED FROM 300 TO 600 BY THE OPENING OF AN EXTENSION AT DODWELL'S RIDGE,+ HE SAID.

+THE EFFECTIVENESS OF THIS LARGER POLICE FORCE SHOULD BE GREATLY ASSISTED BY THE PROVISION OF \$34 MILLION FOR THE FINAL STAGE OF IMPLEMENTING THE BEAT RADIO SCHEME AND ADDITIONAL EQUIPMENT,+ HE ADDED.

FURTHERMORE, THE CONTACT OF THE POLICE WITH THE PUBLIC WILL BE ASSISTED BY THE ESTABLISHMENT OF 28 REPORTING CENTRES IN HOUSING ESTATES AND THE CREATION OF A FURTHER 500 MUTUAL AID COMMITTEES SO AS TO ACHIEVE THE TARGET OF 2,030 SUCH COMMITTEES SET FOR 1977.

MR. HADDON-CAVE ALSO ANNOUNCED A BIGGER BUDGET FOR THE INDEPENDENT COMMISSION AGAINST CORRUPTION TO ALLOW ITS OPERATIONS DEPARTMENT TO CARRY OUT MORE INTENSIVE INVESTIGATIONS AND THE COMMUNITY RELATIONS DEPARTMENT TO FILL ALL THE POSTS.

THE ICAC WILL GET \$13 MILLION MORE IN 1976-77, REPRESENTING A 52 PER CENT INCREASE OVER THE REVISED ESTIMATE OF \$25 MILLION FOR 1975-76.

THE PRISONS DEPARTMENT IS ALSO GETTING MORE MONEY IN 1976-77. PROVISION HAS BEEN INCLUDED IN THE ESTIMATES TO DEVELOP PRISON INDUSTRIES.

THE 1976-77 ESTIMATED EXPENDITURE FOR THE PRISONS DEPARTMENT AMOUNTS TO \$122 MILLION -- A NEARLY 50 PER CENT INCREASE OVER 1974-75.

DRAMATIC IMPROVEMENTS IN COMMUNICATIONS AND DEVELOPMENT WORKS
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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE CITED THE +DRAMATIC IMPROVEMENTS+ TO VITAL COMMUNICATIONS LINKS BEING UNDERTAKEN IN THE PUBLIC WORKS PROGRAMME IN HIS BUDGET SPEECH TO LEGISLATIVE COUNCIL TODAY.

THESE INCLUDE THE ROAD LINKS BETWEEN THE INDUSTRIAL AREA OF KWUN TONG AND THE CONTAINER TERMINAL (WHICH IS NOW HANDLING 39 PER CENT BY WEIGHT OF OUR IMPORTS AND 53 PER CENT BY WEIGHT OF OUR EXPORTS, EXCLUDING PETROLEUM PRODUCTS), BETWEEN KOWLOON AND SHATIN AND BEYOND TO TAI PO (WITH ITS NEW INDUSTRIAL ESTATE), BETWEEN KOWLOON AND THE SIGNIFICANT DEVELOPMENT PLANNED FOR TUEN MUN, AND THE IMPORTANT RAIL LINK BETWEEN KOWLOON AND CHINA.

HONG KONG'S COMMUNICATIONS OVERSEAS WILL BE STRENGTHENED BY THE IMPROVEMENTS TO CARGO HANDLING ARRANGEMENTS PLANNED FOR THE HARBOUR, BY THE MAJOR IMPROVEMENTS BEING UNDERTAKEN AT THE AIRPORT, AND BY THE START PLANNED ON THE CONSTRUCTION OF THE INTERNATIONAL MAIL CENTRE AS AN ADJUNCT TO THE NEW GENERAL POST OFFICE BUILDING WHICH SHOULD BE COMPLETED NEXT YEAR.

PROVISION HAS ALSO BEEN MADE TO ASSIST THE WORK OF THE COMMERCE AND INDUSTRY DEPARTMENT AND OTHER ORGANISATIONS IN DEFENDING OUR TRADING RIGHTS IN OVERSEAS MARKETS, AND IN ATTRACTING OVERSEAS INDUSTRIAL INVESTMENT AND TOURISTS TO STRENGTHEN THE ECONOMY.

TURNING TO SOME MAIN AREAS OF DEVELOPMENT, MR. HADDON-CAVE SAID ON HONG KONG ISLAND THE MAIN EMPHASIS WAS INEVITABLY ON THE WORKS NECESSARY TO LIFT THE MORATORIUM ON DEVELOPMENT IN THE MID-LEVELS.

+THUS PROVISION IS INCLUDED FOR CONTINUING TO WIDEN POKFULAM ROAD, FOR IMPROVING THE ROAD THROUGH ABERDEEN AND FOR A START ON THE ABERDEEN TUNNEL AND THE ROADS LEADING TO IT. WORK WILL ALSO START ON IMPROVEMENTS TO VARIOUS JUNCTIONS IN THE MID-LEVELS AND PLANNING WILL START ON THE DESIGN OF THE WESTERN LINK BETWEEN POKFULAM ROAD AND CONNAUGHT ROAD WEST.+

ON THE PROVISION OF MORE LAND FOR DEVELOPMENT, THE FINANCIAL SECRETARY SAID THERE WERE FURTHER PLANS FOR RECLAMATIONS AT ALDRICH BAY AND ABERDEEN, FURTHER DRAINAGE WORKS AT KOWLOON BAY AND IMPROVEMENTS IN THE SHAM SHUI PO AREA.

ADDITIONAL LAND AMOUNTING TO 155 ACRES WILL ALSO BECOME AVAILABLE AS A RESULT OF THE REPROVISIONING OF THE FACILITIES AT VICTORIA BARRACKS IN HMS TAMAR AND OF RAF KAI TAK AT SEK KONG WITH EFFECT FROM 1978 AND 1979 RESPECTIVELY.

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AS TO WORK ON THE DEVELOPMENT OF NEW TOWNS, MR. HADDON-CAVE SAID THE OBJECT WAS TO PROVIDE FOR AN ADDITIONAL POPULATION OF ABOUT 1.5 MILLION IN BALANCED DEVELOPMENT OVER ABOUT 6,500 ACRES OF LAND.

IN THE COMING FINANCIAL YEAR, THE EMPHASIS IN TSUEN WAN WILL BE ON MAKING MORE LAND AVAILABLE IN TSING YI AND KWAI CHUNG AND ON DEVELOPING FURTHER COMMUNITY FACILITIES IN THE OLD TOWN.

WORK IN SHATIN WILL ALSO BE AIMED AT MAKING MORE LAND AVAILABLE FOR DEVELOPMENT, INCLUDING THE RECLAMATION OF 147 ACRES BY A PRIVATE DEVELOPER, BUT PRIORITY WILL BE GIVEN TO PROVIDING AN ADEQUATE AND EFFICIENT SEWAGE DISPOSAL SCHEME.

EXPENDITURE IN TUEN MUN WILL BE DOMINATED BY THE LARGE HOUSING ESTATE THE PUBLIC WORKS DEPARTMENT IS COMPLETING, BUT PROGRESS WILL BE MADE ON THE ENGINEERING WORK NECESSARY FOR PREPARING FURTHER AREAS FOR DEVELOPMENT.

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MEDICAL SERVICES: FURTHER IMPROVEMENT FORESEEN

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HONG KONG SHOULD SEE BY THE END OF 1979-80 BOTH A SIGNIFICANT INCREASE IN THE RATIO OF HOSPITAL BEDS TO THE POPULATION AND A FURTHER IMPROVEMENT IN THE STANDARD OF OUR MEDICAL SERVICES.

IN HIS BUDGET SPEECH, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, TOLD THE LEGISLATIVE COUNCIL TODAY THAT RECURRENT EXPENDITURE ON MEDICAL SERVICES AT CONSTANT PRICES WAS ESTIMATED TO INCREASE FROM ABOUT \$600 MILLION IN 1976-77 TO OVER \$720 MILLION BY THE END OF THE THREE YEAR FORECAST PERIOD, 1977-78 TO 1979-80.

CAPITAL EXPENDITURE MIGHT HAVE TO BE AS HIGH AS \$430 MILLION OVER THE FOUR YEARS FROM 1976-77 TO 1979-80.

THE DRAFT ESTIMATES, MR. HADDON-CAVE SAID, PROVIDED FOR EXPENDITURE OF \$631 MILLION ON MEDICAL SERVICES IN THE COMING FINANCIAL YEAR, WHICH REPRESENTED 8.7 PER CENT OF TOTAL EXPENDITURE.

PROVISION HAS BEEN INCLUDED FOR THE PRINCESS MARGARET HOSPITAL TO OPERATE AT ITS FULL CAPACITY OF 1,340 BEDS, FOR THE OPENING OF TWO POLYCLINICS AND A SPECIALIST CLINIC AND FOR THE OPENING OF THE EXTENSION OF THE NAM LONG HOSPITAL AND THE TUNG WAH CENTENARY BUILDING.

+THESE PROJECTS WILL INCREASE THE NUMBER OF BEDS FROM 18,137 AT MARCH 31, 1976 TO 18,831 BY MARCH 31, 1977 AND WILL RESULT IN AN IMPROVEMENT IN THE RATIO OF BEDS TO THE POPULATION,+ THE FINANCIAL SECRETARY SAID.

HE ADDED THAT +OUR PRESENT FINANCIAL PLANNING+ OVER THE PERIOD 1977-78 TO 1979-80 ALLOWED FOR THE BUILDING OF THE PSYCHIATRIC WING OF THE PRINCESS MARGARET HOSPITAL AND OF NEW HOSPITALS IN EAST KOWLOON AND SHA TIN.

+MEANWHILE,+ HE NOTED, +WE SHALL BE EXPECTING THE RECOMMENDATIONS OF THE UNIVERSITY AND POLYTECHNIC GRANTS COMMITTEE ON THE DEVELOPMENT OF THE MEDICAL SCHOOL AT THE CHINESE UNIVERSITY.+

HE ALSO NOTED THAT PROVISION WAS INCLUDED +TO FINANCE THE STEPS NECESSARY TO BRING REGISTRABLE DOCTORS UP TO STANDARD.+

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MORE MONEY FOR RECREATION AND SPORT

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WORK ON THE INDOOR STADIUM AT HUNG HOM IS TO START IN THE COMING FINANCIAL YEAR, A YEAR EARLIER THAN ANTICIPATED, AND FLOODLIGHTING AT THE HONG KONG STADIUM IS TO BE IMPROVED AT A COST OF \$1.8 MILLION.

THESE ARE SOME OF THE DEVELOPMENTS IN THE PROVISION OF RECREATIONAL FACILITIES MENTIONED IN THE BUDGET SPEECH BY THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, TODAY.

FUNDS HAVE BEEN MADE AVAILABLE FOR A NUMBER OF PROJECTS. +I WOULD ALSO BE PREPARED TO SEEK SUPPLEMENTARY PROVISION IF I CAN BE SATISFIED THAT ADDITIONAL FUNDS CAN BE USEFULLY SPENT WITHIN THE COMING YEAR,+ HE SAID.

AMONG THE PROVISIONS IN 1976-77 ARE AN ADDITIONAL \$6 MILLION TO DEVELOP THE COUNTRYSIDE FOR RECREATION, PARTICULARLY IN THE SAI KUNG, SHING MUN, ABERDEEN AND BRIDE POOL AREAS AND TO STAFF TWO MANAGEMENT CENTRES, AND A FIRST ALLOCATION OF \$5 MILLION FOR A PROGRAMME OF IMPROVEMENT ON THE SOUTH LANTAO ROAD TO OPEN UP THE CONSIDERABLE RECREATIONAL POTENTIAL OF LANTAO.

PROVISION HAS ALSO BEEN INCLUDED TO OPEN UP BUTTERFLY BEACH IN THE NEW TERRITORIES, TO DEVELOP THE TSUEN WAN SWIMMING POOL, AND TO CONSTRUCT ADDITIONAL PLAYGROUND AND SPORTS GROUND FACILITIES IN KWAI CHUNG.

THE PUBLIC WORKS DEPARTMENT WILL BE LETTING CONTRACTS TO THE VALUE OF OVER \$40 MILLION FOR RECREATIONAL FACILITIES IN THE URBAN AREA ON BEHALF OF THE URBAN COUNCIL.

IN ADDITION NEARLY \$6 MILLION, DOUBLE THE PREVIOUS ALLOCATION, HAS BEEN PROVIDED FOR THE ACTIVITIES OF THE COUNCIL FOR RECREATION AND SPORT, THE RECREATION AND SPORTS SCHEME, THE OPPORTUNITIES FOR YOUTH SCHEME AND HONG KONG'S PARTICIPATION IN INTERNATIONAL, AND THE ORGANISATION OF LOCAL, SPORTING EVENTS.

THE FINANCIAL SECRETARY SAID THAT EXPENDITURE ON RECREATION AND SPORT HAD BEEN SUPPLEMENTED BY ABOUT \$4 MILLION FROM SPECIAL FUNDS IN THE LAST TWO YEARS. +WE SHALL NOW HAVE TO THINK ABOUT SUCH ALTERNATIVE SOURCES OF REVENUE FOR THIS EXPENDITURE AS THE LOTTERIES FUND FROM WHICH, ALSO, THERE HAS BEEN A STEADY FLOW OF GRANTS TO IMPROVE FACILITIES,+ HE SAID.

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GROWING EMPHASIS ON COMMUNITY SERVICES
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THERE WAS A GROWING EMPHASIS ON SPENDING ON COMMUNITY SERVICES, PARTICULARLY WATER, CIVIL ENGINEERING WORKS FOR LAND DEVELOPMENT AND ROADS BETWEEN 1970-71 AND 1974-75, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, SAID IN THE LEGISLATIVE COUNCIL TODAY. HE WAS REVIEWING PUBLIC EXPENDITURE TRENDS DURING THE FIRST FIVE FINANCIAL YEARS OF THIS DECADE.

HE POINTED OUT HOWEVER THAT THE TRENDS DID NOT +NECESSARILY REFLECT THE GOVERNMENT'S PLANNING PRIORITIES DURING THAT PERIOD, BUT RATHER THE RESULTS OF PREVIOUS DECISIONS.+

DURING THIS PERIOD, THE PLOVER COVE SCHEME WAS COMPLETED, THE DAMS WERE LATER RAISED, WORK ON THE HIGH ISLAND SCHEME AND THE DESALTER WAS BEGUN, 772 ACRES OF LAND WERE CREATED FOR DEVELOPMENT AND 50 MILES OF MOTOR ROADS AND 15 FLYOVERS WERE BUILT.

THE FINANCIAL SECRETARY LISTED THE ACHIEVEMENTS IN BUILDING UP THE POLICE FORCE, SECONDARY SCHOOL PLACES, ENROLMENT AT THE TECHNICAL INSTITUTES, THE NEW POLYTECHNIC AND THE UNIVERSITIES, HOSPITAL FACILITIES INCLUDING NEW HOSPITALS, PUBLIC HOUSING AND THE NEW TOWNS.

+FINALLY, THERE IS THE DRAMATIC STORY OF SOCIAL WELFARE SUBVENTIONS AND THE NEW FOUND EMPHASIS ON CASH ASSISTANCE TO MAINTAIN FAMILY INCOMES AND TO ASSIST THE DISABLED AND INFIRM,+ HE SAID.

+THE TOTAL COST OF ALL FORMS OF ASSISTANCE INCREASED FROM \$5.4 MILLION TO \$166 MILLION.+

DESPITE THIS EMPHASIS ON COMMUNITY SERVICES, THE SPENDING ON WHICH INCREASED FROM 19 PER CENT OF TOTAL EXPENDITURE IN 1970-71 TO 28 PER CENT IN 1974-75, MR. HADDON-CAVE SAID IT WAS POSSIBLE FOR THE LAW AND ORDER GROUP OF SERVICES TO MAINTAIN ITS 1970-71 SHARE OF WELL OVER NINE PER CENT DURING THIS PERIOD- AND THE SOCIAL SERVICES GROUP COULD BE ALLOCATED 39 PER CENT OF TOTAL EXPENDITURE IN BOTH 1970-71 AND 1974-75.

THIS COULD BE DONE BECAUSE THE GROWTH OF EXPENDITURE ON GENERAL SERVICES AND ON ECONOMIC SERVICES WAS KEPT WELL BELOW THE GROWTH OF TOTAL EXPENDITURE, DECLINING FROM 20 PER CENT OF THE SHARE TO 14 PER CENT OVER THE PERIOD.

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TEXTILE EXPORT LICENCE FOR AUSTRIA TEMPORARILY SUSPENDED

THE COMMERCE AND INDUSTRY DEPARTMENT, ON THE ADVICE OF THE TEXTILES ADVISORY BOARD, HAS SUSPENDED THE ISSUE OF EXPORT LICENCES FOR ONE TEXTILE ITEM TO AUSTRIA.

THE ITEM IS WOVEN BLOUSES (WHOLLY OR MAINLY OF COTTON OR MAN-MADE FIBRES) FOR WOMEN, GIRLS AND INFANTS.

THE TEMPORARY SUSPENSION FOLLOWS CONSULTATIONS BETWEEN HONG KONG AND AUSTRIAN GOVERNMENT OFFICIALS IN VIENNA.

BUT A D.C. AND I. SPOKESMAN SAID THAT IN SPITE OF THE SUSPENSION, THE DEPARTMENT WILL CONTINUE TO ISSUE EXPORT LICENCES ON TWO CONDITIONS:

- A) IF THE GOODS ARE COVERED BY CONFIRMED CONTRACTS CONCLUDED BETWEEN AUSTRIAN IMPORTERS AND HONG KONG EXPORTERS, OR MANUFACTURERS, BEFORE YESTERDAY (FEBRUARY 24, 1976) - AND
- B) IF THE GOODS ARE TO BE SHIPPED OUT ON OR BEFORE MARCH 31, 1976.

THE SPOKESMAN SAID THAT COMPANIES WISHING TO AVAIL THEMSELVES OF THIS ARRANGEMENT MUST REGISTER THEIR CONTRACTS WITH THE DEPARTMENT BEFORE NOON ON SATURDAY, (FEBRUARY 28).

AN APPLICATION FORM FOR THIS HAS BEEN SENT WITH THE DEPARTMENT'S NOTICE TO EXPORTERS, SERIES 3, NO. 5/76, TO PEOPLE IN THE TRADE.

FOR FURTHER ENQUIRIES PLEASE PHONE MR. C.H. POON, INDUSTRY ASSISTANT (TEXTILES SECTION - AUSTRIA), TEL. NO. 5-247315.

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CHINESE POSTAL OFFICIALS TO VISIT HONG KONG

AT THE INVITATION OF THE POSTMASTER GENERAL, A GROUP OF POSTAL OFFICIALS FROM CANTON WILL VISIT HONG KONG FROM THURSDAY (FEBRUARY 26) TO WEDNESDAY (MARCH 3).

THE VISITING DELEGATION, CONSISTING OF EIGHT OFFICIALS, WILL BE HEADED BY MR. CHAO YUNG-SHOU, DEPUTY DIRECTOR OF THE CANTON POST OFFICE.

THE VISIT IS INTENDED TO PROVIDE AN OPPORTUNITY TO EXCHANGE VIEWS AND DISCUSS POSTAL OPERATIONAL QUESTIONS OF MUTUAL INTEREST.

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